

news release

Mandarin Oriental International Limited

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To: Business Editor

23rd February 2006
For immediate release

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

MANDARIN ORIENTAL INTERNATIONAL LIMITED 2005 PRELIMINARY ANNOUNCEMENT OF RESULTS

Highlights

- Increasing room rates drive earnings growth
- Gains from sale of ownership
 - Hawaii hotel in 2005
 - The Mark, New York in 2006
- Eight new hotels under development

“Markets are expected to remain favourable in 2006 with room rates benefiting further from growing demand and limited new supply. While the temporary closure of Mandarin Oriental, Hong Kong will inevitably affect the Group’s results, the effect will be partially offset by increasing contributions from new properties.

With its sound financial footing, significant hotel ownership interests and increasing brand awareness, Mandarin Oriental is well positioned to continue its successful expansion.”

Simon Keswick, *Chairman*
23rd February 2006

Results

	Year ended 31st December		
	2005	Restated 2004	Change
	US\$m	US\$m	%
Combined total revenue of hotels under management	815.4	667.3	+22
Earnings before interest, tax, depreciation and amortization ⁽¹⁾	124.0	99.0	+25
Profit attributable to shareholders – excluding gain on Hawaii disposal	41.1	28.5	+44
Profit attributable to shareholders	77.2	28.5	+171
Funds from operations ⁽²⁾	90.4	40.6	+123
	US¢	US¢	%
Earnings per share – excluding gain on Hawaii disposal	4.33	3.35	+29
Earnings per share	8.14	3.35	+143
Funds from operations per share ⁽²⁾	9.53	4.77	+100
Dividend per share	1.50	1.00	+50
	US\$	US\$	%
Net asset value per share	0.87	0.80	+9
Net asset value per share with leasehold properties at valuation ⁽³⁾	1.50	1.37	+9

(1) EBITDA does not include gains on disposal and the impact of property revaluations.

(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 final dividend of US\$1.50 per share will be payable on 21st June 2006, subject to approval at the Annual General Meeting to be held on 14th June 2006, to shareholders on the register of members at the close of business on 17th March 2006. The ex-dividend date will be on 15th March 2006, and the share registers will be closed from 20th to 24th March 2006, inclusive.

- more -

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MANDARIN ORIENTAL INTERNATIONAL LIMITED

**PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2005**

OVERVIEW

Mandarin Oriental made good progress in its development strategy in 2005 with the opening of two additional hotels and the announcement of a number of new management contracts. Operationally, the Group's results benefited from increasing room rates as demand in many cities strengthened, particularly in Hong Kong.

PERFORMANCE

Earnings before interest, tax, depreciation and amortization for 2005 were US\$124 million, after some US\$11 million of pre-opening costs related to Tokyo, compared with US\$99 million in 2004.

Profit attributable to shareholders in 2005 was US\$77 million, including a post-tax gain of US\$36 million arising from the disposal of the Group's property interest in Hawaii. Excluding the gain from this disposal, profit attributable to shareholders was US\$41 million. This compares with US\$29 million in the previous year, which had benefited from a US\$10 million investment writeback.

Earnings per share for the year were US¢8.14 including the Hawaii gain. Excluding the gain, earnings were US¢4.33, compared with US¢3.35 in 2004.

The Group's net financing charges were reduced following the conversion of the Group's 6.75% convertible bonds into shares in the early part of the year. Net debt was also reduced significantly with the US\$97 million proceeds from the Hawaii sale.

The Directors are recommending an increased dividend of US¢1.50 per share compared with US¢1.00 paid in 2004.

The net asset value per share, with leasehold land adjusted to fair market value, was US\$1.50 at 31st December 2005, compared with US\$1.37 at the prior year end.

GROUP REVIEW

Significant profit increases were achieved at the Group's wholly-owned Hong Kong hotels as they benefited from increasing demand and higher room rates. The Group's other subsidiary hotels also produced better results in the improved trading environment, including the recently opened property in Washington D.C., which continued to establish its market position. Operating results from associates and joint ventures rose with stronger performances at Mandarin Oriental, New York, and at the Group's hotels in Singapore, Macau and Miami.

