Annual Report 2009

Mandarin Oriental Hotel Group is an international hotel investment and management group with deluxe and first class hotels, resorts and residences in sought-after destinations around the world. The Group now operates, or has under development, 41 hotels representing over 10,000 rooms in 26 countries, with 17 hotels in Asia, 13 in The Americas and 11 in Europe, Middle East and North Africa. In addition, the Group operates, or has under development, 13 *Residences at Mandarin Oriental* connected to its properties. The Group has equity interests in many of its properties and net assets of approximately US$2.1 billion as at 31st December 2009.

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

The parent company, Mandarin Oriental International Limited, is incorporated in Bermuda and has its primary share listing in London, and secondary 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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Corporate Information

Directors

Simon Keswick *Chairman*
A J L Nightingale *Managing Director*
Edouard Ettedgui *Group Chief Executive*
Stuart Dickie
Mark Greenberg
Julian Hui
Sir Henry Keswick
R C Kwok
Lord Leach of Fairford
Dr Richard Lee
Robert Léon
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Lord Powell of Bayswater KCMG
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Mandarin Oriental Hotel Group International Limited

Directors

A J L Nightingale *Chairman*
Edouard Ettedgui *Group Chief Executive*
R D Baker
Stuart Dickie *Chief Financial Officer*
Mark Greenberg
A R R Hirst
M H Hobson
C J W Mares
James Riley
T L Stinson
Giles White

Corporate Secretary

N M McNamara

Highlights

Mandarin Oriental International Limited

- Difficult market conditions affected performance
- US$81 million gain on sale of Macau hotel
- Successful opening of hotels in Sanya, Barcelona and Las Vegas
- Mandarin Oriental, Jakarta re-opened after extensive renovations
- Strong financial position

Results

	Year ended 31st December		
	2009 US$m	2008 US$m	Change %
Combined total revenue of hotels under management[1]	**838.3**	1,016.1	(18)
EBITDA (Earnings before interest, tax, depreciation and amortization)[2]	**87.5**	163.9	(47)
Underlying profit attributable to shareholders[3]	**12.4**	67.1	(82)
Profit attributable to shareholders	**83.3**	67.1	24
	US¢	US¢	%
Underlying earnings per share[3]	**1.26**	6.84	(82)
Earnings per share	**8.46**	6.84	24
Dividends per share	**7.00**	7.00	–
	US$	US$	%
Net asset value per share	**1.04**	1.02	2
Net asset value per share with leasehold properties at valuation[4]	**2.18**	2.08	5
Net debt/shareholders' funds	**11%**	15%	
Net debt/adjusted shareholders' funds[4]	**5%**	7%	

[1] Combined revenue includes turnover of the Group's subsidiary hotels in addition to 100% of revenue from associate, joint venture and managed hotels.

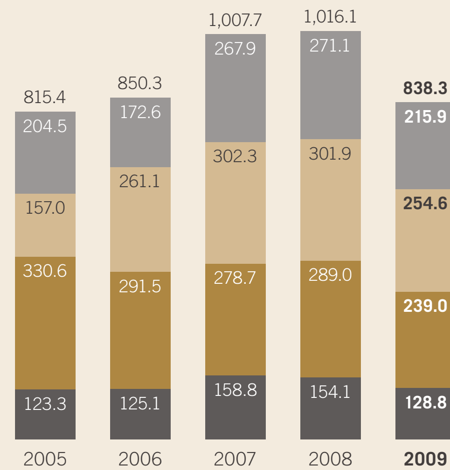
[2] EBITDA does not include provisions for asset impairment.

[3] Underlying profit attributable to shareholders and underlying earnings per share exclude non-trading items. These are gains on disposals and provisions against asset impairment.

[4] The net asset value per share and net debt/shareholders' funds have been adjusted to include the market value of the Group's leasehold interests which are carried in the consolidated balance sheet at amortized cost.

Combined total revenue
by geographical area

US$m



Hong Kong and Macau

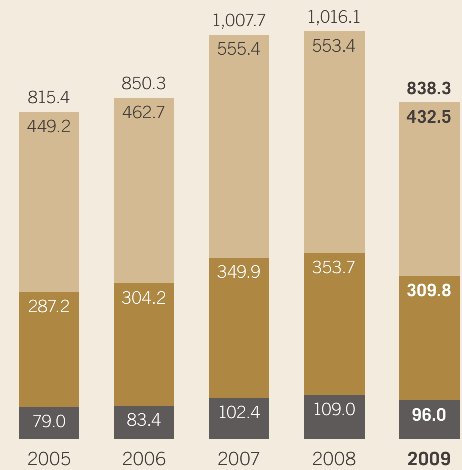
Other Asia

The Americas

Europe

Combined total revenue
by type of business

US$m



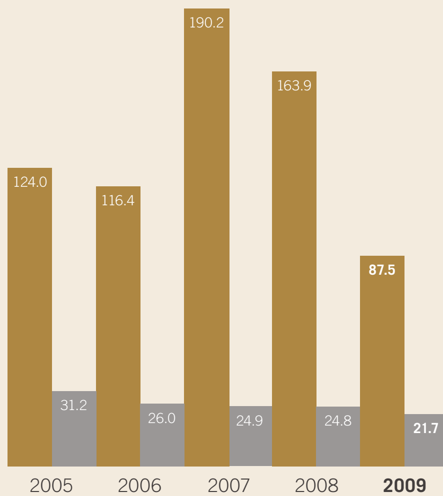
Rooms

Food and beverage

Others

EBITDA and net interest expense

US$m

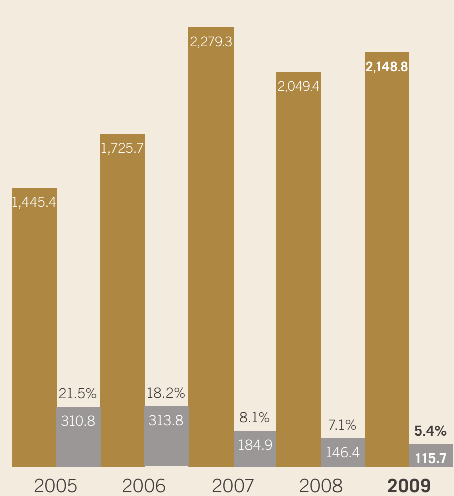


Earnings before interest, tax, depreciation and amortization (EBITDA)

Net interest expense

Net debt/adjusted shareholders' funds

US$m



Adjusted shareholders' funds

Net debt

Chairman's Statement

Overview

Demand was adversely affected in 2009 by poor economic conditions which led to material reductions in both occupancy levels and room rates. The Group responded by focusing on maintaining its competitive position in each of its markets and by reducing costs. This enabled Mandarin Oriental to achieve an underlying profit for the year despite revenues being significantly lower than in 2008. The Group also benefited from a gain on the sale of its Macau hotel interest.

Performance

Earnings before interest, tax, depreciation and amortization for 2009, excluding provisions against asset impairment, were US$88 million compared with US$164 million in 2008. The Group's underlying profit for the year was US$12 million, compared with US$67 million in 2008. Including non-trading items, principally the gain on the sale of the Group's 50% interest in its Macau hotel partially offset by provisions against asset impairments, profit attributable to shareholders for 2009 was US$83 million. This compares with US$67 million in 2008 when there were no non-trading items.

Underlying earnings per share for the year were US¢1.26 compared with US¢6.84 in 2008. Including non-trading items, earnings per share in 2009 were US¢8.46.

Taking into consideration the overall results for the year, the Directors recommend a final dividend of US¢5.00 per share. This, together with the interim dividend of US¢2.00 per share, will make an unchanged total annual dividend of US¢7.00.

The net asset value per share with leasehold properties adjusted for fair market value was US$2.18 at 31st December 2009, compared with US$2.08 at the end of 2008. This is based on a Directors' review of the valuations of the Group's hotel properties, in consultation with its independent valuers. Net debt at the year end was US$116 million, representing 5% of adjusted shareholders' funds.

Group review

Profit levels fell at all of the Group's hotels in response to lower occupancy and room rates. Properties in Asia and The Americas were the most adversely affected, including the Group's two wholly-owned hotels in Hong Kong.

At Mandarin Oriental, Hong Kong, revenue per available room ('RevPAR') fell by 30%, while at The Excelsior it decreased by 27%. Conversely, at the Group's wholly-owned flagship hotel in London, RevPAR was down by only 5% in local currency terms, although its contribution to earnings was reduced further due to the weaker pound. The results from Geneva showed some improvement from 2008, when the hotel was undergoing extensive renovations. The Group's results were also negatively affected by lower management fees and the contributions from associate hotels, including Bangkok and Singapore, which fell in line with the reduced demand.

Developments

Three new hotels were opened in 2009, in Sanya, Barcelona and Las Vegas, bringing the total number of hotels in operation to 25. The Group's hotel in Jakarta re-opened in October following extensive renovations.

In 2010, it is anticipated that a further two properties will open, in Macau and Marrakech. Both properties will be operated under long-term management contracts. In addition, the 227 *Residences at Mandarin Oriental* in Las Vegas, the Group's largest *Residences* project to date, will be completed. The Group will benefit from the resulting branding fees as sales proceed.

A number of development projects are facing delays, and one previously announced project in Chicago will not proceed. A new 195-room hotel and *Residences* project to be built in Abu Dhabi has been announced recently, bringing the total number of hotels under development to 16.

People

On behalf of the Directors and shareholders, I would like to thank all employees for their exceptional service and commitment in what has been a very challenging year. It is on this strength the future of the Group depends.

Jonathan Gould retired as a Director at the end of June 2009 and we would like to thank him for his contribution. Giles White joined the Board on 1st July 2009. As previously announced, John Witt will step down from the Board as Chief Financial Officer at the end of March 2010. We are grateful for his significant contribution to the Group over the past ten years. He will be succeeded by Stuart Dickie.

Outlook

While markets are expected to stabilize further in 2010, the strength and timing of an improvement in earnings will depend on economic conditions. Over the longer term, the Group should benefit from its strong market position and growing portfolio.

Simon Keswick
Chairman
4th March 2010

Group Chief Executive's Review

Business strategy

Mandarin Oriental's aim, to become widely recognized as the best international luxury hotel group operating in sought-after destinations, remains firmly in place. An award-winning owner and operator of some of the world's most prestigious hotels and resorts, our Group continues to grow its global presence. Mandarin Oriental now operates 25 hotels with a further 16 under development, bringing the total number of rooms to more than 10,000 in 26 countries.

Progress achieved

The effects of the global recession on the travel and tourism industry throughout 2009 significantly impacted Mandarin Oriental's results. However, the Group showed resilience and did well to remain profitable. The downturn particularly hit the financial and corporate sectors, but the leisure market was also affected by economic uncertainties as well as the threat earlier in the year of an H1N1 influenza outbreak. Despite some improvement in the last few months of the year, the overall drop in visitor arrivals affected occupancy, providing the Group with less opportunity for yield management. This put pressure on room rates, leading to a significant decline in overall revenues.

Against this challenging environment, comprehensive plans were put into place to reduce costs effectively, without compromising our guests' satisfaction, at every hotel and throughout the corporate structure.

During the downturn, each hotel in the Group's portfolio focused on maintaining or enhancing its competitive position. While it will take time for room rates to return to pre-crisis levels, demand amongst discerning individuals for services and facilities of the highest quality remains in place. In the future, the Group will continue to benefit from our growth around the world, which was supported in 2009 by the successful opening of three new hotels and the re-opening of our renovated property in Jakarta. Limited new supply in the luxury hotel sector will persist, while Mandarin Oriental's financial strength puts us in a strong position to take advantage of opportunities for further growth. In addition, as we come through this severe economic crisis, the recognition and credibility of the Mandarin Oriental brand internationally will ensure that the Group is well placed to benefit.

Performance in 2009

Set out below is a review of the Group's performance in 2009, with reference to the following strategic objectives:

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

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

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

The Group remains focused on delivering our unique style of luxury, comprising the essential elements of tradition, quality and innovation. Consequently, we continue to invest behind our core brand attributes of creative hotel design and architecture, holistic spa operations, excellent dining experiences, guest-orientated technology and above all, the delivery of legendary service to our guests.

The Group's increasing global recognition in 2009 is evidenced by the achievement of many significant awards from respected travel associations and publications worldwide. Highlights include *Condé Nast Traveler US* 'Readers' Travel Awards 2009' which featured 14 award nominations, and 'The World's Best' from *Travel + Leisure*, which had ten of our hotels appearing. Eight hotels were nominated in the *Forbes Travel Guide* listing (formerly *Mobil Travel Guides*), and 11 hotels, the highest number ever achieved, appeared in the prestigious *Institutional Investor's* 'World's Best 2009' listings. This recognition is enhanced by the Group's award-winning international advertising campaign which features 18 celebrity 'fans', who regularly stay in our hotels.

During 2009, innovative spa offerings were introduced, including a bespoke treatment and home care product range, created exclusively for Mandarin Oriental. The Group's overall spa operations were recognized with Mandarin Oriental being nominated for the second year as 'Best Spa Brand' in *Spa Finder's* 2009 'Readers' Choice Awards'. In addition the prestigious *Forbes* 'Five Star Spa' award has been granted to five of our hotels – more than any other hotel group in the world.

Our reputation for excellent dining experiences has been acknowledged further, with ten of our restaurants being honoured in the most recent *Michelin* guides, including three at Mandarin Oriental, Tokyo alone. The Group has also announced partnerships with several internationally renowned chefs who will bring their well recognized cuisine to a number of unique restaurants already in existence and being planned for 2010 and beyond.

Our newly opened hotels in Boston and Sanya achieved impressive accolades in their first full year of operation, and were both recognized on the 'Hot List' in *Condé Nast Traveler US*. Mandarin Oriental, Sanya was awarded 'Best New Spa in Asia' by *AsiaSpa*, while Mandarin Oriental, Boston did well to receive the prestigious 'Five Diamond Lodging Award' from the *American Automobile Association (AAA)*. Mandarin Oriental's hotels in New York and Riviera Maya, Mexico also achieved this exceptional rating from the *AAA*. The Group's most recent openings, in Barcelona and Las Vegas, are already attracting positive reviews and accolades, in particular for their design quality. In fact, Mandarin Oriental, Las Vegas is the first of the Group's hotels to achieve the LEED Gold Certification for its environmentally-friendly product features.

As the number of hotels we operate in new destinations grows, Mandarin Oriental is increasingly recognized for creating some of the world's most sought-after properties, providing 21st century luxury with oriental charm. Such strong brand recognition allows our properties to achieve premium rates and compete effectively.

2) Strengthening our competitive position

In the face of a significant decline in revenues in 2009, it was critical for our hotels to maintain or enhance their leadership positions against primary competitors. Our success in achieving strong competitive positions in each destination also reflects the strength of our hotel management teams and the added support provided by an experienced corporate structure.

Demographic trends continue to support the Group's strategy of creating quality services and facilities, which attract individuals who will pay a premium for genuine luxury experiences. It is notable that over 40% of the Group's room nights now come from the higher-spending leisure segment. Moreover, we anticipate a full recovery from our traditional markets in time, as well as growth from newer markets, including the Middle East, Russia, China and India.

Our position is further supported by limited new supply in many of the key markets in which we operate. Barriers to entry include a lack of suitable sites on which to build and the high costs involved in constructing a luxury hotel. The severity of the downturn has further limited new supply, as planned projects have found it harder to secure the necessary funding.

The highlights of each region are as follows:

Asia

In Asia, a significant drop in demand and a highly competitive market environment led to a decline in occupancy and to rate deterioration across the region. As a result overall revenue per available room ('RevPAR') dropped by 26% in US dollar terms. The Group's 2009 results from the Asian region were also negatively affected by a provision against asset impairment relating to a managed property.

In Hong Kong, the shortfall in demand at the 100%-owned flagship, was particularly significant in the first nine months of the year, due to the weak financial services sector. Consequently, the Group's flagship saw a 30% drop in RevPAR over 2008 which had a further negative impact on food and beverage revenues. Nonetheless, Mandarin Oriental, Hong Kong and The Landmark Mandarin Oriental maintained their exceptional 'Five Star' ratings in the *Forbes Travel Guide*; two of only four hotels in the territory to do so.

The Excelsior, the Group's other 100%-owned property in Hong Kong, did well to maintain its competitive position while effectively managing its costs, in the face of a significant drop in occupancy from all market segments.

In Macau, the Group's 50% interest in Mandarin Oriental was sold in June 2009 and the operating results of the hotel for the year were included in the US$81 million gain. The Group continues to manage the hotel, which has been rebranded as the Grand Lapa Hotel for a period of up to two years.

Occupancy levels in Manila were also affected by the downturn, while Tokyo remained a very challenging market. Mandarin Oriental's excellent reputation amongst Japan's domestic leisure travellers continued, however weak demand in the corporate sector, compounded by an over-supply in luxury hotel rooms, negatively impacted the hotel's occupancy levels, which declined by 13% over the previous year. The hotel's food and beverage operations were also negatively affected by lower demand. Nonetheless, the hotel performed well against competition and continues to enhance its reputation as one of the top luxury hotels in the city.

