news release

Mandarin Oriental International Limited

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To: Business Editor

5th March 2009
For immediate release

The following announcement was issued today to a Regulatory Information Service approved by the Financial Services Authority in the United Kingdom.

MANDARIN ORIENTAL INTERNATIONAL LIMITED
2008 PRELIMINARY ANNOUNCEMENT OF RESULTS

Highlights

- Weakening demand affects second half results
- Earnings per share (before non-trading items) down from US¢8.98 to US¢6.84
- Full-year dividend per share up from US¢6.00 to US¢7.00
- Sale of 50% interest in Macau hotel announced in 2009
- Active development programme continues, but some delays now expected

"Against the background of deteriorating conditions and an uncertain global economic outlook, business will continue to be challenging with further decreases in occupancy expected at most of our hotels. Nonetheless, Mandarin Oriental's financial position is strong and the long-term outlook remains positive due to the strength of the brand and the limited new supply of luxury hotels in the Group's key markets."

Simon Keswick, *Chairman*
5th March 2009

Results

	Year ended 31st December		
	2008	2007	Change
	US$m	US$m	%
Combined total revenue of hotels under management(1)	**1,016.1**	1,007.7	+1
Earnings before interest, tax, depreciation and amortization(2)	**163.9**	190.2	–14
Profit attributable to shareholders	**67.1**	108.2	–38
Profit attributable to shareholders – excluding gain on disposal and writeback of impairment of an associate	**67.1**	87.1	–23
	US¢	US¢	%
Earnings per share	**6.84**	11.16	–39
Earnings per share – excluding gain on disposal and writeback of impairment of an associate	**6.84**	8.98	–24
Dividends per share	**7.00**	6.00	+17
	US$	US$	%
Net asset value per share	**1.02**	1.18	–14
Net asset value per share with leasehold properties at valuation(3)	**2.08**	2.34	–11
Net debt/shareholders' funds	**15%**	16%	
Net debt/adjusted shareholders' funds(3)	**7%**	8%	

(1) Combined revenue includes turnover of the Group's subsidiary hotels in addition to 100% of revenue from associate, joint venture and managed hotels.
(2) EBITDA does not include gain on disposal and writeback of impairment of an associate.
(3) These calculations have been presented after adjusting for the market value of the Group's leasehold interests. International Financial Reporting Standards ('IFRS') do not permit leasehold interests of owner-occupied land to be carried at valuation. The Group considers that the IFRS treatment does not reflect the economic substance of its underlying property investments. Therefore, the Group has presented the net asset value per share and net debt/shareholders' funds taking into account the fair market value of leasehold interests as supplementary financial information in addition to the net asset value per share and net debt/shareholders' funds based on IFRS measures.

The final dividend of US¢5.00 per share will be payable on 13th May 2009, subject to approval at the Annual General Meeting to be held on 6th May 2009, to shareholders on the register of members at the close of business on 20th March 2009. The ex-dividend date will be on 18th March 2009, and the share registers will be closed from 23rd to 27th March 2009, inclusive.

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MANDARIN ORIENTAL INTERNATIONAL LIMITED

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2008

OVERVIEW

Despite solid results in the first six months of the year, the Group's overall performance was negatively affected by weakening demand as global economic conditions deteriorated.

PERFORMANCE

Mandarin Oriental's earnings before interest, tax, depreciation and amortization for 2008 were US$164 million compared with US$190 million in 2007. Profit attributable to shareholders in 2008 was US$67 million, which compared with US$87 million in 2007 excluding non-trading items or US$108 million including such items, being principally a gain on a property disposal.

Earnings per share for the year were US¢6.84 compared with US¢8.98 in 2007, excluding non-trading items. Including non-trading items, earnings per share in 2007 were US¢11.16.

The Directors recommend a final dividend of US¢5.00 per share. This, together with the interim dividend of US¢2.00 per share, will make a total annual dividend of US¢7.00 compared with the US¢6.00 paid in respect of 2007. The increase in annual dividend reflects both the Company's financial strength and the limited capital required for the Group's expansion.

The net asset value per share with leasehold properties adjusted for fair market value was US$2.08 at 31st December 2008 based on a Directors' review of the valuations of the Group's hotel properties, in consultation with independent valuers. This represents a decrease of 11% compared with the net asset value per share of US$2.34 at the end of 2007. The Group's net debt remains low at US$146 million, 7% of adjusted shareholders' funds.

GROUP REVIEW

The economic downturn led to reduced activity across the Group's hotels, particularly from September onwards in what is traditionally their strongest season. Business from the corporate segment, especially the financial services sector, was adversely affected, leading to a drop in occupancy at most hotels. The leisure segment proved to be more resilient, contributing to increases in average room rates in the majority of our properties.