The sale of the Group's 40% ownership interest in Kahala Mandarin Oriental, Hawaii was completed in June 2005, as a consequence of which the Group's management of the hotel has come to an end. The sale of The Mark hotel in New York was completed in February 2006, and a gain of some US\$35 million arising from the disposal will be recognized in the results of 2006.

The international visibility of the Mandarin Oriental brand has been strengthened considerably in recent years with the opening of select properties in key destinations and the renovation of existing flagships.

DEVELOPMENTS

Progress continued on the Group's development strategy to operate at least 10,000 rooms in key city centre and resort destinations worldwide. The Group operates 21 hotels around the world with a further eight hotels under development, representing a total of some 8,500 rooms.

In December 2005, Mandarin Oriental, Tokyo opened and was well received in the market place. This followed the successful opening of the Group's new hotel at The Landmark in Hong Kong in August. In late 2005, the Group ceased to manage the Hotel Royal Monceau in Paris, but its developments in Prague and Riviera Maya, Mexico are due to open this year, with Boston following in 2007.

Four new management contracts were announced in 2005 for luxury hotels currently being developed in Chicago, Grand Cayman, Macau and Las Vegas. The Group has also recently announced that it will manage a luxury resort on Hainan Island in China opening later this year.

The Group's original flagship hotel, Mandarin Oriental, Hong Kong, closed at the end of December 2005 for a US\$140 million renovation programme. The hotel will re-open all the public areas and 200 of the guestrooms in late August 2006, while the full complement of 503 rooms will be completed by year end.

OUTLOOK

In conclusion, the Chairman, Simon Keswick said, "Markets are expected to remain favourable in 2006 with room rates benefiting further from growing demand and limited new supply. While the temporary closure of Mandarin Oriental, Hong Kong will inevitably affect the Group's results, the effect will be partially offset by increasing contributions from new properties.

With its sound financial footing, significant hotel ownership interests and increasing brand awareness, Mandarin Oriental is well positioned to continue its successful expansion."

GROUP CHIEF EXECUTIVE'S REVIEW

PROGRESS ACHIEVED

Mandarin Oriental experienced a strong growth in earnings in 2005 as a result of improved room rates. The Group reached a level of profitability from operations last achieved in the mid 1990's, prior to the Asian economic downturn. Overall results were further enhanced by the contribution from the recently opened hotels in the Group's growing portfolio as well as the contribution from the sale of the Group's ownership interest in the Hawaii hotel. In February 2006, exceptional market conditions led to the Group's successful sale of The Mark, New York, the gain of which will be recognized in the 2006 results. Both of these transactions have significantly strengthened the Group's balance sheet.

Our expansion accelerated in 2005 and we are well on our way to achieving Mandarin Oriental's objective of operating 10,000 rooms in key global destinations. During the year, two new properties opened in Hong Kong and Tokyo, and four new management contracts were announced. In February 2006, we announced another management contract for a luxury resort on Hainan Island in China. The Group comprises a portfolio of 21 hotels in operation with eight hotels under development, giving a total of approximately 8,500 rooms around the globe.

PERFORMANCE IN 2005

Set out below is a review of the Group's performance in 2005, with reference to the following strategic objectives:

- Consolidating our position as one of the best global luxury hotel groups
- Improving our competitive position
- Increasing the number of rooms under operation to 10,000
- Investing in our brand
- Ensuring a strong cash flow and balance sheet

1. Consolidating our position as one of the best global luxury hotel groups

Mandarin Oriental is enjoying global recognition as one of the world's most sought-after luxury hotel groups. Our hotels and resorts are committed to providing our guests with delightful experiences in luxurious surroundings, enhanced by unique oriental characteristics. As a consequence, the Group has garnered an impressive array of

awards from respected publications and associations, and has achieved widespread media coverage around the world.

