

MANDARIN ORIENTAL  
INTERNATIONAL LIMITED

*Annual Report 2006*





**MANDARIN ORIENTAL HOTEL GROUP** is an international hotel investment and management group operating 34 deluxe and first class hotels and resorts worldwide including 14 under development in Hainan Island, Mexico, Barcelona, Boston, Dallas, Chicago, Las Vegas, Macau, Marrakech, Turks and Caicos, Grand Cayman, Guangzhou, Taipei and Paris. The Group has equity interests in many of its properties and net assets of approximately US\$1.7 billion as at 31st December 2006. Mandarin Oriental now operates, or has under development, 9,500 rooms in 20 countries with 15 hotels in Asia, 12 in The Americas and seven in Europe and North Africa.

Mandarin Oriental's aim is to be recognized as one of the best global luxury hotel groups, providing exceptional customer satisfaction in each of its hotels. This will be achieved through a strategy of investing in facilities and people, while maximizing profitability and long-term shareholder value. The Group regularly receives recognition and awards for outstanding service and quality management. The growth strategy of the Group is to progress towards operating 10,000 rooms in major business centres and key leisure destinations around the world.

The parent company, Mandarin Oriental International Limited, is incorporated in Bermuda and has its primary 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.



**Jardines**

A member of the Jardine Matheson Group

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### **Directors**

Simon Keswick *Chairman*  
A J L Nightingale *Managing Director*  
Edouard Ettegui *Group Chief Executive*  
Jonathan Gould  
Mark Greenberg  
Julian Hui  
Henry Keswick  
R C Kwok  
Lord Leach of Fairford  
Dr Richard Lee  
Robert Léon  
Sydney S W Leong  
Lord Powell of Bayswater *KCMG*  
James Watkins  
Percy Weatherall  
John R Witt

### **Company Secretary and Registered Office**

C H Wilken  
Jardine House  
33–35 Reid Street  
Hamilton, Bermuda

### **Mandarin Oriental Hotel Group International Limited**

### **Directors**

A J L Nightingale *Chairman*  
Edouard Ettegui *Managing Director*  
Jonathan Gould  
Mark Greenberg  
A R R Hirst  
M H Hobson  
W Hültner  
L R Lambert  
James Riley  
T L Stinson  
John R Witt *Finance Director*

### **Corporate Secretary**

N M McNamara



## HIGHLIGHTS

### MANDARIN ORIENTAL INTERNATIONAL LIMITED

- Mandarin Oriental, Hong Kong renovation completed
- 14 hotels under development
- Gain from disposal of The Mark, New York

#### Results

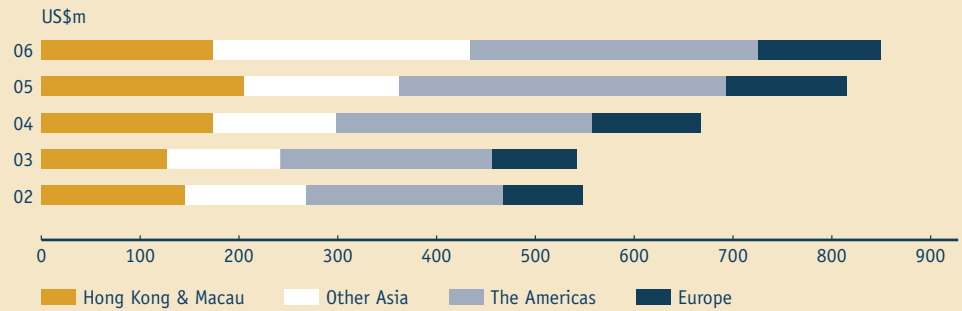
	2006 US\$m	2005 US\$m	Change %
Combined total revenue of hotels under management	<b>850.3</b>	815.4	4
Earnings before interest, tax, depreciation and amortization <sup>1</sup>	<b>116.4</b>	124.0	(6)
Profit attributable to shareholders – excluding gain on disposal	<b>45.0</b>	41.1	9
Profit attributable to shareholders	<b>80.0</b>	77.2	4
Funds from operations <sup>2</sup>	<b>92.6</b>	90.4	2
	US¢	US¢	%
Earnings per share – excluding gain on disposal	<b>4.66</b>	4.33	8
Earnings per share	<b>8.28</b>	8.14	2
Funds from operations per share <sup>2</sup>	<b>9.58</b>	9.53	1
Dividend per share	<b>3.00</b>	1.50	100
	US\$	US\$	%
Net asset value per share	<b>1.03</b>	0.87	18
Net asset value per share with leasehold properties at valuation <sup>3</sup>	<b>1.78</b>	1.50	19

<sup>1</sup> EBITDA does not include gains on disposal and the impact of property revaluations.

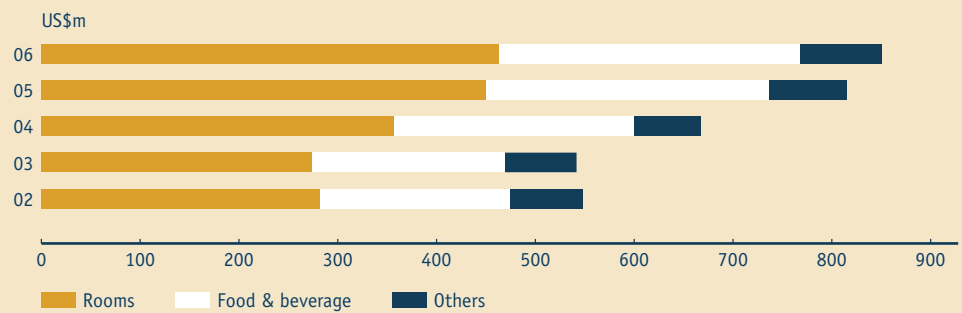
<sup>2</sup> Funds from operations ('FFO') figures have been presented to provide additional information to investors to facilitate comparison with other hotel companies with substantial real estate interests. FFO is defined as profit attributable to shareholders excluding depreciation of hotel buildings, net of relevant deferred tax and minority interests.

<sup>3</sup> The net asset value per share with leasehold properties at valuation has 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 taking into account the fair market value of leasehold interests as supplementary financial information in addition to the net asset value per share in accordance with IFRS.

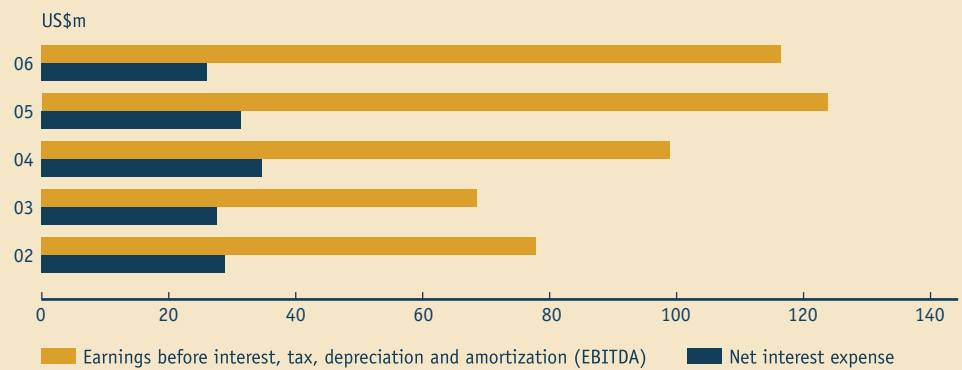
Combined total revenue by geographical area



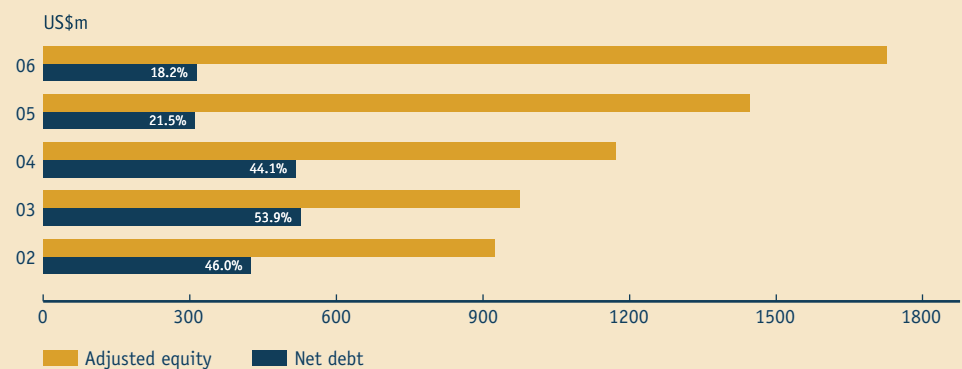
Combined total revenue by type of business



EBITDA and net interest expense



Net debt/adjusted equity



## CHAIRMAN'S STATEMENT

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### OVERVIEW

The continued improvement in key markets led to enhanced results for most of the Group's hotels and helped offset the impact on earnings arising from the nine month closure for renovation of its Hong Kong flagship property. The Group's development strategy also made good progress with 14 hotels now under development, compared with eight at the same time last year. The Group's financial position was strengthened further with significant gains realized on asset disposals.

### PERFORMANCE

Earnings before interest, tax, depreciation and amortization for 2006 were US\$116 million compared with US\$124 million in 2005, when Mandarin Oriental, Hong Kong was open throughout the year.

Profit attributable to shareholders in 2006 was US\$80 million, including a post-tax gain of US\$35 million on the sale of The Mark hotel in New York. This compares with US\$77 million in the previous year, which included a US\$36 million gain arising from the disposal of the Group's property interest in Hawaii. Excluding gains on disposals, profit attributable to shareholders in 2006 was US\$45 million compared with US\$41 million in 2005.

Earnings per share for the year were US¢8.28 compared with US¢8.14 in 2005. Excluding gains on disposals, 2006 earnings per share were US¢4.66 compared with US¢4.33 per share in 2005.

The Directors are recommending an increased dividend of US¢3.00 per share compared with US¢1.50 per share in 2005.

The net asset value per share with leasehold properties adjusted for fair market value was US\$1.78 at 31st December 2006, compared with US\$1.50 at 31st December 2005.

### GROUP REVIEW

Strong results from the Group's owned hotels offset the losses arising at Mandarin Oriental, Hong Kong during its closure for renovation. Since re-opening in late September 2006, the hotel has achieved a 50% increase in its average room rate compared to the same period in 2005. The Excelsior, Hong Kong and the Group's European properties performed well, benefiting from higher room rates and increases in occupancy. The contribution from the Tokyo hotel also improved significantly as its 2005 results had included pre-opening costs.

The contribution to operating results from associates and joint ventures rose, largely due to strong performances at the hotels in Singapore and New York.

The Group completed the sale of The Mark hotel in New York in February 2006, realizing a gain of US\$35 million. In December 2006, the Group announced the sale of half of its 50% investment in Mandarin Oriental, New York, which was completed in March 2007. The gain of some US\$16 million arising on the sale will be recognized in the Group's 2007 results. Mandarin Oriental will continue to manage the hotel under an enhanced long-term contract.



## DEVELOPMENTS

Mandarin Oriental now has 9,500 rooms in operation or planned as it continues to expand as one of the world's leading luxury hotel brands. The Group has 20 hotels in operation and a further 14 under development, of which four are in Greater China, including the Group's recently announced projects in Guangzhou and Taipei.

The Group opened its latest hotel in Prague in September 2006, and in 2007 has plans to open resort properties on the Riviera Maya, Mexico and Hainan Island, China.

In September 2006, agreement was reached to brand and manage 80 luxury residences in a new development to be built adjacent to the Group's London hotel. *Residences at Mandarin Oriental* will also be included in a further seven of the 14 hotels currently under development.

## PEOPLE

The performance of our people is an essential element in achieving our aims and on behalf of the Board and shareholders I would like to thank each of them for their continued commitment and efforts throughout the past year.

On 1st April 2006 Anthony Nightingale took over as Managing Director from Percy Weatherall, who remains on the Board. Mark Greenberg joined the Board in June.

## OUTLOOK

Overall market demand is expected to remain strong in 2007 with limited new hotel supply in most destinations. The Group's results will also gain significantly from the contribution of the newly renovated Hong Kong hotel. Over the longer term, the Group will benefit from the opening of the many hotels currently under development.

**Simon Keswick**

*Chairman*

6th March 2007

### PROGRESS ACHIEVED

A number of significant accomplishments in 2006 have resulted in Mandarin Oriental moving closer to its goal of being recognized as the world's best luxury hotel group.

Firstly, the Group benefited from strong market conditions in our key locations and from the enhanced contributions of our growing and geographically-diversified portfolio. Indeed, overall financial results for the year were comparable with 2005, despite the loss of revenues from the Group's 100%-owned Mandarin Oriental, Hong Kong, which successfully re-opened in September 2006 following a nine-month closure for renovation.

Secondly, Mandarin Oriental's international expansion continued to accelerate in 2006 with the opening of its latest hotel in Prague and the announcement of five new management contracts. In the first two months of 2007, three further projects have been announced for luxury hotels in Paris, Guangzhou and Taipei. During the year, the Group also announced its first European *Residences at Mandarin Oriental*, adjacent to our London hotel. The Group now comprises a portfolio of 20 hotels with a further 14 under development giving a total of 9,500 rooms in 20 countries.

Finally, the Group continued to benefit from gains realized on selective disposals within its portfolio of hotel investments. Responding to exceptional market conditions in New York, the Group completed the sale of its 100% interest in The Mark in February 2006. This was followed by the announcement in December 2006 of the sale of half of the Group's 50% equity in Mandarin Oriental, New York. The sale was completed in March 2007 and the gain will be recognized in the 2007 results.

### PERFORMANCE IN 2006

Set out below is a review of the Group's performance in 2006, with reference to the following strategic objectives:

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

## **1) Improving continuously our position as one of the world's best luxury hotel groups**

Mandarin Oriental is enjoying increasing recognition for creating many of the world's most desirable luxury hotels, providing its guests with 21st century luxury combined with oriental charm. From our roots in the heart of Asia, where most of our original properties have benefited from renovations in recent years and remain market leaders, Mandarin Oriental has expanded into the global arena, with award-winning properties in some of the world's most sought-after locations.

Across the world, the Group remains focused on delivering the brand attributes which define our own style of luxury. This includes creative hotel design and architecture, expertise in holistic spa operations, innovative dining experiences, guest-orientated technology and, of course, the legendary service which remains the foundation of everything we do. The investment behind our brand and our people over the past few years has led to the Group becoming well respected as a management company amongst the owners and developers of luxury hotels around the world. During the year, both the Group and our individual hotels received an impressive array of awards from respected publications and associations, as well as widespread media coverage. Here are a few highlights:

In the 2006 *Readers Choice Awards in Condé Nast Traveler US*, ten Mandarin Oriental hotels were featured – the highest number of Mandarin Oriental hotels ever to appear in one edition, and covering half of our total portfolio.

In *Institutional Investor's* annual ranking, Mandarin Oriental had nine hotels listed in the top 100 World's Best Hotels, including Mandarin Oriental, Washington D.C. and The Oriental, Bangkok in first and second place respectively.

The Group was again well recognized in 2006 for its spa operations, being awarded 'Favourite Brand' by *Spa Finder* in the US with eight hotels listed in top categories, and 'Best Wellness and Spa Company' by *Spa Asia*, with four individual hotel spas winning in a variety of categories.

Finally, *The Asian Wall Street Journal's* listing of the top 200 Asia-based companies, listed Mandarin Oriental Hotel Group in second position as 'Hong Kong's Most Admired Companies by Quality'.

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

## 2) Strengthening our competitive position

Being market leaders within their local environment is a key goal for each of our hotels, and 2006 was a positive year for our competitive positioning. As demand for luxury travel experiences continued to grow, our hotels performed well with increased Revenue Per Available Room (RevPAR) achieved across all regions, largely due to stronger average room rates. The year saw Asia up 18%, Europe up 21% and The Americas up 10% over 2005 (excluding the effect of new and renovated hotels in the period). Consequently, operating profits at the individual hotels have shown significant improvement over the previous year.

The highlights of each region are as follows:

### Asia

The closure of Mandarin Oriental, Hong Kong for the first nine months of 2006 while undergoing a major renovation, had a negative impact on the Group's results. The renovation was designed to secure its position as one of the world's legendary hotels and it re-opened in late September to great acclaim from international travellers and the local community alike. In the last quarter, it achieved an average rate of over US\$400, a 50% increase over the same period in 2005. The hotel's re-designed restaurants and bars were well received and have performed above expectations.

Following the re-opening of Mandarin Oriental, Hong Kong, the Group now operates two luxury hotels within the city. The Landmark Mandarin Oriental, Hong Kong, which complements the Group's original flagship property, has established itself as a contemporary, lifestyle hotel. In its first full year of operation, this 113-room hotel achieved an average rate of US\$413 at an occupancy of 81%, representing an increased RevPAR of 42% over 2005.

The Excelsior, Hong Kong achieved a 21% increase in RevPAR compared to 2005, as a result of strengthening room rates, up from an average of US\$133 to US\$159 in 2006, with strong demand from all market segments. The Excelsior's food and beverage revenues were also up 10% above 2005 levels.

In Macau, Mandarin Oriental continued to perform well within its competitive set, with a 12% increase in average rate, and is well positioned to take full advantage of this burgeoning market.