Despite the slowdown in the past four months, the Group's wholly-owned Hong Kong hotels maintained their profitability. The results from Europe, however, were adversely affected by currency movements and an eight-month renovation project in Geneva. The Group's hotels in The Americas suffered from the downturn, but maintained their competitive positions.

DEVELOPMENTS

Mandarin Oriental, Boston opened in October 2008, and in January 2009, Mandarin Oriental, Sanya joined the portfolio. During 2008, the Group announced two new projects: a 221-room hotel to be opened in Moscow in 2011 and a 198-room hotel and branded residences in Atlanta, also to be completed in 2011.

More recently, the Group has announced that it will manage a 114 villa luxury resort in The Maldives, due to open in the next 12 months.

Mandarin Oriental is on schedule to open a further three new hotels in 2009, in Marrakech, Barcelona and Las Vegas, all of which will be operated by the Group under long-term management contracts. The opening of Mandarin Oriental, Beijing, scheduled for the second half of 2009, has unfortunately been postponed following a fire at the construction site in February. The Group has no equity interest in this property. Mandarin Oriental, Jakarta will re-open in the second half of the year following an extensive renovation. In total, the Group now operates 23 hotels with a further 18 hotels under development, some of which will be delayed due to the current financial environment. The Group continues to liaise closely with the developers on their timing.

In January of this year, the Group announced it would dispose of its 50% interest in the existing Macau hotel. An expected gain of approximately US$75 million will be recognized once the transaction is completed. The proceeds of some US$90 million will reduce further the Group's net debt. The Group will open a new property in Macau in 2010.

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OUTLOOK

In conclusion, the Chairman, Simon Keswick said, “Against the background of deteriorating conditions and an uncertain global economic outlook, business will continue to be challenging with further decreases in occupancy expected at most of our hotels. Nonetheless, Mandarin Oriental’s financial position is strong and the long-term outlook remains positive due to the strength of the brand and the limited new supply of luxury hotels in the Group’s key markets.”

GROUP CHIEF EXECUTIVE'S REVIEW

BUSINESS STRATEGY

Mandarin Oriental's aim, to become widely recognized as the best international luxury hotel group operating in sought-after destinations, remains firmly in place. An award-winning owner and operator of some of the world's most prestigious hotels and resorts, our Group will continue to grow its global presence. Mandarin Oriental now operates 23 hotels with a further 18 under development, bringing the total number of rooms to over 10,000 in 25 countries, reflecting the increasing strength of the brand.

PROGRESS ACHIEVED

After a solid first half performance, the effects of the global economic downturn began to impact the Group's results from September onwards. As market conditions deteriorated, the hotels experienced a weakening of demand which resulted in reduced occupancies as well as a decline in related revenues. With the environment expected to remain challenging, comprehensive plans have been put in place to manage responsibly for reduced occupancy levels, without compromising our guests' satisfaction. Mandarin Oriental's strong financial position ensures that the Group is well placed to face the challenges ahead.

Despite the downturn, the Group's growing portfolio remained competitively strong and continued to achieve high average room rates. Whilst corporate travel has decreased, the demand amongst high net worth individuals for luxurious services and facilities when travelling for leisure remained intact, and our hotels successfully attracted travellers who paid premium rates for Mandarin Oriental experiences. The Group continues to benefit from the limited new supply in our sector and the impact of our growth around the world.

The resilience of the Group is clearly demonstrated in the following table which compares our performance over the past five years, since the end of the Asian downturn in 2003. In 2008, as a result of our successful growth strategy, we have achieved combined total revenues of hotels under management of over US$1 billion, in line with 2007 and above previous years. Earnings in 2008 were lower than the previous year however, with approximately two-thirds of the drop resulting from currency related movements and the renovation in Geneva, while the remaining decrease was due to the effects of the current economic downturn. Nonetheless, the Group's results remained significantly above those seen in previous years.

	2004 US$m	2005 US$m	2006 US$m	2007 US$m	2008 US$m
Combined total revenue of hotels under management	667	815	850	1,008	1,016
EBITDA	99	124	116	190	164
Profit attributable to shareholders excluding non-trading items	19	41	45	87	67

Furthermore, Mandarin Oriental's international expansion continued. In 2008, the Group added two new properties to its portfolio, in Boston and on the Riviera Maya in Mexico, which have met with considerable acclaim. While some of our already announced projects will be delayed as a result of the developers experiencing difficulty in obtaining adequate financing in the current environment, the Group signed two new management contracts during 2008, for hotels in Moscow and Atlanta. The Group also announced two new *Residences at Mandarin Oriental* that will accompany hotel projects, bringing the total number of branded residential projects to 13. In February 2009, the Group announced a new management contract for a luxury hideaway resort in The Maldives, comprising 114 spectacular villas, which is due to open in the next 12 months. The Group continues to review additional opportunities for luxurious urban hotels, resorts, hideaways and residences in important locations around the world.