Significantly, while individual hotels continue to be recognized amongst the world's favourites, Mandarin Oriental is increasingly being given recognition as a pre-eminent luxury brand. Amongst the many accolades, the New York based *Luxury Institute's 2006 Customer Experience Survey* positioned Mandarin Oriental as the number one luxury hotel group that delivers the 'Best Customer Experience'. Similarly, *Condé Nast Traveler, US* readers voted Mandarin Oriental the 'Best Business Hotel Group' in The Americas in their annual *Business Awards Survey* in October 2005 and eight Mandarin Oriental hotels were featured in the annual *Readers Choice Awards* in the November edition.

The Group's spas in London, Bangkok, New York, Miami and Washington D.C. were awarded 'Best Urban Hotel Spa' in their locations in *Spa Finder's Readers Choice Awards* in November, while The Oriental, Bangkok's spa was voted 'Top Overseas Hotel Spa' by readers of *Condé Nast Traveller, UK*. The same readers voted Mandarin Oriental, Miami as 'Best Overseas Leisure Hotel' in The Americas, and Mandarin Oriental Hyde Park London as 'Best Leisure Hotel' in the UK in the annual *Readers Travel Awards, October 2005*.

2. Improving our competitive position

As demand for luxury strengthened in most travel destinations, our hotels remained focussed on delivering to our guests the legendary service that sustains our strong competitive position. The year saw increases in revenue per available room (RevPAR) across all regions, excluding new hotels, with Asia up 21%, Europe up 7% and The Americas up 26% over the previous year. As a result, gross operating margins across the Group have improved significantly from 2004.

The highlights of each region are as follows:

Asia

Hong Kong led the region with strong demand resulting in a significant improvement in rate. Mandarin Oriental's occupancy, at 81%, remained at a similar level to 2004, however the hotel's average room rate climbed by 22% to US\$256. Food and beverage revenues were also buoyant, in line with the increased occupancy and the strengthening local economy.

In late December 2005, Mandarin Oriental closed its doors to commence a US\$140 million renovation designed to secure its position as one of the world's legendary hotels when it re-opens in late August 2006. Current average rates for luxury hotels in Hong Kong are still below the levels achieved in other major cities, and Mandarin Oriental should attain higher rates following renovation. In line with the importance the Group places upon personalized service, the vast majority of hotel staff will remain employed during the closure period and have been offered opportunities for training and personal development or seconded to work at sister companies within the Jardine Matheson Group in Hong Kong.

At The Excelsior, occupancy remained steady year-on-year at 88%, but the hotel achieved a 22% increase in the average room rate with sustained demand from all market segments. The Excelsior's food and beverage revenues were also up 10% above 2004 levels.

The Landmark Mandarin Oriental, which the Group operates under a management contract, opened to great acclaim in August and quickly established itself as an intimate, luxury lifestyle hotel achieving average rates in excess of US\$400, a benchmark in the city. In less than six months after opening, the hotel was named 'City Hotel of the Year' in the *UK Tatler Travel Awards 2006* as well as 'Best New City Hotel' in *Andrew Harpers Hideaway Awards 2006*.

In Macau, the RevPAR increased by 22% with strong increases in the average room rate, offset by a decline in occupancy.

In Southeast Asia, hotel results showed slight improvement but the market remained soft, particularly in Jakarta and Manila. In Singapore, The Oriental completed its full-scale renovation in May and has been repositioned as one of the city's top hotels, with a subsequent 52% increase in rates over the previous year.

The Oriental, Bangkok remains one of the world's favourite legendary hotels and will celebrate its 130th anniversary this year. It continues to outperform the market, enjoying a strong financial performance and a commanding share of the high-end leisure business into Thailand.

In December, Mandarin Oriental opened its 179-room hotel in Tokyo, and, while pre-opening costs of US\$11 million impacted the Group's results in 2005, the property has quickly established itself within the top hotels in the city, commanding an average room rate of over US\$500.

Europe

In London, Mandarin Oriental Hyde Park continued to be one of the city's best performing luxury hotels with an average room rate of US\$643, a 4% improvement in local currency terms compared with 2004. Despite the impact of the terrorist attacks in the summer, the market showed great resilience and occupancy at the hotel remained virtually unchanged from the previous year. Mandarin Oriental, Munich, as the leading hotel in the city, achieved a solid performance with a 7% improvement in the average room rate. In Geneva, Mandarin Oriental was ahead of its competitive set with the market showing some recovery leading to a 15% increase in RevPAR over 2004.

