news release

Mandarin Oriental International Limited

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To: Business Editor

27th July 2006
For immediate release

The following announcement was today issued to the London Stock Exchange.

MANDARIN ORIENTAL INTERNATIONAL LIMITED
INTERIM REPORT 2006

Highlights

- Temporary closure of Mandarin Oriental, Hong Kong, for renovation
- Sale of The Mark, New York completed
- Three new hotel projects announced

"While revenues in the second half will continue to be affected by the Hong Kong renovation, overall market conditions in Mandarin Oriental's key locations are expected to remain strong for the remainder of the year."

Simon Keswick, *Chairman*
27th July 2006

Results

	(unaudited) Six months ended 30th June		
	2006	2005	Change
	US$m	US$m	%
Combined total revenue of hotels under management	**398.4**	390.1	+2
Earnings before interest, tax, depreciation and amortization(1)	**48.9**	62.7	–22
Profit attributable to shareholders – excluding gains on disposal	**13.7**	19.2	–29
Profit attributable to shareholders	**48.7**	55.3	–12
Funds from operations(2)	**54.5**	62.3	–13
	US¢	US¢	%
Earnings per share – excluding gains on disposal	**1.42**	2.07	–31
Earnings per share	**5.04**	5.96	–15
Funds from operations per share(2)	**5.64**	6.71	–16
	US$	US$	%
Net asset value per share	**0.93**	0.82	+13
Net asset value per share with leasehold properties at valuation(3)	**1.56**	1.32	+18

(1) EBITDA does not include gains on disposal.

(2) 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.

(3) 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.

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MANDARIN ORIENTAL INTERNATIONAL LIMITED
INTERIM REPORT 2006

OVERVIEW

Market conditions remained favourable in the Group's key markets as room rates benefited from growing demand and limited new supply. The temporary closure for renovation of the Group's original flagship, Mandarin Oriental, Hong Kong, affected the results in the first half, although the impact was partly offset by growing contributions from properties elsewhere in the Group. The completion of the sale of The Mark hotel in New York further enhanced the Group's strong financial position.

PERFORMANCE

Earnings from operations before interest, tax, depreciation and amortization ('EBITDA') for the first six months of 2006 were US$48.9 million compared with US$62.7 million for the comparable period in 2005. This decrease was partially offset by the recognition of tax losses and by lower financing charges due to the reduction of net debt resulting from asset sales.

Profit attributable to shareholders for the first six months was US$48.7 million, and included a US$35.0 million gain arising from the disposal of the Group's interest in The Mark, New York. This compares with the profit attributable to shareholders of US$55.3 million in the first half of 2005, which included a gain of US$36.1 million on the disposal of a property interest in Hawaii. Excluding gains from disposals, profit attributable to shareholders was US$13.7 million in the first half of 2006 compared with US$19.2 million in the first half of 2005.

Earnings per share for the first six months of 2006, including gains on disposals, were US¢5.04, compared to US¢5.96 in the corresponding period in 2005. Excluding such gains, earnings per share were US¢1.42 and US¢2.07, respectively.

GROUP REVIEW

The impact of the renovation of Mandarin Oriental, Hong Kong has been to lower the hotel's contribution to Group EBITDA by US$26.4 million compared to the same period in 2005. This reduction was, however, partly offset by improvements in other subsidiary hotels. The

Excelsior, Hong Kong and the Group's European properties benefited from rising average rates as demand continued to be strong.

The contribution to operating results from associates and joint ventures increased with stronger performances in Macau, Bangkok and New York. The Group's Singapore hotel also produced significantly improved results following extensive renovations that were completed in the first half of 2005.

DEVELOPMENTS

Mandarin Oriental, Hong Kong is scheduled to reopen in late September with some 200 rooms and most of the public areas completed, while the full complement of 502 rooms is expected to be available by the year end. September will also see the addition of a new property to the Group's European portfolio with the opening of a 99-room Mandarin Oriental in Prague.

Three new management projects have been announced over the past six months. A 292-room luxury resort on Hainan Island in China is scheduled to open in the first part of 2007. This will be followed in late 2007 by Mandarin Oriental, Barcelona, a 144-room luxury hotel in the heart of the city's commercial and entertainment district. The Group is also to manage a new 120-room luxury hotel and 90 branded residences constituting part of a US$3 billion, 75 acre mixed-use project located in Dallas, Texas, which will be completed in 2009.

Further development opportunities are under consideration as the Group continues to develop as one of the world's leading luxury hotel brands.

OUTLOOK

In conclusion, the Chairman, Simon Keswick said, "While revenues in the second half will continue to be affected by the Hong Kong renovation, overall market conditions in Mandarin Oriental's key locations are expected to remain strong for the remainder of the year."