PERFORMANCE IN 2008

Set out below is a review of the Group's performance in 2008, with reference to the following strategic objectives:

- Being recognized as the world's best luxury hotel group
- Strengthening our competitive position
- Increasing the number of rooms under operation to 10,000
- Achieving a strong financial performance

1. **Being recognized as the world's best luxury hotel group**

   Despite the current operational challenges that have impacted profitability, the vision on what constitutes success for our Group remains unchanged.

The Group remains focused on delivering our own style of luxury, comprising the essential elements of tradition, quality and innovation. Consequently, at existing hotels and within our growing portfolio, we continue to invest behind our core brand attributes of cutting-edge hotel design and architecture, holistic spa operations, innovative dining experiences, guest-orientated technology and the delivery of legendary service to our guests. As a result, Mandarin Oriental is increasingly recognized for creating some of the world's most sought-after properties, providing 21st century luxury with oriental charm. As the number of hotels we operate in new destinations grows, Mandarin Oriental is enjoying increasing recognition for creating many of the world's most desirable luxury hotels, supported by the Group's award-winning international advertising campaign which features 18 celebrity "fans", who regularly stay in our hotels.

Further evidence of the Group's increasing global recognition in 2008 is the achievement of many significant awards from respected travel associations and publications worldwide. Highlights include *Condé Nast Traveler US Gold List 2008* which featured 11 award nominations, and *'The World's Best'* from *Travel + Leisure,* which had seven of our hotels appearing. Nine hotels were nominated in the annual *Forbes 400 Best Hotels* listing, and 11 hotels, the highest number ever achieved, appeared in the prestigious *Institutional Investor's World's Best 2008* listings.

The new hideaway, Mandarin Oriental Riviera Maya, Mexico achieved impressive accolades in its first year of operation and was recognized as one of the *'Best New Hotels in the World'* by *Travel + Leisure, Condé Nast Traveler, US* and *UK* editions, as well as *The Daily Telegraph, UK* and the prestigious *Robb Report.*

The Group's expertise in creative dining was also recognized in 2008 with restaurants in both luxury hotels in Hong Kong achieving *Michelin* star status, while three restaurants at Mandarin Oriental, Tokyo gained this honour. The Group's holistic spa operations were also recognized with Mandarin Oriental being nominated as *'Best Spa Brand'* in *Spa Finder's 2008 Readers Choice Awards*, while Mandarin Oriental, Hong Kong was one of only two spas in the region to achieve *'Mobil Five Star'* status for its spa facilities.

Finally Mandarin Oriental Hotel Group was positioned ahead of all its competitors, as one of Asia's *'200 Most Admired Companies'* in the *Wall Street Journal, Asia.*

Such strong brand recognition allows our properties to achieve premium rates and compete effectively.

2. Strengthening our competitive position

With most hotels experiencing a decrease in visitor arrivals, particularly in the last four months of the year, the focus remained on ensuring the hotels maintained or enhanced their leadership positions against their primary competition. In response to market challenges, appropriate cost containment measures were implemented, while ensuring the quality of service remained uncompromised.

Mandarin Oriental's operational and marketing focus remains on attracting wealthy leisure travellers. This strategy has led to the Group achieving over 40% of its business from the leisure segment, more than double the level achieved six years ago. This successful shift in consumer demand, which is a reflection of the strength of the brand's reputation and our growing portfolio, has resulted in the Group achieving an average rate of over US$400 across the portfolio.

The highlights of each region are as follows:

Asia

In Hong Kong, all three hotels managed by the Group maintained their competitive positions while experiencing a drop in occupancy levels over the previous year due to the shortfall in corporate demand. At the 100%-owned Mandarin Oriental, Hong Kong this shortfall was particularly significant following the weakening of the financial services sector from September onwards, in what is traditionally the strongest quarter of the year. Nonetheless, the Group's flagship achieved a 10% rate improvement over 2007 at US$437, and The Landmark, Mandarin Oriental increased its rate by 11% to almost US$500. In the first ever Hong Kong and Macau edition of the *Mobil Travel Guide*, Mandarin Oriental, Hong Kong and The Landmark Mandarin Oriental attained coveted *'Five Star'* ratings; two of only four hotels in the territory to do so. This important recognition also validates the Group's decision to operate two complementary luxury hotels in a key city such as Hong Kong.

The Excelsior, the Group's other 100%-owned property in Hong Kong, also performed well against competition, achieving an occupancy of 84%, with an average rate of US$184, up from US$179 in 2007.

In Macau, Mandarin Oriental was affected by a further increase in the city's hotel supply against a slowdown in visitor arrivals. With occupancy down from 66% in 2007 to 48% in 2008, the hotel focused on attracting lower-spending group and meeting business which also resulted in an average rate decrease, thereby reducing RevPAR (Revenue Per Available Room) by 33% from 2007.

