## news release

Mandarin Oriental International Limited

Jardine House, 33-35 Reid Street Hamilton HM EX, Bermuda

To: Business Editor



7th August 2007 For immediate release

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

#### MANDARIN ORIENTAL INTERNATIONAL LIMITED INTERIM REPORT 2007

#### Highlights

- Favourable market conditions
- Full contribution from the re-launched Mandarin Oriental, Hong Kong
- Five new hotel projects announced including Beijing and Paris

"Conditions are expected to remain favourable during the remainder of the year which will benefit the Group's operations and continue to provide further development opportunities."

Simon Keswick, *Chairman* 7th August 2007

#### Results

(unaudited)					
Six mo	Six months ended 30th June				
	2007	2006	Change		
	US\$m	US\$m	%		
Combined total revenue of hotels under management	477.4	398.4	+20		
Earnings before interest, tax, depreciation and amortization <sup>(1)</sup>	84.5	48.9	+73		
Profit attributable to shareholders – excluding gains on disposal	34.3	13.7	+150		
Profit attributable to shareholders	50.3	48.7	+3		
Funds from operations <sup>(2)</sup>	57.4	54.5	+5		
	US¢	US¢	%		
Earnings per share – excluding gains on disposal	3.54	1.42	+149		
Earnings per share	5.19	5.04	+3		
Funds from operations per share <sup>(2)</sup>	5.92	5.64	+5		
Interim dividend per share	1.00	-	n/a		
	US\$	US\$	%		
Net asset value per share	1.07	0.93	+15		
Net asset value per share with leasehold properties valuation <sup>(3)</sup>	1.82	1.56	+17		

(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.

The interim dividend of US¢1.00 per share will be payable on 24th October 2007 to shareholders on the register of members at the close of business on 31st August 2007. The ex-dividend date will be on 29th August 2007, and the share registers will be closed from 3rd to 7th September 2007, inclusive.

- more -Issued by: Mandarin Oriental Hotel Group International Limited 281 Gloucester Road, Causeway Bay, Hong Kong

www.mandarinoriental.com

## MANDARIN ORIENTAL INTERNATIONAL LIMITED INTERIM REPORT 2007

#### **OVERVIEW**

Conditions in the first half of 2007 have remained strong, particularly in the Group's key markets. Increasing average room rates together with a full contribution from the newly-renovated Mandarin Oriental, Hong Kong have enhanced significantly the Group's results. Excellent progress has also been made in the Group's development programme, with 16 hotels now under development following the announcement of five new projects during the period.

#### PERFORMANCE

Earnings before interest, tax, depreciation and amortization for the first six months of 2007 were US\$85 million, which compares with US\$49 million for the comparable period in 2006 when Mandarin Oriental, Hong Kong was closed.

Profit attributable to shareholders for the period was US\$50 million compared with US\$49 million for the first half of 2006. The 2007 result benefited from a US\$16 million gain arising from the sale of half the Group's 50% equity interest in Mandarin Oriental, New York, while the 2006 comparative included a US\$35 million gain arising from disposal of The Mark hotel. Excluding such gains, profit attributable to shareholders was US\$34 million in the first half of 2007, compared with US\$14 million in the first half of 2007.

Including gains on disposals, earnings per share for the first six months of 2007 were  $US\phi 5.19$ , compared to  $US\phi 5.04$  in the corresponding period in 2006. Excluding such gains, earnings per share were  $US\phi 3.54$  and  $US\phi 1.42$ , respectively.

An interim dividend of  $US \notin 1.00$  per share has been declared (2006 - nil).

#### **GROUP REVIEW**

Mandarin Oriental, Hong Kong performed well in the first six months, benefiting from a higher average room rate following the completion of its refurbishment programme. The Excelsior, Hong Kong also achieved good growth in its room rate. The contribution from

the Group's hotels in London and Geneva was higher due to strengthening occupancy and room rates. Occupancy at the Munich hotel however, showed some decline due to the effect of a three-month refurbishment programme, which has now been completed. The Washington D.C. property continued to improve its market position with revenue per available room up 13%.

The contribution from associates and joint ventures showed some improvement despite the disposal of part of the Group's investment in Mandarin Oriental, New York. The sale reduced the Group's equity interest in the hotel from 50% to 25% and its US\$41 million mezzanine loan to the hotel was repaid. The contribution from the 50%-owned Singapore property, which was renovated in 2005, rose due to a 34% increase in revenue per available room.

#### DEVELOPMENTS

Over the past six months, the Group has announced five new hotel projects. These include a 241-room luxury hotel in the new, landmark headquarters of China Central Television (CCTV) in Beijing, which will open in July 2008 in time for the Summer Olympics; and a 150-room palace hotel to open in central Paris in late 2010. Most recently, the Group announced it will manage a new luxurious 130-room beach resort and branded residences on Costa Rica's northern Pacific coast that will open in 2009.