Mandarin Oriental no longer manages the Hotel Royal Monceau in Paris. The Group had intended to brand the property on completion of a full renovation which did not take place.

The Americas

Mandarin Oriental, Washington D.C., which opened in March 2004, performed well in its first full year of operation and is now well-established in the city. Occupancy was 60% compared with 44% in 2004 and the average room rate was US\$290, up from US\$249 in the previous year.

Mandarin Oriental, New York's strong performance had a positive impact on the Group's results. This award-winning property achieved an occupancy of 72% at an average room rate of US\$695, giving an overall increase in RevPAR of 48% over the previous year.

The sale of The Mark hotel was completed in February 2006 for a gross consideration of US\$150 million. The property, which was originally acquired in 2000 as part of the US\$143 million acquisition of The Rafael Group, continues to be managed under a short-term management contract.

The Group's other US-based hotels performed well as a result of the general improvement in market conditions, with RevPAR increases of 19% in Miami and 15% in San Francisco. Following the sale of its ownership interest in Hawaii, Mandarin Oriental's management of the property has come to an end.

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

Mandarin Oriental is now well on its way to reaching its goal of operating at least 10,000 rooms in major cities and resort destinations around the world, with approximately 8,500 rooms currently in operation or under development. As a consequence of the strength of our brand worldwide, the Group has a significant pipeline of development opportunities under review and we remain confident of reaching our goal within the next few years.

Over the past 12 months, we have announced five management contracts for new Mandarin Oriental hotels in Chicago, Grand Cayman, Las Vegas, Macau and Hainan Island in China. This continued trend towards securing management contracts, which requires limited capital from the Group, is a clear indication of the growing strength of our brand. Noticeably, a number of these new projects will include a residential component: *The Residences at Mandarin Oriental*.

The following new properties are planned to open over the next four years:

2006

- Mandarin Oriental Riviera Maya, Mexico: a unique hideaway resort featuring 128 villas on the secluded Riviera Maya coastline, south of Cancun.

- Mandarin Oriental, Prague: a 98-room hotel located in the heart of this historic city in the Czech Republic.
- Mandarin Oriental, Sanya: an exclusive 292-room luxury resort on Hainan Island in the South China Sea.

2007

- Mandarin Oriental, Boston: a 149-room hotel which will be housed within a mixed-use complex in the heart of the city.

2008

- Mandarin Oriental, Grand Cayman: an intimate 114-room hideaway, set on an unspoiled 10-acre beachfront site.

2009

- Mandarin Oriental, Chicago: a 250-room hotel occupying the top 15 floors of a new 90-storey tower which will be an exclusive mixed-use development in Chicago's growing Millennium Park neighbourhood.
- Mandarin Oriental, Las Vegas: a 400-room hotel in the multi-billion dollar urban development 'Project CityCenter' created by MGM MIRAGE.
- Mandarin Oriental in Macau: a second property in Macau which will be part of a prestigious mixed-use complex on the waterfront, featuring 210 rooms.

While all of the above management contracts will provide an additional source of revenue for the Group, Mandarin Oriental intends to remain a significant owner of hotel assets, particularly in strategic city centre destinations. Such properties are often unique in their markets and provide the Group with an important source of capital appreciation over the long term. Ownership also gives us increased credibility with third party hotel developers, and ensures our long-term ability to shape our brand, creating legendary hotels that have the right mix of tradition, quality and innovation, under the umbrella of our oriental heritage.

4. Investing in our brand

The investment behind our brand over the past few years has led to the Group becoming highly respected as a management company amongst our guests and the owners of luxury hotel developments around the world.

Mandarin Oriental remains focussed on delivering the brand attributes which define our own style of luxury. This includes our expertise in holistic spa operations, innovative dining experiences, guest-orientated technology and creative hotel design and architecture. Most importantly, our increasingly visible brand and strong company culture motivates our employees to excel in delighting our guests. Investing in our 10,000 colleagues around the world remains essential to our success.