Mandarin Oriental, Bangkok was impacted significantly by the downturn and continued to be affected by the political uncertainties in Thailand, with a 30% reduction in occupancy levels compared to 2008. However, the hotel maintained its room rates and continued to outperform the market. Once again the property was recognized as one of the world's best hotels in the most important worldwide travel awards.

Throughout the rest of Southeast Asia, the number of corporate visitors dropped significantly, thereby negatively affecting occupancy and average room rates in our hotels in Singapore and Kuala Lumpur. Nonetheless, the hotels did well to maintain their competitive positions.

In Jakarta, Mandarin Oriental re-opened its doors in October 2009, following a comprehensive US$50 million renovation programme which has re-positioned the hotel as one of the city's most luxurious and contemporary properties. The hotel now has fewer, but more spacious guestrooms and its new facilities have been well-received by the market.

Europe

In Europe, the Group's hotels were relatively less impacted by the economic downturn. At the same time, the hotels were successful in maintaining or enhancing their competitive positions at the top of their markets.

Mandarin Oriental Hyde Park, London experienced resilient demand, particularly from leisure travellers, with occupancy remaining high at 81%. Average room rates in local currency terms were down only 2% over the previous year, although as a result of the depreciation of sterling, the drop was more significant in US dollar terms, at 17%. The hotel continues to be recognized as one of the city's most exclusive properties and is the recipient of a number of awards including, 'Favourite Hotel Spa in the UK' by readers of *Condé Nast Traveller UK*, October 2009. The hotel's facilities will be further enhanced in 2010 with the opening of two new culinary experiences: firstly a new dining concept by Daniel Boulud in May, followed by the much anticipated launch of Heston Blumenthal's first London operation, which will open later in the year.

Mandarin Oriental, Geneva enhanced its competitive position in 2009 following the introduction of new facilities in 2008 which better positioned the hotel for the leisure market. The hotel successfully maintained its average room rate, despite a 11% drop in occupancy due to economic conditions.

In Munich, Mandarin Oriental was affected by the decline in the corporate market and an increase in new supply, but our 100%-owned hotel maintained its position as the undisputed market leader in the city.

The Americas

In The Americas, our hotels did well to maintain their competitive positions in a very challenging environment. Following disposals over the past few years, the Group's results are less affected by this region with approximately 5% of earnings coming from our US portfolio. However, the Group's 2009 results from The Americas were also negatively affected by a provision against asset impairment relating to a managed property.

In Washington D.C., Mandarin Oriental's results in the early months of the year were enhanced by a record performance during the Presidential inauguration. However, as the year progressed, the hotel was impacted by a drop in business, principally from the important group segment, leading to an overall reduction in RevPAR of 15%. The hotel, which is now well established as one of the city's most luxurious properties, responded by carefully reducing costs while maintaining its service standards.

Group Chief Executive's Review *Continued*

In New York, Mandarin Oriental was impacted by lower demand from both the corporate and leisure markets, resulting in a 27% decrease in RevPAR. Nonetheless, our hotel maintained its excellent competitive position, and once again, is one of a handful of hotels to retain both the prestigious *Forbes* 'Five Star' and the *American Automobile Association's* 'Five Diamond Lodgings Award'.

In Miami, weakened demand has been exacerbated by new hotels opening in the city, leading to significant over-supply. As a result RevPAR was down by 36% at our hotel. Nonetheless, the property continues to perform well against competition, receiving positive media attention and a listing in all of the major readership surveys. The Spa at Mandarin Oriental, Miami is the only hotel to receive the *Forbes* 'Five Star' rating in Florida.

In its first full year of operation, Mandarin Oriental, Boston did well to quickly establish itself within the top performing luxury hotels in the city, in a highly competitive market.

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

Mandarin Oriental has achieved strong geographic diversification and is on track to achieve its mid-term goal of operating 10,000 rooms in key global locations within the next few years.

In 2009, the Group successfully opened luxury hotels in Sanya and Barcelona, expanding the brand's presence into two new strategically important countries. Mandarin Oriental, Las Vegas, which opened to great acclaim in December 2009, has further strengthened our brand recognition on the west coast of the USA.

In 2010, the Group will add a further two luxury properties to its portfolio, in Macau and in Marrakech, its first property in North Africa. Also in 2010, the Group's third *Residences* project will be completed in Las Vegas. There are now a total of 13 *Residences at Mandarin Oriental* projects open or under development. The associated branding fees from these projects will provide an additional return for the Group over the next few years.

In February 2010, Mandarin Oriental announced a management contract for the Group's first property in the Middle East: a luxury hotel and *Residences* in Abu Dhabi, to be completed in 2013. At the same time, one of the Group's previously announced projects, in Chicago, will not proceed. In total, the Group has 16 hotel developments in the pipeline, of which 12 have started design and construction work. However, a number of projects are experiencing delays as the developers face challenging conditions in the financial markets.

The longer term potential for growth remains significant and the Group continues to review opportunities for additional luxurious hotels and resorts in important or unique locations around the world. In the current market conditions, the attraction of a strong brand is even more compelling to luxury hotel developers, as this can positively impact their ability to secure funding. All 16 of the Group's announced projects, except for a leasehold in Paris, are long-term management contracts, without equity participation, reflecting the brand's strength. The Group continues to review opportunities for additional management contracts, and at the same time, is well positioned to invest in hotels in strategic locations that offer attractive returns. Overall, the Group's strategy of operating both owned and managed hotels remains in place.

4) Achieving a strong financial performance

Mandarin Oriental's financial well-being remains fundamental to the Group's success. The Group remains in a very strong financial position with a low level of gearing and significant cash balances.

In 2009, the Group's balance sheet benefited further from approximately US$90 million of proceeds arising on the disposal of its 50% interest in the Macau hotel. In fact, over the past five years, the Group has raised net proceeds of approximately US$350 million from asset sales, generating an accumulative net profit of over US$165 million.

While operating results reflected the difficult market conditions, the Group's measures to reduce costs were effective in limiting as much as possible the impact of the significant decline in revenue on overall profitability. Despite the severity of the conditions in 2009, the Group generated positive cash flow from operating activities of US$81 million.

Reflecting the Group's strong financial position, Mandarin Oriental has recommended a final dividend of US¢5.00, which, when combined with the interim dividend of US¢2.00, makes a full year dividend of US¢7.00, the same as in 2008.

The future

While we remain cautious on the timing and strength of a return to a less challenging business environment, the global economy continues to stabilize and some improvement in demand is visible in our key destinations.

Mandarin Oriental's long-term strategy remains firmly in place and our strong balance sheet ensures the Group is well positioned to benefit from improved market conditions and from its growing global portfolio.

As we open new and exciting projects in the world's most sought-after destinations, the Group is well on its way to being widely recognized as the best luxury hotel group in the world.

Edouard Ettedgui
Group Chief Executive
4th March 2010

Operating Summary

There are 25 hotels in operation, but the operating summary includes only hotels in which the Group has a significant equity interest.

ASIA

Mandarin Oriental, Hong Kong 100% ownership

	2009	2008	% Change
Available rooms	**501**	502	0
Average occupancy (%)	**56**	69	(19)
Average room rate (US$)	**374**	437	(14)
RevPAR (US$)	**210**	300	(30)

The Excelsior, Hong Kong 100% ownership

	2009	2008	% Change
Available rooms	**886**	886	0
Average occupancy (%)	**74**	84	(12)
Average room rate (US$)	**152**	184	(17)
RevPAR (US$)	**113**	154	(27)

Mandarin Oriental, Tokyo 100% leasehold

	2009	2008	% Change
Available rooms	**179**	179	0
Average occupancy (%)	**55**	63	(13)
Average room rate (US$)	**517**	537	(4)
RevPAR (US$)	**286**	336	(15)

Mandarin Oriental, Jakarta 96.9% ownership
(closed from 23rd December 2007 to 4th October 2009 for renovation)

	2009	2008	% Change
Available rooms	**272***	N/A	N/A
Average occupancy (%)	**31**	N/A	N/A
Average room rate (US$)	**152**	N/A	N/A
RevPAR (US$)	**47**	N/A	N/A

* On re-opening in October 2009, only a limited number of rooms were available on which occupancy is based.

Mandarin Oriental, Manila 96.2% ownership

	2009	2008	% Change
Available rooms	**442**	442	0
Average occupancy (%)	**64**	72	(11)
Average room rate (US$)	**92**	117	(21)
RevPAR (US$)	**59**	84	(30)

Mandarin Oriental, Singapore 50% ownership

	2009	2008	% Change
Available rooms	**527**	527	0
Average occupancy (%)	**69**	66	5
Average room rate (US$)	**185**	265	(30)
RevPAR (US$)	**127**	176	(28)

Mandarin Oriental, Bangkok 44.9% ownership

	2009	2008	% Change
Available rooms	**393**	393	0
Average occupancy (%)	**43**	61	(30)
Average room rate (US$)	**302**	297	2
RevPAR (US$)	**130**	182	(29)

Mandarin Oriental, Kuala Lumpur 25% ownership

	2009	2008	% Change
Available rooms	**632**	632	0
Average occupancy (%)	**54**	68	(21)
Average room rate (US$)	**182**	192	(5)
RevPAR (US$)	**98**	131	(25)

EUROPE

Mandarin Oriental Hyde Park, London 100% ownership

	2009	2008	% Change
Available rooms	**191**	198	(4)
Average occupancy (%)	**81**	84	(4)
Average room rate (US$)	**702**	842	(17)
RevPAR (US$)	**566**	703	(19)

Mandarin Oriental, Munich 100% ownership

	2009	2008	% Change
Available rooms	**73**	73	0
Average occupancy (%)	**70**	75	(7)
Average room rate (US$)	**584**	685	(15)
RevPAR (US$)	**408**	516	(21)

Mandarin Oriental, Geneva 92.6% ownership

	2009	2008	% Change
Available rooms	**197**	197	0
Average occupancy (%)	**56**	63	(11)
Average room rate (US$)	**634**	643	(1)
RevPAR (US$)	**356**	408	(13)

THE AMERICAS

Mandarin Oriental, Washington D.C. 80% ownership

	2009	2008	% Change
Available rooms	**400**	400	0
Average occupancy (%)	**53**	60	(12)
Average room rate (US$)	**308**	322	(4)
RevPAR (US$)	**164**	193	(15)

Mandarin Oriental, New York 25% ownership

	2009	2008	% Change
Available rooms	**248**	248	0
Average occupancy (%)	**62**	73	(15)
Average room rate (US$)	**808**	952	(15)
RevPAR (US$)	**503**	691	(27)

Mandarin Oriental, Miami 25% ownership

	2009	2008	% Change
Available rooms	**326**	326	0
Average occupancy (%)	**56**	66	(15)
Average room rate (US$)	**292**	390	(25)
RevPAR (US$)	**165**	256	(36)

Development Portfolio

Mandarin Oriental Hotel Group currently has 16 hotels and 10 *Residences at Mandarin Oriental* under development. Opening dates are planned as follows:

2010

Mandarin Oriental, Macau
This property will be part of a prestigious mixed-use complex on the waterfront, featuring 213 rooms.

Mandarin Oriental Jnan Rahma, Marrakech
A 161-room intimate hideaway in the exclusive Palmeraie region. 44 *Residences at Mandarin Oriental* are under development.

2011

Mandarin Oriental, Guangzhou
A 262-room hotel and 24 serviced apartments will be part of the prestigious TaiKoo Hui mixed-use complex, currently under construction in the Tianhe central business district.

Mandarin Oriental, Maldives
An exclusive hideaway retreat located on a pristine private island in The Maldives, featuring 114 spacious stand-alone villas, including 20 water villas and four Presidential villas, in a stunning natural setting.

Mandarin Oriental, Taipei
A 303-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, with 26 luxurious *Residences at Mandarin Oriental*, adjacent to the hotel.

The Residences at Mandarin Oriental, London
An iconic development adjacent to the Group's London hotel, comprising 85 luxurious *Residences at Mandarin Oriental*.

Mandarin Oriental, Paris
A 138-room luxurious palace hotel with a pre-eminent address on rue Saint-Honoré, the historic and fashionable centre of Paris.

2012 and beyond

Mandarin Oriental, Beijing
A 241-room hotel located in the central business district, and part of the iconic CCTV development.

Mandarin Oriental, Abu Dhabi
A 195-room resort and 50 *Residences at Mandarin Oriental* located on Saadiyat Island, set to become a foremost leisure and cultural destination.

Mandarin Oriental, Marbella
A 114-room hotel and 94 *Residences at Mandarin Oriental* located on a hill top in Southern Spain, with spectacular views overlooking the Mediterranean Sea.

Mandarin Oriental, Milan
A 104-room hotel housed in the redevelopment of three elegant 19th century buildings, ideally located on Via Monte di Pietà, one of Milan's most prestigious addresses.

Mandarin Oriental, Moscow
A 217-room hotel situated in the redevelopment of an original 19th century manor house. Located close to the Kremlin and Red Square.

Mandarin Oriental, Atlanta
The 198 elegant and contemporary designed guestrooms and suites and 71 *Residences at Mandarin Oriental*, will form an integral part of a mixed-used development on the emerging "Midtown Mile" with panoramic views.

Mandarin Oriental, Costa Rica
A 130-room beach resort and 92 *Residences at Mandarin Oriental* located at Playa Manzanillo, in Guanacaste province on Costa Rica's northern Pacific coast.

Mandarin Oriental, Grand Cayman
An intimate 114-room hideaway, set on an unspoiled 10-acre beachfront site with 42 *Residences at Mandarin Oriental*.

Mandarin Oriental, St. Kitts
A 125-room resort and 20 *Residences at Mandarin Oriental* located on a pristine 50-acre site at Majors Bay, a private cove on the island's secluded southeast peninsula.

Mandarin Oriental Dellis Cay, Turks & Caicos
A secluded 150-room hideaway resort including a variety of *Residences at Mandarin Oriental*, located on an unspoilt 35-acre beachfront site.

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

International Recognition

Mandarin Oriental Hotel Group has been recognized consistently by influential global publications as an outstanding hotel company. Highlighted below are quotes from a selection of these publications that highlight individual properties and the Group in the last year.

Mandarin Oriental Hotel Group

A "truly top-of-the-line" collection of "fashionable, upscale hotels", the 22 outposts of this Asia-based chain combine "amazing locations, gorgeous rooms", "outstanding service catering to your every whim", world-class, cutting-edge spas and some of the best dining in their respective cities; "exceptional attention to detail" includes high-tech electronics, "swanky" bath amenities and plush terry robes.

Zagat – World's Top Hotels. Resorts & Spas, 2009/2010

Mandarin Oriental, Bangkok

A 133-year-old landmark property just off the Chao Phraya river, known for its unmatched service.

Travel + Leisure-US, January 2009

"It's a spectacular place with a spectacular concierge on every floor."

Condé Nast Traveler, January 2009

Mandarin Oriental Dhara Dhevi, Chiang Mai

"The atmosphere of the whole place is a fantasy." "Staff at this dream destination are quiet and very diligent."

Condé Nast Traveler, January 2009

Mandarin Oriental, Hong Kong

A Hong Kong institution where legendary Oriental service meets modern refinement in the heart of Central.

Travel + Leisure-US, January 2009

The Landmark Mandarin Oriental, Hong Kong

What makes this creature so impressive is that it has a smallish, restrained lobby and absolutely no views to speak of-this is Hong Kong, after all-and yet it is one of the most raved-about hotels in the city.

The service is fastidiously calibrated just south of bow and scrape, managing to be in sync with your every greedy desire.

The bedrooms have style, baby, style, and the two-storey marble-everywhere spa is just beyond.

Tatler: Tatler Travel Guide, January 2009

Mandarin Oriental, Kuala Lumpur

Mandarin Oriental with its "great setting" nears the Petronas Twin Towers, this property offers "consistently good service" as well as sublime views from its rooftop pool.

DestinAsian, February-March 2009

Mandarin Oriental, Sanya

Fifteen duplex cliff villas feel the most like private retreats, with dedicated butler service, heated infinity pools, and floor-to-ceiling windows facing the turquoise sea.

Condé Nast Traveler, US 2009

Mandarin Oriental, Singapore

Modern rooms at this hotel offer "supreme comfort" and views of the harbor through floor-to-ceiling windows.

"Staff are attentive yet unobtrusive."

Condé Nast Traveler, January 2009

Mandarin Oriental, Tokyo

"Clearly the 'it' hotel in Tokyo", this "superb" spot "raises the bar" with "insane" rooms ("they thought of everything") and "stunning" views of the city and "Mount Fuji on a clear day"; the "uber-cool" "adult" atmosphere is supported by "exceptional service", top-notch dining at eight eateries and a high-tech spa on the 36th floor; says one smitten surveyor, "if you have the money, this is the best."