Southeast Asia benefited from improvement in the underlying economies, particularly in The Philippines where Mandarin Oriental, Manila achieved a 31% increase in RevPAR over 2005. In Singapore, the re-positioning of the hotel following a full-scale renovation in 2005, combined with better market conditions, resulted in a 58% increase in RevPAR over the previous year.

Celebrating its 130th anniversary in 2006, The Oriental, Bangkok once again significantly outperformed the market and appeared in the top listings of the most important world-wide travel awards, confirming its legendary status.

In its first full year of operations, the 179-room Mandarin Oriental, Tokyo focused on positioning itself as one of the top luxury hotels in the city, and achieved an average room rate of US\$470. In April 2006, *Forbes* magazine listed Mandarin Oriental, Tokyo as one of the 'Best New Hotels' in the World.

### **Europe**

In Europe, our hotels benefited from a strong demand for luxury accommodation, particularly from the leisure market, and a limited new supply of hotel rooms, which drove increases in room rates. Mandarin Oriental Hyde Park, London, performed well against its competition achieving an average rate of US\$736, a 14% increase over the previous year while occupancy rose from 77% to 85%. Mandarin Oriental, Munich remained the undisputed market leader and attained RevPAR growth of 21% as a result of stronger room rates. In Geneva, Mandarin Oriental improved both occupancy and room rate, resulting in a 14% increase in RevPAR over the previous year.

### **The Americas**

In its second full year of operation, Mandarin Oriental, Washington D.C. further established its position as one of the city's most luxurious properties, achieving the 'Best Hotel in the World' award in the annual *Institutional Investor* hotel ranking, as well as receiving the *American Automobile Association's 'Five Diamond Award'* for its signature restaurant, *CityZen*. Occupancy was impacted by less citywide activity in 2006, however, the average rate strengthened to US\$301, up from US\$290 in the previous year.

Mandarin Oriental, New York continued to receive many accolades in 2006 as one of the best hotels in The Americas. It is one of only a handful of hotels to receive both the prestigious 'Mobil Five Star' and the *American Automobile Association's 'Five Diamond Lodgings Awards'*. The Spa has also been awarded the 'Mobil Five Star'. The hotel outperformed its competition in 2006, achieving an occupancy of 75% at an average room rate of US\$824, giving an overall increase in RevPAR of 23% over the previous year.

While the Group announced in December 2006 that it has sold half of its interest in Mandarin Oriental, New York, we continue to own 25% of the hotel and have secured enhanced terms for our long term management of the property.

The Group's other hotels in The Americas benefited from the general increase in luxury travel across all markets.

### **3) Increasing the number of rooms under operation to 10,000**

The development of Mandarin Oriental's brand accelerated in 2006 and we are confident of reaching our goal to operate at least 10,000 rooms in major cities and resort destinations around the world within the next few years. Since February 2006, we have announced eight new Mandarin Oriental hotels in Paris, Taipei, Guangzhou, Hainan Island, Barcelona, Dallas, Marrakech and Turks & Caicos. The Group currently operates 6,500 rooms in 20 hotels, with a further 14 hotels under development. Mandarin Oriental has achieved a strong geographic diversification with 15 properties in Asia, 12 in The Americas and seven in Europe and North Africa.

With the exception of Paris, which will be operated under a long-term lease agreement, all 14 properties currently under development are management contracts requiring limited capital from the Group. This is a clear indication of the strength of our brand and the fees generated by our management activity will be a significant source of our future revenue growth. At the same time, we are well positioned to take advantage of investment opportunities that arise in strategic locations. The Group remains a significant owner of hotel properties, particularly in major cities, and benefits from the long-term capital appreciation such assets normally provide. Ownership also ensures the continuing control of our brand heritage and gives us increased credibility with third party hotel developers. Overall, the operation of both owned and managed hotels remains an essential strategy of the Group.

The growth of the Group's portfolio of *Residences at Mandarin Oriental* continues, with many of the new hotels under development including a residential component. The luxury development adjacent to Mandarin Oriental Hyde Park, London, announced in 2006, will house some of the world's most sophisticated apartments, serviced by Mandarin Oriental, and add services and amenities that will benefit our hotel's guests and enhance the hotel's value.

### **4) Achieving a strong financial performance**

Mandarin Oriental achieved a strong financial performance in 2006, with the improved results of the Group's growing international portfolio offsetting the impact of the nine-month closure of the Group's 100%-owned Mandarin Oriental, Hong Kong. Excluding gains from disposals, profit attributable to shareholders in 2006 was US\$45 million compared to US\$41 million in 2005.

The Group completed the sale of The Mark, New York in 2006 for after-tax proceeds of US\$98 million, resulting in a post-tax gain of US\$35 million. This resulted in an overall profit for the year of US\$80 million compared to US\$77 million in 2005, which had included a post-tax gain of US\$36 million from the disposal of our 40% interest in a Hawaii hotel.



The Group's financial position is strong with gearing of 18% at 31st December 2006 based on adjusted shareholders' funds, down from 22% at the end of 2005. Following completion of the sale of half of our 50% interest in Mandarin Oriental, New York in March 2007, net debt was reduced by a further US\$69 million, and a post-tax gain of approximately US\$16 million will be recognized in 2007.

The Group's net asset value per share at 31st December 2006 was US\$1.78, based on adjusted shareholders' funds, compared with US\$1.50 at the end of the previous year.

## **THE FUTURE**

In 2007, the Group will benefit from the contribution of the renovated Mandarin Oriental, Hong Kong, and the prospects for the rest of our portfolio are encouraging, given current positive trends in most of our markets.

Recognition of Mandarin Oriental as a strong global luxury brand continues to gain momentum. As we develop new and exciting hotels in strategic destinations, and enter important new markets, we are getting closer to reaching our ultimate goal of being the best luxury hotel group in the world.

### **Edouard Ettedgui**

*Group Chief Executive*

6th March 2007

## OPERATING SUMMARY

The operating summary includes only hotels in which the Group has a significant equity interest.

### ASIA

**Mandarin Oriental, Hong Kong** 100% ownership  
(closed from 28th December 2005 to 27th September 2006 for renovation)

	2006	2005	% Change
Number of rooms	502*	524	n/a
Average occupancy (%)	74	81	n/a
Average room rate (US\$)	424	256	n/a
RevPAR (US\$)	314	207	n/a

\* On re-opening in late September 2006, only a limited number of rooms were available on which occupancy is based, with the remainder coming on stream as the renovation progressed.

**The Excelsior, Hong Kong** 100% ownership

	2006	2005	% Change
Number of rooms	884	883	-
Average occupancy (%)	89	88	1
Average room rate (US\$)	159	133	20
RevPAR (US\$)	142	117	21

**Mandarin Oriental, Tokyo** 100% ownership  
(opening date: 2nd December 2005)

	2006	2005	% Change
Number of rooms	179	n/a	n/a
Average occupancy (%)	66	n/a	n/a
Average room rate (US\$)	470	n/a	n/a
RevPAR (US\$)	308	n/a	n/a

**Mandarin Oriental, Manila** 96.2% ownership

	2006	2005	% Change
Number of rooms	443	443	-
Average occupancy (%)	81	78	4
Average room rate (US\$)	79	63	25
RevPAR (US\$)	64	49	31

**Mandarin Oriental, Jakarta** 88.3% ownership

	2006	2005	% Change
Number of rooms	404	404	-
Average occupancy (%)	49	46	7
Average room rate (US\$)	64	62	3
RevPAR (US\$)	32	29	10

**Mandarin Oriental, Macau** 50% ownership

	2006	2005	% Change
Number of rooms	416	416	-
Average occupancy (%)	68	73	(7)
Average room rate (US\$)	172	153	12
RevPAR (US\$)	116	111	5

**The Oriental, Singapore** 50% ownership

	2006	2005	% Change
Number of rooms	527	527	-
Average occupancy (%)	75	61	23
Average room rate (US\$)	160	126	27
RevPAR (US\$)	120	76	58

**The Oriental, Bangkok** 44.9% ownership

	2006	2005	% Change
Number of rooms	393	393	-
Average occupancy (%)	70	65	8
Average room rate (US\$)	235	218	8
RevPAR (US\$)	164	142	15

**Mandarin Oriental, Kuala Lumpur** 25% ownership

	2006	2005	% Change
Number of rooms	632	632	-
Average occupancy (%)	79	82	(4)
Average room rate (US\$)	138	110	25
RevPAR (US\$)	110	91	21

## EUROPE

### Mandarin Oriental Hyde Park, London

100% ownership

	2006	2005	% Change
Number of rooms	198	200	(1)
Average occupancy (%)	85	77	10
Average room rate (US\$)	736	643	14
RevPAR (US\$)	624	497	26

### Mandarin Oriental, Munich

100% ownership

	2006	2005	% Change
Number of rooms	73	73	-
Average occupancy (%)	83	83	-
Average room rate (US\$)	502	417	20
RevPAR (US\$)	415	344	21

### Mandarin Oriental Hotel du Rhône, Geneva

92.6% ownership

	2006	2005	% Change
Number of rooms	190	192	(1)
Average occupancy (%)	65	62	5
Average room rate (US\$)	478	440	9
RevPAR (US\$)	309	272	14

## THE AMERICAS

### Mandarin Oriental, Washington D.C.

80% ownership

	2006	2005	% Change
Number of rooms	400	400	-
Average occupancy (%)	58	60	(3)
Average room rate (US\$)	301	290	4
RevPAR (US\$)	175	174	1

### Mandarin Oriental, New York

50% ownership  
(25% ownership interest sold on 1st March 2007)

	2006	2005	% Change
Number of rooms	248	251	(1)
Average occupancy (%)	75	72	4
Average room rate (US\$)	824	695	19
RevPAR (US\$)	618	503	23

### Mandarin Oriental, Miami

25% ownership

	2006	2005	% Change
Number of rooms	327	327	-
Average occupancy (%)	70	70	-
Average room rate (US\$)	354	329	8
RevPAR (US\$)	249	231	8

## DEVELOPMENT PORTFOLIO

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Mandarin Oriental Hotel Group currently has 14 hotels and eight *Residences at Mandarin Oriental* under development. Opening dates are planned as follows:

### 2007

**Mandarin Oriental Riviera Maya, Mexico**

A unique hideaway resort featuring 128 villas on the Riviera Maya coastline, south of Cancun.

**Mandarin Oriental, Sanya**

An exclusive 296-room luxury resort on Hainan Island in the South China Sea.

### 2008

**Mandarin Oriental, Boston**

A 149-room hotel which will be housed within a mixed-use complex in the heart of the city including 50 *Residences at Mandarin Oriental*.

**Mandarin Oriental, Barcelona**

A 143-room hotel, housed in the re-development of two elegant mid-20th century buildings, located on the prestigious Paseo de Gracia.

### 2009

**Mandarin Oriental, Grand Cayman**

An intimate 114-room hideaway, set on an unspoiled 10-acre beachfront site including 37 *Residences at Mandarin Oriental*.

**Mandarin Oriental, Chicago**

A 250-room hotel which will be part of an exclusive mixed-use development in Chicago's growing Millennium Park neighbourhood, including 103 *Residences at Mandarin Oriental*.

**Mandarin Oriental Lago Nam Van, Macau**

A second property in Macau which will be part of a prestigious mixed-use complex on the waterfront, featuring 213 rooms.

**Mandarin Oriental, Las Vegas**

A 396-room hotel in the urban development 'Project CityCenter', including 227 *Residences at Mandarin Oriental*.

**Mandarin Oriental, Dallas**

A 121-room hotel in the city's dynamic new mixed-use Victory Park development with 91 *Residences at Mandarin Oriental*.

**Mandarin Oriental Jnan Rahma, Marrakech**

A 145-room intimate hideaway in the exclusive Palmeraie region with 45 *Residences at Mandarin Oriental*.

**Mandarin Oriental Dellis Cay, Turks & Caicos**

A secluded 122-room hideaway featuring a variety of *Residences at Mandarin Oriental* housed in 18 stand-alone villas and 79 multi-roomed apartments, all located on an unspoiled 35-acre beachfront site.

**The Residences at Mandarin Oriental, London**

An iconic development adjacent to our London hotel, comprising 80 luxurious *Residences at Mandarin Oriental*.

### 2010

**Mandarin Oriental, Taipei**

A 300-room hotel which will be a key component of a mixed-use luxury lifestyle and entertainment complex in the heart of the central business district.

**Mandarin Oriental, Guangzhou**

A 340-room hotel plus 70 serviced apartments to be part of the prestigious TaiKoo Hui mixed-use complex, currently under construction in the Tianhe central business district.

**Mandarin Oriental, Paris**

A 150-room luxurious palace hotel planned to open on rue Saint Honoré.

Opening dates are subject to change as determined by each project's owner/developer.

## INTERNATIONAL RECOGNITION

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Mandarin Oriental Hotel Group continues to receive global recognition and international awards of distinction from industry sources and readers of influential publications. A selection of these reviews are highlighted here:

### Mandarin Oriental Hotel Group

“Style, grace, modern beauty” and a “sleek Asian feel” make staying at any Mandarin Oriental “a treat”. If you like to be pampered in “idyllic surroundings” with “impeccable service” that “exceeds high expectations”. *Zagat, US 2006*

### Mandarin Oriental, Miami

Miami added its first great hotel when the Mandarin Oriental opened in November 2000. *Robb Report Luxury Hotels, US 2006*

### Mandarin Oriental, New York

Mandarin Oriental, New York redefines luxury as New York City’s most striking and sophisticated hotel. *Elite Traveler, US 2006*

### Mandarin Oriental, Washington D.C.

The Chinese marble “bathrooms are like palaces” at this “polished jewel” that may just force everyone to “rediscover southwest D.C.” *Zagat, US 2006*

### Mandarin Oriental Hyde Park, London

Five-star luxury and a great position for accessing the chic shopping streets of Kensington, Chelsea and Knightsbridge. *The Independent, UK 2006*

### Mandarin Oriental, Prague

The new Mandarin Oriental, Prague is an exercise in urban discretion... Its 99 rooms have vaulted windows and limestone bathrooms. Equally impressive is the spa, set in a Renaissance church with Gothic foundations under the glass floor. *Condé Nast Traveller, UK 2006*

### The Oriental, Bangkok

The newly revitalized Oriental Bangkok is spectacular. *Gallivanter’s Guide, US 2006*

### Mandarin Oriental Dhara Dhevi, Chiang Mai

Such is the beauty of Mandarin Oriental Hotel Group’s first venture into the resort market or “hideaway concept”, that one wonders why they waited so long. *Condé Nast Traveller, Hot List, UK 2006*

### Mandarin Oriental, Hong Kong

Tracing the Mandarin’s history is like tracing the global evolution of travel culture. If it happens out there it’s reflected in here. *Travel + Leisure, US 2006*

### The Landmark Mandarin Oriental, Hong Kong

Elegant and oh-so-chic, but has still managed to mainline all the city’s frenzied energy. *Tatler Travel Guide, UK 2006*

## FINANCIAL REVIEW

### ACCOUNTING POLICIES

The Directors continue to review the appropriateness of the accounting policies adopted by the Group having regard to developments in International Financial Reporting Standards ('IFRS'). The accounting policies adopted are consistent with those of the previous year, except that the Group has adopted certain amendments and interpretation to IFRS effective on 1st January 2006, as more fully detailed in the 'basis of preparation' note in the financial statements.

The Directors believe it is appropriate to provide supplementary information in addition to the financial statements prepared under IFRS, and this is presented separately in this review.

### RESULTS

#### Overall

The Group uses earnings before interest, tax, depreciation and amortization ('EBITDA') to analyse operating performance. Total EBITDA including the Group's share of EBITDA from associates and joint ventures is shown below:

	2006 US\$m	2005 US\$m
Subsidiaries	73.8	91.0
Associates and joint ventures	42.6	33.0
Total EBITDA	116.4	124.0

#### Subsidiaries

	2006 US\$m	2005 US\$m
EBITDA	73.8	91.0
Less depreciation and amortization expenses	(28.7)	(30.6)
Gain on disposal of The Mark	76.8	-
Operating profit	121.9	60.4

EBITDA from subsidiaries decreased by 19% to US\$73.8 million in 2006 from US\$91.0 million in 2005.

In Hong Kong, results were impacted by the nine month closure of Mandarin Oriental, Hong Kong for renovation. The hotel made a negative contribution of US\$10.9 million compared to EBITDA of US\$33.2 million in 2005. The Excelsior hotel in Hong Kong was able to further improve its EBITDA from last year, increasing its contribution to Group results by 30%. Elsewhere in Asia, Tokyo made a positive contribution to Group EBITDA, compared to a loss last year which included US\$10.7 million of pre-opening expenses incurred prior to the hotel's opening in December 2005. Manila increased its EBITDA contribution due to a stronger local economy. In Jakarta, the hotel showed some improvement in occupancy despite a lacklustre market, but its contribution to Group results declined due to increased costs, including higher utility, repair and maintenance expenses.

In Europe, London continued to perform strongly with both higher occupancy and average rate leading to a 30% increase in its EBITDA. Munich and Geneva also performed well with EBITDA increases of 40% and 17%, respectively.

In The Americas, the Washington D.C. hotel showed some improvement in its EBITDA in weaker local market conditions compared with the previous year. The hotel, which opened in 2004, has not yet reached its full potential.