Throughout Southeast Asia, the number of corporate visitors decreased, particularly in the second half of the year, and occupancy levels were negatively affected in Manila, Singapore and Kuala Lumpur. Nonetheless, average rates in those hotels increased in local currency terms by 15%, 19% and 11% respectively. Mandarin Oriental, Jakarta remained closed throughout 2008, undergoing a US$50 million renovation programme designed to re-position the property as one of the city's most luxurious and contemporary hotels when it re-opens in the second half of 2009.

Despite the political uncertainties in Thailand, Mandarin Oriental, Bangkok maintained its strong competitive position at the top of the luxury hotel sector and once again was recognized as one of the world's best hotels in the most important world-wide travel awards.

In Tokyo, weakening demand in the corporate sector negatively impacted Mandarin Oriental's occupancy levels, which declined by 18%. Nonetheless, the hotel performed well against its competition, due to the strength in the leisure market, and continues to enhance its reputation as one of the top luxury hotels in the city. The property achieved first place position as the hotel to provide the best comfort levels against 30 other properties in the *Michelin Tokyo Guide 2009* and attained one *Michelin Star* for each of its three restaurants.

Europe

In Europe, the Group's hotels were relatively less impacted by the economic downturn, but their contribution to the Group's results was adversely affected by currency movements compared with 2007. Nonetheless, the hotels were successful in maintaining or enhancing their competitive positions at the top of their markets.

Mandarin Oriental Hyde Park, London witnessed a decrease in occupancy from 88% in 2007 to 84% in 2008, but with a resilient demand from leisure travellers, the hotel increased its average rate by 3% in local currency terms. Nonetheless, the contribution from the London hotel decreased significantly as a result of currency movements.

In Munich, Mandarin Oriental maintained its position as the undisputed market leader in the city, and, following a full scale rooms renovation in 2007, increased its average rate by 9% in local currency terms. With occupancy also increasing, the hotel achieved a 15% increase in RevPAR.

In August 2008, Mandarin Oriental, Geneva completed a significant renovation, designed to appeal to the leisure traveller, which provided the hotel with a new lobby, seven additional roof-top suites, two new restaurants and a bar. The hotel successfully increased its average rate in local currency terms by 5% over the previous year, however the renovation disrupted occupancy levels as well as food and beverage revenues, leading to an 8% decrease in RevPAR and a resulting lower contribution to the Group's results from this subsidiary hotel.

The Americas

In The Americas, our hotels maintained their competitive positions in an environment that became more challenging as the year progressed. Mandarin Oriental, Washington D.C.'s contribution to Group profits was down due to a reduction in average rates, however, the hotel did well to maintain stable occupancy levels while city-wide demand was down. The hotel is now established as one of the city's most luxurious properties, and continues to receive positive press accolades and awards, including *'Top Hotels in the USA'* in the 2008 *Zagat* survey.

In New York, continued strong demand from the leisure segment for the Group's US flagship property resulted in an increase in average rate from US$937 in 2007 to US$952 in 2008, despite lower occupancies in the last four months of the year. Mandarin Oriental, New York remains one of only a few hotels to achieve and retain both the prestigious *'Mobil Five Star'* and the *American Automobile Association's 'Five Diamond Lodgings Award'*.

In Miami, softer demand for the city led to reduced occupancies at Mandarin Oriental and a subsequent 2% drop in average rates. The property continues to perform well against competition, receiving significant media attention and a listing in all of the major readership surveys. The Spa at Mandarin Oriental, Miami was recently awarded the only *'Mobil Five Star'* rating in the state of Florida.

3. Increasing the number of rooms under operation to 10,000

Mandarin Oriental has accomplished strong geographic diversification and is on track to achieve its mid-term goal of operating 10,000 rooms in key global locations within the next few years. Of the 18 developments which the Group has announced in the past four years, 13 are under construction. The remaining projects are experiencing delays as the developers pursue the required levels of project funding. Only one of the previously announced projects, in Dallas, will not go ahead, but the Group remains in active discussion with the developer about potential new sites in the city, once development conditions improve.

In 2009, the Group will add four new properties to its operating portfolio, including its first mainland Chinese hotel which opened on Hainan Island in January. The three additional luxury properties to open in the coming months are Barcelona, Las Vegas and Marrakech. Mandarin Oriental, Beijing, which was scheduled to open in the second half of this year as part of the CCTV development in the city centre, has been postponed while the extent of damage caused by the fire at the construction site in February is reviewed by the relevant authorities. Mandarin Oriental has a long-term management contract for the hotel with no ownership interest. The Group's second hotel in Macau, which was also due to open in 2009, is now set to open in early 2010.