Zagat – World's Top Hotels. Resorts & Spas, 2009/2010

International Recognition *Continued*

Mandarin Oriental, Geneva

This "high-end hotel" on the Right Bank of the Rhone may "seem a little stiff at first, but boy, does it have style" say sybarites, who insist "it sets the standard for chain hotels" with its solid service, "spacious rooms", "first-class" cuisine and "enjoyable bar".

Zagat – World's Top Hotels. Resorts & Spas, 2009/2010

Mandarin Oriental Hyde Park, London

Majestic 1889 hotel with Asian-meets-Victorian interiors and the city's best spa, in a prime Knightsbridge location between Hyde Park and Harvey Nichols.

Travel + Leisure-US, January 2009

Mandarin Oriental, Prague

The 2006 hotel "seamlessly incorporates" the on-site historic ruins into its design. Perfect-scoring rooms with vaulted ceilings and limestone bathrooms "transport you to days gone by."

Condé Nast Traveler, January 2009

Mandarin Oriental, Boston

Widely known as one of the, if not the most, technologically progressive of hotel companies, Mandarin Oriental Hotel Group has, once again, pushed along the high-tech cutting edge with the opening of its latest property, the 148-room Mandarin Oriental, Boston.

Hotel Business, 20 January 2009

Mandarin Oriental, Miami

Contemporary high-rise with Asian-inspired interiors on a 44-acre island near the business district that offers a serene location-and plenty of luxury perks.

Travel + Leisure-US, January 2009

Mandarin Oriental, New York

Floors 35-54 of the Time Warner Center, steps from Central Park-with one of the city's best spas, and sweeping park views.

Travel + Leisure-US, January 2009

Close to Central Park, on the upper floors of the Time Warner Center, this Upper West Side hotel has rapidly established itself as one of the best in Manhattan.

Condé Nast Traveller, January 2009

Mandarin Oriental Riviera Maya, Mexico

The world has so few high-end beach resorts of note, that the opening of Mandarin Oriental's Riviera Maya resort gave us not only one more to choose from, but also something quite unique.

The Gallivanter's Guide, January 2009 Vol.18 No.1

From the moment I walked in until the moment I left, I felt as if someone was holding my hand, looking after me, and somehow knew what I needed even before I did.

Sunday Times, UK, January 2009

For travellers looking for an intimate but stylish setting, the Mandarin is the best game around.

Financial Times: Life & Arts, 21 March 2009

Mandarin Oriental, San Francisco

Glamorous hotel occupying the top 11 floors of a Financial District tower, with sophisticated, Asian-inspired rooms offering bird's eye city views.

Travel + Leisure-US, January 2009

Mandarin Oriental, Washington D.C.

Nine-storey Federal-style hotel near the Tidal Basin, whose calming Asian-influenced interiors are a stark contrast to the fussy décor of many other D.C. hotels.

Travel + Leisure-US, January 2009

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 several new standards, amendments and interpretations to IFRS effective on 1st January 2009, as more fully detailed in the 'basis of preparation' note in the financial statements. The adoption of these standards, amendments and interpretations did not have a material impact on the Group's financial statements.

Results

Overall

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

	2009 US$m	2008 US$m
Subsidiaries	**68.5**	125.5
Associates and joint venture	**19.0**	38.4
Total EBITDA before provisions for asset impairment	**87.5**	163.9
Less: – provisions for asset impairment in subsidiaries	**(4.2)**	–
– provision for asset impairment in associates	**(5.7)**	–
Total EBITDA	**77.6**	163.9

Subsidiaries

	2009 US$m	2008 US$m
EBITDA from subsidiaries before provisions for asset impairment	**68.5**	125.5
Less provisions for asset impairment	**(4.2)**	–
EBITDA from subsidiaries	**64.3**	125.5
Less depreciation and amortization expenses	**(40.7)**	(39.3)
Operating profit	**23.6**	86.2

EBITDA from subsidiaries before provisions for asset impairment in 2009 decreased by 45% to US$68.5 million from US$125.5 million in 2008.

Mandarin Oriental, Hong Kong's contribution declined by 31%, due to weak demand in the corporate sector especially from financial services. The Excelsior was similarly impacted with its contribution down 32%. The contribution from both hotels improved in the last quarter of the year as occupancies began to recover. Elsewhere in Asia, Tokyo's contribution declined further due to extremely weak market conditions coupled with an oversupply of hotel rooms, while Manila's contribution was nearly 50% lower. The contribution from the Jakarta hotel was negative principally due to costs incurred before its re-opening in October 2009, following a 20-month, US$50.0 million renovation.

In Europe, the contribution from the London hotel was down by 27% when its results were translated into US dollars. Its performance in local currency terms, however, was better as its Revenue Per Available Room declined by only 5%. Munich's contribution was 37% down due to both market conditions and the impact of a weaker currency. While Geneva was impacted by the downturn, the hotel's contribution showed some improvement over a 2008 performance that was disrupted by an eight-month renovation programme.

In The Americas, the contribution of the Group's 80%-owned Washington D.C. hotel further declined due to the continuing weak state of the US economy.

All Group hotels (including associates and managed hotels) implemented cost saving measures in order to partially offset the impact on profitability of lower revenue.

Financial Review *Continued*

Subsidiaries continued

In 2009, the contribution from management activities before depreciation was US$3.1 million compared with US$16.9 million in 2008. Combined revenues of the Group (including associates and managed hotels) on which management fees are largely based, declined by 18% to US$838.3 million in 2009 from US$1,016.1 million. Also contributing to the decrease, was a reduction in incentive management fees which are linked to the profitability of the individual hotels. In addition, the Group's management activity in 2008 benefited from branding fees from the sales of *The Residences at Mandarin Oriental* in Boston, which were completed as the hotel opened. The decrease in contribution from management activities was partially offset by lower overheads at the corporate level as the Group implemented cost saving measures.

The provisions for asset impairment of US$4.2 million were primarily made in relation to a managed hotel.

Depreciation and amortization expenses were US$40.7 million for 2009, slightly up from US$39.3 million in 2008.

Associates and joint venture

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

	2009 US$m	2008 US$m
EBITDA before provision against asset impairment	**19.0**	38.4
Less provision against asset impairment	**(5.7)**	–
EBITDA from associates and joint venture	**13.3**	38.4
Less depreciation and amortization expenses	**(10.3)**	(11.7)
Operating profit	**3.0**	26.7
Less: – net financing charges	**(6.5)**	(7.8)
– tax	**(1.3)**	(3.6)
Share of results of associates and joint venture	**(4.8)**	15.3

The Group's share of EBITDA from associates and joint venture before provision against asset impairment fell by 51% to US$19.0 million in 2009 from US$38.4 million in 2008.

In Asia, the contributions from the hotels in Bangkok, Singapore and Kuala Lumpur were all down significantly due to market conditions, with the hotel in Bangkok also being affected by the continuing political uncertainty in Thailand. The decrease in 2009 was also due to the sale of the Group's 50%-owned hotel in Macau. In accordance with accounting standards, the 2009 contribution from the hotel was included in the gain on disposal following the announcement of the sale in January. In 2008, the Group's share of EBITDA from associates and joint venture included a full year's contribution from Macau.

In The Americas, the Group's two 25%-owned hotels in New York and Miami both had significantly reduced contributions from the previous year. The hotel in Miami was particularly impacted by the oversupply of hotel rooms in the city.

The provision against asset impairment of US$5.7 million was made in respect of a managed hotel.

Depreciation and amortization expenses from associates and joint venture were US$10.3 million for 2009, down from US$11.7 million in 2008. The Group's share of net financing charges from associates and joint venture was US$6.5 million in 2009, a decrease from US$7.8 million in 2008, due to lower interest rates.

Gain on disposal of joint venture

In June 2009, the sale of the Group's 50% investment in its Macau hotel was completed. The Group recorded a post-tax gain of US$80.8 million.

Net financing charges

Net financing charges for the Group's subsidiaries decreased to US$15.2 million in 2009 from US$17.0 million in 2008. Although interest rates on Group borrowings generally decreased significantly, the savings were partially offset by a reduction in interest received on cash balances on which deposit rates fell by more than borrowing rates.

Interest cover

EBITDA is used as an indicator of the Group's ability to service debt and finance its future capital expenditure. Interest cover in 2009, calculated as EBITDA before provisions for asset impairment (including the Group's share of EBITDA before provision for asset impairment from associates and joint venture) over net financing charges (including the Group's share of net financing charges from associates and joint venture), was 4.0 times compared with 6.6 times in 2008.

Tax

The tax charge for 2009 was US$1.1 million compared to US$18.3 million in 2008. The lower tax charge is partly due to reduced operating performance. Also, the Group was able to recognize US$5.0 million of current tax assets on losses arising in the year, principally in relation to the United States. These losses can be used to recover taxes previously paid. Also, in 2009, the Group received US$2.9 million of tax refunds relating to prior years which had previously not been recognized.

The underlying effective tax rate for the year was 25%, unchanged from 2008.

Cash flow

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

	2009 US$m	2008 US$m
Operating activities	**81**	124
Investing activities:		
▪ Capital expenditure on existing properties	**(51)**	(69)
▪ Purchase of intangible assets	**(4)**	(10)
▪ Investments in and loans to associates	**(4)**	–
▪ Net proceeds on disposal of Macau hotel	**90**	–
▪ Capital distribution from associates	**–**	23
▪ Hotel mezzanine funding	**(1)**	(1)
▪ Other	**(1)**	–
Financing activities:		
▪ Issue of shares	**3**	6
▪ Drawdown of borrowings	**12**	35
▪ Repayment of borrowings	**(11)**	(12)
▪ Dividends paid	**(69)**	(69)
▪ Other	**1**	(4)
Net increase in cash and cash equivalents	**46**	23
Cash and cash equivalents at 1st January	**515**	492
Cash and cash equivalents at 31st December	**561**	515

The cash flows from operating activities were US$81 million in 2009, compared to US$124 million in 2008, principally due to the decline in operating performance across all hotels.

Under investing activities, capital expenditure on existing properties totalled US$51 million, compared with US$69 million in 2008. This included US$23 million (2008: US$18 million) in relation to the US$50 million renovation of the hotel in Jakarta, with US$5 million still to be spent in 2010. In 2008, capital expenditure also included US$18 million in respect of renovations at the Geneva hotel. The balance of capital expenditure of US$28 million (2008: US$33 million) was incurred in ongoing asset improvements across the portfolio.

Financial Review *Continued*

Cash flow continued

Purchase of intangible assets includes amounts spent on computer software, leasehold improvements and other expenditure incurred in order to secure long-term management contracts.

Of the US$4 million (2008: US$10 million) spent, US$1 million (2008: US$6 million) was in respect of the Group's hotel under development in Paris. The Group will be spending approximately US$75 million more on this development (including around US$8 million in pre-opening expenses). The majority of project costs will continue to be met by the developer as the hotel will be operated by the Group under a long-term lease. The hotel is expected to open in the first half of 2011.

In 2009, the Group made US$4 million in aggregate of investments in, and loans to, associate hotels in Miami and New York.

In 2008, following refinancing, capital distributions were received from the Miami and Kuala Lumpur associate hotels totalling US$23 million.

In both 2009 and 2008, the Group provided US$1 million in respect of loans to the owners of managed hotels.

Dividends

The Board is recommending a final dividend of US¢5.00 per share for a full-year dividend of US¢7.00 per share (2008: US¢7.00 per share). No scrip alternative is being offered in respect of the dividend. The final dividend is payable on 12th May 2010 to shareholders on the register of members at the close of business on 19th March 2010.

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 2007. In the intervening years, the Directors review the carrying values of the 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 2009 review, the Directors have concluded that there were significant movements in the valuations of certain properties giving rise to a revaluation deficit of US$38 million (net of deferred tax), which has been charged against the Group's property revaluation reserves. The revaluation movement of US$38 million excludes any changes of value in respect of the Group's leasehold land as, under IFRS, an interest in leasehold land must be held at cost which is amortized over the life of the lease. The Directors have, however, revalued the Group's interests in leasehold land and have included the results in the supplementary information section below.

Supplementary information

The two key measurements affected by the recognition of the fair market value of the Group's interests in leasehold land are net asset value per share and gearing. The necessary adjustment to shareholders' funds/net assets is set out below:

	2009		2008	
	US$m	**Per share US$**	US$m	Per share US$
Shareholders' funds/ net assets	**1,029**	**1.04**	1,006	1.02
Add revaluation surplus relating to leasehold land	**1,120**	**1.14**	1,043	1.06
Adjusted shareholders' funds/net assets	**2,149**	**2.18**	2,049	2.08

On IFRS basis, the Group's consolidated net debt of US$116 million at 31st December 2009 was 11% of shareholders' funds, compared with consolidated net debt of US$146 million at 31st December 2008 which was 15% of shareholders' funds. Taking into account the market value of the Group's interests in leasehold land, gearing was 5% of adjusted shareholders' funds at 31st December 2009, compared with 7% at 31st December 2008.

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 43% 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 2009, the Group's net assets were denominated in the following currencies:

	Net assets		Adjusted net assets*	
	US$m	%	US$m	%
Hong Kong dollar	38	4	1,112	52
United States dollar	554	54	554	26
United Kingdom sterling	134	13	134	6
Thai baht	66	6	66	3
Euro	69	7	69	3
Swiss franc	64	6	64	3
Others	104	10	150	7
	1,029	100	2,149	100

* see supplementary information section on page 22

Included on the Group's consolidated balance sheet is cash at bank of US$561.6 million (2008: US$514.9 million) which, after the deduction of US$0.4 million (2008: US$0.2 million) of bank overdraft facilities, is shown in the Group's consolidated cash flow as cash and cash equivalents of US$561.2 million (2008: US$514.7 million).

Investment of the Group's cash 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 venture, had committed borrowing facilities totalling US$807 million, of which US$677 million were drawn at 31st December 2009. The principal amounts are due for repayment as follows:

	Facilities committed US$m	Facilities drawn US$m	Unused facilities US$m
Within one year	120	120	-
Between one and two years	39	3	36
Between two and three years	5	5	-
Between three and four years	10	10	-
Between four and five years	625	531	94
Beyond five years	8	8	-
	807	677	130

Included within the US$120 million amount due within one year is an amount of US$88 million in respect of a term loan maturing in May 2010 secured on the Washington D.C. hotel.

At 31st December 2009, the Group had US$130 million of committed, undrawn facilities in addition to its net cash balances of US$561 million. The average tenor of the Group's borrowings was 4 years (2008: 5 years).

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 84 to 85.

John R Witt
Chief Financial Officer
4th March 2010

Directors' Profiles

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 and Hongkong Land, and a director of Jardine Lloyd Thompson, Jardine Matheson and Jardine Strategic.

A J L Nightingale* *Managing Director*
Mr Nightingale joined the Board and was appointed as Managing Director in 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 and Jardine Pacific; and a commissioner of Astra. He is also managing director of Dairy Farm, Hongkong Land, Jardine Matheson and Jardine Strategic. Mr Nightingale is chairman of the Business Facilitation Advisory Committee established by the Financial Secretary in Hong Kong, a vice president of The Real Estate Developers Association of Hong Kong, a member of the Commission on Strategic Development, a council member of the Employers' Federation of Hong Kong and a Hong Kong representative to the APEC Business Advisory Council. He is also chairman of The Sailors Home and Missions to Seamen.

Edouard Ettedgui* *Group Chief Executive*
Mr Ettedgui 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.

Stuart Dickie* *Chief Financial Officer*
Mr Dickie joined the Board as Chief Financial Officer on 1st April 2010. He was director of Corporate Finance of the Group from 2000. Prior to joining the Group, Mr Dickie was a senior manager at PricewaterhouseCoopers in Hong Kong from 1994 to 2000. He is a Chartered Accountant and a Member of the Association of Corporate Treasurers.

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

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

Sir Henry Keswick
Sir Henry 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 and Rothschilds Continuation. 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, Jardine Matheson and Jardine Strategic.

* Executive Director

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, Jardine Matheson, Jardine Strategic and Rothschilds Continuation. 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.

Robert Léon
Mr Léon joined the Board in 1994. He is a manager of Qualis and a director of Roc Oil Company.

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, Hongkong Land, LVMH Moët Hennessy Louis Vuitton, Matheson & Co, Capital Generation Partners, Textron Corporation, Schindler Holdings, Northern Trust Global Services and Magna Holdings. He is co-chairman of the UK Government's Asia Task Force and was previously president of the China-Britain Business Council and 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 Linklaters. He is also a director of Advanced Semiconductor Manufacturing Corporation, Asia Satellite Telecommunications Holdings, Global Sources, Hongkong Land, IL&FS India Realty Fund II, Jardine Cycle & Carriage and MCL Land.

Percy Weatherall
Mr Weatherall joined the Board in 2000 and was Managing Director from 2000 to 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, Jardine Matheson and Jardine Strategic. He is chairman of Corney and Barrow.