In 2006, the contribution from management activities was US\$4.7 million compared to US\$3.7 million in 2005 notwithstanding the loss in management fees arising from the closure of Mandarin Oriental, Hong Kong.

Depreciation and amortization expenses were US\$28.7 million for 2006 down from US\$30.6 million in 2005, primarily as a result of the disposal of The Mark, New York in early 2006.



The pre-tax gain on disposal of US\$76.8 million relates to the Group's sale of its 100% interest in The Mark hotel which was completed on 16th February 2006 for a gross consideration of US\$150 million. The hotel was originally acquired in 2000 as part of the US\$142.5 million acquisition of The Rafael Group. The post-tax gain on the disposal was US\$35.0 million.

### Associates and joint ventures

The Group's share of results from associates and joint ventures was as follows:

	2006 US\$m	2005 US\$m
EBITDA	42.6	33.0
Less depreciation and amortization expenses	(13.1)	(13.9)
Operating profit	29.5	19.1
Less net financing charges	(10.8)	(8.8)
Less tax	(5.7)	(1.6)
Share of results of associates and joint ventures	13.0	8.7

The Group's share of EBITDA from associates and joint ventures increased by 29% to US\$42.6 million in 2006 from US\$33.0 million in 2005. In Asia, Macau benefited from increases in rental income and increasing room rates. Singapore increased its EBITDA by 125% following the completion of its renovation in 2005 and stronger market conditions. Bangkok and Kuala Lumpur also achieved stronger EBITDA due to increased rooms revenue. In The Americas, Mandarin Oriental, New York performed well with a 47% increase in EBITDA.

The Group's share of depreciation and amortization expenses from associates and joint ventures was US\$13.1 million for 2006, down from US\$13.9 million in 2005, primarily as a result of the disposal of the Group's hotel interest in Hawaii in June 2005.

The Group's share of net financing charges from associates and joint ventures was US\$10.8 million in 2006, an increase from US\$8.8 million in 2005 primarily due to higher interest rates in the territories in which the Group's associates operate.

### Net financing charges

Net financing charges for the Group and its subsidiaries reduced to US\$15.2 million in 2006 from US\$22.4 million in 2005. Although interest rates on Group borrowings generally increased, the Group benefited from interest income on higher cash balances arising from recent disposals. In addition, the Group continued to benefit from its hedging arrangements in respect of interest rates.

Interest cover in 2006, which is calculated as operating profit (excluding gains on disposals) before interest and tax (including the Group's share of operating profit from associates and joint ventures) over net financing charges (including the Group's share of net financing charges from associates and joint ventures), was 2.9 times compared with 2.4 times in 2005. EBITDA is also used as an indicator of the Group's ability to service debt and finance its future capital expenditure. Interest cover on this basis (including the Group's share of EBITDA from associates and joint ventures) was 4.5 times in 2006, up from 3.8 times in 2005.

### Tax

The tax charge for 2006 was US\$39.5 million, primarily arising from the sale of The Mark hotel. The remainder of the Group's tax expense was more than offset by the recognition of deferred tax assets in respect of the United States, Hong Kong and Japan.

The underlying effective tax rate for the year was 26%, broadly similar to the 2005 rate of 27%.

## Cash flow

The Group's consolidated cash flows are summarized as follows:

	2006 US\$m	2005 US\$m
Operating activities	62	73
Investing activities:		
• Capital expenditure on existing properties	(14)	(21)
• Capital expenditure on Mandarin Oriental, Hong Kong	(112)	(7)
• Investment in Tokyo	(10)	(12)
• Net proceeds on disposal of The Mark	98	-
• Mezzanine loan to Boston hotel	-	(12)
• Proceeds on disposal of associates	-	95
Financing activities:		
• Drawdown of borrowings	114	115
• Repayment of borrowings	(9)	(117)
• Dividend paid	(14)	(10)
• Other	3	(1)
<b>Net increase in cash and cash equivalents</b>	<b>118</b>	<b>103</b>

The cash flows from operating activities decreased primarily due to the closure of Mandarin Oriental, Hong Kong for renovation during the first nine months of 2006, partially offset by the increased contribution from other subsidiary hotels.

Capital expenditure on existing properties totalled US\$14 million, compared with US\$21 million in 2005. Of the total US\$150 million renovation cost for Mandarin Oriental, Hong Kong, US\$112 million was spent in 2006 and US\$7 million in 2005. The remaining cost will be paid in 2007.

The Group also spent US\$10 million in respect of the balance of its investment in furniture and equipment for the Tokyo hotel, which opened in December 2005.

On 16th February 2006, the Group completed the sale of its 100% leasehold interest in The Mark hotel for a gross consideration of US\$150 million. After transaction expenses and tax arising on the disposal, net proceeds were US\$98 million generating a post-tax gain of US\$35 million. Proceeds on disposal of associates in 2005 of US\$95 million primarily related to the Group's disposal of its hotel interest in Hawaii in 2005.

At the end of 2006, the Group had used additional facilities of US\$114 million, principally to fund the renovation costs at Mandarin Oriental, Hong Kong. Also during the year, the Group paid dividends of US\$14 million in respect of 2005, compared to dividends of US\$10 million paid in 2005 in respect of 2004.

## Dividends

The Board is recommending a dividend of US¢3.00 per share (2005: US¢1.50 per share). No scrip alternative is being offered in respect of the dividend.

## Property valuation

The Group's accounting policy requires independent valuations of the Group's hotel property interests to be carried out at intervals not exceeding three years, with the exception of hotels within the first three years of operations which have not yet stabilized. The last full independent valuation was carried out at 31st December 2004. In the intervening years, the Directors review the carrying values of the underlying properties in consultation with the Group's independent appraisers and adjustment is made where there has been a material change.

As a result of the 2006 review, the Directors have concluded that there were significant movements in the valuations of certain underlying properties giving rise to a revaluation surplus of US\$51 million (net of deferred tax), which has been credited to the Group's property revaluation reserves.

In addition, the Group's leasehold land has been revalued upwards by US\$115 million, with the increase primarily attributable to the Group's two long leaseholds in Hong Kong. This US\$115 million uplift, however, is not recognized in the financial statements as, under IFRS, interests in land held under long-term leases must be stated at cost and amortized over the period of the lease.

## POST BALANCE SHEET EVENT

On 1st March 2007, the Group completed the sale of half of its 50% investment in Mandarin Oriental, New York for US\$69 million, including repayment of a US\$40 million mezzanine loan. After transaction costs and tax, the post-tax gain arising on the disposal is approximately US\$16 million, which will be recognized in the 2007 results. The consideration was paid in cash and will be applied towards the Group's general corporate purposes, including pursuing its development strategy. The Group continues to manage the property under a long-term management agreement on improved terms.

## TREASURY ACTIVITIES

The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objective is to manage exchange and interest rate risks and to provide a degree of certainty in respect of costs. The Group has fixed or capped interest rates on 46% of its gross borrowings.

In respect of specific hotel financing, borrowings are normally taken in the local currency to hedge partially the investment and the projected income. At 31st December 2006, the Group's net assets were denominated in the following currencies:

	Net assets		Adjusted net assets*	
	US\$m	%	US\$m	%
Hong Kong Dollar	115	11	812	47
United States Dollar	405	40	405	23
United Kingdom Sterling	224	22	224	13
Others	257	27	285	17
	1,001	100	1,726	100

\* see supplementary information section below

Investment of the Group's cash resources, which totalled US\$287 million at 31st December 2006, is managed so as to minimize risk while seeking to enhance yield. The treasury function is not permitted to undertake speculative transactions unrelated to underlying financial exposures.

The Group, excluding associates and joint ventures, had committed banking facilities (including other borrowings) totalling US\$754 million, of which US\$601 million were drawn at 31st December 2006. The facilities are due for repayment as follows:

	Facilities committed US\$m	Facilities drawn US\$m
Within one year	40	25
Between one and two years	182	182
Between two and three years	16	11
Between three and four years	428	369
Between four and five years	76	2
Beyond five years	12	12
	754	601

At 31st December 2006, the Group had US\$153 million of committed, undrawn facilities in addition to its cash balances of US\$287 million. The average tenor of the Group's bank borrowings was 3.4 years (2005: 4.2 years).

## SUPPLEMENTARY INFORMATION

There are two areas where the Directors believe it is appropriate to present additional information:

### Valuation of hotel properties held on leasehold

The Group's policy is to revalue all hotel properties regularly as it considers these properties to be long-term investments. Prior to 2003, all property investments, whether freehold or leasehold, were revalued and carried at fair market value. However, IFRS no longer permits the carrying of leasehold owner-occupied land at fair market valuation. The Group considers that the IFRS treatment does not reflect the economic substance of the underlying investments, particularly the Group's 999 year leases in respect of Mandarin Oriental, Hong Kong and The Excelsior.

In its financial statements, the Group has presented leasehold land payments at cost less accumulated amortization over the period of the lease, which is the recommended IFRS treatment. However, as there is a significant difference between the fair market value of the Group's two Hong Kong properties and their value as presented in the financial statements, the Group has also presented supplementary financial information which takes into account the fair market value of all its leasehold interests.

The two key measurements affected by the recognition of the fair market value of these leasehold interests are net asset value per share

and gearing. The necessary adjustment to shareholders' funds/net assets is set out below:

	2006		2005	
	US\$m	Per share US\$	US\$m	Per share US\$
Shareholders' funds/net assets	<b>1,001</b>	<b>1.03</b>	835	0.87
Add revaluation surplus relating to leasehold land	<b>725</b>	<b>0.75</b>	610	0.63
Adjusted shareholders' funds/net assets	<b>1,726</b>	<b>1.78</b>	1,445	1.50

Net debt of US\$314 million at 31st December 2006 was 18% of adjusted shareholders' funds, compared with net debt of US\$311 million at 31st December 2005 which was 22% of adjusted shareholders' funds. On an IFRS basis, gearing was 31% at 31st December 2006 (2005: 37%).

### Depreciation of hotel buildings

The Directors have presented funds from operations ('FFO') figures to enable comparison with other hotel companies with substantial real estate interests. FFO is defined as profit attributable to shareholders excluding depreciation of hotel buildings, net of relevant deferred tax and minority interests. FFO for the year ended 31st December 2006 was US\$92.6 million compared with US\$90.4 million in 2005. A reconciliation of profit attributable to shareholders to FFO is as follows:

	2006		2005	
	US\$m	Per share US\$	US\$m	Per share US\$
Profit attributable to shareholders	<b>80.0</b>	<b>8.28</b>	77.2	8.14
Depreciation of hotel buildings, net of deferred tax and minority interests	<b>12.6</b>	<b>1.30</b>	13.2	1.39
Funds from operations	<b>92.6</b>	<b>9.58</b>	90.4	9.53

**John R Witt**

*Finance Director*

6th March 2007

## DIRECTORS' PROFILES

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### **Simon Keswick** *Chairman*

Mr Simon Keswick joined the Board and became Chairman in 1986. He joined the Jardine Matheson group in 1962 and is also chairman of Dairy Farm, Hongkong Land Holdings, and a director of Jardine Lloyd Thompson, Jardine Matheson and Jardine Strategic. He is also a director of The Fleming Mercantile Investment Trust.

### **A J L Nightingale\*** *Managing Director*

Mr Nightingale joined the Board and was appointed as Managing Director in April 2006. He has served in a number of executive positions since joining the Jardine Matheson group in 1969. He is chairman of Jardine Cycle & Carriage, Jardine Matheson Limited, Jardine Motors Group and Jardine Pacific; and a commissioner of Astra. He is also managing director of Dairy Farm, Hongkong Land Holdings, Jardine Matheson and Jardine Strategic. Mr Nightingale is chairman of the Business Facilitation Advisory Committee established by the Financial Secretary in Hong Kong, a council member of the Hong Kong Trade Development Council, a Hong Kong representative to the APEC Business Advisory Council and a member of the Greater Pearl River Delta Business Council.

### **Edouard Ettegui\*** *Group Chief Executive*

Mr Ettegui joined the Board in 1998 and is managing director of Mandarin Oriental Hotel Group International. He was formerly group finance director of Dairy Farm, prior to which he was business development director of British American Tobacco. He has extensive international experience in both financial and general management.

\* Executive Director

### **John R Witt\*** *Finance Director*

Mr Witt was appointed as Finance Director in 2000, having first joined the Group in 1998. He is a Chartered Accountant and has an MBA from INSEAD. He has extensive international experience in financial planning, treasury control and business development in a variety of consumer industries.

### **Jonathan Gould**

Mr Gould joined the Board in 2004. He is group general counsel of Jardine Matheson. He qualified as an English solicitor in 1976 and as a Hong Kong solicitor in 1988. He was previously a senior corporate partner of Allen & Overy based in both Hong Kong and London. Mr Gould is also a director of Jardine Matheson Limited and Dairy Farm.

### **Mark Greenberg**

Mr Greenberg joined the Board in June 2006. He is director of group strategy of Jardine Matheson Limited. He had previously spent 16 years in investment banking with Dresdner Kleinwort Wasserstein in London. He is also a director of Dairy Farm, Hongkong Land Holdings and Jardine Cycle & Carriage; and a commissioner of Astra.

### **Julian Hui**

Mr Hui joined the Board in 1994. He is an executive director of Owens Company and a director of Central Development.

### **Henry Keswick**

Mr Henry Keswick joined the Board in 1988. He is chairman of Jardine Matheson, having first joined the group in 1961, and is also chairman of Jardine Strategic. He is a director of Dairy Farm, Hongkong Land Holdings and Rothschilds Continuation Holdings. He is also vice chairman of the Hong Kong Association.

### **R C Kwok**

Mr Kwok is a Chartered Accountant and joined the Board in 1987. He joined the Jardine Matheson group in 1964 and is a director of Jardine Matheson Limited, Dairy Farm, Hongkong Land Holdings, Jardine Matheson and Jardine Strategic.

### **Lord Leach of Fairford**

Lord Leach joined the Board in 1987. He is deputy chairman of Jardine Lloyd Thompson, and a director of Dairy Farm, Hongkong Land Holdings, Jardine Matheson, Jardine Strategic and Rothschilds Continuation Holdings. He joined the Jardine Matheson group in 1983 after a career in banking and merchant banking.

### **Dr Richard Lee**

Dr Lee joined the Board in 1987. Dr Lee's principal business interests are in the manufacturing of textiles and apparel in Southeast Asia, and he is chairman of TAL Apparel. He is also a director of Jardine Matheson and Hongkong Land Holdings.

### **Robert Léon**

Mr Léon joined the Board in 1994. He is a manager of Qualis and a director of Anzon Energy, Anzon Australia and Magna Holdings International.

### **Sydney S W Leong**

Mr Leong, a Solicitor of both the Supreme Courts of Hong Kong and England and Wales, joined the Board in 1989. He is chairman and a director of a number of companies, including chairman of Henry G Leong Estates.

### **Lord Powell of Bayswater** *KCMG*

Lord Powell joined the Board in 1992. He was previously Private Secretary and adviser on foreign affairs and defence to British Prime Ministers, Baroness Thatcher and Rt Hon John Major. He is a director of Caterpillar, LVMH Moët Hennessy Louis Vuitton, Matheson & Co, Safinvest, British Mediterranean Airways, Textron Corporation, Schindler Holdings and Yell Group. He is also president of the China-Britain Business Council and former chairman of the Singapore-British Business Council.

### **James Watkins**

Mr Watkins joined the Board in 1997. He was a director and group general counsel of Jardine Matheson from 1997 to 2003. Mr Watkins qualified as a solicitor in 1969 and was formerly a partner of the English law firm, Linklaters. He is also a director of Advanced Semiconductor Manufacturing Corporation, Global Sources, Asia Satellite Telecommunications Holdings, Jardine Cycle & Carriage and MCL Land.

### **Percy Weatherall**

Mr Weatherall joined the Board in 2000 and was Managing Director from February 2000 to March 2006. He held a number of senior positions since first joining the Jardine Matheson group in 1976 until his retirement from executive office in 2006. He is also a director of Dairy Farm, Hongkong Land Holdings, Jardine Matheson and Jardine Strategic.