The brand was further strengthened with the completion of the Group's second *Residences at Mandarin Oriental* which opened in Boston. Mandarin Oriental has a total of 13 residential projects open or under development. The associated branding fees for these projects provide a further return for the Group.

Despite global market conditions and a slowing down of hotel development, the long-term potential for growth remains significant. In the current economic environment, the attraction of a strong brand is even more compelling to luxury hotel developers, as this can positively impact their ability to secure funding. The Group continues to review opportunities for additional management contracts and remains well positioned to take advantage of future investment opportunities that may arise in strategic locations. Overall, the intent of operating both owned and managed hotels remains fundamental to the strategy of the Group.

4. **Achieving a strong financial performance**

Mandarin Oriental's financial well-being remains fundamental to the Group's success. While the challenges posed by the overall economic uncertainty had a negative impact on the results, our hotels focused on introducing appropriate cost containment measures. Overall however, the Group remains in a very strong financial position with a low level of gearing and significant cash balances. In 2009, there is no requirement for refinancing of any of the Group's significant bank borrowings.

The Group's cash balances will benefit further in 2009 from receipt of the proceeds of approximately US$90 million arising on the disposal of its 50% interest in its existing Macau hotel. The transaction, which was announced in January 2009, is expected to complete in May.

Reflecting the Group's strong financial position, Mandarin Oriental has recommended maintaining a final dividend of US¢5.00, which, when combined with the interim dividend of US¢2.00, makes a full year dividend of US¢7.00, up from US¢6.00 in 2007.

THE FUTURE

It is currently not possible to predict the timing of a return to a less challenging business environment. The Group is closely monitoring demand across its properties and will continue to adjust costs as appropriate.

Nonetheless Mandarin Oriental, with its strong balance sheet, is well placed to cope with the current situation and will benefit from its growing global portfolio, as it doubles in size in the coming few years. The severity of the downturn will also limit further new supply in most of the destinations in which we operate.

As we open new projects in the world's most sought-after destinations, the recognition of Mandarin Oriental as a global luxury brand grows stronger and places us in an excellent position to benefit from a global recovery when it occurs. With the support of all our stakeholders – our colleagues, guests, partners and shareholders – we have the means to deliver our long-term vision of being widely recognized as the best luxury hotel group in the world.

Edouard Ettedgui

Group Chief Executive

5th March 2009

Mandarin Oriental International Limited
Consolidated Profit and Loss Account
for the year ended 31st December 2008

	2008 US$m	2007 US$m
Revenue *(note 2)*	**530.0**	529.5
Cost of sales	**(324.5)**	(318.8)
Gross profit	**205.5**	210.7
Selling and distribution costs	**(36.6)**	(32.6)
Administration expenses	**(82.7)**	(70.4)
Operating profit *(note 3)*	**86.2**	107.7
Interest income	**12.4**	18.9
Financing charges	**(29.4)**	(35.3)
Net financing charges	**(17.0)**	(16.4)
Share of results of associates and joint venture excluding writeback of impairment of an associate	**15.3**	17.8
Writeback of impairment of an associate *(note 4)*	**-**	5.1
Share of results of associates and joint venture *(note 4)*	**15.3**	22.9
Gain on disposal related to an associate *(note 5)*	**-**	16.0
Profit before tax	**84.5**	130.2
Tax *(note 6)*	**(18.3)**	(22.8)
Profit for the year	**66.2**	107.4
Attributable to:		
Shareholders of the Company	**67.1**	108.2
Minority interests	**(0.9)**	(0.8)
	66.2	107.4

	US¢	US¢
Earnings per share *(note 7)*		
- basic	**6.84**	11.16
- diluted	**6.79**	10.96
Earnings per share – excluding gain on disposal and writeback of impairment		
- basic	**6.84**	8.98
- diluted	**6.79**	8.82

Mandarin Oriental International Limited
Consolidated Balance Sheet
at 31st December 2008

	2008 US$m	Restated 2007 US$m
Net assets		
Intangible assets	**232.3**	223.4
Tangible assets *(note 8)*	**860.8**	995.0
Associates and joint venture	**155.5**	204.6
Other investments	**3.9**	3.1
Loans receivable	**4.8**	3.4
Pension assets	**6.6**	34.0
Deferred tax assets	**16.5**	27.5
Other non-current assets	**-**	0.2
Non-current assets	**1,280.4**	1,491.2
Stocks	**4.1**	4.7
Debtors and prepayments	**61.3**	69.3
Current tax assets	**15.2**	3.4
Cash at bank	**514.9**	492.4
Current assets	**595.5**	569.8
Creditors and accruals	**(92.9)**	(105.5)
Current borrowings *(note 9)*	**(7.4)**	(13.4)
Current tax liabilities	**(5.2)**	(7.2)
Current liabilities	**(105.5)**	(126.1)
Net current assets	**490.0**	443.7
Long-term borrowings *(note 9)*	**(653.9)**	(663.9)
Deferred tax liabilities	**(85.8)**	(107.7)
Pension liabilities	**-**	(0.1)
Other non-current liabilities	**(19.2)**	(2.9)
	1,011.5	1,160.3
Total equity		
Share capital	**49.2**	48.7
Share premium	**168.9**	163.5
Revenue and other reserves	**788.3**	940.1
Shareholders' funds	**1,006.4**	1,152.3
Minority interests	**5.1**	8.0
	1,011.5	1,160.3