Looking forward, our corporate resources provide us with a solid foundation on which to add further management opportunities.

5. Ensuring a strong cash flow and balance sheet

A strong cash flow and balance sheet remains fundamental to our success. In 2005, the Group returned to performance levels last achieved in the mid 1990's, with a profit from operations of US\$52 million, excluding the one-off US\$11 million pre-opening expenses in Tokyo.

As a result of the improved operating performance and the proceeds on sale of the Hawaii investment, cash flow grew to US\$116 million before financing activities, which included US\$24 million of funding, primarily in respect of the Tokyo and Boston projects. This compares with a cash flow of US\$19 million before financing activities in 2004, which included US\$30 million of investment in the Washington D.C. hotel.

In early 2005, the Group's US\$75 million, 6.75% convertible bonds were converted to equity resulting in the issue of 113 million ordinary shares which further strengthened our balance sheet.

The Group's financial position is strong with gearing at 22% at 31st December 2005, down from 44% at the end of 2004 (based on adjusted shareholders' funds). Net debt

has now been reduced by a further US\$100 million, following completion of the sale of The Mark with an accounting gain of approximately US\$35 million to be recognized in 2006.

THE FUTURE

In 2005, the Group performed well and the demand which drove these results should continue in all key segments of the luxury market, barring unforeseen events.

The closure of Mandarin Oriental, Hong Kong for eight months will impact earnings in the short term, but the renovation will significantly enhance its contribution to the Group's results.

Looking forward, the Group is in a strong position to continue building its brand equity and translating this into profitable growth opportunities. We are firmly on target to reach our ultimate goal of being recognized as the best global luxury hotel group.

Edouard Ettedgui

Group Chief Executive

23rd February 2006

Mandarin Oriental International Limited
Consolidated Profit and Loss Account
for the year ended 31st December 2005

	2005	Restated
	US\$m	2004
		US\$m
Revenue (<i>note 2</i>)	399.2	336.8
Cost of sales	(254.3)	(224.7)
Gross profit	144.9	112.1
Selling and distribution costs	(23.7)	(22.4)
Administration expenses	(60.8)	(46.3)
Operating profit (<i>note 3</i>)	60.4	43.4
Net financing charges	(22.4)	(27.5)
Share of results of associates and joint ventures excluding writeback of impairment	8.7	3.0
Writeback of impairment of an associate	-	9.6
Share of results of associates and joint ventures (<i>note 4</i>)	8.7	12.6
Gains on disposal of associates (<i>note 5</i>)	52.3	-
Profit before tax	99.0	28.5
Tax (<i>note 6</i>)	(24.8)	(4.8)
Profit for the year	74.2	23.7
Profit attributable to shareholders	77.2	28.5
Loss attributable to minority interests	(3.0)	(4.8)
	74.2	23.7
	US¢	US¢
Earnings per share (<i>note 7</i>)		
- basic	8.14	3.35
- diluted	8.07	3.35
Earnings per share - excluding gain on Hawaii disposal		
- basic	4.33	3.35
- diluted	4.30	3.35

Mandarin Oriental International Limited
Consolidated Balance Sheet
at 31st December 2005

	2005	Restated 2004
	US\$m	US\$m
Net assets		
Intangible assets	215.5	219.4
Tangible assets (<i>note 8</i>)	684.0	752.1
Associates and joint ventures	205.0	258.6
Other investments	5.1	6.4
Loan receivable	12.0	-
Pension assets	22.8	22.9
Deferred tax assets	9.9	7.8
Other non-current assets	5.5	-
Non-current assets	1,159.8	1,267.2
Stocks	3.1	2.9
Debtors and prepayments	59.0	57.9
Cash at bank	169.1	65.7
	231.2	126.5
Non-current asset classified as held for sale (<i>note 9</i>)	80.3	-
Current assets	311.5	126.5
Creditors and accruals	(80.3)	(65.1)
Current borrowings (<i>note 10</i>)	(8.3)	(85.7)
Current tax liabilities	(6.8)	(8.0)
	(95.4)	(158.8)
Liabilities directly associated with non-current asset classified as held for sale (<i>note 9</i>)	(14.0)	-
Current liabilities	(109.4)	(158.8)
Net current assets/(liabilities)	202.1	(32.3)
Long-term borrowings (<i>note 10</i>)	(471.6)	(497.1)
Deferred tax liabilities	(49.8)	(38.2)
Pension liabilities	(1.7)	(1.7)
Other non-current liabilities	-	(6.0)
	838.8	691.9
Total equity		
Share capital	48.3	42.6
Share premium	158.8	89.0
Revenue and other reserves	628.0	552.1
Shareholders' funds	835.1	683.7
Minority interests	3.7	8.2
	838.8	691.9