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 2006

	Note	2006 US\$m	2005 US\$m
Revenue	1	404.6	399.2
Cost of sales		(267.2)	(254.3)
Gross profit		137.4	144.9
Selling & distribution costs		(27.7)	(23.7)
Administration expenses		(64.6)	(60.8)
Gain on disposal of The Mark	5	76.8	-
Operating profit	2	121.9	60.4
Interest income		11.0	3.0
Financing charges		(26.2)	(25.4)
Net financing charges	3	(15.2)	(22.4)
Share of results of associates and joint ventures	4	13.0	8.7
Gains on disposal of associates	6	-	52.3
Profit before tax		119.7	99.0
Tax	7	(39.5)	(24.8)
Profit for the year		80.2	74.2
Profit attributable to shareholders	23	80.0	77.2
Profit/(Loss) attributable to minority interests	25	0.2	(3.0)
		80.2	74.2
		US¢	US¢
Earnings per share	8		
- basic		8.28	8.14
- diluted		8.17	8.07

# CONSOLIDATED BALANCE SHEET

as at 31st December 2006

	Note	2006 US\$m	Restated 2005 US\$m
<b>Net assets</b>			
Intangible assets	9	216.0	215.5
Tangible assets	10	882.5	684.0
Associates and joint ventures	11	190.0	174.0
Other investments		6.4	5.1
Loan receivable	12	12.0	43.0
Pension assets	13	27.1	22.8
Deferred tax assets	14	27.4	9.9
Other non-current assets	28	2.9	5.5
Non-current assets		1,364.3	1,159.8
Stocks		4.3	3.1
Debtors and prepayments	15	65.7	59.0
Cash at bank	27e	286.7	169.1
		356.7	231.2
Non-current asset classified as held for sale	24	53.9	80.3
Current assets		410.6	311.5
Creditors and accruals	16	(91.0)	(80.3)
Current borrowings	17	(25.4)	(8.3)
Current tax liabilities		(4.4)	(6.8)
		(120.8)	(95.4)
Liabilities directly associated with non-current asset classified as held for sale	24	–	(14.0)
Current liabilities		(120.8)	(109.4)
Net current assets		289.8	202.1
Long-term borrowings	17	(575.1)	(471.6)
Deferred tax liabilities	14	(72.9)	(49.8)
Pension liabilities	13	(1.5)	(1.7)
Other non-current liabilities	28	(0.2)	–
		1,004.4	838.8
<b>Total equity</b>			
Share capital	20	48.4	48.3
Share premium	21	160.3	158.8
Revenue and other reserves	23	792.0	628.0
Shareholders' funds		1,000.7	835.1
Minority interests	25	3.7	3.7
		1,004.4	838.8

Approved by the Board of Directors

**A J L Nightingale**  
**Edouard Ettedgui**

Directors

6th March 2007

## CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

for the year ended 31st December 2006

	2006 US\$m	2005 US\$m
Surplus on revaluation of properties	74.1	35.6
Actuarial gains on defined benefit pension plans	5.6	0.6
Net exchange translation differences	45.1	(31.4)
(Loss)/Gain on cash flow hedges	(2.9)	11.7
Tax on items taken directly to equity	(25.3)	(9.8)
Net income recognized directly in equity	96.6	6.7
Profit for the year	80.2	74.2
Total recognized income and expense for the year	176.8	80.9
Attributable to:		
Shareholders of the Company	176.8	84.6
Minority interests	-	(3.7)
	176.8	80.9

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2006

	Note	2006 US\$m	2005 US\$m
<b>Operating activities</b>			
Operating profit		121.9	60.4
Depreciation	10	28.4	30.0
Amortization of intangible assets	9	0.3	0.6
Non-cash items	27a	(74.7)	3.0
Movements in working capital	27b	(1.4)	(0.3)
Interest received		10.5	2.8
Interest and other financing charges paid		(26.5)	(26.3)
Tax paid		(8.2)	(13.8)
		50.3	56.4
Dividends and interest from associates and joint ventures		12.1	16.2
<b>Cash flows from operating activities</b>		<b>62.4</b>	<b>72.6</b>
<b>Investing activities</b>			
Purchase of tangible assets		(135.5)	(40.0)
Purchase of intangible assets		(0.8)	-
Investments in and loans to associates and joint ventures		(0.2)	(1.0)
Advance of loan receivable		-	(12.0)
Increase in other investments		(1.2)	(0.9)
Purchase of minority interests		-	(2.7)
Proceeds on disposal of The Mark	27c	98.5	-
Proceeds on disposal of associates	27d	-	95.3
Repayment of loans to an associate		-	4.1
Capital distribution from an associate		1.2	0.5
<b>Cash flows from investing activities</b>		<b>(38.0)</b>	<b>43.3</b>
<b>Financing activities</b>			
Issue of shares		1.6	0.3
Drawdown of borrowings		113.6	115.0
Repayment of borrowings		(8.9)	(116.5)
Dividends paid by the Company	23	(14.5)	(9.6)
<b>Cash flows from financing activities</b>		<b>91.8</b>	<b>(10.8)</b>
Effect of exchange rate changes		1.6	(2.0)
Net increase in cash and cash equivalents		117.8	103.1
Cash and cash equivalents at 1st January		168.8	65.7
Cash and cash equivalents at 31st December	27e	286.6	168.8

## PRINCIPAL ACCOUNTING POLICIES

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### A Basis of preparation

The financial statements 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 below.

In 2006, the Group adopted the following amendments and interpretation to existing standards which are relevant to its operations:

IAS 21 (amended 2005)	Net Investment in a Foreign Operation
IAS 39 (amended 2005)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (amended 2005)	The Fair Value Option
IAS 39 and IFRS 4 (amended 2005)	Financial Guarantee Contracts
IFRIC 4	Determining whether an Arrangement contains a Lease

There have been no changes to the accounting policies as a result of adoption of the above amendments and interpretation.

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

The following standards, and amendment and interpretations to existing standards, which are relevant to the Group's operations, were published but are not yet effective in 2006:

IFRS 7, Financial Instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective for annual periods beginning on or after 1st January 2007). IFRS 7 introduces new disclosures relating to financial instruments. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from 1st January 2007.

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1st January 2009) supersedes IAS 14, Segment Reporting and requires the reporting of financial and descriptive information about an entity's reportable segments on the basis of internal reports that are regularly reviewed by its management. The Group assessed the impact of IFRS 8 and concluded that the main additional disclosures will be an analysis of the Group's revenue by products and services, and its non-current assets by geographical area. The Group will apply IFRS 8 from 1st January 2009.

IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1st May 2006) requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1st January 2007, but it is not expected to have any significant impact on the results of the Group.

IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1st November 2006) prohibits the impairment losses recognized in an interim period in respect of goodwill, investments in equity instruments and investments in financial assets carried at cost from being reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1st January 2007, but it is not expected to have any significant impact on the results of the Group.

## **A Basis of preparation** continued

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1st March 2007) addresses the accounting for share-based payment transactions involving two or more entities within a group. The Group will apply IFRIC 11 from 1st January 2008, but it is not expected to have any significant impact on the results of the Group.

The principal operating subsidiaries, associates and joint ventures have different functional currencies in line with the economic environments of the locations in which they operate. The consolidated financial statements are presented in United States Dollars.

The Group's reportable segments are set out in note 1.

## **B Basis of consolidation**

- i) The consolidated financial statements include the financial statements of the Company, its subsidiaries and, on the basis set out in (ii) below, its associates and joint ventures. Subsidiaries are companies over which the Group has the power to govern the financial and operating policies. The results of subsidiaries, associates and joint ventures are included or excluded from their effective dates of acquisition or disposal respectively. All material intercompany transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated.
- ii) Associates are companies, not being subsidiaries or joint ventures, over which the Group exercises significant influence. Joint ventures are entities which the Group jointly controls with one or more other venturers. Associates and joint ventures are included on the equity basis of accounting.
- iii) Minority interests represent the proportion of the results and net assets of subsidiaries and their associates and joint ventures not attributable to the Group.
- iv) The results of companies other than subsidiaries, associates and joint ventures are included only to the extent of dividends received.

## **C Foreign currencies**

Transactions in foreign currencies are accounted for at the exchange rates ruling at the transaction dates.

Assets and liabilities of subsidiaries, associates and joint ventures, together with all other monetary assets and liabilities expressed in foreign currencies, are translated into United States Dollars at the rates of exchange ruling at the year end. Results expressed in foreign currencies are translated into United States Dollars at the average rates of exchange ruling during the year.

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are taken directly to exchange reserves. On the disposal of these investments, such exchange differences are recognized in the consolidated profit and loss account as part of the profit or loss on disposal. Exchange differences on other non-current investments are dealt with in reserves as part of the gains and losses arising from changes in their fair value. All other exchange differences are dealt with in the consolidated profit and loss account.

Goodwill and fair value adjustments arising on acquisition of a foreign entity after 1st January 2003 are treated as assets and liabilities of the foreign entity and translated into United States Dollars at the rate of exchange ruling at the year end.

## **D Impairment**

Assets that have indefinite useful lives are not subject to amortization and are tested for impairment annually and whenever there is an indication that the assets may be impaired. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the units may be impaired. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

## **E Intangible assets**

i) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the effective date of acquisition, and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition over the carrying amount of the proportion of the minority interests acquired. If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interest acquired, the difference is recognized directly in the consolidated profit and loss account. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investment in associates and joint ventures. Goodwill is allocated to cash-generating units for the purpose of impairment testing and is carried at cost less accumulated impairment loss.

The profit or loss on disposal of subsidiaries, associates and joint ventures includes the carrying amount of goodwill relating to the entity sold.

ii) Land use rights are payments to acquire long-term interests in owner-occupied property. These payments are stated at cost and are amortized over the useful life of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

iii) Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

## **F Tangible assets and depreciation**

Freehold land and buildings, and the building component of owner-occupied leasehold properties are stated at valuation. Independent valuations are performed every three years on an open market basis and, in the case of the building component of leasehold properties, on the basis of depreciated replacement cost. Depreciated replacement cost is used as the most reliable basis of allocating open market value to the building component. In the intervening years, the Directors review the carrying value and adjustment is made where there has been a material change. Revaluation surpluses and deficits are dealt with in property revaluation reserves except for movements on individual properties below depreciated cost which are dealt with in the consolidated profit and loss account. Grants related to tangible fixed assets are deducted in arriving at the carrying amount of the assets.

Other tangible fixed assets are stated at cost less amounts provided for depreciation.



## F Tangible assets and depreciation continued

Depreciation is calculated on the straight-line basis at annual rates estimated to write down the cost or valuation of each asset to its residual value over its estimated useful life. The residual values and useful lives are reviewed at each balance sheet date. The principal rates in use are as follows:

Freehold land	–
Freehold and long leasehold buildings	21 years to 150 years
Properties on leases with less than 20 years	over unexpired period of lease
Surface finishes and services	20 years to 30 years
Leasehold improvements	10%
Plant and machinery	6.7% – 10%
Furniture and equipment	10 – 33.3%

No depreciation is provided on freehold land as it is deemed to have an indefinite life.

Where the carrying amount of a tangible fixed asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The profit or loss on disposal of tangible fixed assets is recognized by reference to their carrying amount.

The cost of maintenance and repairs of the buildings is charged to the consolidated profit and loss account as incurred.

## G Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account on a straight line basis over the period of the lease. When a lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the year in which termination takes place.

## H Loan receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loan receivables are carried at amortized cost using the effective interest method.

## I Other investments

Other investments are non-financial assets and are stated at cost less provision for impairment.

## J Development costs

Costs directly attributable to development projects, including borrowing costs, are capitalized to the extent that such expenditure is expected to generate future economic benefits and upon completion of the project are included in non-current assets.

## **K Stocks**

Stocks, which principally comprise beverages and consumables, are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

## **L Debtors**

Debtors are measured at amortized cost using the effective interest method. Provision for impairment of debtors is established when there is objective evidence that the outstanding amounts will not be collected or based on an assessment with reference to historical loss experience. Bad debts are written off during the year in which they are identified.

## **M Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions and bank and cash balances, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current borrowings.

## **N Provisions**

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligations can be made.

## **O Borrowings and borrowing costs**

Borrowings are initially recognized at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method.

Borrowings are classified under non-current liabilities unless their maturities are within 12 months after the balance sheet date.

Borrowing costs relating to major development projects are capitalized until the asset is substantially completed. Capitalized borrowing costs are included as part of the cost of the asset. All other borrowing costs are expensed as incurred.

## **P Government grants**

Grants from governments are recognized at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants relating to the development of hotel property are deducted in arriving at the carrying amount of the hotel property.

## **Q Deferred tax**

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values.

Provision for deferred tax is made on the revaluation of certain non-current assets and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. Provision for withholding tax which could arise on the remittance of retained earnings relating to subsidiaries is only made where there is a current intention to remit such earnings.

Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

## **R Employee benefits**

### **i) Pension obligations**

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in trustee administered funds.

Pension accounting costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the costs of providing pensions are charged to the consolidated profit and loss account spreading the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of major plans every year. The pension obligations are measured as the present value of the estimated future cash outflows by reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Plan assets are measured at fair value. Actuarial gains and losses are recognized in full in the year in which they occur, outside profit or loss, in the consolidated statement of recognized income and expense.

The Group's total contributions relating to the defined contribution plans are charged to the consolidated profit and loss account in the year to which they relate.

### **ii) Share-based compensation**

The Group has a Senior Executive Share Incentive Scheme in order to provide selected executives with options to purchase ordinary shares in the Company.

The fair value of the employee services received in exchange for the grant of the options in respect of shares in the Company is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated profit and loss account.

## **S Dividends**

Dividends proposed or declared after the balance sheet date are not recognized as a liability at the balance sheet date.

## **T Revenue**

Revenue consists of the gross inflow of economic benefits associated with a transaction and is recognized when services are performed, provided that the amount can be measured reliably.

Revenue from hotel ownership comprises amounts earned in respect of services, facilities and goods supplied by the subsidiary hotels.

Revenue from hotel management comprises gross fees earned from the management of all the hotels operated by the Group.

Management fees charged to the subsidiary hotels are eliminated upon consolidation.

## **U Derivative financial instruments**

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability (fair value hedge), or a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment (cash flow hedge), or a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the consolidated profit and loss account, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to the consolidated profit and loss account over the residual period to maturity.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognized in hedging reserves. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in hedging reserves are transferred from hedging reserves and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in hedging reserves are transferred to the consolidated profit and loss account and classified as income or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the consolidated profit and loss account. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in hedging reserves at that time remains in the hedging reserves and is recognized when the committed or forecasted transaction ultimately is recognized in the consolidated profit and loss account. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserves is immediately transferred to the consolidated profit and loss account.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the consolidated profit and loss account.

Hedges of net investments in foreign entities are accounted for on a similar basis to that used for cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in exchange reserves; the gain or loss relating to the ineffective portion is recognized immediately in the consolidated profit and loss account.

The fair value of derivatives which are designated and qualified as effective hedges are classified as non-current assets or liabilities if the remaining maturities of the hedged assets or liabilities are greater than 12 months after the balance sheet date.

## V Earnings per share

Basic earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year. The weighted average number excludes the shares held by the Trustee under the Senior Executive Share Incentive Schemes. For the purpose of calculating diluted earnings per share, profit attributable to shareholders is adjusted for the effects of the conversion of dilutive potential ordinary shares, and the weighted average number of shares is adjusted 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.

## W Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

### i) Impairment of assets

The Group tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

### ii) Property valuation

In arriving at the fair value of the properties, which is determined by using the income capitalization approach for existing use basis, the independent valuers have to make assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalization rates. Should these assumptions and estimates change, or not be met, the valuation as adopted in the financial statements will be affected.

### iii) Tangible fixed assets and depreciation

Freehold land and buildings, and the building component of owner-occupied leasehold properties are valued every three years by independent valuers. In the intervening years the Group reviews the carrying values and adjustment is made where there has been a material change. In arriving at the valuation of land and buildings, assumptions and economic estimates have to be made.

Management determines the estimated useful lives and related depreciation charges for the Group's tangible fixed assets. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

## **W Critical accounting estimates and judgements** continued

### **iv) Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilized.

The outcome of their actual utilization may be different.

### **v) Pension obligations**

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

## **X Non-current assets classified as held for sale**

Non-current assets are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

## **Y Financial guarantee contracts**

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognized when it is probable that the Group has obligations under such guarantees and an outflow of resources embodying economic benefits will be required to settle the obligations.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Revenue

	2006 US\$m	2005 US\$m
<b>Analysis by geographical area</b>		
– Hong Kong and Macau	106.3	161.5
– Other Asia	111.0	38.3
– Europe	123.3	106.8
– The Americas	64.0	92.6
	<b>404.6</b>	<b>399.2</b>
<b>Analysis by activity</b>		
– Hotel ownership	383.8	381.4
– Hotel management	38.7	37.3
– Less: Intra-Group revenue	(17.9)	(19.5)
	<b>404.6</b>	<b>399.2</b>

The Group considers its primary reporting segment to be geographic. The Group is operated on a worldwide basis in four regions: Hong Kong and Macau, Other Asia, Europe and The Americas. In addition, the Group has two distinct business segments: hotel ownership and hotel management.