Mandarin Oriental International Limited
Consolidated Statement of Recognized Income and Expense
for the year ended 31st December 2008

	2008 US$m	2007 US$m
(Deficits)/surpluses on revaluation of properties	**(69.3)**	78.4
Actuarial (losses)/gains on defined benefit pension plans	**(27.6)**	7.6
Net exchange translation differences	**(74.0)**	38.3
Gain on other investments	**0.2**	0.1
Loss on cash flow hedges	**(18.1)**	(5.5)
Tax on items taken directly to equity	**32.6**	(29.6)
Net (loss)/income recognized directly in equity	**(156.2)**	89.3
Transfer to profit and loss on realization of exchange reserves	**(0.7)**	(8.3)
Profit for the year	**66.2**	107.4
Total recognized income and expense for the year	**(90.7)**	188.4
Attributable to:		
Shareholders of the Company	**(87.2)**	184.1
Minority interests	**(3.5)**	4.3
	(90.7)	188.4

Mandarin Oriental International Limited
Consolidated Cash Flow Statement
for the year ended 31st December 2008

	2008 US$m	Restated 2007 US$m
Operating activities		
Operating profit	**86.2**	107.7
Depreciation	**37.8**	37.6
Amortization of intangible assets	**1.5**	0.9
Non-cash items	**3.2**	(3.9)
Movements in working capital	**0.5**	5.3
Interest received	**13.4**	18.5
Interest and other financing charges paid	**(31.8)**	(34.9)
Tax paid	**(6.9)**	(14.0)
	103.9	117.2
Dividends from associates and joint venture	**20.0**	12.3
Cash flows from operating activities	**123.9**	129.5
Investing activities		
Purchase of tangible assets	**(68.8)**	(50.1)
Purchase of intangible assets	**(9.6)**	(5.0)
Advance of mezzanine loans	**(1.4)**	(3.4)
Repayment of mezzanine loan	**-**	12.0
Increase in other investments	**(0.7)**	(0.2)
Proceeds on disposal related to an associate	**-**	70.7
Capital distribution from associates	**23.2**	14.4
Cash flows from investing activities	**(57.3)**	38.4
Financing activities		
Issue of shares	**5.8**	3.5
Drawdown of borrowings	**35.3**	535.9
Repayment of borrowings	**(11.9)**	(464.4)
Dividends paid by the Company *(note 11)*	**(68.7)**	(38.7)
Dividends paid to minority shareholders	**(0.1)**	-
Cash flows from financing activities	**(39.6)**	36.3
Effect of exchange rate changes	**(4.4)**	1.3
Net increase in cash and cash equivalents	**22.6**	205.5
Cash and cash equivalents at 1st January	**492.1**	286.6
Cash and cash equivalents at 31st December	**514.7**	492.1

Mandarin Oriental International Limited
Notes

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information contained in this announcement has been based on the audited results for the year ended 31st December 2008 which have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

(i) Interpretations effective in 2008 which are relevant to the Group's operations

IFRIC 11 IFRS 2	Group and Treasury Share Transactions
IFRIC 14 IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above interpretations did not have a material impact on the Group's financial statements.

(ii) Standards, amendments and interpretations effective after 2008 which are relevant to the Group's operations but will have no material impact on the Group's accounting policies

IAS 23	Borrowing Costs
Amendments to IFRS 2	Vesting Conditions and Cancellations
IAS 16 (Amendment)	Property, Plant and Equipment
IAS 19 (Amendment)	Employee Benefits
IAS 38 (Amendment)	Intangible Assets
Amendment to IAS 39	Eligible Hedged Items
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

(iii) Standards, amendments and interpretations effective after 2008 which are relevant to the Group's operations and yet to be adopted

IFRS 3	Business Combinations
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
Amendments to IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations

Certain comparative figures have been reclassified to conform with current year presentation.