Mandarin Oriental International Limited
Consolidated Statement of Recognized Income and Expense
for the year ended 31st December 2005

	2005	Restated
	US\$m	2004
		US\$m
Surplus on revaluation of properties	35.6	51.1
Actuarial gains on defined benefit pension plans	0.6	4.4
Net exchange translation differences	(31.4)	20.0
Loss on financial assets	-	(1.3)
Gain/(Loss) on cash flow hedges	11.7	(1.9)
Tax on items taken directly to equity	(9.8)	(18.2)
	<hr/>	<hr/>
Net income recognized directly in equity	6.7	54.1
Profit for the year	74.2	23.7
	<hr/>	<hr/>
Total recognized income and expense for the year	80.9	77.8
	<hr/>	<hr/>
Attributable to:		
Shareholders of the Company	84.6	82.8
Minority interests	(3.7)	(5.0)
	<hr/>	<hr/>
	80.9	77.8
	<hr/>	<hr/>
Effect of prior period adjustments:		
Shareholders of the Company		(1.0)
Minority interests		(0.1)
		<hr/>
		(1.1)
		<hr/>

Mandarin Oriental International Limited
Consolidated Cash Flow Statement
for the year ended 31st December 2005

	2005 US\$m	2004 US\$m
Operating activities		
Operating profit	60.4	43.4
Depreciation	30.0	30.7
Amortization of land use rights	0.6	0.6
Non-cash items	3.0	0.4
Movements in working capital	(0.3)	(1.8)
Interest received	2.8	0.6
Interest and other financing charges paid	(26.3)	(27.4)
Tax paid	(13.8)	(8.0)
	<hr/>	<hr/>
	56.4	38.5
Dividends and interest from associates and joint ventures	16.2	8.6
Cash flows from operating activities	72.6	47.1
Investing activities		
Purchase of tangible assets	(40.0)	(41.2)
Investments in and loans to associates and joint ventures	(1.0)	(5.7)
Advance of loan receivable	(12.0)	-
Increase in other investments	(0.9)	(1.4)
Purchase of minority interests	(2.7)	(0.5)
Proceeds on disposal of other investments	-	13.2
Proceeds on disposal of associates	95.3	-
Repayment of loans to an associate	4.1	7.2
Capital distribution from an associate	0.5	-
Cash flows from investing activities	43.3	(28.4)
Financing activities		
Issue of shares	0.3	0.1
Drawdown of borrowings	115.0	28.6
Repayment of borrowings	(116.5)	(51.6)
Dividends paid by the Company (note 12)	(9.6)	-
Capital contribution from minority interests	-	2.2
Cash flows from financing activities	(10.8)	(20.7)
Effect of exchange rate changes	(2.0)	1.7
Net increase/(decrease) in cash and cash equivalents	<hr/>	<hr/>
	103.1	(0.3)
Cash and cash equivalents at 1st January	65.7	66.0
Cash and cash equivalents at 31st December	<hr/>	<hr/>
	168.8	65.7

Mandarin Oriental International Limited
Notes

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information contained in this announcement has been based on the audited results for the year ended 31st December 2005 which have been prepared in conformity with International Financial Reporting Standards ('IFRS'), 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.

The accounting policies adopted are consistent with those of the previous financial year.