### 2 Operating profit

<b>Analysis by geographical area</b>		
– Hong Kong and Macau	(1.8)	37.3
– Other Asia	9.0	(6.4)
– Europe	28.4	20.5
– The Americas	9.5	9.0
	<b>45.1</b>	<b>60.4</b>
– Gain on disposal of The Mark (refer note 5)	76.8	–
	<b>121.9</b>	<b>60.4</b>
<b>Analysis by activity</b>		
– Hotel ownership	41.6	56.7
– Hotel management	3.5	3.7
	<b>45.1</b>	<b>60.4</b>
– Gain on disposal of The Mark (refer note 5)	76.8	–
	<b>121.9</b>	<b>60.4</b>



## 2 Operating profit continued

	2006 US\$m	2005 US\$m
The following items have been (credited)/charged in arriving at operating profit:		
Gain on disposal of other investments	-	0.2
Rental income	(4.7)	(8.8)
Depreciation of tangible assets (refer note 10)		
- Owned assets	28.4	29.0
- Leased assets	-	1.0
Amortization of intangible assets (refer note 9)	0.3	0.6
Directors' remuneration	4.2	3.3
Operating lease payments	8.5	4.3
Development costs	0.7	0.8
Repairs and maintenance	17.0	15.3
Staff costs		
- Salaries and benefits in kind	156.4	147.4
- Defined benefit pension costs (refer note 13)	2.0	2.0
- Defined contribution pension costs	0.6	0.6
- Share-based payments	1.7	0.9
	<b>160.7</b>	<b>150.9</b>

Average number of persons employed by the Company and its subsidiaries during the year:

	2006 Number	2005 Number
Full time	4,172	4,367
Part time	145	122
	<b>4,317</b>	<b>4,489</b>

## 3 Net financing charges

	2006 US\$m	2005 US\$m
Company and subsidiaries		
Interest income	11.0	3.0
Interest expense		
- Bank loans	(25.1)	(22.6)
- Finance leases	(0.2)	(1.5)
	<b>(25.3)</b>	<b>(24.1)</b>
Commitment and other fees	(0.9)	(1.3)
	<b>(15.2)</b>	<b>(22.4)</b>

#### 4 Share of results of associates and joint ventures

	Operating profit US\$m	Net financing charges US\$m	Tax US\$m	Net profit/(loss) US\$m
<b>2006</b>				
<b>Analysis by geographical area</b>				
– Hong Kong and Macau	5.7	(0.4)	(0.3)	5.0
– Other Asia	16.0	(3.4)	(3.3)	9.3
– The Americas	7.8	(7.0)	(2.1)	(1.3)
	<b>29.5</b>	<b>(10.8)</b>	<b>(5.7)</b>	<b>13.0</b>
<b>Analysis by activity</b>				
– Hotel ownership	28.3	(10.8)	(5.3)	12.2
– Other	1.2	–	(0.4)	0.8
	<b>29.5</b>	<b>(10.8)</b>	<b>(5.7)</b>	<b>13.0</b>
<b>2005</b>				
<b>Analysis by geographical area</b>				
– Hong Kong and Macau	4.2	(0.3)	(0.3)	3.6
– Other Asia	10.1	(2.6)	(1.3)	6.2
– The Americas	4.8	(5.9)	–	(1.1)
	<b>19.1</b>	<b>(8.8)</b>	<b>(1.6)</b>	<b>8.7</b>
<b>Analysis by activity</b>				
– Hotel ownership	18.0	(8.8)	(1.2)	8.0
– Other	1.1	–	(0.4)	0.7
	<b>19.1</b>	<b>(8.8)</b>	<b>(1.6)</b>	<b>8.7</b>

Share of results of associates and joint ventures is stated after charging depreciation and amortization of US\$13.1 million (2005: US\$13.9 million).

#### 5 Gain on disposal of The Mark

The sale of the Group's 100% interest in The Mark, New York was completed on 16th February 2006 for a gross consideration of US\$150.0 million. The hotel was originally acquired in 2000 as part of the US\$142.5 million acquisition of The Rafael Group. The pre-tax gain on this disposal is US\$76.8 million, and the post-tax gain on the disposal is US\$35.0 million.

## 6 Gains on disposal of associates

On 8th June 2005, the Group completed the sale of its 40% investment in the partnership that leased the Kahala Mandarin Oriental hotel in Hawaii to its 60% partner, Kahala Royal Corporation ('KRC'). The Group had exercised its put option in January 2005 pursuant to its rights under its partnership agreement with KRC. On completion, the Group received a gross consideration of US\$97.1 million, which included the repayment of loans to an associate of US\$4.1 million. The pre-tax gain on this disposal was US\$50.3 million. After utilization of brought forward US tax losses, the post-tax gain on this disposal was US\$36.1 million.

In July 2005, the Group disposed of its investment in Reid Street Properties for a cash consideration of US\$2.3 million resulting in a gain on disposal of US\$2.0 million.

## 7 Tax

	2006 US\$m	Restated 2005 US\$m
<b>Company and subsidiaries</b>		
- Current tax	50.6	12.7
- Deferred tax (refer note 14)	(11.1)	12.1
	39.5	24.8
<b>Analysis by geographical area</b>		
- Hong Kong and Macau	0.9	8.0
- Other Asia	(0.4)	0.8
- Europe	5.8	2.2
- The Americas	33.2	13.8
	39.5	24.8
<b>Analysis by activity</b>		
- Hotel ownership	37.6	22.4
- Hotel management	1.9	2.4
	39.5	24.8
Reconciliation between tax expense and tax at the applicable tax rate:		
Tax at applicable tax rate	37.5	19.3
Expenses not deductible for tax purposes	2.3	3.5
Tax losses not recognized	3.1	4.0
Temporary differences not recognized	(0.3)	4.1
Utilization of previously unrecognized tax losses	(0.9)	(16.9)
Utilization of previously unrecognized temporary differences	(0.6)	(2.6)
Recognition of previously unrecognized deferred tax assets	(1.3)	(0.8)
Recognition of previously unrecognized temporary differences	(2.5)	12.1
Deferred tax assets written off	0.5	0.6
Withholding tax	1.4	1.4
Under provision for prior years	0.3	0.1
	39.5	24.8

## 7 Tax continued

Tax on profits has been calculated at rates of taxation prevailing in the territories in which the Group operates and includes a tax charge of US\$41.8 million arising on the disposal of the Group's 100% interest in The Mark, New York (refer note 5).

The 2005 tax on profits included a tax charge of US\$14.2 million arising on the disposal of the Group's 40% investment in Kahala Mandarin Oriental, Hawaii. This tax charge was calculated after utilizing brought forward tax losses in the United States of US\$65.1 million and comprised current tax of US\$2.5 million and deferred tax of US\$11.7 million on temporary differences (refer note 6).

## 8 Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of US\$80.0 million (2005: US\$77.2 million) and on the weighted average number of 966.6 million (2005: 948.9 million) shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US\$80.0 million (2005: US\$77.2 million) and on the weighted average number of 979.3 million (2005: 956.5 million) share in issue during the year. The number of shares for basic and diluted earnings per share is reconciled as follows:

	Ordinary shares in millions	
	2006	2005
Weighted average number of shares in issue	966.6	948.9
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	12.7	7.6
Weighted average number of shares for diluted earnings per share	979.3	956.5

Additional basic and diluted earnings per share are also calculated based on the profit before gains on disposal.

A reconciliation of earnings is set out below:

	2006			2005		
	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 before gains on disposal	45.0	4.66	4.60	41.1	4.33	4.30
Gain on disposal of The Mark	35.0			–		
Gain on disposal of Hawaii investment	–			36.1		
Profit attributable to shareholders	80.0	8.28	8.17	77.2	8.14	8.07

## 9 Intangible assets

	Goodwill US\$m	Land use rights US\$m	Computer software US\$m	Total US\$m
<b>2006</b>				
Net book value at 1st January	23.3	192.2	–	215.5
Translation differences	–	(0.1)	–	(0.1)
Addition	–	–	0.8	0.8
Transfer-in	–	0.1	–	0.1
Amortization (refer note 2)	–	(0.2)	(0.1)	(0.3)
<b>At 31st December</b>	<b>23.3</b>	<b>192.0</b>	<b>0.7</b>	<b>216.0</b>
Cost	23.3	195.0	0.8	219.1
Accumulated amortization	–	(3.0)	(0.1)	(3.1)
	<b>23.3</b>	<b>192.0</b>	<b>0.7</b>	<b>216.0</b>
<b>2005</b>				
Net book value at 1st January	26.6	192.8	–	219.4
Addition	1.9	–	–	1.9
Classified as non-current asset held for sale (refer note 24)	(5.2)	–	–	(5.2)
Amortization (refer note 2)	–	(0.6)	–	(0.6)
<b>At 31st December</b>	<b>23.3</b>	<b>192.2</b>	<b>–</b>	<b>215.5</b>
Cost	23.3	195.0	–	218.3
Accumulated amortization	–	(2.8)	–	(2.8)
	<b>23.3</b>	<b>192.2</b>	<b>–</b>	<b>215.5</b>

The Directors have performed an impairment review of the carrying amount of goodwill at 31st December 2006 and have concluded that there is no impairment. For the purpose of impairment testing, goodwill acquired has been allocated to the respective hotels and is reviewed for impairment based on forecast individual hotel operating performance and cash flows. Cash flow projections are based on individual hotel budgets prepared on the basis of assumptions reflective of the prevailing market conditions, and are discounted appropriately. Key assumptions used for value in use calculations include average growth rates of between 4% to 10% to extrapolate cash flows which may vary across the Group's geographical location, and are based on management expectations of the market development; and pre-tax discounted rates of between 10% to 13% applied to the cash flow projections. The discounted rates used reflect risks relating to the business cycle and geographical location.

The amortization charges are all recognized in arriving at operating profit and are included in cost of sales, selling and distribution costs and administrative expenses.

The transfer-in in 2006 represents leasehold land use rights reclassified from tangible assets (refer note 10).

The addition in 2005 represented goodwill arising on the acquisition of a further 22.76% interest in Mandarin Oriental, Jakarta.

Land use rights represent the upfront payments to acquire long-term interests in property leased by the principal subsidiaries listed on pages 66 and 67.

**10 Tangible assets**

	Freehold land & buildings US\$m	Leasehold buildings & improvements US\$m	Plant & machinery US\$m	Furniture & equipment US\$m	Total US\$m
<b>2006</b>					
Net book value at 1st January	404.8	181.6	28.5	69.1	684.0
Translation differences	31.1	18.2	1.5	1.6	52.4
Additions	0.1	98.6	14.6	16.1	129.4
Disposals	–	(0.1)	–	(0.1)	(0.2)
Transfer-out	–	(0.1)	–	–	(0.1)
Depreciation charge (refer note 2)	(2.7)	(7.9)	(2.6)	(15.2)	(28.4)
Revaluation surplus	50.1	(4.7)	–	–	45.4
<b>Net book value at 31st December</b>	<b>483.4</b>	<b>285.6</b>	<b>42.0</b>	<b>71.5</b>	<b>882.5</b>
Cost or valuation	496.3	359.4	87.1	178.3	1,121.1
Accumulated depreciation	(12.9)	(73.8)	(45.1)	(106.8)	(238.6)
	<b>483.4</b>	<b>285.6</b>	<b>42.0</b>	<b>71.5</b>	<b>882.5</b>
<b>2005</b>					
Net book value at 1st January	386.3	273.1	46.5	46.2	752.1
Translation differences	(25.3)	(19.6)	(1.7)	(2.5)	(49.1)
Additions	3.2	4.7	4.1	36.6	48.6
Disposals	–	–	–	(0.1)	(0.1)
Transfer-in	–	–	–	1.9	1.9
Reclassification	16.4	–	(16.4)	–	–
Depreciation charge (refer note 2)	(3.6)	(10.4)	(3.3)	(12.7)	(30.0)
Revaluation surplus	27.8	–	–	–	27.8
Classified as non-current asset held for sale (refer note 24)	–	(66.2)	(0.7)	(0.3)	(67.2)
<b>Net book value at 31st December</b>	<b>404.8</b>	<b>181.6</b>	<b>28.5</b>	<b>69.1</b>	<b>684.0</b>
Cost or valuation	415.0	247.5	71.0	161.3	894.8
Accumulated depreciation	(10.2)	(65.9)	(42.5)	(92.2)	(210.8)
	<b>404.8</b>	<b>181.6</b>	<b>28.5</b>	<b>69.1</b>	<b>684.0</b>

The Directors have reviewed the carrying values of all properties at 31st December 2006 in consultation with the Group's independent valuers. The Directors are of the opinion that there is an increase in the fair value of all properties of US\$33.7 million net of deferred tax of US\$11.7 million which has been taken to capital reserves (2005: a surplus of US\$21.3 million net of deferred tax of US\$6.5 million was taken to the capital reserves).

Freehold land & buildings include a property of US\$110.9 million (2005: US\$114.2 million), which is stated net of tax incremental financing of US\$30.6 million (2005: US\$31.5 million) (refer note 18).

If the freehold properties and the building component of leasehold properties had been included in the financial statements at cost, the carrying value would have been US\$607.5 million (2005: US\$503.3 million).

## 10 Tangible assets continued

Certain of the hotel properties are pledged as security for bank loans as shown in note 17.

The transfer-out in 2006 represents leasehold land use rights reclassified to intangible asset (refer note 9). The transfer-in in 2005 represented development costs of US\$1.9 million in respect of Mandarin Oriental, Tokyo.

	2006 US\$m	2005 US\$m
<b>Analysis of additions (including transfer in/(out)) by geographical area</b>		
- Hong Kong and Macau	113.1	17.8
- Other Asia	7.6	20.6
- Europe	7.5	7.4
- The Americas	1.1	4.7
	<b>129.3</b>	<b>50.5</b>
<b>Analysis of additions (including transfer in/(out)) by activity</b>		
- Hotel ownership	128.1	49.7
- Hotel management	1.2	0.8
	<b>129.3</b>	<b>50.5</b>
<b>Analysis of depreciation by geographical area</b>		
- Hong Kong and Macau	(8.8)	(10.3)
- Other Asia	(6.8)	(3.6)
- Europe	(8.8)	(8.4)
- The Americas	(4.0)	(7.7)
	<b>(28.4)</b>	<b>(30.0)</b>
<b>Analysis of depreciation by activity</b>		
- Hotel ownership	(27.2)	(29.2)
- Hotel management	(1.2)	(0.8)
	<b>(28.4)</b>	<b>(30.0)</b>

## 11 Associates and joint ventures

Listed investment in The Oriental Hotel (Thailand) PCL	69.2	60.1
Unlisted investments in other associates	77.3	67.4
Group share of attributable net assets of associates	146.5	127.5
Joint ventures	43.5	46.5
	<b>190.0</b>	<b>174.0</b>
Market value of listed investment in The Oriental Hotel (Thailand) PCL	66.6	55.6

The Directors have reviewed the carrying values of all operating properties owned by associates and joint ventures at 31st December 2006 in consultation with the Group's independent valuers. The Group's share of the underlying net revaluation surplus of US\$16.6 million has been dealt with in capital reserves (2005: net revaluation surplus of US\$4.6 million to capital reserves).



**11 Associates and joint ventures** continued

	2006 US\$m	Restated 2005 US\$m
The Group's share of assets and liabilities and results of associates and joint ventures is summarized below:		
<b>Associates</b>		
Non-current assets	247.4	224.3
Current assets	21.7	16.6
Current liabilities	(19.7)	(16.3)
Non-current liabilities	(102.9)	(97.1)
	146.5	127.5
Revenue	76.0	71.8
Profit before tax	13.1	8.1
Net profit	9.9	6.8
Capital commitments	2.9	2.7
Contingent liabilities	–	–
<b>Joint ventures</b>		
Non-current assets	111.9	150.5
Current assets	8.0	10.2
Current liabilities	(42.4)	(16.4)
Non-current liabilities	(34.0)	(97.8)
	43.5	46.5
Revenue	66.7	58.4
Profit before tax	5.6	2.2
Net profit	3.1	1.9
Capital commitments	0.8	2.0
Contingent liabilities	–	–
Movements of share of attributable net assets for the year:		
At 1st January	174.0	258.6
Reclassification to loan receivable (refer note 12)	–	(31.0)
Net exchange translation differences	13.5	(3.9)
Share of results	13.0	8.7
Investments in and loans to associates and joint ventures	–	1.0
Dividends received	(12.2)	(17.6)
Share of property revaluation net of tax	16.6	4.6
Repayment of loans to an associate	–	(4.1)
Disposal of associates (refer note 27d)	–	(35.7)
Classified as held for sale (refer note 24)	(13.7)	–
Others	(1.2)	(6.6)
At 31st December	190.0	174.0

## 12 Loan receivable

	2006 US\$m	Restated 2005 US\$m
At 1st January	43.0	-
Reclassification from associates and joint ventures (refer note 11)	-	31.0
Addition	0.2	12.0
Classified as held for sale (refer note 24)	(31.2)	-
At 31st December	12.0	43.0

The mezzanine loan of US\$31.2 million (2005: US\$31.0 million) to Mandarin Oriental, New York, which is interest-bearing at 13.5% per annum as from the opening of the hotel with no fixed terms of repayment has been classified as a non-current asset held for sale and has been fully repaid subsequent to the year end pursuant to the Group's sale of 25% interest in the hotel (refer note 33).

The balance as at 31st December 2006 represents a mezzanine loan provided in respect of the Boston hotel project which is interest-bearing at 13% per annum with no fixed terms of repayment which will be based on future cash flows. The carrying amount of the loan receivable approximates its fair value.

## 13 Pension plans

The Group has a number of defined benefit pension plans, covering all the main territories in which it operates with the major plans relating to employees in Hong Kong and South East Asia. Most of the pension plans are final salary defined benefit plans and are funded. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

The principal actuarial assumptions used for accounting purposes at 31st December are as follows:

	2006 Weighted average %	2005 Weighted average %
Discount rate applied to pension obligations	4.6	5.5
Expected return on plan assets	6.0	6.0
Future salary increases	5.0	5.0

The expected return on plan assets is determined based on the expected long-term average returns on global equities of 6% to 9% per annum and global bonds of 3.5% to 5.5% per annum, and the long-term benchmark allocation of assets between equities and bonds in each plan.