Giles White
Mr White joined the Board in July 2009. He is the Jardine Matheson group general counsel. He was previously Asia managing partner of Linklaters based in Hong Kong, prior to which he was the firm's head of global finance and projects in London. Mr White is also a director of Jardine Matheson Limited, Dairy Farm and Jardine Matheson.

Consolidated Profit and Loss Account

for the year ended 31st December 2009

	Note	2009 Underlying US$m	2009 Non-trading items US$m	2009 Total US$m	2008 Underlying US$m	2008 Non-trading items US$m	2008 Total US$m
Revenue	1	**438.0**	**–**	**438.0**	530.0	–	530.0
Cost of sales		**(298.1)**	**–**	**(298.1)**	(324.5)	–	(324.5)
Gross profit		**139.9**	**–**	**139.9**	205.5	–	205.5
Selling and distribution costs		**(33.6)**	**–**	**(33.6)**	(36.6)	–	(36.6)
Administration expenses		**(78.5)**	**(4.2)**	**(82.7)**	(82.7)	–	(82.7)
Operating profit	2	**27.8**	**(4.2)**	**23.6**	86.2	–	86.2
Financing charges		**(19.1)**	**–**	**(19.1)**	(29.4)	–	(29.4)
Interest income		**3.9**	**–**	**3.9**	12.4	–	12.4
Net financing charges	3	**(15.2)**	**–**	**(15.2)**	(17.0)	–	(17.0)
Share of results of associates and joint venture	4	**0.9**	**(5.7)**	**(4.8)**	15.3	–	15.3
Gain on disposal of joint venture	5	**–**	**80.8**	**80.8**	–	–	–
Profit before tax		**13.5**	**70.9**	**84.4**	84.5	–	84.5
Tax	6	**(1.1)**	**–**	**(1.1)**	(18.3)	–	(18.3)
Profit after tax		**12.4**	**70.9**	**83.3**	66.2	–	66.2
Attributable to:							
Shareholders of the Company		**12.4**	**70.9**	**83.3**	67.1	–	67.1
Minority interests		**–**	**–**	**–**	(0.9)	–	(0.9)
		12.4	**70.9**	**83.3**	66.2	–	66.2
				US¢			US¢
Earnings per share	7						
– basic				**8.46**			6.84
– diluted				**8.42**			6.79

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2009

	Note	2009 US$m	2008 US$m
Profit for the year		**83.3**	66.2
Other comprehensive income			
Revaluation of properties		**(29.4)**	(50.3)
Revaluation of other investments		**–**	0.2
Actuarial gains/(losses) on employee benefit plans		**8.7**	(27.6)
Net exchange translation differences			
– gains/(losses) arising during the year		**21.9**	(63.7)
– transfer to profit and loss		**–**	(0.7)
		21.9	(64.4)
Fair value gains/(losses) on cash flow hedges		**7.2**	(18.0)
Share of other comprehensive income of associates and joint venture		**(14.0)**	(21.5)
Tax relating to components of other comprehensive income	6	**6.1**	24.7
Other comprehensive income for the year		**0.5**	(156.9)
Total comprehensive income for the year		**83.8**	(90.7)
Attributable to:			
Shareholders of the Company		**84.4**	(87.2)
Minority interests		**(0.6)**	(3.5)
		83.8	(90.7)

Consolidated Balance Sheet

as at 31st December 2009

	Note	2009 US$m	2008 US$m
Net assets			
Intangible assets	9	**232.3**	232.3
Tangible assets	10	**880.7**	860.8
Associates and joint venture	11	**123.0**	155.5
Other investments		**4.3**	3.9
Loans receivable	12	**3.1**	4.8
Pension assets	13	**16.5**	6.6
Deferred tax assets	14	**15.5**	16.5
Non-current assets		**1,275.4**	1,280.4
Stocks		**4.2**	4.1
Debtors and prepayments	15	**57.5**	61.3
Current tax assets		**6.8**	15.2
Cash at bank	24f	**561.6**	514.9
Current assets		**630.1**	595.5
Creditors and accruals	16	**(91.5)**	(92.9)
Current borrowings	17	**(120.2)**	(7.4)
Current tax liabilities		**(4.9)**	(5.2)
Current liabilities		**(216.6)**	(105.5)
Net current assets		**413.5**	490.0
Long-term borrowings	17	**(557.1)**	(653.9)
Deferred tax liabilities	14	**(85.6)**	(85.8)
Pension liabilities	13	**(0.5)**	–
Other non-current liabilities	25	**(12.7)**	(19.2)
		1,033.0	1,011.5
Total equity			
Share capital	20	**49.4**	49.2
Share premium	21	**171.3**	168.9
Revenue and other reserves		**807.8**	788.3
Shareholders' funds		**1,028.5**	1,006.4
Minority interests		**4.5**	5.1
		1,033.0	1,011.5

Approved by the Board of Directors

A J L Nightingale
Edouard Ettedgui
Directors
4th March 2010

Consolidated Statement of Changes in Equity

for the year ended 31st December 2009

	Attributable to shareholders of the Company									
	Share capital US$m	Share premium US$m	Capital reserves US$m	Revenue reserves US$m	Asset revaluation reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Total US$m	Attributable to minority interests US$m	Total equity US$m
2009										
At 1st January	49.2	168.9	268.4	415.5	220.0	(16.3)	(99.3)	**1,006.4**	5.1	**1,011.5**
Total comprehensive income	–	–	–	90.7	(38.0)	5.6	26.1	**84.4**	(0.6)	**83.8**
Dividends paid by the Company	–	–	–	(68.9)	–	–	–	**(68.9)**	–	**(68.9)**
Issue of shares	0.2	2.4	–	–	–	–	–	**2.6**	–	**2.6**
Employee share option schemes	–	–	4.0	–	–	–	–	**4.0**	–	**4.0**
Transfer between reserves	–	–	–	(0.5)	0.5	–	–	**–**	–	**–**
At 31st December	**49.4**	**171.3**	**272.4**	**436.8**	**182.5**	**(10.7)**	**(73.2)**	**1,028.5**	**4.5**	**1,033.0**
2008										
At 1st January	48.7	163.5	264.3	440.0	262.9	(2.0)	(25.1)	1,152.3	8.0	1,160.3
Total comprehensive income	–	–	–	44.2	(42.9)	(14.3)	(74.2)	(87.2)	(3.5)	(90.7)
Dividends paid by the Company	–	–	–	(68.7)	–	–	–	(68.7)	–	(68.7)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Issue of shares	0.5	5.4	–	–	–	–	–	5.9	–	5.9
Employee share option schemes	–	–	4.1	–	–	–	–	4.1	–	4.1
Change in attributable interests	–	–	–	–	–	–	–	–	0.7	0.7
At 31st December	49.2	168.9	268.4	415.5	220.0	(16.3)	(99.3)	1,006.4	5.1	1,011.5

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US$83.3 million (2008: US$67.1 million) and actuarial gains on employee benefit plans of US$7.4 million (2008: actuarial losses of US$23.0 million). In 2008, this also included fair value gains on revaluation of other investments of US$0.1 million.

Consolidated Cash Flow Statement

for the year ended 31st December 2009

	Note	2009 US$m	2008 US$m
Operating activities			
Operating profit	2	**23.6**	86.2
Depreciation	10	**38.7**	37.8
Amortization of intangible assets	9	**2.0**	1.5
Non-cash items	24a	**10.8**	3.2
Movements in working capital	24b	**(0.2)**	0.5
Interest received		**4.0**	13.4
Interest and other financing charges paid		**(18.1)**	(31.8)
Tax refund/(paid)		**10.6**	(6.9)
		71.4	103.9
Dividends from associates and joint venture		**9.9**	20.0
Cash flows from operating activities		**81.3**	123.9
Investing activities			
Purchase of tangible assets		**(51.0)**	(68.8)
Purchase of intangible assets		**(4.3)**	(9.6)
Investments in and loans to associates	24c	**(4.2)**	–
Advance of mezzanine loans		**(1.3)**	(1.4)
Purchase of other investments		**(0.3)**	(0.7)
Proceeds on disposal of joint venture	24d	**90.0**	–
Capital distribution from associates	24e	**–**	23.2
Cash flows from investing activities		**28.9**	(57.3)
Financing activities			
Issue of shares		**2.7**	5.8
Drawdown of borrowings		**11.9**	35.3
Repayment of borrowings		**(11.0)**	(11.9)
Dividends paid by the Company	23	**(68.9)**	(68.7)
Dividends paid to minority shareholders		**–**	(0.1)
Cash flows from financing activities		**(65.3)**	(39.6)
Effect of exchange rate changes		**1.6**	(4.4)
Net increase in cash and cash equivalents		**46.5**	22.6
Cash and cash equivalents at 1st January		**514.7**	492.1
Cash and cash equivalents at 31st December	24f	**561.2**	514.7

Principal Accounting Policies

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.

i) Standards, amendments and interpretations effective in 2009 which are relevant to the Group's operations

IFRS 8	Operating Segments
IAS 1 (revised 2007)	Presentation of Financial Statements
IAS 23 (revised 2007)	Borrowing Costs
Amendment to IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to IFRS 2	Vesting Conditions and Cancellations
Amendments to IFRS 7	Improving Disclosures about Financial Instruments
Improvements to IFRSs (2008)	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

IFRS 8 'Operating Segments' 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 profit measure that is reviewed by management is earnings before interest, tax, depreciation and amortization ('EBITDA'), the segmental information on this basis is shown in note 2. There is no change in the Group's reportable segments from 2008 as they remain consistent with the internal reporting provided to management. No operating segments have been aggregated to form the reportable segments. The Group has also early adopted an amendment to IFRS 8 (effective from 1st January 2010) included in the 2009 improvement project. The amendment clarifies that a measure of total assets should be disclosed in the financial statements only if that amount is regularly provided to management.

IAS 1 'Presentation of Financial Statements' replaces IAS 1 (as revised in 2003 and amended in 2005) and sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirement for their content. Two new primary statements, 'Consolidated Statement of Comprehensive Income' and 'Consolidated Statement of Changes in Equity' have been presented in these financial statements. The former replaces the 'Consolidated Statement of Recognized Income and Expense' presented in the 2008 financial statements. This change in presentation has no effect on reported profit or loss, total income and expense or net assets.

Amendments to IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' remove the definition of the cost method from IAS 27 and allow an entity to recognize a dividend from subsidiary, jointly controlled entity or associate in profit and loss in its separate financial statements when its right to receive the dividend is established. There is no impact on the consolidated financial statements as the changes only affect the separate financial statements of the investing entity.

Amendments to IFRS 7 'Improving Disclosures about Financial Instruments' require the disclosure of any change in valuation technique and the reason for that change, introduce a three-level hierarchy for fair value measurement disclosures, and require the disclosure of liquidity risk between non-derivative financial liabilities and derivative financial liabilities.

IAS 36 (Amendment) 'Impairment of Assets' is part of the 2008 improvement project. It provides that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-calculation should be made.

A Basis of preparation *continued*

ii) Standards, amendments and interpretations effective in 2009 which are relevant to the Group's operations but will not have a material impact on the Group's accounting policies

IAS 23 'Borrowing Costs' supersedes IAS 23 (as revised in 1993) and requires the capitalization of borrowing costs relating to qualifying assets.

Amendments to IFRS 2 'Vesting Conditions and Cancellations' restrict vesting conditions to service conditions and performance conditions, and specify that a failure to meet a non-vesting condition, whether by the entity or by the counterparty, should be treated as a cancellation.

IAS 19 (Amendment) 'Employee Benefits' is part of the 2008 improvement project. It clarifies the distinction between curtailments and negative past service costs under a defined benefit plan.

IAS 23 (Amendment) 'Borrowing Costs' is part of the 2008 improvement project. It amends the definition of borrowing costs such that interest expense is calculated using the effective interest method as defined in IAS 39 'Financial Instruments: Recognition and Measurement'.

IAS 28 (Amendment) 'Investments in Associates' and consequential amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures' is part of the 2008 improvement project. It specifies that for the purposes of impairment testing, an investment in associate is treated as a single asset and any impairment loss is not allocated to specific assets included within the investment.

IAS 38 (Amendment) 'Intangible Assets' is part of the 2008 improvement project. It clarifies that expenditure on advertising and other promotional activities must be recognized in the period in which the entity obtains the right to access the advertising or promotional material.

IAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' is part of the 2008 improvement project. It clarifies that a revised effective interest rate is used when the carrying amount of a debt instrument is remeasured on cessation of fair value hedge accounting.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' addresses the nature of the hedged risk and amount of the hedged item for which a hedging relationship may be designated in the consolidated financial statements of a parent entity.

A Basis of preparation *continued*

iii) Standards and amendments early adopted by the Group

IFRS 3 (revised 2008)	Business Combinations
IAS 27 (amended 2008)	Consolidated and Separate Financial Statements

IFRS 3 (revised 2008) 'Business Combinations' and the related amendment to IAS 27 'Consolidated and Separate Financial Statements' (both effective prospectively from 1st July 2009) provide guidance for applying the acquisition method for business combinations. The major changes from the existing standards include: the immediate expensing of all acquisition-related costs, the inclusion in the cost of acquisition of the fair value at acquisition date of any contingent purchase consideration, the remeasurement of previously held equity interest in the acquiree at fair value in a business combination achieved in stages, and accounting for changes in a parent's ownership interest in a subsidiary undertaking that do not result in the loss of control as equity transactions. The early adoption of IFRS 3 (revised) and the related amendment to IAS 27 has resulted in changes in the accounting policies for goodwill and change in attributable interests in subsidiary undertakings. Until 31st December 2008, acquisition-related costs were included in the cost of a business combination; contingent purchase consideration was recognized in goodwill as incurred; the cost of each exchange transaction in a business combination achieved in stages was compared with the fair values of the acquiree's identifiable net assets to determine the amount of goodwill associated with that transaction; the difference between the cost of acquisition and the carrying amount of the proportion of minority interest acquired in respect of an increase in attributable interest in a subsidiary undertaking was recognized as goodwill or credited to profit and loss as discount on acquisition, where appropriate; and the difference between the proceeds and the carrying amount of the proportion sold in respect of a decrease in attributable interest in a subsidiary undertaking was recognized as profit or loss on disposal. The Group continues to measure minority interest in an acquiree in a business combination at the minority interest's proportionate share of the acquiree's identifiable net assets.

The adoption of the above standards and amendments does not have a material impact on the Group's financial statements.

A Basis of preparation *continued*

iv) Standards, amendments and interpretations effective after 2009 which are relevant to the Group's operations and yet to be adopted

IFRS 9 'Financial Instruments' (effective from 1st January 2013) is the first part of a project to replace IAS 39. It addresses the classification and measurement of financial assets. The Group will apply IFRS 9 from 1st January 2013.

IAS 24 'Related Party Disclosures' (effective from 1st January 2011) supersedes IAS 24 (as revised in 2003). It simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group will apply IAS 24 and provide the required disclosure from 1st January 2011.

Amendment to IAS 32 'Classification of Rights Issues' (effective from 1st February 2010) clarifies that rights issues are equity instruments when they are denominated in a currency other than the issuer's functional currency and are issued pro-rata to an entity's existing shareholders for a fixed amount of currency. The Group will apply amendment to IAS 32 from 1st January 2011.

Amendment to IAS 39 'Eligible Hedged Items' (effective from 1st July 2009) gives additional guidance on the designation of a hedged item and how hedged accounting should be applied in particular situations. The Group will apply amendment to IAS 39 from 1st January 2010, but it is not expected to have any significant impact on the results of the Group.

The Improvements to IFRSs (2009) comprise a number of non-urgent but necessary amendments to IFRSs. With the exception of IAS 17 (Amended 2009) 'Leases', adoption of the other amendments is not expected to have any significant impact on the results of the Group.

IAS 17 (Amended) 'Leases' (effective from 1st January 2010) is part of the 2009 improvement project. It specifies that a land lease may be classified as a finance lease when significant risks and rewards associated with the land are transferred to the lessee despite there being no transfer of title at the end of the lease term. The Group will apply this amendment retrospectively from 1st January 2010.

Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' (effective from 1st January 2011) require an entity to recognize an asset for a prepayment that will reduce future minimum funding contributions required by the entity. The Group will apply amendments to IFRIC 14 from 1st January 2011.

Apart from IAS 17 (Amended) 'Leases', the adoption of the above standards, amendments and interpretations would not have a material impact on the Group's financial statements. Management are currently assessing the impact arising from IAS 17.

The principal operating subsidiary undertakings, associates and joint ventures have different functional currencies in line with the economic environments of the locations in which they operate. The functional currency of the Company is United States dollars. 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 subsidiary undertakings, and its associates and joint ventures.

ii) Subsidiary undertakings are entities over which the Group has the power to govern the financial and operating policies. The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the Group. The cost of an acquisition include the fair value at the acquisition date of any contingent consideration. In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognized the resulting gain or loss in profit and loss. Changes in a parent's ownership interest in a subsidiary undertaking that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary undertaking is lost, any remaining interest in the entity is remeasured at fair value and the resulting gain or loss is recognized in profit and loss.