In 2005, the Group conducted a comprehensive review of the deferred taxation across the Group's hotel properties to ensure full compliance with IAS 12 Income Taxes. As a result, certain prior period adjustments have been made to conform more fully to IFRS. These adjustments are primarily to provide for deferred tax arising from fair value adjustments which had not previously been provided. In 2004, these adjustments resulted in an increase to profit attributable to shareholders of US\$0.7 million.

2. REVENUE

	2005	2004
	US\$m	US\$m
<i>By geographical area:</i>		
Hong Kong & Macau	161.5	143.9
Other Asia	38.3	28.9
Europe	106.8	100.6
The Americas	92.6	63.4
	399.2	336.8

3. OPERATING PROFIT

	2005	2004
	US\$m	US\$m
<i>By geographical area:</i>		
Hong Kong & Macau	37.3	33.7
Other Asia	(6.4)	1.7
Europe	20.5	15.6
The Americas	9.0	(7.6)
	60.4	43.4

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	2005	2004
	US\$m	US\$m
<i>By geographical area:</i>		
Hong Kong & Macau	3.6	2.6
Other Asia	6.2	15.6
The Americas	(1.1)	(5.6)
	8.7	12.6

The Directors have reviewed the carrying values of all operating properties owned by associates and joint ventures at 31st December 2005 in consultation with the Group's independent valuers. The Group's share of the underlying net revaluation surplus of US\$4.6 million has been dealt with in the capital reserves (2004: net revaluation surplus of US\$10.7 million to capital reserves, and net credit of US\$9.6 million to the consolidated profit and loss account). The land and buildings owned by associates and joint ventures were revalued at 31st December 2004 by independent professionally qualified valuers on an open market basis.

5. GAINS ON DISPOSAL OF ASSOCIATES

On 8th June 2005, the Group completed the sale of its 40% investment in the partnership that leases 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. The post-tax gain on this disposal was US\$2.0 million.

6. TAX

	2005	Restated 2004
	US\$m	US\$m
Current tax	12.7	9.1
Deferred tax	12.1	(4.3)
	24.8	4.8

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\$14.2 million (2004: nil) arising on disposal of the Group's 40% investment in Kahala Mandarin Oriental, Hawaii. This tax charge is calculated after utilizing brought forward tax losses in the United States of approximately US\$65.1 million and comprises current tax of US\$2.5 million and deferred tax of US\$11.7 million on temporary differences (*refer note 5*).

7. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US\$77.2 million (2004: US\$28.5 million) and on the weighted average number of 948.9 million (2004: 851.6 million) shares in issue during the year. The weighted average number excludes shares held by the Trustee of the Senior Executive Share Incentive Schemes.

Diluted earnings per share are calculated on the weighted average number of 956.5 million (2004: 854.1 million) shares after adjusting for the number of shares which are deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes based on the average share price during the year. The convertible bonds were anti-dilutive and therefore ignored in calculating diluted earnings per share. The number of shares for basic and diluted earnings per share is reconciled as follows:

	Ordinary shares in millions	
	2005	2004
Weighted average number of shares in issue	948.9	851.6
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	7.6	2.5
Weighted average number of shares for diluted earnings per share	956.5	854.1

The Group made certain prior year adjustments, the impact of which increased the 2004 basic and diluted earnings per share by US¢0.09.

7. EARNINGS PER SHARE (Continued)

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.

	2005		Restated 2004	
	US\$m	Per share US¢	US\$m	Per share US¢
Profit attributable to shareholders	77.2	8.14	28.5	3.35
Depreciation of buildings, net of deferred tax and minority interests	13.2	1.39	12.1	1.42
Funds from operations	90.4	9.53	40.6	4.77

8. TANGIBLE ASSETS AND CAPITAL COMMITMENTS

	2005 US\$m	2004 US\$m
Opening net book value	752.1	687.1
Translation differences	(49.1)	28.4
Additions	48.6	32.0
Disposals	(0.1)	-
Transfer in	1.9	-
Depreciation	(30.0)	(30.7)
Revaluation surplus	27.8	35.3
Classified as non-current asset held for sale	(67.2)	-
Closing net book value	684.0	752.1
Capital commitments	152.5	140.4

The Directors have reviewed the carrying values of all properties at 31st December 2005 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\$21.3 million net of deferred tax of US\$6.5 million which has been taken to capital reserves. In 2004, a surplus of US\$0.2 million was taken to the profit and loss account; and a surplus of US\$23.1 million net of deferred tax of US\$12.2 million was taken to capital reserves.