**13 Pension plans** continued

The amounts recognized in the consolidated balance sheet are as follows:

	2006 US\$m	2005 US\$m
Fair value of plan assets	71.6	62.2
Present value of funded obligations	(45.7)	(40.8)
	25.9	21.4
Unrecognized past service cost	(0.3)	(0.3)
Net pension assets	25.6	21.1
<b>Analysis of net pension assets</b>		
Pension assets	27.1	22.8
Pension liabilities	(1.5)	(1.7)
	25.6	21.1
<b>Movements in the fair value of plan assets for the year</b>		
At 1st January	62.2	58.4
Expected return on plan assets	3.7	3.5
Actuarial gains and losses	7.1	1.9
Contributions from company	0.9	1.1
Contributions from plan members	0.9	0.9
Translation difference	0.4	(0.1)
Benefits paid	(3.8)	(3.5)
Transfer-in of assets	0.2	-
At 31st December	71.6	62.2
<b>Movements in the present value of defined benefit obligations</b>		
At 1st January	(40.8)	(36.9)
Current service cost	(3.4)	(3.3)
Interest cost	(2.3)	(2.2)
Contributions from plan members	(0.9)	(0.9)
Actuarial gains and losses	(1.5)	(1.3)
Translation difference	(0.4)	0.3
Benefits paid	3.8	3.5
Transfer-in of liabilities	(0.2)	-
At 31st December	(45.7)	(40.8)

### 13 Pension plans continued

The analysis of the fair value of plan assets at 31st December is as follows:

	Fair value of assets	
	2006 US\$m	2005 US\$m
Equity instruments	<b>51.0</b>	43.4
Debt instruments	<b>16.9</b>	18.6
Other assets	<b>3.7</b>	0.2
	<b>71.6</b>	62.2

The five year history of experience adjustments is as follows:

	2006 US\$m	2005 US\$m	2004 US\$m	2003 US\$m	2002 US\$m
Fair value of plan assets	<b>71.6</b>	62.2	58.4	52.8	42.5
Present value of funded obligations	<b>(45.7)</b>	(40.8)	(36.9)	(34.9)	(38.3)
Plan surplus	<b>25.9</b>	21.4	21.5	17.9	4.2
Experience adjustments on plan assets	<b>7.1</b>	1.9	3.8	9.1	(7.0)
Percentage of plan assets (%)	<b>9.9</b>	3.1	6.6	17.2	(16.4)
Experience adjustments on plan obligations	<b>1.7</b>	(1.2)	0.4	3.4	2.3
Percentage of plan obligations (%)	<b>3.7</b>	3.0	1.2	9.8	6.1

The net cumulative actuarial gains recorded in the Statement of Recognized Income and Expense is US\$24.4 million (2005: US\$18.8 million).

The amounts recognized in the consolidated profit and loss account are as follows:

	2006 US\$m	2005 US\$m
Current service cost	<b>3.4</b>	3.3
Interest cost	<b>2.3</b>	2.2
Expected return on plan assets	<b>(3.7)</b>	(3.5)
	<b>2.0</b>	2.0
Actual return on plan assets in the year	<b>10.8</b>	5.4

The above amounts are all recognized in arriving at operating profit and are included in cost of sales, selling and distribution costs and administration expenses.

It is estimated that the Group will make contributions of up to 5% of pensionable salaries into the pension plans in 2007.

## 14 Deferred tax

	Accelerated tax depreciation US\$m	Property revaluation US\$m	Unremitted earnings in associates & joint ventures US\$m	Other temporary differences US\$m	Losses US\$m	Total US\$m
<b>2006</b>						
At 1st January	22.0	21.8	1.3	2.3	(7.5)	39.9
Translation differences	0.7	3.0	0.2	–	(0.6)	3.3
Charged/(credited) to consolidated profit and loss account	2.9	–	0.1	(10.7)	(3.4)	(11.1)
Charged to reserves	–	11.7	–	1.7	–	13.4
At 31st December	<b>25.6</b>	<b>36.5</b>	<b>1.6</b>	<b>(6.7)</b>	<b>(11.5)</b>	<b>45.5</b>
<b>2005</b>						
At 1st January	15.7	17.9	1.0	2.8	(7.0)	30.4
Translation differences	(1.7)	(2.5)	–	–	0.3	(3.9)
Charged/(credited) to consolidated profit and loss account	15.3	–	0.3	(2.7)	(0.8)	12.1
Charged to reserves	–	6.5	–	0.1	–	6.6
Other movements	(7.3)	(0.1)	–	0.8	–	(6.6)
Classified as non-current asset held for sale (refer note 24)	–	–	–	1.3	–	1.3
At 31st December	22.0	21.8	1.3	2.3	(7.5)	39.9
					2006 US\$m	2005 US\$m
Deferred tax assets					(27.4)	(9.9)
Deferred tax liabilities					72.9	49.8
					45.5	39.9

Deferred tax assets of US\$25.4 million (2005: US\$23.6 million) have not been recognized in relation to tax losses in subsidiaries as it is uncertain when these losses will be utilized.

Expiry dates for deferred tax assets not recognized in relation to tax losses:

Within one year	0.1	–
Between two and five years	0.3	0.3
Over five years	2.5	2.4
With no expiry dates	22.5	20.9
	25.4	23.6

Deferred tax balances predominantly comprise non-current items.

Deferred tax assets of US\$2.7 million (2005: US\$8.2 million) have not been recognized in relation to temporary differences in subsidiaries.

Deferred tax liabilities have not been established for withholding taxes that would be payable on the unremitted earnings of certain subsidiaries as there is no current intention of remitting the retained earnings to the holding companies.

## 15 Debtors and prepayments

	2006 US\$m	2005 US\$m
Trade debtors	42.8	25.6
Provision for doubtful debts	(1.2)	(0.4)
Trade debtors – net	41.6	25.2
Other debtors	11.6	11.3
Prepayments	10.2	8.2
Amounts due from associates	0.8	2.6
Amounts due from joint ventures	–	10.5
Rental and other deposits	1.5	1.2
	65.7	59.0

## 16 Creditors and accruals

Trade creditors	33.1	28.9
Accruals	46.7	43.2
Deposits accepted	9.4	6.7
Other creditors	1.8	1.5
	91.0	80.3

## 17 Borrowings

	2006 Carrying amount US\$m	2006 Fair value US\$m	2005 Carrying amount US\$m	2005 Fair value US\$m
<b>Current</b>				
– Bank overdrafts	0.1	0.1	0.3	0.3
<b>Current portion of long-term borrowings</b>				
– Bank loans	25.1	25.8	7.8	8.5
– Other borrowings	0.2	0.2	0.2	0.2
	25.3	26.0	8.0	8.7
<b>Long-term borrowings</b>				
– Bank loans	565.8	565.3	462.6	462.6
– Other borrowings	7.6	7.7	7.3	7.3
– Tax increment financing (refer note 18)	1.7	1.7	1.7	1.7
	575.1	574.7	471.6	471.6
	600.5	600.8	479.9	480.6
			2006 US\$m	2005 US\$m
Secured			574.4	462.1
Unsecured			26.1	17.8
			600.5	479.9
<b>Due dates of repayment</b>				
Within one year			25.4	8.3
Between one and two years			182.0	23.8
Between two and three years			11.1	181.2
Between three and four years			368.7	10.3
Between four and five years			1.4	244.1
Beyond five years			11.9	12.2
			600.5	479.9



## 17 Borrowings continued

	Fixed rate borrowings				Total US\$m
	Weighted average interest rates %	Weighted average period Years	US\$m	Floating rate borrowings US\$m	
<b>2006</b>					
Euro	5.8	1.7	14.2	–	14.2
Hong Kong Dollar	4.4	2.2	146.7	181.9	328.6
Swiss Franc	3.7	25.0	2.0	21.0	23.0
United Kingdom Sterling	6.2	–	–	111.8	111.8
United States Dollar	5.5	3.6	51.2	53.2	104.4
Japanese Yen	0.8	–	–	18.5	18.5
			<b>214.1</b>	<b>386.4</b>	<b>600.5</b>
<b>2005</b>					
Euro	5.9	2.7	13.8	–	13.8
Hong Kong Dollar	4.3	3.2	147.0	78.3	225.3
Swiss Franc	3.3	26.0	1.9	20.8	22.7
United Kingdom Sterling	5.9	0.3	29.8	73.7	103.5
United States Dollar	5.1	4.7	51.7	52.7	104.4
Japanese Yen	0.3	–	–	10.2	10.2
			<b>244.2</b>	<b>235.7</b>	<b>479.9</b>

Borrowings of US\$574.4 million (2005: US\$462.1 million) are secured against the fixed assets of certain subsidiaries. The book value of these fixed assets as at 31st December 2006 was US\$1,024.7 million (2005: US\$830.2 million).

The weighted average interest rates and period are stated after taking account of hedging transactions (refer note 28).

### a) Convertible bonds

The 6.75% convertible bonds of the Company were converted into ordinary shares in accordance with their terms resulting in the issue of a total of 113,062,580 ordinary shares of the Company.

The convertible bonds were recognized in the consolidated balance sheet as follows:

	2006 US\$m	2005 US\$m
At 1st January	–	75.3
Conversion of convertible bonds	–	(75.3)
Liability component at 31st December	–	–

**18 Tax increment financing**

	2006 US\$m	2005 US\$m
At 1st January	33.2	34.1
Amortization in the year	(0.9)	(0.9)
At 31st December	32.3	33.2
Netted off against the net book value of the property (refer note 10)	30.6	31.5
Loan (refer note 17)	1.7	1.7
	<b>32.3</b>	<b>33.2</b>

A development agreement was entered into between one of the Group's subsidiaries with the District of Columbia ('District'), pursuant to which the District agreed to provide certain funds to the subsidiary out of the 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 10). The loan of US\$1.7 million (2005: US\$1.7 million) is included in long-term borrowings (refer note 17).

## 19 Segment information

### Analysis by geographical area

	Capital expenditure US\$m	Segment assets US\$m	Associates and joint ventures US\$m	Segment liabilities US\$m
<b>2006</b>				
Hong Kong and Macau	113.9	467.2	15.4	(41.6)
Other Asia	7.7	59.0	130.6	(18.5)
Europe	7.6	525.5	–	(16.8)
The Americas	1.1	199.0	44.0	(15.8)
Segment capital expenditure	130.3	–	–	–
Segment assets/(liabilities)	–	1,250.7	190.0	(92.7)
Unallocated assets/(liabilities)	–	320.5	–	(677.8)
	<b>130.3</b>	<b>1,571.2</b>	<b>190.0</b>	<b>(770.5)</b>
<b>2005</b>				
Hong Kong and Macau	17.8	356.6	14.8	(36.4)
Other Asia	22.5	57.8	113.2	(16.7)
Europe	7.4	418.8	–	(15.3)
The Americas	4.7	278.7	46.0	(16.6)
Segment capital expenditure	52.4	–	–	–
Segment assets/(liabilities)	–	1,111.9	174.0	(85.0)
Unallocated assets/(liabilities)	–	185.4	–	(547.5)
	<b>52.4</b>	<b>1,297.3</b>	<b>174.0</b>	<b>(632.5)</b>

Capital expenditure comprises additions of goodwill, tangible assets, and land use rights, including those arising from subsidiary undertakings. Unallocated assets and liabilities comprise other investments, tax assets and liabilities, cash and cash equivalents and borrowings. Associates and joint ventures include the Group's share of attributable net assets.

### Analysis by activity

Substantially all of the net assets of the Group are employed in hotel ownership.

## 20 Share capital

	Ordinary shares in millions		2006 US\$m	2005 US\$m
	2006	2005		
<b>Authorized</b>				
Shares of US\$5 each	<b>1,500.0</b>	1,500.0	<b>75.0</b>	75.0
<b>Issued and fully paid</b>				
At 1st January	<b>992.6</b>	878.1	<b>49.7</b>	43.9
Repurchase of shares under share incentive schemes	<b>(1.8)</b>	(2.2)	<b>(0.1)</b>	(0.1)
Issued under share incentive schemes	–	3.9	–	0.2
Conversion of convertible bonds	–	112.8	–	5.7
At 31st December	<b>990.8</b>	992.6	<b>49.6</b>	49.7
Outstanding under share incentive schemes	<b>(22.8)</b>	(27.2)	<b>(1.2)</b>	(1.4)
At 31st December	<b>968.0</b>	965.4	<b>48.4</b>	48.3

## 21 Share premium

	2006 US\$m	2005 US\$m
At 1st January	<b>174.8</b>	104.4
Repurchase of shares under share incentive schemes	<b>(1.8)</b>	(2.2)
Issued under share incentive schemes	–	3.0
Conversion of convertible bonds	–	69.6
	<b>173.0</b>	174.8
Outstanding under share incentive schemes	<b>(12.7)</b>	(16.0)
At 31st December	<b>160.3</b>	158.8

## 22 Senior Executive Share Incentive Schemes

The Senior Executive Share Incentive Schemes were set up in order to provide selected executives with options to purchase ordinary shares in the Company.

The exercise price of the granted options is based on the average market price for the five trading days immediately preceding the date of grant of the options. Options are vested in tranches over a period of up to five years and are exercisable for up to ten years following the date of grant. Prior to the adoption of the 2005 Plan on 4th May 2005, ordinary shares were issued on the date of grant of the options to the Trustee of the Schemes, Mandarin Oriental Trustees Limited, a wholly-owned subsidiary undertaking, which holds the ordinary shares until the options are exercised. Under the 2005 Plan, ordinary shares may be issued upon exercise of the options.

The shares issued under the Schemes held on trust by the wholly-owned subsidiary undertaking are, for presentation purposes, netted off the Company's share capital in the consolidated balance sheet (refer note 20) and the premium attached to them is netted off the share premium account (refer note 21).

## 22 Senior Executive Share Incentive Schemes continued

### Movements for the year:

	2006		2005	
	Weighted average exercise price US\$	Options in millions	Weighted average exercise price US\$	Options in millions
At 1st January	0.64	27.7	0.64	26.1
Granted	1.02	8.3	0.84	4.4
Exercised	0.62	(2.6)	0.50	(0.6)
Repurchased and cancelled	1.05	(2.2)	1.05	(2.2)
At 31st December	0.72	<b>31.2</b>	0.64	27.7

The weighted average share price during the year was US\$1.21 (2005: US\$0.86) per share.

### Outstanding at 31st December:

Expiry date	Exercise price US\$	Options in millions	
		2006	2005
2006	1.4	–	0.9
2007	1.2	0.2	0.3
2008	0.5 – 0.9	6.5	6.7
2009	0.7 – 1.4	11.1	3.5
2010	0.5 – 0.7	5.6	5.9
2011	0.6	1.2	2.1
2012	0.4	1.7	2.1
2013	0.3 – 0.4	1.0	1.3
2014	0.6	0.8	1.0
2015	0.8	3.1	3.9
<b>Total outstanding</b>		<b>31.2</b>	27.7
of which exercisable		<b>20.3</b>	21.6

The fair value of options granted during the year determined using the trinomial valuation model was US\$4.0 million (2005: US\$1.9 million). The significant inputs into the model, based on the weighted average number of options issued, were share price of US\$1.05 (2005: US\$0.87), at the grant date, exercise price shown above, expected volatility based on the last three years of 34% (2005: 36%), dividend yield of 1.3% (2005: 1.1%), option life disclosed above, and annual risk-free interest rate of 4.7% (2005: 4.3%).

**23 Revenue and other reserves**

	Revenue reserves US\$m	Capital reserves US\$m	Hedging reserves US\$m	Exchange reserves US\$m	Total US\$m
<b>2006</b>					
At 1st January	294.1	427.8	5.5	(99.4)	628.0
Revaluation of properties					
– net revaluation surplus	–	74.7	–	–	74.7
– deferred tax	–	(23.9)	–	–	(23.9)
Defined benefit pension plans					
– actuarial gain	5.6	–	–	–	5.6
– deferred tax	(1.0)	–	–	–	(1.0)
Net exchange translation differences	–	–	–	44.8	44.8
Fair value loss on cash flow hedges	–	–	(2.8)	–	(2.8)
Deferred tax on fair value gain	–	–	(0.6)	–	(0.6)
Share-based payments	–	1.7	–	–	1.7
Profit attributable to shareholders	80.0	–	–	–	80.0
Transfer between reserves	–	–	(0.4)	0.4	–
Dividends (refer note 26)	(14.5)	–	–	–	(14.5)
<b>At 31st December 2006</b>	<b>364.2</b>	<b>480.3</b>	<b>1.7</b>	<b>(54.2)</b>	<b>792.0</b>
<b>Of which:</b>					
– Company	91.7	7.6	–	–	99.3
– Associates and joint ventures	(20.2)	112.8	–	(62.1)	30.5

## 23 Revenue and other reserves continued

	Revenue reserves US\$m	Capital reserves US\$m	Hedging reserves US\$m	Exchange reserves US\$m	Total US\$m
2005					
At 1st January	214.1	412.9	(6.0)	(68.9)	552.1
Revaluation of properties					
– net revaluation surplus	–	35.6	–	–	35.6
– deferred tax	–	(9.7)	–	–	(9.7)
Defined benefit pension plans					
– actuarial gain	0.6	–	–	–	0.6
– deferred tax	(0.1)	–	–	–	(0.1)
Net exchange translation differences	–	–	–	(30.5)	(30.5)
Fair value gain on cash flow hedges	–	–	11.5	–	11.5
Share-based payments	–	0.9	–	–	0.9
Profit attributable to shareholders	77.2	–	–	–	77.2
Transfer between reserves	11.9	(11.9)	–	–	–
Dividends (refer note 26)	(9.6)	–	–	–	(9.6)
At 31st December 2005	294.1	427.8	5.5	(99.4)	628.0
Of which:					
– Company	67.0	6.0	–	–	73.0
– Associates and joint ventures	(21.0)	97.9	–	(75.6)	1.3

Revenue reserves include US\$0.1 million of fair value losses in respect of financial assets (2005: loss of US\$0.1 million).