All material intercompany transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated. The cost of and related income arising from shares held in the Company by subsidiary undertakings are eliminated from shareholders' funds and minority interests, and profit respectively.

iii) Associates are entities, not being subsidiary undertakings 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.

iv) Minority interests represent the proportion of the results and net assets of subsidiary undertakings and their associates and joint ventures not attributable to the Group.

v) The results of subsidiary undertakings, associates and joint ventures are included or excluded from their effective dates of acquisition or disposal respectively. The results of entities other than subsidiary undertakings, associates and joint ventures are included to the extent of dividends received when the right to receive such dividend is established.

C Foreign currencies

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

Assets and liabilities of subsidiary undertakings, 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, which approximate the exchange rates at the dates of the transactions.

Exchange differences arising from the retranslation of the net investment in foreign subsidiary undertakings, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are recognized in other comprehensive income and accumulated in equity under exchange reserves. On the disposal of these investments which results in the loss of control, such exchange differences are recognized in profit and loss. Exchange differences on other non-current investments are recognized in other comprehensive income as part of the gains and losses arising from changes in their fair value. All other exchange differences are recognized in profit and loss.

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. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Cash-generating units or groups of 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.

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 undertakings, associates or joint ventures at the effective date of acquisition. Minority interests are measured at their proportionate share of the net identifiable assets at the acquisition date. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in profit and loss. Goodwill on acquisitions of subsidiary undertakings 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 or groups of 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 subsidiary undertakings, associates and joint ventures includes the carrying amount of goodwill relating to the entity sold.

ii) Land use rights are payments to third parties 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 without significant cost.

iii) Computer software represents acquired computer software licences which are capitalized on the basis of the costs incurred to acquire and bring to use the specific software and are stated at cost less accumulated amortization. Amortization is calculated on the straight line basis to allocate the cost over their estimated useful lives.

iv) Development costs directly attributable to hotel projects under development, including borrowing costs, which 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. Capitalized development costs are amortized over the term of the management contracts.

F Tangible fixed 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 values and adjustment is made where there has been a material change. Revaluation surpluses and deficits are recognized in other comprehensive income and accumulated in equity under property revaluation reserves except for movements on individual properties below depreciated cost which are recognized in profit and loss. Grants related to tangible fixed assets are deducted in arriving at the carrying amount of the assets.

F Tangible fixed assets and depreciation *continued*

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

Depreciation of tangible fixed assets is calculated on the straight line basis to allocate 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 estimated useful lives are as follows:

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 years
Plant and machinery	10 years to 15 years
Furniture and equipment	3 years to 10 years

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 profit and loss 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 profit and loss 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 Loans receivable

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified under non-current assets unless their maturities are within twelve months after the balance sheet date. Loans receivable 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 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.

Principal Accounting Policies *Continued*

K Debtors

Debtors are measured at amortized cost using the effective interest method. Provision for impairment is established when there is objective evidence that the outstanding amounts will not be collected. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the debtor is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to profit and loss. Debtors with maturities greater than twelve months after the balance sheet date are classified under non-current assets.

L 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.

M 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.

N 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 interest method.

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.

Borrowings are classified under non-current liabilities unless they are due to be settled within twelve months after the balance sheet date.

O 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.

P 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. Deferred tax is provided on temporary differences associated with investments in subsidiary undertakings, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

Q 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 profit and loss 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 other comprehensive income in the year in which they occur.

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

ii) Share-based compensation

The Group has an equity settled 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 options granted after 7th November 2002 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 as determined on the grant date. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognized in profit and loss.

Principal Accounting Policies *Continued*

R Dividends

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

S Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from hotel ownership comprises amounts earned in respect of services, facilities and goods supplied by the subsidiary hotels. Revenue from the rendering of services is recognized when services are performed, provided that the amount can be measured reliably. Revenue from the sale of goods is recognized on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from hotel management comprises gross fees earned from the management of all the hotels operated by the Group. Management fees are recognized when earned as determined by the management contract.

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

Dividend income is recognized when the right to receive payment is established.

Interest income is recognized as it accrues using the effective interest method.

T Pre-operating costs

Pre-operating costs are expensed as they are incurred.

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 a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment (cash flow hedge).

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 profit and loss in the same periods during which the hedged firm commitment or forecasted transaction affects profit and loss. 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 profit and loss. 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 profit and loss.

U Derivative financial instruments *continued*

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 profit and loss.

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 profit and loss.

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 twelve 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 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.

X Non-trading items

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include gains from disposal of hotel interests and provisions against asset impairment, which are non-recurring in nature that require inclusion in order to provide additional insight into underlying business performance.

Y Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the committee that makes strategic decisions.

Financial Risk Management

A Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Group's treasury function co-ordinates, under the directions of the Board of Mandarin Oriental Hotel Group International Limited, financial risk management policies and their implementation. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimize the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps and caps, and forward foreign exchange contracts as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2009 are disclosed in note 25.

i) Market risk

Foreign exchange risk

Entities within the Group are exposed to foreign exchange risk from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

Group entities are required to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions, entities in the Group use forward foreign exchange contracts and foreign currency options in a consistent manner to hedge firm and anticipated foreign exchange commitments.

At 31st December 2009, if the United States dollar had strengthened/weakened by 10% against the Indonesian rupiah and Euro with all other variables unchanged, the Group's profit after tax and total equity would have been US$2.4 million (US$2.0 million from Indonesian rupiah and US$0.4 million from Euro) lower/higher, arising from foreign exchange losses/gains taken on translation. At 31st December 2008, if the United States dollar had strengthened/weakened by 10% against the United Kingdom sterling and Euro with all other variables held constant, the Group's profit after tax and total equity would have been US$0.4 million (US$0.2 million from United Kingdom sterling and Euro respectively) lower/higher, arising from foreign exchange losses/gains taken on translation. The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and all other variables, in particular interest rates, had remained unchanged. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no other significant monetary balances held by Group companies at 31st December 2009 that are denominated in a non-functional currency. Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

A Financial risk factors *continued*

i) *Market risk* *continued*

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, caps and collars. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% – 60% of its gross borrowings, in fixed rate instruments with an average tenor of less than one to five years. At 31st December 2009 the Group's interest rate hedging ratio of gross debt was 43% (2008: 51%), with an average tenor of 4.0 years (2008: 5.0 years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 17.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Borrowings at floating rates therefore expose the Group to cash flow interest rate risk. The Group manages this risk by using forward rate agreements to a maturity of one year, and by entering into interest rate swaps and caps for a maturity of up to seven years. Forward rate agreements and interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate, caps provide protection against a rise in floating rates above a pre-determined rate.

At 31st December 2009, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US$1.1 million (2008: US$1.1 million) higher/lower, and hedging reserves would have been US$5.6 million (2008: US$7.6 million) higher/lower, as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. There is no significant variation in the sensitivity analysis as a result of interest rate caps. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Hong Kong and United Kingdom rates, over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in fair value caused by interest rate movements balance out in profit and loss against changes in the fair value of the hedged item. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

A Financial risk factors *continued*

ii) Credit risk

The Group's credit risk is primarily attributable to deposits with banks, credit exposures to customers and derivative financial instruments with a positive fair value. The Group has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group manages its cash balances with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings, capital adequacy ratios, and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2009 cash balances with banks and financial institutions amounted to US$561 million (2008: US$515 million), of which over 99% (2008: 99%) were made to financial institutions with credit ratings of no less than A- (Fitch). Similarly transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. At 31st December 2009, there was no positive fair value of derivative financial instruments (2008: nil). Management does not expect any counterparty to fail to meet its obligations.

In respect of credit exposures to customers and corporate companies, the Group has policies in place to ensure that credits without collateral are extended principally to travel agents and corporate companies with an appropriate credit history. Sales to other customers are made in cash or by major credit cards.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group's exposure to credit risk arising from debtors is set out in note 15 and totals US$57.5 million (2008: US$61.3 million). The Group has no exposure to credit risk arising from exposure to derivative financial instruments with a positive fair value (2008: nil). The Group's exposure to credit risk arising from bank balances totals US$561 million (2008: US$515 million).

iii) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group's ability to fund its existing and prospective debt requirements is managed by maintaining diversified funding sources with adequate committed funding lines from high quality lenders, and by monitoring rolling short-term forecasts of the Group's cash and gross debt on the basis of expected cash flows. In addition, long-term cash flows are projected to assist with the Group's long-term debt financing plans.

At 31st December 2009, total available borrowing facilities amounted to US$807 million (2008: US$804 million) of which US$677 million (2008: US$661 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US$130 million (2008: US$143 million) in addition to its cash balances of US$561 million (2008: US$515 million).

An ageing analysis of the Group's financial liabilities based on the remaining period at the balance sheet to the contractual maturity dates is included in notes 16, 17 and 25.

B Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst seeking to maximize benefits to shareholders and other stakeholders. Capital is equity as shown in the consolidated balance sheet plus net debt.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, purchase Group shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less bank balances and other liquid funds. Interest cover is calculated as underlying operating profit before interest and tax (including the Group's share of underlying results from associates and joint venture) divided by net financing charges. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2009 and 2008 based on IFRS balance sheets are as follows:

	2009	2008
Gearing ratio	**11%**	15%
Interest cover	**1.9**	6.0

The decrease in gearing for the year ended 2009 was due to lower net debt. The decrease in interest cover for the year as compared to 2008 was primarily due to lower cash flows generated by Group companies.

C Fair value estimation

The fair value of listed investments is based on quoted prices in active markets. The quoted market price used for listed investments held by the Group is the current bid price.

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

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

The fair value of interest rate swaps and caps is calculated by reference to the present value of the estimated future cash flows, taking into account current interest rates as observed from the market. The fair value of forward foreign exchange contracts is determined using forward exchange market rates of the same remaining tenor at the balance sheet date.

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:

A Impairment of assets

The Group tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. Other assets such as development costs 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 the higher of its fair value less cost to sell and its value in use, calculated on the basis of management's assumptions and estimates. Changing the key assumptions, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value-in-use calculations.

B Property valuation

In arriving at the fair value of the properties, which is determined by using the income capitalization approach, 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.

C 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 those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

D 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.

E 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.

F Non-trading items

The Group uses underlying business performance in its internal financial reporting to distinguish between the underlying profits and non-trading items. The identification of non-trading items requires judgement by management.

Notes to the Financial Statements

1 Revenue

	2009 US$m	2008 US$m
Analysis by geographical area		
– Hong Kong and Macau	**163.6**	207.3
– Other Asia	**101.4**	116.3
– Europe	**118.1**	141.2
– The Americas	**54.9**	65.2
	438.0	530.0
Analysis by activity		
– Hotel ownership	**421.0**	506.3
– Hotel management	**38.7**	52.0
– Less: Intra-segment revenue	**(21.7)**	(28.3)
	438.0	530.0

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board for the purpose of resource allocation and performance assessment. The Group is operated on a worldwide basis in four regions: Hong Kong and Macau, Other Asia, Europe and The Americas which form the basis of its reportable segments.

In addition, the Group has two distinct business activities: hotel ownership and hotel management. The Group's segmental information for non-current assets is set out in note 19.

2 EBITDA (earnings before interest, tax, depreciation and amortization) and operating profit from subsidiaries

	2009 US$m	2008 US$m
Analysis by geographical area		
– Hong Kong and Macau	**45.8**	73.4
– Other Asia	**3.7**	15.0
– Europe	**26.3**	34.6
– The Americas	**(7.3)**	2.5
EBITDA from subsidiaries before provisions against asset impairment	**68.5**	125.5
Less provisions against asset impairment (refer note 8)		
– Europe	**(0.8)**	–
– The Americas	**(3.4)**	–
EBITDA from subsidiaries	**64.3**	125.5
Less depreciation and amortization	**(40.7)**	(39.3)
Operating profit	**23.6**	86.2
Analysis by activity		
– Hotel ownership	**61.2**	108.6
– Hotel management	**3.1**	16.9
EBITDA from subsidiaries	**64.3**	125.5
– Hotel ownership	**22.3**	70.9
– Hotel management	**1.3**	15.3
Operating profit	**23.6**	86.2
The following items have been (credited)/charged in arriving at operating profit:		
Rental income	**(10.0)**	(9.5)
Interest income from mezzanine loans	**(0.3)**	(0.4)
Depreciation of tangible assets (refer note 10)	**38.7**	37.8
Amortization of intangible assets (refer note 9)	**2.0**	1.5
Operating lease payments	**15.2**	13.9
Provisions against asset impairment (refer note 8)	**4.2**	–
Employee benefit expense		
– Salaries and benefits in kind	**176.7**	184.5
– Defined benefit pension costs (refer note 13)	**2.8**	1.3
– Defined contribution pension costs	**0.5**	0.5
– Share-based payments	**4.0**	4.2
	184.0	190.5
Net foreign exchange gain	**(2.5)**	(0.3)

Notes to the Financial Statements *Continued*

3 Net financing charges

	2009 US$m	2008 US$m
Interest income	**3.9**	12.4
Interest expense		
– Bank loans	**(18.3)**	(28.5)
Commitment and other fees	**(0.8)**	(0.9)
Financing charges	**(19.1)**	(29.4)
Net financing charges	**(15.2)**	(17.0)

4 Share of results of associates and joint venture

	EBITDA US$m	Depreciation and amortization US$m	Operating profit/ (loss) US$m	Net financing charges US$m	Tax US$m	Net (loss)/ profit US$m
2009						
Analysis by geographical area						
– Hong Kong and Macau	0.1	–	0.1	–	–	**0.1**
– Other Asia	18.0	(7.4)	10.6	(2.3)	(0.9)	**7.4**
– The Americas	0.9	(2.9)	(2.0)	(4.2)	(0.4)	**(6.6)**
	19.0	(10.3)	8.7	(6.5)	(1.3)	**0.9**
Less provision against asset impairment in Other Asia (refer note 8)	(5.7)	–	(5.7)	–	–	**(5.7)**
	13.3	**(10.3)**	**3.0**	**(6.5)**	**(1.3)**	**(4.8)**
Analysis by activity						
– Hotel ownership	12.2	(10.1)	2.1	(6.5)	(1.0)	**(5.4)**
– Other	1.1	(0.2)	0.9	–	(0.3)	**0.6**
	13.3	**(10.3)**	**3.0**	**(6.5)**	**(1.3)**	**(4.8)**
2008						
Analysis by geographical area						
– Hong Kong and Macau	4.9	(1.8)	3.1	(0.3)	–	2.8
– Other Asia	26.4	(7.4)	19.0	(2.9)	(2.9)	13.2
– The Americas	7.1	(2.5)	4.6	(4.6)	(0.7)	(0.7)
	38.4	(11.7)	26.7	(7.8)	(3.6)	15.3
Analysis by activity						
– Hotel ownership	36.6	(11.4)	25.2	(7.8)	(3.1)	14.3
– Other	1.8	(0.3)	1.5	–	(0.5)	1.0
	38.4	(11.7)	26.7	(7.8)	(3.6)	15.3

5 Gain on disposal of joint venture

The sale of the Group's 50% interest in Mandarin Oriental, Macau was completed on 15th June 2009. The hotel was valued at US$205.0 million for the purpose of the sale. On disposal of its 50% interest, the Group received proceeds of US$90.0 million, with a post-tax gain of US$80.8 million. The Group continues to manage the hotel for a period of up to two years under a short-term management agreement.

6 Tax

	2009 US$m	2008 US$m
Tax charged/(credited) to profit and loss is analyzed as follows:		
– Current tax	**(2.3)**	6.7
– Deferred tax (refer note 14)	**3.4**	11.6
	1.1	18.3
Analysis by geographical area		
– Hong Kong and Macau	**5.5**	9.3
– Other Asia	**0.8**	3.9
– Europe	**2.6**	9.4
– The Americas	**(7.8)**	(4.3)
	1.1	18.3
Analysis by activity		
– Hotel ownership	**(1.3)**	15.1
– Hotel management	**2.4**	3.2
	1.1	18.3
Reconciliation between tax expense and tax at the applicable tax rate:		
Tax at applicable tax rate	**6.8**	8.7
Income not subject to tax		
– Disposal of joint venture	**(13.4)**	–
– Others	**(0.3)**	(0.1)
Expenses not deductible for tax purposes	**4.6**	1.2
Tax losses not recognized	**7.8**	6.6
Utilization of previously unrecognized temporary differences	**(2.9)**	(0.3)
Recognition of previously unrecognized temporary differences	**1.1**	3.6
Withholding tax	**1.3**	1.7
Over provision in prior years	**(3.8)**	(2.7)
Others	**(0.1)**	(0.4)
	1.1	18.3

Share of tax of associates and joint venture of US$1.3 million (2008: US$3.6 million) are included in share of results of associates and joint venture (refer note 4).