Mandarin Oriental International Limited
Consolidated Profit and Loss Account

	2006 US$m	(unaudited) Six months ended 30th June Restated 2005 US$m	Year ended 31st December 2005 US$m
Revenue *(note 2)*	**182.5**	192.7	399.2
Cost of sales	**(124.5)**	(121.0)	(254.3)
Gross profit	**58.0**	71.7	144.9
Selling and distribution costs	**(11.9)**	(11.4)	(23.7)
Administration expenses	**(31.1)**	(27.6)	(60.8)
Gain on disposal *(note 9)*	**76.9**	-	-
Operating profit *(note 3)*	**91.9**	32.7	60.4
Net financing charges	**(7.9)**	(12.1)	(22.4)
Share of results of associates and joint ventures *(note 4)*	**6.2**	2.5	8.7
Gain on disposal of associates *(note 10)*	**-**	50.3	52.3
Profit before tax	**90.2**	73.4	99.0
Tax *(note 5)*	**(41.8)**	(19.4)	(24.8)
Profit after tax	**48.4**	54.0	74.2
Profit attributable to shareholders	**48.7**	55.3	77.2
Loss attributable to minority interests	**(0.3)**	(1.3)	(3.0)
	48.4	54.0	74.2
	US¢	US¢	US¢
Earnings per share *(note 6)*			
- basic	**5.04**	5.96	8.14
- diluted	**4.99**	5.91	8.07
Earnings per share - excluding gains on disposal *(notes 9 and 10)*			
- basic	**1.42**	2.07	4.33
- diluted	**1.41**	2.05	4.30

Mandarin Oriental International Limited
Consolidated Balance Sheet

		(unaudited) At 30th June	At 31st December
		Restated	
	2006	2005	2005
	US$m	US$m	US$m
Net assets			
Intangible assets *(note 7)*	**215.6**	218.5	215.5
Tangible assets	**747.0**	715.5	684.0
Associates and joint ventures	**179.7**	177.1	174.0
Other investments	**5.6**	8.0	5.1
Loans receivable	**43.0**	43.0	43.0
Pension assets	**22.5**	22.7	22.8
Deferred tax assets	**16.8**	7.8	9.9
Other non-current assets	**8.2**	0.7	5.5
Non-current assets	**1,238.4**	1,193.3	1,159.8
Stocks	**3.3**	2.8	3.1
Debtors and prepayments	**61.6**	57.6	59.0
Cash at bank	**257.8**	146.7	169.1
	322.7	207.1	231.2
Non-current assets classified as held for sale *(note 11)*	**-**	-	80.3
Current assets	**322.7**	207.1	311.5
Creditors and accruals	**(60.4)**	(54.4)	(80.3)
Current borrowings *(note 8)*	**(9.4)**	(7.5)	(8.3)
Current tax liabilities	**(49.0)**	(12.7)	(6.8)
	(118.8)	(74.6)	(95.4)
Liabilities directly associated with non-current assets classified as held for sale *(note 11)*	**-**	-	(14.0)
Current liabilities	**(118.8)**	(74.6)	(109.4)
Net current assets	**203.9**	132.5	202.1
Long-term borrowings *(note 8)*	**(485.4)**	(479.6)	(471.6)
Deferred tax liabilities	**(53.2)**	(49.9)	(49.8)
Pension liabilities	**(1.7)**	(1.7)	(1.7)
	902.0	794.6	838.8
Total equity			
Share capital	**48.3**	48.3	48.3
Share premium	**159.3**	158.7	158.8
Revenue and other reserves	**690.0**	582.2	628.0
Shareholders' funds	**897.6**	789.2	835.1
Minority interests	**4.4**	5.4	3.7
	902.0	794.6	838.8

Mandarin Oriental International Limited
Consolidated Statement of Recognized Income and Expense

	(unaudited) Six months ended 30th June **2006** **US$m**	2005 US$m	Year ended 31st December 2005 US$m
Net exchange translation differences	**25.5**	(22.8)	(31.4)
Gain on cash flow hedges	**2.7**	6.8	11.7
Tax on items taken directly to equity	**-**	-	(9.8)
Surplus on revaluation of properties	**-**	-	35.6
Actuarial gains on defined benefit pension plans	**-**	-	0.6
Net income recognized directly in equity	**28.2**	(16.0)	6.7
Profit for the period/year	**48.4**	54.0	74.2
Total recognized income and expense for the period/year	**76.6**	38.0	80.9
Attributable to:			
Shareholders of the Company	**75.9**	37.4	84.6
Minority interests	**0.7**	0.6	(3.7)
	76.6	38.0	80.9