2. REVENUE

	2008 US$m	2007 US$m
By geographical area:		
Hong Kong and Macau	**207.3**	200.8
Other Asia	**116.3**	119.3
Europe	**141.2**	146.4
The Americas	**65.2**	63.0
	530.0	529.5

3. OPERATING PROFIT

	2008 US$m	2007 US$m
By geographical area:		
Hong Kong and Macau	**57.1**	54.2
Other Asia	**2.3**	3.6
Europe	**29.4**	47.0
The Americas	**(2.6)**	2.9
	86.2	107.7

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURE

	2008 US$m	2007 US$m
By geographical area:		
Hong Kong and Macau	**2.8**	4.5
Other Asia	**13.2**	18.3
The Americas	**(0.7)**	0.1
	15.3	22.9

Share of results of associates and joint venture is stated after charging depreciation and amortization of US$11.7 million (2007: US$11.9 million), net financing charges of US$7.8 million (2007: US$8.5 million), and tax of US$3.6 million (2007: US$5.8 million). In 2007, this included a US$5.1 million writeback of an impairment previously made against the value of the Group's interest in Mandarin Oriental, Kuala Lumpur.

The Directors have reviewed the carrying value of all operating properties owned by associates and joint venture at 31st December 2008 in consultation with the Group's independent, professionally qualified valuers. The Group's share of the underlying net revaluation deficit of US$11.1 million (2007: net revaluation surplus of US$1.6 million) has been dealt with in capital reserves.

5. GAIN ON DISPOSAL RELATED TO AN ASSOCIATE

The sale of half of the Group's 50% investment in Mandarin Oriental, New York was completed on 1st March 2007. This sale has reduced the Group's interest in the hotel from 50% to 25%. The hotel was valued at US$340.0 million for the purpose of the sale. On disposal of the 25% interest, the Group recorded a pre-tax gain of US$25.0 million, with a post-tax gain of US$16.0 million after a tax charge of US$9.0 million arising on the disposal. The Group continues to manage the hotel under a long-term agreement.

6. TAX

	2008 US$m	2007 US$m
Current tax	**6.7**	13.3
Deferred tax	**11.6**	9.5
	18.3	22.8

Tax on profits has been calculated at rates of taxation prevailing in the territories in which the Group operates.

Share of tax of associates and joint venture of US$3.6 million (2007: US$5.8 million) is included in share of results of associates and joint venture.

7. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US$67.1 million (2007: US$108.2 million) and on the weighted average number of 980.7 million (2007: 969.8 million) shares in issue during the year. The weighted average number excludes shares held by the Trustee of the Senior Executive Share Incentive Schemes.

Diluted earnings per share are calculated on profit attributable to shareholders of US$67.1 million (2007: US$108.2 million) and on the weighted average number of 988.8 million (2007: 987.1 million) shares after adjusting for the number of shares which are deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes based on the average share price during the year.

The weighted average number of shares is arrived at as follows:

	Ordinary shares in millions	
	2008	2007
Weighted average number of shares in issue	**980.7**	969.8
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**8.1**	17.3
Weighted average number of shares for diluted earnings per share	**988.8**	987.1

Basic and diluted earnings per share are also presented based on profit attributable to shareholders excluding gain on disposal and writeback of impairment. A reconciliation of earnings is set out below:

	2008			2007		
	US$m	**Basic earnings per share US¢**	**Diluted earnings per share US¢**	US$m	Basic earnings per share US¢	Diluted earnings per share US¢
Profit attributable to shareholders excluding gain on disposal and writeback of impairment	**67.1**	**6.84**	**6.79**	87.1	8.98	8.82
Gain on disposal	**-**	**-**	**-**	16.0	1.65	1.62
Writeback of impairment	**-**	**-**	**-**	5.1	0.53	0.52
Profit attributable to shareholders	**67.1**	**6.84**	**6.79**	108.2	11.16	10.96

8. TANGIBLE ASSETS AND CAPITAL COMMITMENTS

	2008 US$m	2007 US$m
Opening net book value	**995.0**	882.5
Exchange differences	**(108.7)**	26.0
Additions	**62.6**	53.6
Disposals	**-**	(0.1)
Depreciation charge	**(37.8)**	(37.6)
Revaluation (deficit)/surplus	**(50.3)**	70.6
Closing net book value	**860.8**	995.0
Capital commitments	**91.1**	62.6

The Directors have reviewed the carrying values of all properties at 31st December 2008 in consultation with the Group's independent, professionally qualified valuers. The Directors are of the opinion that there is a decrease in the fair value of properties of US$50.3 million. After reducing the deferred tax liabilities by US$16.5 million on the fair value decrease, US$33.8 million has been taken to capital reserves. In 2007, there was an increase in the fair value of properties of US$70.6 million. After providing for deferred tax liabilities of US$23.6 million on the revalued amounts, US$47.0 million was taken to capital reserves.

Freehold properties include a property valued at US$126.0 million (2007: US$148.2 million), which is stated net of tax increment financing of US$29.0 million (2007: US$29.8 million) *(refer note 10)* .