The applicable tax rate for the year was 8% (2008: 13%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates.

Tax relating to components of other comprehensive income is analyzed as follows:

	2009 US$m	2008 US$m
Revaluation of properties	**8.9**	16.5
Defined benefit pension plan	**(1.3)**	4.6
Fair value change on other investments	**–**	(0.1)
Cash flow hedges	**(1.5)**	3.7
	6.1	24.7

7 Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of US$83.3 million (2008: US$67.1 million) and on the weighted average number of 985.1 million (2008: 980.7 million) shares in issue during the year (refer principal accounting policy (V)).

Diluted earnings per share are calculated on profit attributable to shareholders of US$83.3 million (2008: US$67.1 million), which is after adjusting for the effects of the conversion of dilutive potential ordinary shares of subsidiary undertakings, associates or joint ventures, and on the weighted average number of 989.4 million (2008: 988.8 million) shares in issue during the year (refer principal accounting policy (V)).

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

	Ordinary shares in millions	
	2009	2008
Weighted average number of shares in issue	**988.8**	988.5
Shares held by the Trustee under the Senior Executive Share Incentive Schemes	**(3.7)**	(7.8)
Weighted average number of shares for basic earnings per share calculation	**985.1**	980.7
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**4.3**	8.1
Weighted average number of shares for diluted earnings per share calculation	**989.4**	988.8

Additional basic and diluted earnings per share are also calculated based on underlying profit attributable to shareholders. A reconciliation of earnings is set out below:

	2009			2008		
	US$m	**Basic earnings per share US¢**	**Diluted earnings per share US¢**	US$m	Basic earnings per share US¢	Diluted earnings per share US¢
Underlying profit attributable to shareholders	**12.4**	**1.26**	**1.25**	67.1	6.84	6.79
Non-trading items (refer note 8)	**70.9**	**7.20**	**7.17**	–	–	–
Profit attributable to shareholders	**83.3**	**8.46**	**8.42**	67.1	6.84	6.79

8 Non-trading items

An analysis of non-trading items after interest, tax and minority interests is set out below:

	2009 US$m	2008 US$m
Gain on disposal of joint venture	**80.8**	–
Provisions against asset impairment in subsidiaries	**(4.2)**	–
Provision against asset impairment in associates	**(5.7)**	–
	70.9	–

9 Intangible assets

	Goodwill US$m	Land use rights US$m	Computer software US$m	Development costs US$m	Total US$m
2009					
Cost	23.9	195.5	4.0	14.7	238.1
Amortization and impairment	–	(4.1)	(1.4)	(0.3)	(5.8)
Net book value at 1st January	23.9	191.4	2.6	14.4	232.3
Exchange differences	–	(0.1)	0.1	0.2	0.2
Additions	–	–	1.9	2.3	4.2
Amortization charge	–	(0.5)	(1.4)	(0.1)	(2.0)
Provisions against asset impairment	–	–	–	(2.4)	(2.4)
Net book value at 31st December	**23.9**	**190.8**	**3.2**	**14.4**	**232.3**
Cost	23.9	195.4	6.0	17.2	242.5
Amortization and impairment	–	(4.6)	(2.8)	(2.8)	(10.2)
	23.9	**190.8**	**3.2**	**14.4**	**232.3**
2008					
Cost	23.3	194.3	2.6	7.2	227.4
Amortization	–	(3.5)	(0.5)	–	(4.0)
Net book value at 1st January	23.3	190.8	2.1	7.2	223.4
Exchange differences	–	1.2	–	(0.6)	0.6
Additions	0.6	–	1.4	8.1	10.1
Amortization charge	–	(0.6)	(0.9)	–	(1.5)
Provisions against asset impairment	–	–	–	(0.3)	(0.3)
Net book value at 31st December	23.9	191.4	2.6	14.4	232.3
Cost	23.9	195.5	4.0	14.7	238.1
Amortization and impairment	–	(4.1)	(1.4)	(0.3)	(5.8)
	23.9	191.4	2.6	14.4	232.3

Management has performed an impairment review of the carrying amount of goodwill at 31st December 2009. For the purpose of impairment review, goodwill acquired has been allocated to the respective hotels and is reviewed for impairment based on individual hotel forecast operating performance and cash flows. Cash flow projections for impairment reviews 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 14% to extrapolate cash flows over a five year period after which the growth rate is assumed at 8% in perpetuity, which may vary across the Group's geographical locations, and are based on management expectations of the market development; and pre-tax discount rates of around 10% applied to the cash flow projections. The discount rates used reflect business specific risks relating to the business life-cycle and geographical location. On the basis of these reviews, management concluded that no impairment is required.

The amortization charges are recognized in arriving at operating profit and are included in cost of sales in profit and loss.

Land use rights represent the upfront payments to acquire long-term interests in property leased by the principal subsidiaries listed on pages 74 and 75.

Notes to the Financial Statements *Continued*

10 Tangible assets

	Freehold land & buildings US$m	Leasehold buildings & improvements US$m	Plant & machinery US$m	Furniture & equipment US$m	Total US$m
2009					
Cost or valuation	426.6	437.4	93.8	207.6	1,165.4
Depreciation	(19.8)	(94.0)	(53.3)	(137.5)	(304.6)
Net book value at 1st January	406.8	343.4	40.5	70.1	860.8
Exchange differences	29.7	8.6	0.9	1.1	40.3
Additions	3.6	23.2	3.0	17.9	47.7
Depreciation charge	(3.6)	(11.1)	(5.2)	(18.8)	(38.7)
Revaluation deficit	(23.3)	(6.1)	–	–	(29.4)
Net book value at 31st December	**413.2**	**358.0**	**39.2**	**70.3**	**880.7**
Cost or valuation	436.6	463.1	97.6	226.3	1,223.6
Accumulated depreciation	(23.4)	(105.1)	(58.4)	(156.0)	(342.9)
	413.2	**358.0**	**39.2**	**70.3**	**880.7**
2008					
Cost or valuation	579.1	397.6	96.7	195.5	1,268.9
Depreciation	(16.1)	(85.1)	(49.6)	(123.1)	(273.9)
Net book value at 1st January	563.0	312.5	47.1	72.4	995.0
Exchange differences	(108.0)	(0.7)	(1.1)	1.1	(108.7)
Additions	–	45.9	0.6	16.1	62.6
Reclassification	–	1.4	(1.4)	–	–
Depreciation charge	(3.7)	(9.9)	(4.7)	(19.5)	(37.8)
Revaluation deficit	(44.5)	(5.8)	–	–	(50.3)
Net book value at 31st December	406.8	343.4	40.5	70.1	860.8
Cost or valuation	426.6	437.4	93.8	207.6	1,165.4
Accumulated depreciation	(19.8)	(94.0)	(53.3)	(137.5)	(304.6)
	406.8	343.4	40.5	70.1	860.8

The Directors have reviewed the carrying values of all properties at 31st December 2009 in consultation with the Group's independent, professionally qualified valuers. The Directors are of the opinion that there is a decrease in the fair value of properties of US$29.4 million (2008: US$50.3 million). After reducing the deferred tax liabilities by US$8.9 milion (2008: US$16.5 million) on the fair value decrease, US$20.5 million (2008: US$33.8 million) has been taken to other comprehensive income.

Freehold land and buildings include a property valued at US$114.9 million (2008: US$126.0 million), which is stated net of tax increment financing of US$28.1 million (2008: US$29.0 million) (refer note 18).

If the freehold properties and the building component of leasehold properties had been included in the financial statements at cost less depreciation, the carrying value would have been US$615.3 million (2008: US$577.8 million).

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

10 Tangible assets *continued*

	2009 US$m	2008 US$m
Analysis of additions by geographical area		
– Hong Kong and Macau	**7.1**	9.6
– Other Asia	**24.2**	20.0
– Europe	**11.5**	29.7
– The Americas	**4.9**	3.3
	47.7	62.6
Analysis of additions by activity		
– Hotel ownership	**46.7**	58.0
– Hotel management	**1.0**	4.6
	47.7	62.6
Analysis of depreciation by geographical area		
– Hong Kong and Macau	**(15.3)**	(14.3)
– Other Asia	**(5.8)**	(6.8)
– Europe	**(11.2)**	(10.8)
– The Americas	**(6.4)**	(5.9)
	(38.7)	(37.8)
Analysis of depreciation by activity		
– Hotel ownership	**(37.2)**	(36.5)
– Hotel management	**(1.5)**	(1.3)
	(38.7)	(37.8)

11 Associates and joint venture

	2009 US$m	2008 US$m
Listed investment in OHTL PCL	**57.3**	60.8
Unlisted investments in other associates	**65.7**	82.8
Group share of attributable net assets of associates	**123.0**	143.6
Joint venture (refer note 5)	**–**	11.9
	123.0	155.5
Market value of listed investment in OHTL PCL	**73.4**	70.5

The Directors have reviewed the carrying value of all operating properties owned by associates at 31st December 2009 in consultation with the Group's independent, professionally qualified valuers. The Group's share of the underlying post-tax revaluation deficit of US$18.2 million (2008: US$11.1 million) has been recognized in other comprehensive income.

11 Associates and joint venture *continued*

	2009 US$m	2008 US$m
The Group's share of assets, liabilities, capital commitments, contingent liabilities and results of associates and joint venture are summarized below:		
Associates		
Non-current assets	**310.0**	332.5
Current assets	**25.7**	30.1
Current liabilities	**(25.3)**	(32.3)
Non-current liabilities	**(187.4)**	(186.7)
Attributable net assets	**123.0**	143.6
Revenue	**88.1**	117.2
(Loss)/profit before tax	**(3.6)**	16.1
Net (loss)/profit	**(4.9)**	12.5
Capital commitments	**7.9**	6.6
Contingent liabilities	**–**	–
Joint venture		
Non-current assets	**–**	22.9
Current assets	**–**	2.6
Current liabilities	**–**	(6.1)
Non-current liabilities	**–**	(7.5)
Attributable net assets	**–**	11.9
Revenue	**0.5**	17.5
Profit before tax	**0.1**	2.8
Net profit	**0.1**	2.8
Capital commitments	**–**	0.1
Contingent liabilities	**–**	–
Movements of associates and joint venture for the year:		
At 1st January	**155.5**	204.6
Share of results	**(4.8)**	15.3
Share of other comprehensive income after tax	**(14.0)**	(21.5)
Investments in and loans to associates (refer note 24c)	**4.2**	–
Dividends received	**(9.9)**	(20.0)
Capital distribution (refer note 24e)	**–**	(23.2)
Disposal of joint venture (refer note 5)	**(9.2)**	–
Others	**1.2**	0.3
At 31st December	**123.0**	155.5

12 Loans receivable

	2009 US$m	2008 US$m
At 1st January	**4.8**	3.4
Addition	**1.3**	1.4
Provision	**(3.0)**	–
At 31st December	**3.1**	4.8

The balances as at 31st December 2009 comprised a mezzanine loan of US$3.0 million, bearing interest at LIBOR+5.6% per annum with repayment on or before 22nd February 2010 against which a full provision has been made; a loan of US$1.8 million, bearing interest at EURO LIBOR+4% with repayment on or before 12th September 2011; and a loan of US$1.3 million, bearing interest at EURO LIBOR+2% with repayment on or before July 2015. The carrying amount of the loans receivable approximates their fair values.

The balance as at 31st December 2008 comprised a mezzanine loan of US$3.0 million, bearing interest at LIBOR+5.6% per annum with repayment on or before 22nd February 2010; and a loan of US$1.8 million, bearing interest at EURO LIBOR+4% with repayment on or before 12th September 2011. The carrying amount of the loans receivable approximates their fair values.

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:

	2009 Weighted average %	2008 Weighted average %
Discount rate applied to pension obligations	**5.0**	6.0
Expected return on plan assets	**7.5**	7.5
Future salary increases	**5.0**	5.0

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 3.8% to 11.3% per annum and global bonds of 2.8% to 4.4% per annum, and the long-term benchmark allocation of assets between equities and bonds in each plan.

Notes to the Financial Statements *Continued*

13 Pension plans *continued*

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

	2009 US$m	2008 US$m
Fair value of plan assets	**62.6**	53.9
Present value of funded obligations	**(46.6)**	(47.3)
Net pension assets	**16.0**	6.6
Analysis of net pension assets		
Pension assets	**16.5**	6.6
Pension liabilities	**(0.5)**	–
	16.0	6.6
Movements in the fair value of plan assets		
At 1st January	**53.9**	80.3
Expected return on plan assets	**3.9**	5.8
Actuarial gains/(losses)	**8.9**	(30.6)
Contributions from company	**3.5**	1.1
Contributions from plan members	**0.9**	0.9
Curtailment and settlement	**(2.8)**	–
Exchange differences	**–**	0.2
Benefits paid	**(6.2)**	(4.0)
Transfer-in of assets	**0.5**	0.2
At 31st December	**62.6**	53.9
Movements in the present value of defined benefit obligations		
At 1st January	**(47.3)**	(46.4)
Current service cost	**(4.0)**	(4.4)
Interest cost	**(2.7)**	(2.3)
Contributions from plan members	**(0.9)**	(0.9)
Actuarial (losses)/gains	**(0.2)**	3.0
Curtailment and settlement	**2.8**	(0.4)
Exchange differences	**–**	(0.1)
Benefits paid – funded	**6.2**	4.0
Benefits paid – unfunded	**–**	0.4
Transfer-in of liabilities	**(0.5)**	(0.2)
At 31st December	**(46.6)**	(47.3)
The analysis of the fair value of plan assets at 31st December is as follows:		
Equity instruments	**27.7**	23.9
Debt instruments	**18.7**	14.3
Other assets	**16.2**	15.7
	62.6	53.9

13 Pension plans *continued*

The five year history of experience adjustments is as follows:

	2009 US$m	2008 US$m	2007 US$m	2006 US$m	2005 US$m
Fair value of plan assets	**62.6**	53.9	80.3	71.6	62.2
Present value of funded obligations	**(46.6)**	(47.3)	(46.4)	(45.7)	(40.8)
Plan surplus	**16.0**	6.6	33.9	25.9	21.4
Experience adjustments on plan assets	**8.8**	(30.7)	5.1	7.1	1.9
Percentage of plan assets (%)	**14.1**	57.0	6.4	9.9	3.1
Experience adjustments on plan obligations	**3.2**	(1.0)	1.4	1.7	(1.2)
Percentage of plan obligations (%)	**6.8**	2.2	3.0	3.7	3.0

The amounts recognized in profit and loss are as follows:

	2009 US$m	2008 US$m
Current service cost	**4.0**	4.4
Interest cost	**2.7**	2.3
Loss on curtailment and settlement	**–**	0.4
Expected return on plan assets	**(3.9)**	(5.8)
	2.8	1.3
Actual return/(loss) on plan assets in the year	**12.8**	(24.8)

The estimated amount of contributions expected to be paid to the plans in 2010 is US$3.4 million.

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.

Notes to the Financial Statements *Continued*

14 Deferred tax (assets)/liabilities

	Accelerated tax depreciation US$m	Fair value gains/losses US$m	Employee benefits US$m	Unremitted earnings in associates & joint venture US$m	Provisions and other temporary differences US$m	Losses US$m	Total US$m
2009							
At 1st January	47.5	28.8	1.1	1.6	1.6	(11.3)	69.3
Exchange differences	1.2	2.4	–	–	–	(0.1)	3.5
Charged/(credited) to profit and loss	4.6	–	0.2	(0.2)	(0.4)	(0.8)	3.4
Charged/(credited) to other comprehensive income	–	(7.4)	1.3	–	–	–	(6.1)
At 31st December	**53.3**	**23.8**	**2.6**	**1.4**	**1.2**	**(12.2)**	**70.1**
2008							
At 1st January	37.5	60.0	5.6	1.9	(11.0)	(13.8)	80.2
Exchange differences	(0.7)	(11.0)	0.1	(0.3)	–	0.4	(11.5)
Charged/(credited) to profit and loss	10.7	–	–	–	(1.2)	2.1	11.6
Charged/(credited) to other comprehensive income	–	(20.2)	(4.6)	–	0.1	–	(24.7)
Transfer to current tax assets	–	–	–	–	13.7	–	13.7
At 31st December	47.5	28.8	1.1	1.6	1.6	(11.3)	69.3

	2009 US$m	2008 US$m
Deferred tax assets	**(15.5)**	(16.5)
Deferred tax liabilities	**85.6**	85.8
	70.1	69.3

Deferred tax balances predominantly comprise non-current items.

Deferred tax assets arising from unused tax losses of US$37.5 million (2008: US$31.8 million) have not been recognized in the financial statements.

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

	2009	2008
Within one year	**0.1**	–
Between one and five years	**8.5**	6.9
Over five years	**10.5**	6.6
With no expiry dates	**18.4**	18.3
	37.5	31.8

Deferred tax assets of US$5.0 million (2008: US$7.3 million) have not been recognized in relation to temporary differences in subsidiaries.