The Group now has approximately 9,800 rooms in operation or planned and should reach its mid-term goal of operating 10,000 rooms in major cities and resort destinations within the next few years. The Group's geographic spread has increased significantly with more than half of its portfolio now outside of Asia.

The strength of the brand continues to attract considerable interest from new owners and developers and Mandarin Oriental's growth is well-positioned to continue. The Group has 16 announced projects and, with the exception of Paris, these will be managed on behalf of third-party owners, requiring little or no investment from the Group. Eight hotels under development have incorporated a *Residences at Mandarin Oriental* component, in addition to the residences being built adjacent to the Group's London property.

#### OUTLOOK

In conclusion, the Chairman, Simon Keswick said, "Conditions are expected to remain favourable during the remainder of the year which will benefit the Group's operations and continue to provide further development opportunities."

Mandarin Oriental International Limited Consolidated Profit and Loss Account			
		(unaudited) nths ended 30th June	Year ended 31st December
	2007 US\$m	2006 US\$m	2006 US\$m
Revenue (note 2) Cost of sales	250.5 (154.1)	182.5 (124.5)	404.6 (267.2)
Gross profit	96.4	58.0	137.4
Selling and distribution costs Administration expenses Gain on disposal <i>(note 10)</i>	(15.3) (36.1) -	(11.9) (31.1) 76.9	(27.7) (64.6) 76.8
Operating profit (note 3)	45.0	91.9	121.9
Interest income Financing charges	7.7 (16.6)	4.8 (12.7)	11.0 (26.2)
Net financing charges Share of results of associates and joint ventures (note 4) Gain on disposal of an associate (note 9)	(8.9) 7.5 16.0	(7.9) 6.2 -	(15.2) 13.0
Profit before tax Tax <i>(note 5)</i>	59.6 (9.3)	90.2 (41.8)	119.7 (39.5)
Profit after tax	50.3	48.4	80.2
Profit attributable to shareholders (Loss)/Profit attributable to minority interests	50.3 -	48.7 (0.3)	80.0 0.2
	50.3	48.4	80.2
	US¢	US¢	US¢
Earnings per share (note 6)	<b>-</b> - ^		0.00
- basic - diluted	5.19 5.09	5.04 4.99	8.28 8.17

# darin Oriental International Limited

Consolidated Balance Sheet			
		(unaudited) At 30th June 2006	At 31st December 2006
	US\$m	US\$m	US\$m
Net assets			
Intangible assets (note 7)	214.7	215.6	216.0
Tangible assets	912.9	747.0	882.5
Associates and joint ventures	190.1	179.7	190.0
Other investments	7.9	5.6	6.4
Loan receivable	3.0	43.0	12.0
Pension assets	26.8	22.5	27.1
Deferred tax assets	25.7	16.8	27.4
Other non-current assets	4.8	8.2	2.9
Non-current assets	1,385.9	1,238.4	1,364.3
Stocks	3.9	3.3	4.3
Debtors and prepayments	55.2	61.6	65.7
Cash at bank	438.3	257.8	286.7
	497.4	322.7	356.7
Non-current assets classified as held for sale (note 11)	-	-	53.9
Current assets	497.4	322.7	410.6
Creditors and accruals	(87.3)	(60.4)	(91.0)
Current borrowings (note 8)	(19.9)	(9.4)	(25.4)
Current tax liabilities	(6.5)	(49.0)	(4.4)
	(113.7)	(118.8)	(120.8)
Current liabilities		(110.0)	(120.0)
Net current assets	383.7	203.9	289.8
Long-term borrowings (note 8)	(647.9)	(485.4)	(575.1)
Deferred tax liabilities	(75.6)	(53.2)	(72.9)
Pension liabilities	(1.5)	(1.7)	(1.5)
Other non-current liabilities	(0.2)	-	(0.2)
	1,044.4	902.0	1,004.4
Total equity			
Share capital	48.4	48.3	48.4
Share premium	160.8	159.3	160.3
Revenue and other reserves	831.5	690.0	792.0
Shareholders' funds	1,040.7	897.6	1,000.7
Minority interests	3.7	4.4	3.7
	1,044.4	902.0	1,004.4

#### Mandarin Oriental International Limited Consolidated Balance Sheet

		(unaudited) onths ended 30th June 2006 US\$m	Year ended 31st December 2006 US\$m
Surplus on revaluation of properties	-		74.1
Actuarial gains on defined benefit pension plans	-	-	5.6
Net exchange translation differences	15.8 1.8	25.5 2.7	45.1 (2.9)
Gain/(Loss) on cash flow hedges Tax on items taken directly to equity	(0.4)	-	(25.3)
Net income recognized directly in equity	17.2	28.2	96.6
Profit for the period/year	50.3	48.4	80.2
Total recognized income and expense for the period/year	67.5	76.6	176.8
Attributable to:			
Shareholders of the Company	67.5	75.9	176.8
Minority interests	-	0.7	-
	67.5	76.6	176.8