9. BORROWINGS

	2008 US$m	2007 US$m
Bank loans	**650.9**	667.0
Other borrowings	**8.7**	8.6
Tax increment financing *(refer note 10)*	**1.7**	1.7
	661.3	677.3
Current	**7.4**	13.4
Long-term	**653.9**	663.9
	661.3	677.3

10. TAX INCREMENT FINANCING

	2008 US$m	2007 US$m
Netted off against the net book value of property *(refer note 8)*	**29.0**	29.8
Loan *(refer note 9)*	**1.7**	1.7
	30.7	31.5

A development agreement was entered into between one of the Group's subsidiaries and the District of Columbia ('District'), pursuant to which the District agreed to provide certain funds to the subsidiary out of net proceeds obtained through the issuance and sale of certain tax increment financing bonds ('TIF Bonds') for the development and construction of Mandarin Oriental, Washington D.C.

The District agreed to contribute to the subsidiary US$33.0 million through the issuance of TIF Bonds in addition to US$1.7 million issued in the form of a loan, bearing simple interest at an annual rate of 6.0%. The US$1.7 million loan plus all accrued interest will be due on the earlier of 10th April 2017 or the date of the first sale of the hotel.

The receipt of the TIF Bonds has been treated as a government grant and netted off against the net book value in respect of the property *(refer note 8)*. The loan of US$1.7 million (2007: US$1.7 million) is included in long-term borrowings *(refer note 9)*.

11. DIVIDENDS

	2008 US$m	2007 US$m
Final dividend in respect of 2007 of US¢5.00 (2006: US¢3.00) per share	**49.0**	29.0
Interim dividend in respect of 2008 of US¢2.00 (2007: US¢1.00) per share	**19.7**	9.7
	68.7	38.7

A final dividend in respect of 2008 of US¢5.00 (2007: US¢5.00) per share amounting to a total of US$49.1 million (2007: US$49.0 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2009.

12. RELATED PARTY TRANSACTIONS

The Group managed seven associate and joint venture hotels and received management fees of US$14.5 million (2007: US$15.7 million) based on long-term management agreements on normal commercial terms.

13. POST BALANCE SHEET EVENT

On 20th January 2009, the Group announced that it had entered into an agreement to sell its 50% interest in Mandarin Oriental, Macau, which was classified as a non-current asset held for sale on 12th January 2009 subsequent to the year end.

Mandarin Oriental, Macau was valued at US$205 million for the purposes of the sale. On disposal of its 50% interest, the Group will receive proceeds of US$90.0 million with a post-tax gain of approximately US$75.0 million which will be recognized in 2009. Completion of the sale is expected by the end of May 2009.

The Group will continue to manage the hotel for a period of up to two years under a short-term management arrangement to ensure a smooth transition of operations to the new owner.

The final dividend of US¢5.00 per share will be payable on 13th May 2009, subject to approval at the Annual General Meeting to be held on 6th May 2009, to shareholders on the register of members at the close of business on 20th March 2009. The ex-dividend date will be on 18th March 2009, and the share registers will be closed from 23rd to 27th March 2009, inclusive. Shareholders will receive their dividends in United States Dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2008 final dividend by notifying the United Kingdom transfer agent in writing by 24th April 2009. The sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 29th April 2009. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive United States Dollars unless they elect, through CDP, to receive Singapore Dollars.

Mandarin Oriental Hotel Group

Mandarin Oriental Hotel Group is an international hotel investment and management group with deluxe and first class hotels, resorts and residences in sought-after destinations around the world. The Group now operates, or has under development, 41 hotels representing over 10,000 rooms in 25 countries, with 17 hotels in Asia, 14 in The Americas and 10 in Europe and North Africa. In addition, the Group operates, or has under development, 13 *Residences at Mandarin Oriental*, connected to the Group's properties. The Group has equity interests in many of its properties and net assets of approximately US$2.0 billion as at 31st December 2008.

Mandarin Oriental's aim is to be recognized widely as the best global luxury hotel group, providing 21st century luxury with oriental charm in each of its hotels. This will be achieved by investing in the Group's exceptional facilities and its people, while maximizing profitability and long-term shareholder value. The Group regularly receives recognition and awards for outstanding service and quality management. The strategy of the Group is to open the hotels currently under development, while continuing to seek further selective opportunities for expansion around the world.

The parent company, Mandarin Oriental International Limited, is incorporated in Bermuda and has its primary share listing in London, and further listings in Bermuda and Singapore. Mandarin Oriental Hotel Group International Limited, which operates from Hong Kong, manages the activities of the Group's hotels. Mandarin Oriental is a member of the Jardine Matheson Group.

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Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2008 can be accessed through the Internet at 'www.mandarinoriental.com'.