Deferred tax liabilities on temporary differences associated with investments in subsidiary undertakings have not been recognized as there is no current intention of remitting the retained earnings to the holding companies.

15 Debtors and prepayments

	2009 US$m	2008 US$m
Trade debtors		
– third parties	**32.2**	31.2
– associates and joint venture	**2.8**	3.3
	35.0	34.5
– provision for impairment	**(2.2)**	(1.2)
	32.8	33.3
Other debtors		
– third parties	**26.1**	26.4
– associates and joint venture	**2.0**	1.6
	28.1	28.0
– provision for impairment	**(3.4)**	–
	24.7	28.0
	57.5	61.3

Other debtors are further analyzed as follows:

	2009 US$m	2008 US$m
Prepayments	**7.2**	7.7
Amounts due from associates and joint venture	**2.0**	1.6
Rental and other deposits	**4.0**	2.7
Other	**11.5**	16.0
	24.7	28.0
Analysis by geographical area of operation		
Hong Kong and Macau	**16.7**	16.7
Other Asia	**11.2**	10.3
Europe	**17.4**	21.8
The Americas	**12.2**	12.5
	57.5	61.3

The fair value of debtors and prepayments approximate their carrying amounts.

No debtors and prepayments have been pledged as securities.

The average credit period on provision of services varies among Group businesses and is not more than 30 days. Before accepting any new customer, individual Group business assesses the potential customer's credit quality and sets credit limits by customer, using internal credit scoring systems. These limits and scoring are reviewed periodically.

Notes to the Financial Statements *Continued*

15 Debtors and prepayments *continued*

An allowance for impairment of trade debtors is made based on the estimated irrecoverable amount. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that the debtor is impaired.

At 31st December 2009, trade debtors of US$2.4 million (2008: US$1.7 million) were impaired. The amount of the provision was US$2.2 million (2008: US$1.2 million). It was assessed that a portion of the debtors would be recoverable. The ageing analysis of these trade debtors is as follows:

	Trade debtors	
	2009 US$m	2008 US$m
Below 30 days	**0.1**	0.2
Between 31 and 60 days	**0.1**	0.3
Between 61 and 90 days	**0.2**	0.1
Over 90 days	**2.0**	1.1
	2.4	1.7

At 31st December 2009, trade debtors and other debtors of US$19.0 million (2008: US$13.8 million) were past due but not impaired. The ageing analysis of these trade debtors and other debtors is as follows:

	2009	2008
Below 30 days	**8.4**	6.7
Between 31 and 60 days	**2.2**	1.4
Between 61 and 90 days	**1.0**	2.1
Over 90 days	**7.4**	3.6
	19.0	13.8

The risk of trade debtors and other debtors that are neither past due nor impaired at 31st December 2009 becoming impaired is low as the majority of the balances have been settled subsequent to year end.

Movements on the provision for impairment are as follows:

	Trade debtors		Other debtors	
	2009 US$m	2008 US$m	**2009 US$m**	2008 US$m
At 1st January	**(1.2)**	(0.6)	**–**	–
Additional provisions	**(0.6)**	(0.6)	**(2.8)**	–
Reversal	**0.2**	–	**–**	–
Reclassification	**(0.6)**	–	**(0.6)**	–
At 31st December	**(2.2)**	(1.2)	**(3.4)**	–

16 Creditors and accruals

	2009 US$m	2008 US$m
Trade creditors	**25.6**	30.1
Accruals	**46.3**	45.8
Deposits accepted	**9.1**	12.2
Derivative financial instruments (refer note 25)	**0.8**	1.0
Other creditors	**3.0**	2.9
Rental income received in advance	**0.2**	0.2
Other income received in advance	**6.5**	0.7
	91.5	92.9
Currency		
Hong Kong dollar	**41.4**	38.9
Japanese yen	**10.9**	11.1
Swiss franc	**5.3**	9.8
United Kingdom sterling	**8.4**	7.7
United States dollar	**17.6**	18.0
Other	**7.9**	7.4
	91.5	92.9

The remaining contractual maturities other than derivative financial instruments included in creditors are analyzed as follows:

	2009	2008
Within one year	**84.0**	91.0

The fair value of creditors approximate their carrying amounts.

Notes to the Financial Statements *Continued*

17 Borrowings

	2009 Carrying amount US$m	**2009 Fair value US$m**	2008 Carrying amount US$m	2008 Fair value US$m
Current				
– Bank overdrafts	**0.4**	**0.4**	0.2	0.2
Current portion of long-term borrowings				
– Bank loans	**119.5**	**120.1**	7.0	7.7
– Other borrowings	**0.3**	**0.3**	0.2	0.2
	119.8	**120.4**	7.2	7.9
Current borrowings	**120.2**	**120.8**	7.4	8.1
Long-term borrowings				
– Bank loans	**547.2**	**547.6**	643.9	644.3
– Other borrowings	**8.2**	**8.2**	8.3	8.3
– Tax increment financing (refer note 18)	**1.7**	**1.7**	1.7	1.7
Long-term borrowings	**557.1**	**557.5**	653.9	654.3
	677.3	**678.3**	661.3	662.4

The fair values are estimated using the expected future payments discounted at market interest rate of 2.6% (2008: 3.3%) per annum.

17 Borrowings *continued*

The borrowings are further summarized as follows:

	Fixed rate borrowings				
	Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
2009					
Euro	5.9	3.7	12.0	–	12.0
Hong Kong dollar	1.7	4.6	128.9	239.0	367.9
Swiss franc	2.0	22.4	2.2	42.5	44.7
United Kingdom sterling	2.8	4.5	33.5	100.7	134.2
United States dollar	2.9	0.6	45.7	49.0	94.7
Japanese yen	0.8	–	–	23.8	23.8
			222.3	**455.0**	**677.3**
2008					
Euro	5.9	4.7	13.0	–	13.0
Hong Kong dollar	2.4	4.3	179.4	185.3	364.7
Swiss franc	2.7	23.0	2.2	39.4	41.6
United Kingdom sterling	4.4	5.5	30.4	91.2	121.6
United States dollar	3.9	1.6	47.7	47.9	95.6
Japanese yen	1.2	–	–	24.3	24.3
Philippine peso	8.9	–	–	0.5	0.5
			272.7	388.6	661.3

The weighted average interest rates and period of fixed rate borrowings are stated after taking into account of hedging transactions (refer note 25).

17 Borrowings *continued*

The remaining contractual maturities of the borrowings, including related interest payments, are analyzed below. The interest payments are computed using contractual rates and, in the case of floating rate borrowings, based on market rates at the balance sheet date before taking into account hedging transactions. Cash flows denominated in currencies other than United States dollars are converted into United States dollars at the rates of exchange ruling at the balance sheet date.

	2009 US$m	2008 US$m
Within one year	**132.7**	27.0
Between one and two years	**14.4**	134.3
Between two and three years	**15.7**	18.8
Between three and four years	**21.2**	20.0
Between four and five years	**538.6**	25.4
Beyond five years	**9.9**	539.0
	732.5	764.5
Secured	**645.1**	628.8
Unsecured	**32.2**	32.5
	677.3	661.3

Borrowings of US$645.1 million (2008: US$628.8 million) are secured against the tangible fixed assets of certain subsidiary undertakings. The book value of these tangible fixed assets as at 31st December 2009 was US$860.2 million (2008: US$836.8 million).

18 Tax increment financing

	2009 US$m	2008 US$m
Netted off against the net book value of the property (refer note 10)	**28.1**	29.0
Loan (refer note 17)	**1.7**	1.7
	29.8	30.7

A development agreement was entered into between one of the Group's subsidiaries and the District of Columbia ('District'), pursuant to which the District agreed to provide certain funds to the subsidiary out of 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. The loan of US$1.7 million (2008: US$1.7 million) is included in long-term borrowings.

19 Segment information

Set out below is an analysis of the Group's non-current assets, excluding financial instruments, deferred tax assets and pension assets, by reportable segment.

	2009 US$m	2008 US$m
Analysis by geographical area		
– Hong Kong and Macau	**424.1**	445.6
– Other Asia	**192.1**	180.4
– Europe	**485.5**	462.2
– The Americas	**134.3**	160.4
	1,236.0	1,248.6

Notes to the Financial Statements *Continued*

20 Share capital

	Ordinary shares in millions			
	2009	2008	**2009 US$m**	2008 US$m
Authorized:				
Shares of US¢5.00 each	**1,500.0**	1,500.0	**75.0**	75.0
Issued and fully paid:				
At 1st January	**991.2**	990.8	**49.6**	49.6
Issued under share incentive schemes	**0.3**	0.4	**–**	–
At 31st December	**991.5**	991.2	**49.6**	49.6
Outstanding under share incentive schemes	**(3.7)**	(7.8)	**(0.2)**	(0.4)
At 31st December	**987.8**	983.4	**49.4**	49.2

21 Share premium

	2009 US$m	2008 US$m
At 1st January	**173.4**	173.0
Issued under share incentive schemes	**0.2**	0.4
At 31st December	**173.6**	173.4
Outstanding under share incentive schemes	**(2.3)**	(4.5)
At 31st December	**171.3**	168.9

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 Overseas (PTC) 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:

	2009 Weighted average exercise price US$	2009 Options in millions	2008 Weighted average exercise price US$	2008 Options in millions
At 1st January	**1.27**	**30.0**	0.94	31.1
Granted	**0.70**	**5.0**	1.69	8.9
Exercised	**0.60**	**(4.4)**	0.60	(9.7)
Repurchased and cancelled	**1.76**	**(0.8)**	1.88	(0.3)
At 31st December	**1.26**	**29.8**	1.27	30.0

The average share price during the year was US$1.18 (2008: US$1.69) per share.

Outstanding at 31st December:

		Ordinary shares in millions	
Expiry date	Exercise price US$	**2009**	2008
2009	0.7-0.8	–	1.2
2010	0.7	0.1	2.8
2011	0.6	0.4	0.4
2012	0.4	0.6	0.6
2013	0.3-0.4	0.4	0.4
2014	0.6	0.3	0.6
2015	0.8-1.0	2.4	2.4
2016	1.0-1.4	7.1	7.4
2017	1.9	4.9	5.3
2018	1.2-1.7	8.6	8.9
2019	0.7	5.0	–
Total outstanding		**29.8**	30.0
of which exercisable		**11.2**	7.6

The fair value of options granted during the year, determined using the Trinomial valuation model, was US$1.9 million (2008: US$5.6 million). The significant inputs into the model, based on the weighted average number of options issued, were share price of US$0.65 (2008: US$1.63) at the grant date, exercise price shown above, expected volatility based on the last three years of 89% (2008: 41%), dividend yield of 6.73% (2008: 3.16%), option life disclosed above, and annual risk-free interest rate of 2.9% (2008: 3.5%). Options are assumed to be exercised at the end of the third year following the date of grant.

Notes to the Financial Statements *Continued*

23 Dividends

	2009 US$m	2008 US$m
Final dividend in respect of 2008 of US¢5.00 (2007: US¢5.00) per share	**49.2**	49.0
Interim dividend in respect of 2009 of US¢2.00 (2008: US¢2.00) per share	**19.7**	19.7
	68.9	68.7

A final dividend in respect of 2009 of US¢5.00 (2008: US¢5.00) per share amounting to a total of US$49.4 million (2008: US$49.2 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2010.

24 Notes to consolidated cash flow statement

a) Non-cash items

	2009 US$m	2008 US$m
Provisions against asset impairment (refer note 2)	**4.2**	–
Realization of exchange gain arising on repatriation of capital from a foreign subsidiary undertaking and an associate	**–**	(0.7)
Net foreign exchange gain	**(2.5)**	(0.3)
Share-based payment	**4.0**	4.2
Others	**5.1**	–
	10.8	3.2

b) Movements in working capital

	2009 US$m	2008 US$m
Decrease in stocks	**–**	0.5
(Increase)/decrease in debtors and prepayments	**(0.4)**	3.2
Increase/(decrease) in creditors and accruals	**0.2**	(3.2)
	(0.2)	0.5

c) Investments in and loans to associates included the investment in Mandarin Oriental, Miami of US$2.1 million and loans to Mandarin Oriental, New York of US$2.1 million.

d) Proceeds on disposal of joint venture

	2009 US$m	2008 US$m
Net assets disposed of (refer note 11)	**9.2**	–
Gain on disposal (refer note 5)	**80.8**	–
	90.0	–
Tax	**–**	–
Net cash flow	**90.0**	–

e) In 2008, the Group received repayment from its shareholder loans previously provided to Mandarin Oriental, Kuala Lumpur and Mandarin Oriental, Miami of US$8.9 million and US$13.5 million, respectively. The Group also received a capital distribution of US$0.8 million from Mandarin Oriental, New York.

24 Notes to consolidated cash flow statement *continued*

f) Analysis of balances of cash and cash equivalents

	2009 US$m	2008 US$m
Cash at bank	**561.6**	514.9
Bank overdrafts	**(0.4)**	(0.2)
	561.2	514.7

The weighted average effective interest rate on short-term bank deposits included in cash at bank was 0.7% (2008: 2.5%).

25 Derivative financial instruments

The fair values of derivative financial instruments at 31st December are as follows:

	2009		2008	
	Positive fair value US$m	**Negative fair value US$m**	Positive fair value US$m	Negative fair value US$m
Designated as cash flow hedges				
– interest rate swaps and caps	**–**	**13.5**	–	20.2
At 31st December	**–**	**13.5**	–	20.2
Non-current	**–**	**12.7**	–	19.2
Current (refer note 16)	**–**	**0.8**	–	1.0
At 31st December	**–**	**13.5**	–	20.2

The remaining contractual maturities of derivative financial instruments, based on their undiscounted cash outflows, are analyzed as follows:

	Within one year US$m	Between one and two years US$m	Between two and five years US$m	Beyond five years US$m
2009				
Net settled				
– interest rate swaps	**6.9**	**4.1**	**3.3**	**–**
2008				
Net settled				
– interest rate swaps	5.8	5.3	8.7	1.7

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2009 were US$273.8 million (2008: US$321.2 million).

At 31st December 2009, the fixed interest rates relating to interest rate swaps and caps vary from 1.5% to 7.0% (2008: 1.5% to 7.0%).

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.1% to 0.6% (2008: 1.0% to 3.4%) per annum.

26 Financial guarantee

	2009 US$m	2008 US$m
Guarantee in respect of facilities made available to an associate	**20.9**	21.1

The guarantee in respect of facilities made available to an associate is stated at its contracted amount. The Directors are of the opinion that it is not probable that this guarantee will be called upon.

27 Commitments

	2009 US$m	2008 US$m
Capital commitments:		
Authorized not contracted	**68.0**	42.0
Contracted not provided	**43.6**	49.1
	111.6	91.1
Operating lease commitments:		
Total commitments under operating leases		
– due within one year	**8.7**	8.4
– due between one and two years	**18.0**	8.3
– due between two and three years	**20.6**	17.6
– due between three and four years	**20.6**	20.1
– due between four and five years	**20.6**	20.1
– due beyond five years	**391.8**	410.6
	480.3	485.1

No future sublease payments are receivable relating to the above operating leases (2008: US$0.1 million).

Operating lease commitments principally include payments in respect of the Group's hotel in Tokyo and the Group's hotel in Paris which is under development.

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.

28 Related party transactions

The parent company of the Group is Jardine Strategic Holdings Limited ('JSH') 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 (2008: US$0.3 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 also received rental payment in respect of a residential property from JML based on normal market terms of US$0.5 million (2008: US$0.5 million). The outstanding balance with JML as at 31st December 2009 amounted to US$0.2 million (2008: US$0.1 million).

28 Related party transactions *continued*

During 2009, the Group managed six associate hotels (2008: seven associate and joint venture hotels) and received management fees of US$8.9 million (2008: US$14.5 million) based on long-term management agreements on normal commercial terms. The outstanding balances with associates and joint venture are set out in debtors and prepayment in note 15.

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 2009 to JLT amounted to US$0.5 million (2008: US$0.5 million). The Group has no outstanding balance with JLT as at 31st December 2009 (2008: nil).

The Group provides hotel management services to Hongkong Land ('HKL') which became a subsidiary of JSH on 30th June 2009. Total management fees received from HKL in 2009 as a subsidiary and an associate of the Group amounted to US$0.3 million (2008: nil) and US$0.2 million (2008: US$0.6 million) respectively, based on long-term management agreements on normal commercial terms.

Details of Directors' emoluments (being the key management personnel compensation) are shown on page 80 under the heading of 'Appointments, retirement, remuneration and service contracts'.