#### Mandarin Oriental International Limited Consolidated Statement of Recognized Income and Expense

Mandarin Oriental International Limited Consolidated Cash Flow Statement			
		unaudited) nths ended 30th June Restated 2006 US\$m	Year ended 31st December Restated 2006 US\$m
On exerting pativities			
Operating activities Operating profit Depreciation Amortization of intangible assets Non-cash items <i>(note 12a)</i> Movements in working capital Interest received	45.0 18.4 0.4 0.7 (5.4) 8.0 (16.3)	91.9 13.9 0.3 (75.8) (16.7) 4.8 (13.4)	121.9 28.4 0.3 (75.7) (0.4) 10.5 (26.5)
Interest and other financing charges paid Tax paid	(10.3) (7.3) 43.5	(3.2)	(8.2)
Dividends and interest from associates and joint ventures	4.7	6.6	12.1
Cash flows from operating activities	48.2	8.4	62.4
Investing activities		[	] []
Purchase of tangible assets Purchase of intangible assets Investments in and loans to associates and	(30.5)	(56.2)	(135.5) (0.8) (0.2)
joint ventures Repayment of loan receivable Advance of loan receivable Increase in other investments Proceeds on disposal of New York (note 12b) Proceeds on disposal of The Mark (note 12c) Capital distribution from associates (note 12d)	12.0 (3.0) (1.1) 74.6 - 12.3	- (0.3) - 142.7 0.9	(0.2) - (1.2) - 98.5 1.2
Cash flows from investing activities	64.3	87.1	(38.0)
Financing activities		[	] []
Issue of shares Drawdown of borrowings Repayment of borrowings Dividends paid by the Company (note 14)	0.5 185.4 (118.1) (29.1)	0.5 9.1 (3.1) (14.5)	1.6 113.6 (8.9) (14.5)
Cash flows from financing activities Effect of exchange rate changes	38.7 0.3	(8.0) 1.0	91.8 1.6
Net increase in cash and cash equivalents Cash and cash equivalents at 1st January	151.5 286.6	88.5 168.8	117.8 168.8
Cash and cash equivalents at 30th June/31st December	438.1	257.3	286.6

#### 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.

In 2007, the Group adopted the following standard, amendment and interpretations to existing standards which are relevant to its operations:

IAS 1 (amended 2005)	Presentation of Financial Statements - Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

There have been no changes to the accounting policies described in the 2006 annual financial statements as a result of adoption of the above standard, amendment and interpretations.

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

2. REVENUE

	Six months ended	30th June
	2007	2006
	US\$m	US\$m
By geographical area:		<u> </u>
Hong Kong & Macau	93.5	41.0
Other Asia	57.5	52.1
Europe	67.0	54.6
The Americas	32.5	34.8
	250.5	182.5
3. OPERATING PROFIT		20/1 1

	Six months ended 30th June			
	2007	2006		
	US\$m	US\$m		
By geographical area:				
Hong Kong & Macau	24.3	(3.2)		
Other Asia	3.1	2.8		
Europe	14.2	9.7		
The Americas	3.4	5.7		
	45.0	15.0		
Gain on disposal (refer note 10)	-	76.9		
	45.0	91.9		

	Operating profit US\$m	Net finance charges US\$m	Tax US\$m	Net profit/ (loss) US\$m
Six months ended 30th June 2007				
<i>By geographical area:</i> Hong Kong & Macau	2.9	(0.2)	(0.1)	2.6
Other Asia	8.7	(1.6)	(2.6)	4.5
The Americas	3.1	(2.4)	(0.3)	0.4
	14.7	(4.2)	(3.0)	7.5
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

#### 4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures is stated after charging depreciation and amortization of US\$6.0 million (2006: US\$6.4 million).

#### 5. TAX

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

The 2006 tax on profits included 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 10*).

#### 6. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US\$50.3 million (2006: US\$48.7 million) and on the weighted average number of 968.6 million (2006: 966.2 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 profit attributable to shareholders of US\$50.3 million (2006: US\$48.7 million) and on the weighted average number of 988.2 million (2006: 976.8 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. The number of shares for basic and diluted earnings per share is reconciled as follows:

Ordina	inary shares in millions		
	2007	2006	
Weighted average number of shares in issue	968.6	966.2	
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	19.6	10.6	
Weighted average number of shares for diluted earnings per share	988.2	976.8	

Additional basic and diluted earnings per share are also calculated based on profit before gains on disposal. A reconciliation of earnings is set out below:

	Six months ended 30th June					
		2007			2006	
	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	COUM	ουç	0.55	•••	0.07	
on disposal Gains on disposal	34.3 16.0	3.54 1.65	3.47 1.62	13.7 35.0	1.42 3.62	1.41 3.58
Profit attributable to shareholders	50.3	5.19	5.09	48.7	5.04	4.99

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.