Mandarin Oriental International Limited
Consolidated Cash Flow Statement

		(unaudited) Six months ended 30th June Restated	Year ended 31st December
	2006	2005	2005
	US$m	US$m	US$m
Operating activities			
Operating profit	**91.9**	32.7	60.4
Depreciation	**13.9**	14.3	30.0
Amortization of land use rights	**0.3**	0.3	0.6
Non-cash items *(note 12a)*	**(75.5)**	0.4	3.0
Movements in working capital	**(17.0)**	(15.9)	(0.3)
Interest received	**4.8**	0.5	2.8
Interest and other financing charges paid	**(13.4)**	(13.9)	(26.3)
Tax paid	**(3.2)**	(3.0)	(13.8)
	1.8	15.4	56.4
Dividends and interest from associates and joint ventures	**6.6**	3.5	8.0
Cash flows from operating activities	**8.4**	18.9	64.4
Investing activities			
Purchase of tangible assets	**(56.2)**	(11.2)	(40.0)
Advance of loans receivable	**-**	(13.0)	(13.0)
Purchase of other investments	**(0.3)**	(1.6)	(0.9)
Purchase of minority interests	**-**	(0.2)	(2.7)
Proceeds on disposal of associates	**-**	93.1	95.3
Repayment of loan to an associate	**-**	4.1	4.1
Capital distribution from an associate	**0.9**	8.7	8.7
Proceeds on disposal of The Mark *(note 12b)*	**142.7**	-	-
Cash flows from investing activities	**87.1**	79.9	51.5
Financing activities			
Issue of shares	**0.5**	0.3	0.3
Drawdown of borrowings	**9.1**	104.0	115.0
Repayment of borrowings	**(3.1)**	(112.3)	(116.5)
Dividends paid by the Company *(note 14)*	**(14.5)**	(9.7)	(9.6)
Capital contribution from minority interests	**-**	0.6	-
Cash flows from financing activities	**(8.0)**	(17.1)	(10.8)
Effect of exchange rate changes	**1.0**	(0.7)	(2.0)
Net increase in cash and cash equivalents	**88.5**	81.0	103.1
Cash and cash equivalents at 1st January	**168.8**	65.7	65.7
Cash and cash equivalents at 30th June/31st December	**257.3**	146.7	168.8

Mandarin Oriental International Limited
Notes

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information contained in this announcement has been based on the unaudited interim condensed financial statements which have been prepared in accordance with IAS 34 – Interim Financial Reporting.

There have been no changes to the accounting policies described in the 2005 annual financial statements.

In 2005, the Group conducted a comprehensive review of deferred taxation across the Group's hotel properties to ensure full compliance with IAS 12 Income Taxes. As a result, certain prior period adjustments were made to conform more fully to IFRS. These adjustments were primarily to provide for deferred tax arising from fair value adjustments which had not previously been provided. The comparative figures for the six months ended 30th June 2005 have been restated to reflect these adjustments which were adopted in the preparation of the 2005 annual financial statements.

2. REVENUE

	Six months ended 30th June	
	2006	2005
	US$m	US$m
By geographical area:		
Hong Kong & Macau	**41.0**	78.7
Other Asia	**52.1**	15.6
Europe	**54.6**	52.4
The Americas	**34.8**	46.0
	182.5	192.7

3. OPERATING PROFIT

	Six months ended 30th June	
	2006	2005
	US$m	US$m
By geographical area:		
Hong Kong & Macau	**(3.2)**	22.7
Other Asia	**2.8**	(1.2)
Europe	**9.7**	7.9
The Americas	**5.7**	3.3
	15.0	32.7
Gain on disposal *(refer note 9)*	**76.9**	-
	91.9	32.7

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	Operating profit US$m	Net finance charges US$m	Tax US$m	Net profit/ (loss) US$m
Six months ended 30th June 2006				
By geographical area:				
Hong Kong & Macau	**2.8**	**(0.2)**	**(0.1)**	**2.5**
Other Asia	**7.2**	**(1.7)**	**(1.1)**	**4.4**
The Americas	**3.3**	**(3.4)**	**(0.6)**	**(0.7)**
	13.3	**(5.3)**	**(1.8)**	**6.2**
Six months ended 30th June 2005				
By geographical area:				
Hong Kong & Macau	2.1	(0.1)	(0.1)	1.9
Other Asia	3.7	(1.3)	(0.9)	1.5
The Americas	2.1	(3.0)	-	(0.9)
	7.9	(4.4)	(1.0)	2.5

5. TAX

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$41.9 million arising on the disposal of the Group's 100% interest in The Mark, New York *(refer note 9)* .

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 10)* .