29 Summarized balance sheet of the Company

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

	2009 US$m	2008 US$m
Subsidiaries at cost	**659.1**	649.6
Net current liabilities	**(1.0)**	(0.9)
Net operating assets	**658.1**	648.7
Share capital (refer note 20)	**49.6**	49.6
Share premium (refer note 21)	**173.6**	173.4
Revenue reserves and other reserves	**434.9**	425.7
Shareholders' funds	**658.1**	648.7

Principal Subsidiaries, Associates and Managed Hotels

as at 31st December 2009

Principal country	Company name	Main activities
Subsidiaries		
Hong Kong	Mandarin Oriental Hotel Group International Limited	Management
	Mandarin Oriental Hotel Group Limited	Management
	Mandarin Oriental, Hong Kong Limited	Owner: Mandarin Oriental, Hong Kong
	Excelsior Hotel (BVI) Limited	Owner: The Excelsior, Hong Kong
Japan	Mandarin Oriental Tokyo KK	Owner: Mandarin Oriental, Tokyo
Philippines	Manila Mandarin Hotel Incorporated	Owner: Mandarin Oriental, Manila
Indonesia	P.T. Jaya Mandarin Agung	Owner: Mandarin Oriental, Jakarta
United Kingdom	Mandarin Oriental Hyde Park Limited	Owner: Mandarin Oriental Hyde Park, London
Switzerland	Société Immobilère de Mandarin Oriental (Genèva) S A	Owner: Mandarin Oriental, Geneva
	Société pour l'Exploitation de Mandarin Oriental (Genèva) S A	
Germany	Dinavest International Holdings B.V.	Owner: Mandarin Oriental, Munich
France	MOHG Hotel (Paris) Sarl	Owner: Mandarin Oriental, Paris (hotel under development)
United States	Portals Hotel Site LLC	Owner: Mandarin Oriental, Washington D.C.
Associates		
Singapore	Marina Bay Hotel Private Limited	Owner: Mandarin Oriental, Singapore
Thailand	OHTL PCL	Owner: Mandarin Oriental, Bangkok
Malaysia	Asas Klasik Sdn Bhd	Owner: Mandarin Oriental, Kuala Lumpur
Thailand	Chaophaya Development Corporation Limited	Owner: River City Shopping Complex
United States	Istithmar Columbus Centre Hotel LLC	Owner: Mandarin Oriental, New York
United States	Swire Brickell Key Hotel Limited	Owner: Mandarin Oriental, Miami
Managed Hotels		
Hong Kong	The Landmark Mandarin Oriental, Hong Kong	–
Macau	Grand Lapa, Macau (previously named: Mandarin Oriental, Macau) *(refer note 5)*	–
China	Mandarin Oriental, Sanya	–
Thailand	Mandarin Oriental Dhara Dhevi, Chiang Mai	–
Czech Republic	Mandarin Oriental, Prague	–
Spain	Mandarin Oriental, Barcelona	–
United States	Mandarin Oriental, San Francisco	–
United States	Mandarin Oriental, Boston	–
United States	Mandarin Oriental, Las Vegas	–
Mexico	Mandarin Oriental Riviera Maya, Mexico	–
Bermuda	Elbow Beach, Bermuda	–

Attributable interest %			
2009	2008	Issued share capital	Hotel profile
100	100	US$12,000	–
100	100	HK$60,000,000	–
100	100	HK$33,000,000	501 rooms. Lease expiry 2895
100	100	US$100	886 rooms. Lease expiry 2842
100	100	Yen 10,000,000	179 rooms. Lease expiry 2035
96.2	96.2	Peso 288,918,400	442 rooms. Lease expiry 2026
96.9	96.9	Rup 266,300,230,000	272 rooms. Lease expiry 2023
100	100	GBP 4,493,484 GBP 1,578,791 *(Preference share)*	194 rooms. Freehold
85.3	85.3	CHF 6,800,000	192 rooms. Lease expiry 2040
100	100	CHF 10,800,000	–
100	100	Euro 3,632,000	73 rooms. Freehold
100	100	Euro 7,500	138 rooms. Lease expiry 2034
80	80	–	400 rooms. Freehold
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
49	49	Baht 120,000,000	–
25	25	–	248 rooms. Freehold
25	25	–	326 rooms. Freehold
–	–	–	113 rooms
–	50	–	416 rooms
–	–	–	224 rooms
–	–	–	123 rooms
–	–	–	99 rooms
–	–	–	98 rooms
–	–	–	158 rooms
–	–	–	140 rooms
–	–	–	392 rooms
–	–	–	128 rooms
–	–	–	98 rooms

Independent Auditor's Report

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 2009 and the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity 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 2009, and 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
Chartered Accountants
London
United Kingdom
4th March 2010

Five Year Summary

Consolidated Profit and Loss Account

	2005 US$m	2006 US$m	2007 US$m	2008 US$m	**2009 US$m**
Revenue	399.2	404.6	529.5	530.0	**438.0**
Operating profit	60.4	121.9	107.7	86.2	**23.6**
Net financing charges	(22.4)	(15.2)	(16.4)	(17.0)	**(15.2)**
Share of results of associates and joint venture	8.7	13.0	22.9	15.3	**(4.8)**
Gains on disposal of associates and joint venture	52.3	–	16.0	–	**80.8**
Profit before tax	99.0	119.7	130.2	84.5	**84.4**
Tax	(24.8)	(39.5)	(22.8)	(18.3)	**(1.1)**
Profit after tax	74.2	80.2	107.4	66.2	**83.3**
Profit attributable to shareholders	77.2	80.0	108.2	67.1	**83.3**
Underlying profit attributable to shareholders	77.2	80.0	108.2	67.1	**12.4**
Earnings per share (US¢)	8.14	8.28	11.16	6.84	**8.46**
Underlying earnings per share (US¢)	8.14	8.28	11.16	6.84	**1.26**
Dividends per share (US¢)	1.50	3.00	6.00	7.00	**7.00**

Consolidated Balance Sheet

	2005 US$m	2006 US$m	2007 US$m	2008 US$m	**2009 US$m**
Intangible assets	218.1	219.7	223.4	232.3	**232.3**
Tangible assets	684.0	882.5	995.0	860.8	**880.7**
Associates and joint venture	174.0	190.0	204.6	155.5	**123.0**
Other investments	2.5	2.7	3.1	3.9	**4.3**
Loans receivable	43.0	12.0	3.4	4.8	**3.1**
Pension assets	22.8	27.1	34.0	6.6	**16.5**
Deferred tax assets	9.9	27.4	27.5	16.5	**15.5**
Other non-current assets	5.5	2.9	0.2	–	**–**
Net current assets	202.1	289.8	443.7	490.0	**413.5**
Long-term borrowings	(471.6)	(575.1)	(663.9)	(653.9)	**(557.1)**
Deferred tax liabilities	(49.8)	(72.9)	(107.7)	(85.8)	**(85.6)**
Pension liabilities	(1.7)	(1.5)	(0.1)	–	**(0.5)**
Other non-current liabilities	–	(0.2)	(2.9)	(19.2)	**(12.7)**
Net operating assets	838.8	1,004.4	1,160.3	1,011.5	**1,033.0**
Share capital	48.3	48.4	48.7	49.2	**49.4**
Share premium	158.8	160.3	163.5	168.9	**171.3**
Revenue and other reserves	628.0	792.0	940.1	788.3	**807.8**
Shareholders' funds	835.1	1,000.7	1,152.3	1,006.4	**1,028.5**
Minority interests	3.7	3.7	8.0	5.1	**4.5**
Total equity	838.8	1,004.4	1,160.3	1,011.5	**1,033.0**
Net asset value per share (US$)	0.87	1.03	1.18	1.02	**1.04**

Consolidated Cash Flow Statement

	2005 US$m	2006 US$m	2007 US$m	2008 US$m	**2009 US$m**
Cash flows from operating activities	72.6	62.4	129.5	123.9	**81.3**
Cash flows from investing activities	43.3	(38.0)	38.4	(57.3)	**28.9**
Net cash flow before financing activities	115.9	24.4	167.9	66.6	**110.2**
Cash flow per share from operating activities (US¢)	7.65	6.46	13.35	12.63	**8.25**

Responsibility Statement

The Directors of the Company confirm to the best of their knowledge that:

a) the consolidated 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; and

b) the sections of this Report, including the Chairman's Statement, Group Chief Executive's Review and Principal Risks and Uncertainties, which constitute the management report include a fair review of all information required to be disclosed by the Disclosure and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Services Authority of the United Kingdom.

For and on behalf of the Board

Edouard Ettedgui
John R Witt
Directors
4th March 2010

Corporate Governance

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. With effect from 6th April 2010, the Company's share listing in London will be included within the new Premium listing segment. 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. This Report outlines the significant ways in which the Company's corporate governance practices differ from those set out in the Combined Code ('Code'), which was originally introduced in relation to United Kingdom incorporated companies listed on the London Stock Exchange.

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 74% 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 strategy director and the group general counsel of Jardine Matheson.

The Board

The Company currently has a Board of 16 directors: the Group Chief Executive and Chief Financial Officer; six executives of Jardine Matheson; and eight non-executive Directors. Their names and brief biographies appear on pages 24 and 25 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 reflect the Company's commitment to its long-term strategy, shareholding structure and tiered approach to oversight and management as 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 has not designated a 'senior independent director' as set out in the Code, nor does it 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, Mark Greenberg, James Riley and Giles White, also form the MOHG audit committee that has responsibility for the Group.

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, as part of the Company's tiered approach to oversight and management, 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 are not directly involved in the operational management of the Group's business activities, but their knowledge and close oversight of the Group's affairs reinforces the process by which business is reviewed before consideration by the Board.

Corporate Governance *Continued*

The Board is scheduled to hold four meetings in 2010, 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.

Appointments, retirement, remuneration and service contracts

Candidates for appointment as executive Directors of the Company, or as executive 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.

Each new Director is appointed by the Board and, 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.

Giles White was appointed as a Director of the Company with effect from 1st July 2009. Stuart Dickie was appointed as a Director and Chief Financial Officer of the Company in place of John R Witt with effect from 1st April 2010. In accordance with Bye-law 85, Mark Greenberg, Lord Leach of Fairford, Lord Powell of Bayswater and Percy Weatherall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Stuart Dickie and Giles White will also retire, and, being eligible, offer themselves for re-election. Stuart Dickie has a service contract with MOHG that provides for termination with a notice period of six months. None of the other 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 Chief Financial Officer, 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 2009, the Directors received from the Group US$6.4 million (2008: US$7.2 million) in Directors' fees and employee benefits, being US$0.4 million (2008: US$0.4 million) in Directors' fees, US$4.0 million (2008: US$4.7 million) in short-term employee benefits including salary, bonus, accommodation and deemed benefits in kind, US$0.1 million (2008: US$0.1 million) in post-employment benefits and US$1.9 million (2008: US$2.0 million) in share-based payments. The information set out in this paragraph forms part of the audited financial statements.

Senior executive share incentive schemes have also been established to provide longer-term incentives for executive Directors and senior managers. Share options are granted after consultation between the Chairman, the Managing Director and the Group Chief Executive and other Directors as they consider appropriate. Share options are granted at the then prevailing market prices and the scheme rules 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.

The Secretary of the Company, Charles Harry Wilken, sadly passed away unexpectedly on 24th January 2010. Dianne Edmunds, Assistant Secretary of the Company, is acting Secretary until a successor to the position of Company Secretary takes office.

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, a 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 principal risks and uncertainties facing the Company are set out on pages 84 and 85.

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 chief financial officer 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 independent of 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 is required to review any reports made under those procedures that are referred to it by the internal audit function.

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, Chief Financial Officer 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 function. The audit committee of MOHG also keeps under review the independence and objectivity of the external auditors.

Directors' share interests

The Directors of the Company in office on 1st April 2010 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) in the ordinary share capital of the Company at 12th March 2010 as set out below. These interests included those notified to the Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

Simon Keswick	19,858
Edouard Ettedgui	5,750,000
Stuart Dickie	150,000
R C Kwok	6,711
Sydney S W Leong	467,577

In addition, Edouard Ettedgui and Stuart Dickie held options in respect of 11,400,000 and 650,000 ordinary shares, respectively, issued pursuant to the Company's Senior Executive Share Incentive Schemes.

Substantial shareholders

As a non-UK issuer, the Company is subject to the DTRs pursuant to which a person must in certain circumstances notify the Company of the percentage of voting rights attaching to the share capital of the Company that he holds. 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%.

The Company has been informed of the holding of voting rights of 5% or more attaching to the Company's issued ordinary share capital: (i) Jardine Strategic and its subsidiary undertakings are directly and indirectly interested in 738,322,281 ordinary shares carrying 74.47% of the voting rights and, by virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares; and (ii) Neptune Investment Management Limited is directly interested in 50,595,000 ordinary shares carrying 5.10% of the voting rights. Apart from these shareholdings, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 12th March 2010.

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

Relations with shareholders

The Company holds meetings following the announcement of the annual and half-year results with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at www.mandarinoriental.com.

The 2010 Annual General Meeting will be held on 5th May 2010. 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 6th May 2009, 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 31st December 2009, the Company repurchased and cancelled 30,000 ordinary shares representing 0.003% of the Company's issued ordinary share capital for a consideration of US$0.02 million from Mandarin Oriental Overseas (PTC) Limited ('MOO(PTC)'), 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 issue price.

Arrangements under which shareholders have agreed to waive dividends

MOO(PTC) has waived the interim dividend and has undertaken to waive the recommended final dividend for 2009 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 28 to the financial statements on pages 72 and 73. 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.

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on pages 81 and 82 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure and Transparency Rules issued by the Financial Services Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Group Chief Executive's Review.

Economic and financial risk

The Group's business is exposed to the risk of negative developments in global and regional economies and financial markets, either directly or through the impact on the Group's investment partners, third-party hotel owners and developers, bankers, suppliers or customers. These developments can result in recession, inflation, deflation, currency fluctuations, restrictions in the availability of credit, business failures, or increases in financing costs. Such developments might increase operating costs, reduce revenues, lower asset values or result in the Group being unable to meet in full its strategic objectives. These developments could also adversely affect travel patterns.

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Risk Management section in the Financial Statements on pages 42 to 45.

Commercial and market risk

Risks are an integral part of normal commercial practices, and where practicable steps are taken to mitigate such risks.

The Group operates within the global hotel industry which is highly competitive, and failure to compete effectively in terms of quality of product, levels of service or price can have an adverse effect on earnings. Significant pressure from such competition may lead to reduced margins.

The Group competes with other luxury hotel operators for management opportunities, and a failure to compete successfully or to establish and maintain relationships with hotel owners could adversely affect the Group's business.

The Group also makes investment decisions in respect of new hotel properties that take time to come to fruition and achieve the desired returns and are, therefore, subject to market risks, including the oversupply of hotel rooms. Mandarin Oriental's continued development depends on the opening of individual hotels, which are primarily controlled by third party owners and developers and can be subject to delays for reasons such as planning and construction issues, sourcing of adequate capital, and the sale of residential units. In extreme circumstances, such factors might lead to the cancellation of a project.

Pandemic, terrorism, and natural disasters

The Group's business would be impacted by a global or regional pandemic which could be expected to seriously affect economic activity and the ability of our business to operate smoothly. The Group's hotels are also vulnerable to the effects of terrorism, either directly through the impact of an act of terrorism or indirectly through the impact of generally reduced economic activity in response to the threat of or an actual act of terrorism. In addition, a number of the territories in which the Group operates can experience from time to time natural disasters such as typhoons and earthquakes.

Key agreements

The Group's business is reliant upon joint venture and partnership agreements, property leasehold arrangements, management, license and services agreements or other key contracts. Cancellation, expiry or termination, or the renegotiation of any of these key agreements and contracts, could have an adverse effect on the financial condition and results of operations of certain hotels.

Intellectual property and value of the brand

Brand recognition is important to the success of the Group and significant resources have been invested in protecting its intellectual property in the form of trade marks, logos and domain names. Any material act or omission by any person working for or representing the Group's operations which is contrary to its standards could impair Mandarin Oriental's reputation and the equity value of the brand, as could any negative publicity regarding the Group's product or services.

Regulatory and political risk

The Group's business is subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as employment legislation, tax rules, foreign ownership of assets, planning controls and exchange controls have the potential to impact the operations and profitability of the Group's business. Changes in the political environment, including prolonged civil unrest, could also affect the Group's business.

Shareholder Information

Financial calendar

2009 full-year results announced	4th March 2010
Share registers closed	22nd to 26th March 2010
Annual General Meeting to be held	5th May 2010
2009 final dividend payable	12th May 2010
2010 half-year results to be announced	29th July 2010*
Share registers to be closed	23rd to 27th August 2010*
2010 interim dividend payable	13th October 2010*

* *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 for the 2009 final dividend by notifying the United Kingdom transfer agent in writing by 23rd April 2010. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 28th April 2010. 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 Registrars (Jersey) Limited, 12 Castle Street, St Helier, Jersey JE2 3RT, 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 can be accessed through the Internet at www.mandarinoriental.com.

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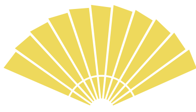

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