Capital reserves include property revaluation reserves of US\$218.6 million net of attributable deferred tax of US\$67.6 million (2005: US\$167.8 million net of attributable deferred tax of US\$43.7 million) which are not distributable in certain jurisdictions in which the Group operates.

## 24 Non-current asset classified as held for sale

An analysis of the non-current asset held for sale is as follows:

	2006 US\$m	2005 US\$m
Intangible assets (refer note 9)	–	5.2
Tangible assets (refer note 10)	–	67.2
Associates and joint ventures (refer note 11)	13.7	–
Loan receivable (refer note 12)	31.2	–
Deferred tax assets (refer note 14)	–	1.3
Current assets	9.0	6.6
<b>Total assets</b>	<b>53.9</b>	<b>80.3</b>
Long-term borrowings	–	(11.0)
Current liabilities	–	(3.0)
<b>Total liabilities</b>	<b>–</b>	<b>(14.0)</b>

The Group's 25% interest in Mandarin Oriental, New York was classified as held for sale as at 31st December 2006, which amounted to total assets of US\$53.9 million. The sale was completed on 1st March 2007 (refer note 33).

The Group's 100% leasehold interest in The Mark, New York was classified as held for sale in 2005. At 31st December 2005, total assets and total liabilities amounted to US\$80.3 million and US\$14.0 million respectively. The sale was completed on 16th February 2006 for a consideration of US\$150.0 million (refer note 5).

## 25 Minority interests

At 1st January	3.7	8.2
Net exchange translation differences	0.3	(0.9)
Purchase of minority interest	–	(0.8)
Revaluation of properties		
– net revaluation deficit	(0.6)	–
– deferred tax	0.2	–
Fair value (loss)/gain on financial instruments	(0.1)	0.2
Attributable profit/(losses)	0.2	(3.0)
<b>At 31st December</b>	<b>3.7</b>	<b>3.7</b>

## 26 Dividends

No interim dividend was paid in respect of 2006. A final dividend of US¢3.00 per share has been proposed in respect of 2006. A final dividend of US¢1.50 per share was paid in respect of 2005.



## 27 Notes to consolidated cash flow statement

	2006 US\$m	2005 US\$m
<b>a) Non-cash items</b>		
Gain on disposal of The Mark	(76.8)	–
Pension expenses	1.0	0.8
Other	1.1	2.2
	(74.7)	3.0
<b>b) Movements in working capital</b>		
Increase in stocks	(1.2)	(0.5)
Increase in debtors and prepayments	(13.8)	(12.1)
Increase in creditors and accruals	13.6	12.3
	(1.4)	(0.3)
<b>c) Proceeds on disposal of The Mark</b>		
Net assets disposed of (refer note 24)	66.3	–
Direct transaction costs	6.9	–
Gain on disposal (refer note 5)	76.8	–
Sales proceeds	150.0	–
Tax and other expenses paid on disposal	(51.5)	–
Net cash flow	98.5	–
<b>d) Proceeds on disposal of associates</b>		
Net assets disposed of (refer note 11)	–	35.7
Direct transaction costs	–	1.0
Gain on disposal of associates (refer note 6)	–	52.3
	–	89.0
Repayment of deficit loan and interest	–	6.3
Proceeds on disposal of associates	–	95.3
<p>In addition, the Group also received repayment of loans to an associate of US\$4.1 million in 2005.</p>		
<b>e) Analysis of cash and cash equivalents</b>		
Cash at bank	286.7	169.1
Bank overdrafts	(0.1)	(0.3)
	286.6	168.8

The weighted average effective interest rate on short-term bank deposits included in cash at bank was 4.4% (2005: 1.9%).

## 28 Financial instruments

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The Group manages its exposure to financial risks using a variety of techniques and instruments. Entering into speculative transactions is specifically prohibited.

### Foreign exchange risk

Material foreign currency transaction exposures are covered by forward contracts and options.

### Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through the use of derivative financial instruments such as interest rate swaps and caps. 46% of Group borrowings (2005: 69%) are either fixed rate or hedged by qualifying interest rate swaps and caps.

### Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made principally to travel agents and corporate companies with an appropriate credit history. Sales to other customers are made in cash or via major credit cards. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

### Funding risk

The Group's ability to fund its existing and prospective debt requirements is managed by maintaining adequate cash or adequate committed funding lines from high quality lenders.

### Counterparty risk

The Group's ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Group manages these risks by monitoring credit ratings and limiting the aggregate risk to any individual counterparty.

### Fair values

The fair value of listed investments is based on market prices. Unlisted investments have been valued by reference to the market prices of the underlying investments, or by reference to the current market value of similar investments or by reference to the discounted cash flows of the underlying net assets.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair values of debtors, bank balances, creditors and accruals and short term borrowings are assumed to approximate their carrying amount due to short-term maturities of these assets and liabilities.

The fair values of long term borrowings are estimated using the expected future payments discounted at market interest rates.

## 28 Financial instruments continued

The positive/(negative) fair values of derivative financial instruments at 31st December are as follows:

	2006 US\$m	2005 US\$m
Interest rate swaps and caps – designated as cash flow hedges		
At 1st January	5.5	(6.0)
Changes in fair value in the year	(2.8)	11.5
At 31st December	2.7	5.5
Included in:		
Non-current assets	2.9	5.5
Non-current liabilities	(0.2)	–
At 31st December	2.7	5.5

The notional principal amounts of the outstanding derivative financial instruments at 31st December 2006 were US\$262.3 million (2005: US\$313.8 million).

The due dates of outstanding derivative financial instruments at 31st December were as follows:

– Within one year	32.2	59.5
– Between two and five years	230.1	179.3
– Over five years	–	75.0
	<b>262.3</b>	<b>313.8</b>

At 31st December 2006, the fixed interest rates relating to interest rate swaps and caps ranged from 1.5% to 6.0% (2005: 3.2% to 6.0%).

## 29 Financial guarantee

Guarantees in respect of facilities made available to associates and joint ventures	70.5	71.1
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Guarantees in respect of facilities made available to associates and joint ventures are stated at their respective contracted amounts. The Directors are of the opinion that it is not probable that such guarantees will be called upon.

### 30 Commitments

	2006 US\$m	2005 US\$m
<b>Capital commitments:</b>		
Authorized not contracted	15.1	63.1
Contracted not provided	22.6	89.4
	<b>37.7</b>	<b>152.5</b>
<b>Operating lease commitments:</b>		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	5.5	4.9
Between two and five years	22.9	22.2
Over five years	132.6	137.7
	<b>161.0</b>	<b>164.8</b>

Total future sublease payments receivable relating to the above operating leases amounted to US\$0.2 million (2005: US\$0.2 million).

In addition, the Group has operating lease commitments with rentals determined in relation to sales. It is not possible to quantify accurately future rentals payable under such leases.

### 31 Related party transactions

The parent company of the Group is Jardine Strategic Holdings Limited and the ultimate holding company of the Group is Jardine Matheson Holdings Limited ('JMH'). Both companies are incorporated in Bermuda.

In the normal course of business, the Group undertakes a variety of transactions with its associates and with JMH and its subsidiaries and associates. In addition, the Group paid a management fee of US\$0.4 million (2005: US\$0.4 million) to Jardine Matheson Limited ('JML'), a subsidiary of JMH, being a fee of 0.5% of the Group's net profit in consideration for certain management consultancy services provided by JML. The Group has no outstanding balance with JML as at 31st December 2006 (2005: nil).

During 2006, the Group managed seven associate and joint venture hotels and received management fees of US\$16.8 million (2005: US\$13.4 million) based on long-term management agreements on normal commercial terms. The outstanding balances with associates and joint ventures are set out in debtors and prepayment in note 15.

The Group engages Gammon Construction Limited ('Gammon'), a joint venture of JMH, as contractor for certain of the Group hotel renovation projects. Management fees paid by the Group to Gammon in 2006 were US\$4.1 million (2005: US\$0.4 million). The Group has no outstanding balance with Gammon as at 31st December 2006 (2005: US\$5.4 million which was included in creditors and accruals in note 16).

The Group uses Jardine Lloyd Thompson ('JLT'), an associate of JMH, to place certain of its insurance. Brokerage fees and commissions, net of rebates, paid by the Group in 2006 to JLT amounted to US\$0.6 million (2005: US\$0.5 million). The Group has no outstanding balance with JLT as at 31st December 2006 (2005: nil).

### 31 Related party transactions continued

During the year, the Group rented an office space from Hongkong Land Holdings ('HKL'), an associate of JMH. Gross rental paid by the Group to HKL in 2006 was US\$0.3 million (2005: nil). The Group also provides hotel management services to HKL and received management fees of US\$0.8 million in 2006 (2005: US\$0.3 million) based on long-term management agreements on normal commercial terms. The outstanding balance with HKL as at 31st December 2006 was US\$0.1 million (2005: US\$0.2 million).

In 2005, the Group disposed of its 17.5% interest in Reid Street Properties to HKL on an arm's length basis for US\$2.3 million and realized a profit of US\$2.0 million.

Details of Directors' emoluments (being the key management personnel compensation) are shown on page 71 under the heading of 'Directors' appointment, retirement, remuneration and service contracts'.

### 32 Summarized balance sheet of the Company

Included below is certain summarized balance sheet information of the Company disclosed in accordance with Bermuda Law:

	2006 US\$m	2005 US\$m
Subsidiaries at cost	322.7	298.1
Net current liabilities	(0.8)	(0.7)
Net operating assets	321.9	297.4
Share capital (refer note 20)	49.6	49.7
Share premium (refer note 21)	173.0	174.7
Revenue reserves (refer note 23)	91.7	67.0
Other reserves (refer note 23)	7.6	6.0
Shareholders' funds	321.9	297.4

### 33 Post balance sheet event

On 21st December 2006, the Group announced that it had entered into an agreement to sell half of its investment in Mandarin Oriental, New York. This sale reduces the Group's interest in the hotel from 50% to 25%.

Mandarin Oriental, New York was valued at US\$340 million for the purposes of the sale. On disposal of its 25% interest, the Group will receive after tax proceeds of US\$29 million with a post-tax gain of approximately US\$16 million which will be recognized in 2007. As part of the transaction, the Group will also receive repayment of its outstanding mezzanine loan to the hotel of US\$40 million, for a total proceeds of US\$69 million. The sale was completed on 1st March 2007.

The Group's 25% interest in the property which is being sold was classified as a non-current asset held for sale as at 31st December 2006. The Group will continue to manage the hotel under a long-term agreement.

# PRINCIPAL SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND MANAGED HOTELS

as at 31st December 2006

Principal country	Company/hotel name	Main activities
<b>Subsidiaries</b>		
Hong Kong	Mandarin Oriental Hotel Group International Limited	Management
Hong Kong	Mandarin Oriental Hotel Group Limited	Management
Hong Kong	Mandarin Oriental, Hong Kong Limited	Owner: Mandarin Oriental, Hong Kong
	Excelsior Hotel (BVI) Limited	Owner: The Excelsior, Hong Kong
United Kingdom	Mandarin Oriental Hyde Park Limited	Owner: Mandarin Oriental Hyde Park, London
Germany	Dinvest International Holdings B.V.	Owner: Mandarin Oriental, Munich
Philippines	Manila Mandarin Hotel Incorporated	Owner: Mandarin Oriental, Manila
Switzerland	Soci�t� Immobil�re de Mandarin Oriental Hotel du Rh�ne SA	Owner: Mandarin Oriental Hotel du Rh�ne, Geneva
	Soci�t� pour L'Exploitation de Mandarin Oriental Hotel du Rh�ne SA	
United States	Portals Hotel Site LLC	Owner: Mandarin Oriental, Washington D.C.
Indonesia	P.T. Jaya Mandarin Agung	Owner: Mandarin Oriental, Jakarta
Japan	Mandarin Oriental Tokyo KK	Owner: Mandarin Oriental, Tokyo
<b>Associates</b>		
Singapore	Marina Bay Hotel Private Limited	Owner: The Oriental, Singapore
Thailand	The Oriental Hotel (Thailand) PCL	Owner: The Oriental, Bangkok
Malaysia	Asas Klasik Sdn Bhd	Owner: Mandarin Oriental, Kuala Lumpur
United States	Swire Brickell Key Hotel Limited	Owner: Mandarin Oriental, Miami
Thailand	Chaophaya Development Corporation Limited	Owner: River City Shopping Complex
<b>Joint Ventures</b>		
Macau	Excelsior Hoteis E Investimentos Limitada	Owner: Mandarin Oriental, Macau
United States	Columbus Centre Hotel LLC	Owner: Mandarin Oriental, New York
<b>Managed Hotels</b>		
Hong Kong	The Landmark Mandarin Oriental, Hong Kong	
United States	Mandarin Oriental, San Francisco	
Bermuda	Elbow Beach, Bermuda	
Thailand	Mandarin Oriental Dhara Dhevi, Chiang Mai	
United States	Mark Hotel Investors, L.P.	
Czech Republic	Mandarin Oriental, Prague	

## Notes

1. Preference shares

2. Including a renewal option of 25 years exercisable in 2007

Attributable interest %		Issued share capital	Hotel profile
2006	2005		
100	100	US\$12,000	–
100	100	HK\$60,000,000	–
100	100	HK\$33,000,000	502 rooms. Lease expiry 2895
100	100	US\$100	884 rooms. Lease expiry 2842
100	100	GBP 4,493,484 GBP 1,578,791 ( <i>note 1</i> )	198 rooms. Freehold
100	100	Euro 3,632,000	73 rooms. Freehold
96.2	96.2	Peso 288,918,400	443 rooms. Lease expiry 2026
85.3	85.3	CHF 6,800,000	190 rooms. Lease expiry 2040
100	100	CHF 10,800,000	–
80	80	–	400 rooms. Freehold
88.3	88.3	Rup 8,196,250,000	404 rooms. Lease expiry 2023
100	100	Yen 10,000,000	179 rooms. Lease expiry 2035
50	50	S\$141,500,000	527 rooms. Lease expiry 2079
44.9	44.9	Baht 160,000,000	393 rooms. Various freehold/leasehold
25	25	RM 130,000,000	632 rooms. Freehold
25	25	–	327 rooms. Freehold
49	49	Baht 120,000,000	–
50	50	Ptc 20,000,000	416 rooms. Lease expiry 2032 ( <i>note 2</i> )
50	50	–	248 rooms. Freehold
–	–	–	113 rooms
–	–	–	158 rooms
–	–	–	235 rooms
–	–	–	123 rooms
–	100	–	176 rooms
–	–	–	99 rooms

# INDEPENDENT AUDITOR'S REPORT

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## **To the members of Mandarin Oriental International Limited**

We have audited the accompanying consolidated financial statements of Mandarin Oriental International Limited and its subsidiaries (the 'Group') which comprise the consolidated balance sheet as of 31st December 2006 and the consolidated profit and loss account, consolidated statement of recognized income and expense and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Directors' Responsibility for the Financial Statements**

The Company's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of Section 90 of the Bermuda Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as of 31st December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bermuda Companies Act.