8. TANGIBLE ASSETS AND CAPITAL COMMITMENTS (Continued)

The Group's freehold properties and the building component of leasehold properties were revalued at 31st December 2004 by independent professionally qualified valuers. Fair value was determined using the income capitalization approach and having reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

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\$503.3 million (2004: US\$595.6 million). No interest was capitalized during the year (2004: interest of US\$1.3 million was capitalized based on rates ranging from 4.3% to 6.0%).

Tangible assets include a property of US\$114.2 million (2004: US\$115.6 million), which is stated net of tax increment financing of US\$31.5 million (2004: US\$32.4 million) (*refer note 11*).

9. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

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

	2005 US\$m	2004 US\$m
Intangible assets	5.2	-
Tangible assets (<i>refer note 8</i>)	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)	-

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 13*).

10. BORROWINGS

	2005	2004
	US\$m	US\$m
Bank loans	470.4	488.8
6.75% convertible bonds	-	75.3
Other borrowings	7.8	9.0
Finance lease	-	8.0
Tax increment financing (<i>refer note 11</i>)	1.7	1.7
	479.9	582.8
Current		
- 6.75% convertible bonds	-	75.3
- others	8.3	10.4
	8.3	85.7
Long-term	471.6	497.1
	479.9	582.8

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.

11. TAX INCREMENT FINANCING

	2005	2004
	US\$m	US\$m
Netted off against the net book value of property (<i>refer note 8</i>)	31.5	32.4
Loan (<i>refer note 10</i>)	1.7	1.7
	33.2	34.1

A development agreement was entered into by 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 net proceeds obtained through the issuance and sale of certain tax increment financing bonds ('TIF Bonds') for the development and construction of Mandarin Oriental, Washington D. C.

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

The receipt of the TIF Bonds has been treated as a government grant and netted off against the net book value in respect of the property (*refer note 8*). The loan of US\$1.7 million (2004: US\$1.7 million) is included in long-term borrowings (*refer note 10*).

12. DIVIDENDS

No interim dividend has been paid in respect of 2004 and 2005. A final dividend in respect of 2005 of US\$1.50 (2004: US\$1.00) per share amounting to a total of US\$14.5 million (2004: US\$9.6 million) is proposed by the Board. The dividend proposed is not accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2006.

13. POST BALANCE SHEET EVENT

On 30th December 2005, the Group announced that it had entered into an agreement to sell its 100% leasehold interest in The Mark, New York for a gross consideration of US\$150.0 million, receivable in cash. The hotel was originally acquired in 2000 as part of the US\$142.5 million acquisition of The Rafael Group. The sale was completed on 16th February 2006. After transaction costs and tax, the post-tax gain arising on the disposal is estimated at US\$35.0 million.

Under the Group's accounting policies, the earnings before interest, tax and depreciation for The Mark (including management fees) for the year ended 31st December 2005 were US\$3.6 million (2004: US\$2.5 million). The Group's interest in the leasehold property as at 31st December 2005 was classified as a non-current asset held for sale.

The Group will continue to manage the hotel until further notice.

The final dividend of US\$1.50 per share will be payable on 21st June 2006, subject to approval at the Annual General Meeting to be held on 14th June 2006, to shareholders on the register of members at the close of business on 17th March 2006. The ex-dividend date will be on 15th March 2006, and the share registers will be closed from 20th to 24th March 2006, 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 2nd June 2006. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 7th June 2006. 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 -

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Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2005 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 29 deluxe and first class hotels and resorts worldwide including eight under development in Prague, China, Mexico, Boston, Grand Cayman, Chicago, Las Vegas and Macau. The Group has equity interests in many of its properties and net assets of approximately US\$1.4 billion at 31st December 2005. Mandarin Oriental now operates, or has under development, approximately 8,500 rooms in 17 countries with 14 hotels in Asia, 11 in The Americas and four 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.