6. EARNINGS PER SHARE

Basic earnings per share are calculated on the profit attributable to shareholders of US$48.7 million (2005: US$55.3 million) and on the weighted average number of 966.2 million (2005: 927.5 million) shares in issue during the period. The weighted average number excludes shares held by the Trustee under the Senior Executive Share Incentive Schemes.

Diluted earnings per share are calculated on the weighted average number of 976.8 million (2005: 935.1 million) shares after adjusting for the number of shares which are deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes based on the average share price during the period.

	Ordinary shares in millions	
	2006	2005
Weighted average number of shares in issue	**966.2**	927.5
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**10.6**	7.6
Weighted average number of shares for diluted earnings per share	**976.8**	935.1

The Directors consider funds from operations ('FFO') to be a supplemental measure of the Group's performance and believe this should be considered along with, but not as an alternative to, profit attributable to shareholders as a measure of the operating performance.

FFO is defined as profit attributable to shareholders excluding depreciation of hotel buildings, net of relevant deferred tax and minority interests.

	Six months ended 30th June			
	2006		2005	
	US$m	**Per share US¢**	US$m	Per share US¢
Profit attributable to shareholders	**48.7**	**5.04**	55.3	5.96
Depreciation of buildings, net of deferred tax and minority interests	**5.8**	**0.60**	7.0	0.75
Funds from operations	**54.5**	**5.64**	62.3	6.71

7. INTANGIBLE ASSETS

	At 30th June		At 31st December
	2006	2005	2005
	US$m	US$m	US$m
Land use rights	**192.3**	191.9	192.2
Goodwill	**23.3**	26.6	23.3
	215.6	218.5	215.5

8. BORROWINGS

	At 30th June		At 31st December
	2006	2005	2005
	US$m	US$m	US$m
Bank loans	**485.2**	469.6	470.7
Other borrowings	**9.6**	9.5	9.2
Finance lease	**-**	8.0	-
	494.8	487.1	479.9
Current	**9.4**	7.5	8.3
Long-term	**485.4**	479.6	471.6
	494.8	487.1	479.9

9. SALE OF THE MARK, NEW YORK

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$76.9 million, and the post-tax gain on the disposal is US$35.0 million.

10. SALE OF 40% INVESTMENT IN KAHALA MANDARIN ORIENTAL, HAWAII

On 8th June 2005, the Company 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.

11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Six months ended 30th June		Year ended 31st December
	2006	2005	2005
	US$m	US$m	US$m
Intangible assets	**-**	-	5.2
Tangible assets	**-**	-	67.2
Deferred tax assets	**-**	-	1.3
Current assets	**-**	-	6.6
Total assets	**-**	-	80.3
Long-term borrowings	**-**	-	(11.0)
Current liabilities	**-**	-	(3.0)
Total liabilities	**-**	-	(14.0)

At 1st January 2006, total assets and liabilities classified as held for sale amounted to US$80.3 million and US$14.0 million respectively, which were in relation to the Group's 100% interest in The Mark, New York. The sale was completed in February 2006 for a consideration of US$150.0 million *(refer note 9)* .

12. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June		Year ended 31st December
		Restated	
	2006	2005	2005
	US$m	US$m	US$m
a) Non-cash items			
Gain on disposal *(refer note 9)*	**(76.9)**	-	-
Pension expenses	**0.3**	0.3	0.8
Other	**1.1**	0.1	2.2
	(75.5)	0.4	3.0
b) Proceeds on disposal of The Mark			
Net assets disposed of	**73.1**	-	-
Gain on disposal *(refer note 9)*	**76.9**	-	-
Sale proceeds	**150.0**	-	-
Tax and other expenses paid on disposal	**(7.3)**	-	-
Net cash flow	**142.7**	-	-

13. CAPITAL COMMITMENTS

	At 30th June		At 31st December
	2006	2005	2005
	US$m	US$m	US$m
Capital commitments	**99.3**	135.5	152.5

14. DIVIDENDS

No interim dividend in respect of 2006 is proposed (2005: nil). A final dividend of US¢1.50 per share has been paid in respect of 2005.

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This and other Group announcements can be accessed through the Internet at ‘www.mandarinoriental.com’.

NOTE TO EDITORS

Mandarin Oriental Hotel Group is an international hotel investment and management group operating 31 deluxe and first class hotels and resorts worldwide including ten under development in Prague, China, Mexico, Barcelona, Boston, Grand Cayman, Dallas, Chicago, Las Vegas and Macau. The Group has equity interests in many of its properties and net assets of approximately US$1.5 billion as at 30th June 2006. Mandarin Oriental now operates, or has under development, almost 9,000 rooms in 16 countries with 14 hotels in Asia, 12 in The Americas and five in Europe.

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.