### **Other Matters**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **PricewaterhouseCoopers LLP**

London  
United Kingdom

6th March 2007



## FIVE YEAR SUMMARY

	2002 US\$m	2003 US\$m	2004 US\$m	2005 US\$m	2006 US\$m
<b>Consolidated Profit and Loss Account</b>					
Revenue	233.7	218.1	336.8	399.2	<b>404.6</b>
Operating profit	37.7	29.8	43.4	60.4	<b>121.9</b>
Net financing charges	(24.9)	(23.8)	(27.5)	(22.4)	<b>(15.2)</b>
Share of results of associates and joint ventures	7.6	(0.9)	12.6	8.7	<b>13.0</b>
Gains on disposal of associates	-	-	-	52.3	<b>-</b>
Profit before tax	20.4	5.1	28.5	99.0	<b>119.7</b>
Tax	(5.3)	(8.0)	(4.8)	(24.8)	<b>(39.5)</b>
Profit/(Loss) for the year	15.1	(2.9)	23.7	74.2	<b>80.2</b>
Profit/(Loss) attributable to shareholders	15.3	(1.8)	28.5	77.2	<b>80.0</b>
Profit/(Loss) attributable to minority interests	(0.2)	(1.1)	(4.8)	(3.0)	<b>0.2</b>
	15.1	(2.9)	23.7	74.2	<b>80.2</b>
Earnings per share (US¢)	1.80	(0.21)	3.35	8.14	<b>8.28</b>
Dividend per share (US¢)	-	-	1.00	1.50	<b>3.00</b>
<b>Consolidated Balance Sheet</b>					
Intangible assets	209.6	219.7	219.4	215.5	<b>216.0</b>
Tangible assets	512.3	687.1	752.1	684.0	<b>882.5</b>
Associates and joint ventures	272.9	243.3	258.6	174.0	<b>190.0</b>
Other investments	26.3	18.2	6.4	5.1	<b>6.4</b>
Loan receivable	-	-	-	43.0	<b>12.0</b>
Pension assets	5.4	19.2	22.9	22.8	<b>27.1</b>
Deferred tax assets	4.1	4.9	7.8	9.9	<b>27.4</b>
Other non-current assets	-	-	-	5.5	<b>2.9</b>
Net current assets/(liabilities)	37.6	35.8	(32.3)	202.1	<b>289.8</b>
Long-term borrowings	(483.0)	(584.9)	(497.1)	(471.6)	<b>(575.1)</b>
Deferred tax liabilities	(6.8)	(26.0)	(38.2)	(49.8)	<b>(72.9)</b>
Pension liabilities	(1.5)	(1.7)	(1.7)	(1.7)	<b>(1.5)</b>
Other non-current liabilities	(5.4)	(4.1)	(6.0)	-	<b>(0.2)</b>
Net operating assets	571.5	611.5	691.9	838.8	<b>1,004.4</b>
Share capital	42.6	42.6	42.6	48.3	<b>48.4</b>
Share premium	88.7	88.7	89.0	158.8	<b>160.3</b>
Revenue and other reserves	430.6	469.0	552.1	628.0	<b>792.0</b>
Shareholders' funds	561.9	600.3	683.7	835.1	<b>1,000.7</b>
Minority interests	9.6	11.2	8.2	3.7	<b>3.7</b>
Capital employed	571.5	611.5	691.9	838.8	<b>1,004.4</b>
Net asset value per share (US\$)	0.66	0.70	0.80	0.87	<b>1.03</b>
<b>Consolidated Cash Flow Statement</b>					
Cash flows from operating activities	33.5	28.3	47.1	72.6	<b>62.4</b>
Cash flows from investing activities	(76.1)	(84.7)	(28.4)	43.3	<b>(38.0)</b>
Net cash flow before financing activities	(42.6)	(56.4)	18.7	115.9	<b>24.4</b>
Cash flow per share from operating activities (US¢)	3.93	3.32	5.53	7.65	<b>6.46</b>

## CORPORATE GOVERNANCE

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The Group's corporate governance relies on a combination of shareholder, board and management supervision and strict compliance, internal audit and risk control procedures, within the context of the various international regulatory regimes to which the Group is subject.

Mandarin Oriental International Limited is incorporated in Bermuda. The Company was established as an Asian-based hotel group and has since extended its operations to key locations around the world. The Company has its primary share listing on the London Stock Exchange and secondary listings in Bermuda and Singapore. The primary corporate governance regime applicable to the Company arises under the laws of Bermuda, including under certain specific statutory provisions that apply to the Company alone. The Company has fully complied with that governance regime. The Company is not subject to the Combined Code (the 'Code') that applies to United Kingdom incorporated companies listed in London, but this Report outlines the significant ways in which its corporate governance practices differ from those set out in the Code.

### **The Management of the Group**

The Company has its dedicated executive management under the Group Chief Executive. The Memorandum of Association of the Company, however, provides for the chairman of Jardine Matheson Holdings Limited ('Jardine Matheson') to be, or to appoint, the Managing Director of the Company. The managing director of Jardine Matheson has been so appointed. Reflecting this, and the 75% interest of the Jardine Matheson group in the Company's share capital, the Group Chief Executive and the Managing Director meet regularly. Similarly, the board of the Hong Kong-based Group management company, Mandarin Oriental Hotel Group International Limited ('MOHG'), and its finance committee are chaired by the Managing Director and include Group executives and the group finance director, the group general counsel and the director of group strategy of Jardine Matheson.

### **The Board**

The Company currently has a Board of 16 directors: the Group Chief Executive and Finance Director; six executives of Jardine Matheson; and eight non-executive Directors. Their names and brief biographies appear on pages 23 and 24 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The composition and operation of the Board reflects the approach to management described in this Report. The Board regards relevant business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. The Company does not have nomination or remuneration committees or a formal Board evaluation process. Decisions on nomination and remuneration result from consultations between the Chairman and the Managing Director and other Directors as they consider appropriate. The four executives of Jardine Matheson on the board of MOHG, being A J L Nightingale, Jonathan Gould, Mark Greenberg and James Riley, also form the MOHG audit committee that has responsibility for the Group. The Board has not designated a 'senior independent director' as set out in the Code.

Among the matters which the Board of the Company decides are the Group's business strategy, its annual budget, dividends and major corporate activities. Responsibility for implementing the Group's strategy is delegated to the Company's executive management, with decision-making authority within designated financial parameters delegated to the MOHG finance committee. In addition, certain Directors of the Company based outside Asia make regular visits to Asia and Bermuda, where they participate in five annual strategic reviews, four of which normally precede the full Board meetings. These Directors' knowledge of the region and the Group's affairs reinforces the process by which business is reviewed by the Board.

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## **The Board** continued

The Board is scheduled to hold four meetings in 2007, and ad hoc procedures are adopted to deal with urgent matters. Two meetings each year are held in Bermuda and two in Asia. The Board receives high quality, up to date information for each of its meetings, which has previously been considered and approved at meetings of the board of MOHG. This information is also the subject of a strategy review in a cycle of meetings (in Bermuda or Asia, as appropriate) prior to consideration by the Board itself.

## **Directors' appointment, retirement, remuneration and service contracts**

Candidates for appointment as executive Directors of the Company, or as directors of MOHG or senior executives elsewhere in the Group may be sourced internally, from the Jardine Matheson group or externally using the services of specialist executive search firms. The aim is to appoint individuals of the highest calibre in their area of expertise.

In accordance with Bye-law 92 of the Company's Bye-laws, each new Director is subject to retirement at the first Annual General Meeting after appointment. Thereafter, the Director will be subject to retirement by rotation pursuant to Bye-law 85 whereby one-third of the Directors retire at the Annual General Meeting each year. These provisions apply to both executive and non-executive Directors, but the requirement to retire by rotation pursuant to Bye-law 85 does not extend to the Chairman or Managing Director.

On 14th June 2006, Mark Greenberg was appointed as a Director of the Company. In accordance with Bye-law 85, Jonathan Gould, Julian Hui, Lord Leach of Fairford and Lord Powell of Bayswater retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Mark Greenberg will also retire, and, being eligible, offers himself for re-election. None of the Directors proposed for re-election has a service contract with the Company or its subsidiaries.

The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognized that, due to the nature of the Group and its diverse geographic base, a number of its senior executives, including the Group Chief Executive and Finance Director, are required to be offered international terms. The nature of the remuneration packages is designed to reflect this, for example by the provision of accommodation. Non-executive Directors' fees are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws.

For the year ended 31st December 2006, the Directors received from the Group US\$4.24 million (2005: US\$3.33 million) in employee benefits, being US\$4.19 million (2005: US\$3.28 million) in short-term employee benefits including salary, bonus, accommodation and deemed benefits in kind and US\$0.05 million (2005: US\$0.05 million) in post-employment benefits. The information set out in this paragraph forms part of the audited financial statements.

Senior executive share incentive schemes have previously been established to provide longer-term incentives for executive Directors and senior managers. The share options are granted by the scheme trustee after consultation between the Chairman, the Managing Director and the Group Chief Executive and other Directors as they consider appropriate. The share options are granted at the then prevailing market prices and the scheme rules now provide that they normally vest after the third anniversary of the date of grant. Grants may be made in a number of instalments. Share options are not granted to non-executive Directors.

The Company purchases insurance to cover its Directors against their costs in defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. To the extent permitted by law, the Company also indemnifies its Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

**Directors' responsibilities in respect of the financial statements**

The Directors are required under the Bermuda Companies Act 1981 to prepare financial statements for each financial year and to present them annually to the Company's shareholders at the Annual General Meeting. The financial statements should present fairly in accordance with International Financial Reporting Standards ('IFRS') the financial position of the Group at the end of the year and the results of its operations and its cash flows for the year then ended. The Directors consider that applicable accounting policies under IFRS, applied on a consistent basis and supported by prudent and reasonable judgements and estimates, have been followed in preparing the financial statements.

**Code of Conduct**

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in the Jardine Matheson group Code of Conduct, an important set of guidelines to which every employee must adhere. The code requires that all Group companies comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. The code prohibits the giving or receiving of illicit payments, and requires all employees to be treated fairly, impartially and with respect. It also requires that all managers must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their organizations. The Group has in place procedures by which employees can raise, in confidence, matters of serious concern in areas such as financial reporting or compliance.

**Internal control**

The Board has overall responsibility for the Group's system of internal control. The system of internal control is designed to manage, rather than eliminate, business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss.

The Board has delegated to the audit committee of MOHG responsibility for reviewing the operation and effectiveness of the Group's system of internal control and the procedures by which this is monitored. The audit committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. The Group Chief Executive and Finance Director of MOHG, together with representatives of the internal and external auditors, attend the meetings of the audit committee by invitation.

Executive management is responsible for the implementation of the system of internal control throughout the Group and the internal audit function monitors the effectiveness of the system. The internal audit function is outside the operating businesses and reports its findings, and recommendations for any corrective action required, to the audit committee of MOHG.

The Group has in place an organizational structure with defined lines of responsibility and delegation of authority. There are established policies and procedures for financial planning and budgeting; for information and reporting systems; for assessment of risk; and for monitoring the Group's operations and performance. The information systems in place are designed to ensure that the financial information reported is reliable and up to date.

The Company's policy on commercial conduct is also an important part of the Group's internal control process, particularly in the area of compliance. The policy, as set out in the Code of Conduct, is reinforced and monitored by an annual compliance certification process.

The audit committee of MOHG has also been given the responsibility to oversee the effectiveness of the formal procedures for employees to raise any matters of serious concern, and to review any reports made under those procedures that might be referred to it by the internal audit function.

## Internal control continued

Prior to completion and announcement of the half-year and year-end results, a review of the financial information and of any issues raised in connection with the preparation of the results is undertaken by the audit committee of MOHG with the executive management and a report is received from the external auditors. The external auditors also have access to the full Board, in addition to the Group Chief Executive, Finance Director and other senior executives.

The audit committee of MOHG keeps under review the nature, scope and results of the external audit and the audits conducted by the internal audit department. The audit committee of MOHG also keeps under review the independence and objectivity of the external auditors.

## Directors' share interests

At 31st December 2006, the Directors of the Company had the interests set out below in the ordinary share capitals of the Company and its holding companies, Jardine Strategic Holdings Limited ('Jardine Strategic') and Jardine Matheson, and fellow subsidiary Dairy Farm International Holdings Limited ('Dairy Farm'). These interests were beneficial except where otherwise indicated.

	The Company	Jardine Strategic	Jardine Matheson	Dairy Farm
Simon Keswick	19,858	7,389	9,507,770 <sup>#</sup>	66,087
		19,661*	2,722,552*	
A J L Nightingale	–	16,875	1,007,389	24,375
			5,462*	9,808*
Edouard Ettedgui	–	–	–	24,000
Henry Keswick	–	–	11,655,834 <sup>#</sup>	–
			55,366*	
R C Kwok	6,711	1,183	29,006	20,914
Lord Leach of Fairford	–	54,528	955,508	–
Dr Richard Lee	–	–	92,190	–
Sydney S W Leong	467,577	227,428	571,229	1,025,571
		12,696*		
James Watkins	–	–	103,013	–
Percy Weatherall	–	–	34,222,772 <sup>#</sup>	400,000
			361,991*	

\* Non-beneficial.

<sup>#</sup> Includes 2,269,585 ordinary shares held by a family trust in which Simon Keswick, Henry Keswick and Percy Weatherall each has a discloseable interest.

In addition:

- At 31st December 2006, Edouard Ettedgui and John R Witt held options in respect of 9,800,000 and 3,400,000 ordinary shares, respectively, issued pursuant to the Company's Senior Executive Share Incentive Schemes.
- At 31st December 2006, Jonathan Gould and Mark Greenberg held options in respect of 150,000 and 100,000 ordinary shares, respectively, in Jardine Matheson issued pursuant to that company's senior executive share incentive schemes.

**Directors' share interests** continued

- c) At 31st December 2006, Simon Keswick, A J L Nightingale, Jonathan Gould, Mark Greenberg, Henry Keswick, Lord Leach of Fairford and Percy Weatherall had deemed interests in 35,915,991 ordinary shares in Jardine Matheson as discretionary objects under the 1947 Trust, the income of which is available for distribution to senior executive officers and employees of Jardine Matheson and its wholly-owned subsidiaries.
- d) At 31st December 2006, Simon Keswick had a beneficial interest in 350,400 ordinary shares in fellow subsidiary PT Astra Agro Lestari Tbk.
- e) At 31st December 2006, A J L Nightingale had a beneficial interest in 15,000 ordinary shares in fellow subsidiary Cycle & Carriage Bintang Berhad and 600,000 ordinary shares in PT Astra International Tbk ('Astra'). He also had a non-beneficial interest in 10,000 ordinary shares in Astra.
- f) At 31st December 2006, Jonathan Gould had a beneficial interest in 400,000 ordinary shares in fellow subsidiary Astra.
- g) On 14th March 2007, Edouard Etedgui and John R Witt were granted options in respect of a further 1,200,000 and 500,000 ordinary shares, respectively, issued pursuant to the Company's Senior Executive Share Incentive Schemes.

Save as disclosed, there were no changes in the above interests between the end of the financial year and 2nd April 2007.

**Substantial shareholders**

The Company has been informed pursuant to the share interest disclosure obligations incorporated in Part XVII of the statutory Bermuda Takeover Code governing the Company and Chapter 5 of the Disclosure and Transparency Rules ('DTR') of the Financial Services Authority (the 'FSA') in the United Kingdom that Jardine Strategic and its subsidiary undertakings were interested directly and indirectly in 741,965,281 ordinary shares representing 74.89% of the Company's current issued ordinary share capital. By virtue of its interest in Jardine Strategic, Jardine Matheson was deemed to be interested in the same number of ordinary shares. Apart from these shareholdings, the Company is not aware of any notifiable interest in 3% or more, or any holder of voting rights in respect of 5% or more of the issued ordinary share capital of the Company as at 2nd April 2007.

The Bermuda Takeover Code which governs the Company provides for the disclosure of interests in shares of the Company. The obligation to disclose arises if and when a person is interested in 3% (or, in certain circumstances, 10%) or more of the shares of the same class. The higher limit of 10% applies, in broad terms, to a person authorized to manage investments under an investment management agreement or where such person is the operator of an authorized collective investment scheme.

The Company is also subject to the DTR of the FSA in the United Kingdom as a non-UK issuer pursuant to which a person must notify the Company of the percentage of voting rights which he holds in certain circumstances. The obligation to notify arises if that person acquires or disposes of shares in the Company which results in the percentage of voting rights which he holds reaching, exceeding or falling below 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the Company's issued share capital.

There were no contracts of significance with corporate substantial shareholders during the year under review.

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## **Relations with shareholders**

The Company maintains a dialogue with major shareholders and holds meetings following the announcement of the annual and interim results with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at [www.mandarinoriental.com](http://www.mandarinoriental.com).

The 2007 Annual General Meeting will be held on 9th May 2007. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report.

## **Securities purchase arrangements**

At the Annual General Meeting held on 14th June 2006, shareholders renewed the approval of a general mandate authorizing the Directors to effect purchases by the Company or its subsidiaries of the Company's own ordinary shares of less than 15% in aggregate of its issued share capital.

On 29th December 2006, the Company repurchased and cancelled 1,830,002 ordinary shares representing 0.18% of the Company's issued ordinary share capital for an aggregate consideration of US\$1.9 million from Mandarin Oriental Trustees Limited, a subsidiary and the trustee of the Company's Senior Executive Share Incentive Schemes. The repurchase related to options previously granted under the Company's Senior Executive Share Incentive Schemes which had ceased to be exercisable and was carried out in accordance with the Schemes' rules at the respective issue prices.

## **Arrangements under which shareholders have agreed to waive dividends**

Mandarin Oriental Trustees Limited has undertaken to waive the recommended final dividend for 2006 in respect of the ordinary shares in which it is interested as trustee of the Company's Senior Executive Share Incentive Schemes.

## **Related party transactions**

Details of transactions with related parties entered into by the Company during the course of the year are included in note 31 to the financial statements on pages 64 and 65. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FSA in the United Kingdom apply.

## SHAREHOLDER INFORMATION

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### Financial calendar

2006 full-year results announced .....	6th March 2007
Share registers closed .....	26th to 30th March 2007
Annual General Meeting to be held .....	9th May 2007
2006 final dividend payable .....	16th May 2007
2007 half-year results to be announced .....	7th August 2007*
Share registers to be closed .....	3rd to 7th September 2007*
2007 interim dividend payable .....	24th October 2007*

\* *Subject to change*

### Dividends

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 by notifying the United Kingdom transfer agent in writing by 27th April 2007. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 2nd May 2007. 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.

### Registrars and transfer agent

Shareholders should address all correspondence with regard to their shareholdings or dividends to the appropriate registrar or transfer agent.

#### Principal Registrar

Jardine Matheson International Services Limited, PO Box HM 1068, Hamilton HM EX, Bermuda

#### Jersey Branch Registrar

Capita IRG (Offshore) Limited, PO Box 378, St Helier, Jersey JE4 0FF, Channel Islands

#### Singapore Branch Registrar

M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906

#### United Kingdom Transfer Agent

Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England

**Press releases and other financial information on the Company can be accessed through the Internet at '[www.mandarinoriental.com](http://www.mandarinoriental.com)'.**



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THE HOTEL GROUP SM

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