### Page 12

## 6. EARNINGS PER SHARE (Continued)

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

	S 20	ix months end 0 <b>7</b>		e )06
		Per share		Per share
	US\$m	US¢	US\$m	US¢
Profit attributable to shareholders	50.3	5.19	48.7	5.04
Depreciation of buildings, net of				
deferred tax and minority interests	7.1	0.73	5.8	0.60
Funds from operations	57.4	5.92	54.5	5.64
7. INTANGIBLE ASSETS				A / 01 /
		A + 20	)th Turno	At 31st December
		<b>2007</b>	)th June 2006	2006
		2007 US\$m	US\$m	US\$m
Land use rights		190.7	192.3	192.0
Goodwill		23.3	23.3	23.3
Computer software		0.7	-	0.7
		214.7	215.6	216.0
8. BORROWINGS				
				At 31st
			Oth June	December
		<b>2007</b>	2006	2006
		US\$m	US\$m	US\$m
Bank loans		658.4	485.2	591.0
Other borrowings		9.4	9.6	9.5
		667.8	494.8	600.5
Current		19.9	9.4	25.4
Long-term		647.9	485.4	575.1
-		667.8	494.8	600.5

#### Page 13

#### 9. SALE OF MANDARIN ORIENTAL, NEW YORK

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

#### 10. 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 was US\$76.8 million, and the post-tax gain on the disposal was US\$35.0 million.

#### 11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

			December
	At 30th	At 30th June	
	2007	2006	2006
	US\$m	US\$m	US\$m
Associates and joint ventures		-	13.7
Loan receivable	-	-	31.2
Current assets	-	-	9.0
Total assets		-	53.9

A + 21 at

The Group's 25% interest in Mandarin Oriental, New York was classified as held for sale at 31st December 2006, which amounted to total assets of US\$53.9 million. The sale was completed on 1st March 2007 (refer note 9).

			Year ended 31st
Six	Six months ended 30th June		December
	2007	2006	2006
	US\$m	US\$m	US\$m
a) Non-cash items			
Gain on disposal (refer note 10)	-	(76.9)	(76.8)
Other	0.7	1.1	1.1
	0.7	(75.8)	(75.7)
b) Proceeds on disposal of New York			
Net assets disposed of	13.7	-	-
Gain on disposal (refer note 9)	25.0	-	-
	38.7		-
Repayment of mezzanine loan and interest	41.0	-	-
Tax and other expenses paid	(5.1)	-	-
Net cash flow	74.6		
c) Proceeds on disposal of The Mark			
Net assets disposed of	-	66.3	66.3
Direct transaction costs	-	6.8	6.9
Gain on disposal (refer note 10)	-	76.9	76.8
Sale proceeds		150.0	150.0
Tax and other expenses paid	-	(7.3)	(51.5)
Net cash flow	-	142.7	98.5

#### 12. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

d) Immediately after the sale of Mandarin Oriental, New York, the hotel increased its external borrowings resulting in a return of capital of approximately US\$11.5 million on the Group's continuing 25% interest in the hotel. The Group also received repayment of US\$0.8 million from its interest in shareholder loans previously provided to Mandarin Oriental, Miami.

#### 13. CAPITAL COMMITMENTS

	At 30th June		At 31st December
	2007 US\$m	2006 US\$m	2006 US\$m
Capital commitments	33.0	99.3	37.7

A + 21 -+

#### 14. DIVIDENDS

An interim dividend of  $US \notin 1.00$  per share has been proposed in respect of 2007. No interim dividend has been paid in respect of 2006. A final dividend of  $US \notin 3.00$  per share amounting to a total of US \$ 29.1 million has been paid in respect of 2006. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2007.

The interim dividend of US¢1.00 per share will be payable on 24th October 2007 to shareholders on the register of members at the close of business on 31st August 2007. The ex-dividend date will be on 29th August 2007, and the share registers will be closed from 3rd to 7th September 2007, inclusive. Shareholders will receive their dividends in United States Dollars, unless they are registered on the Jersey branch register where they will have the option to elect for Sterling. These shareholders may make new currency elections by notifying the United Kingdom transfer agent in writing by 5th October 2007. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 10th October 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.

- end -

For further information, please contact:

Mandarin Oriental Hotel Group International Limited	
John R Witt	(852) 2895 9288
Jill Kluge / Sally de Souza	(852) 2895 9167
GolinHarris Kennes Young	(852) 2501 7987

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