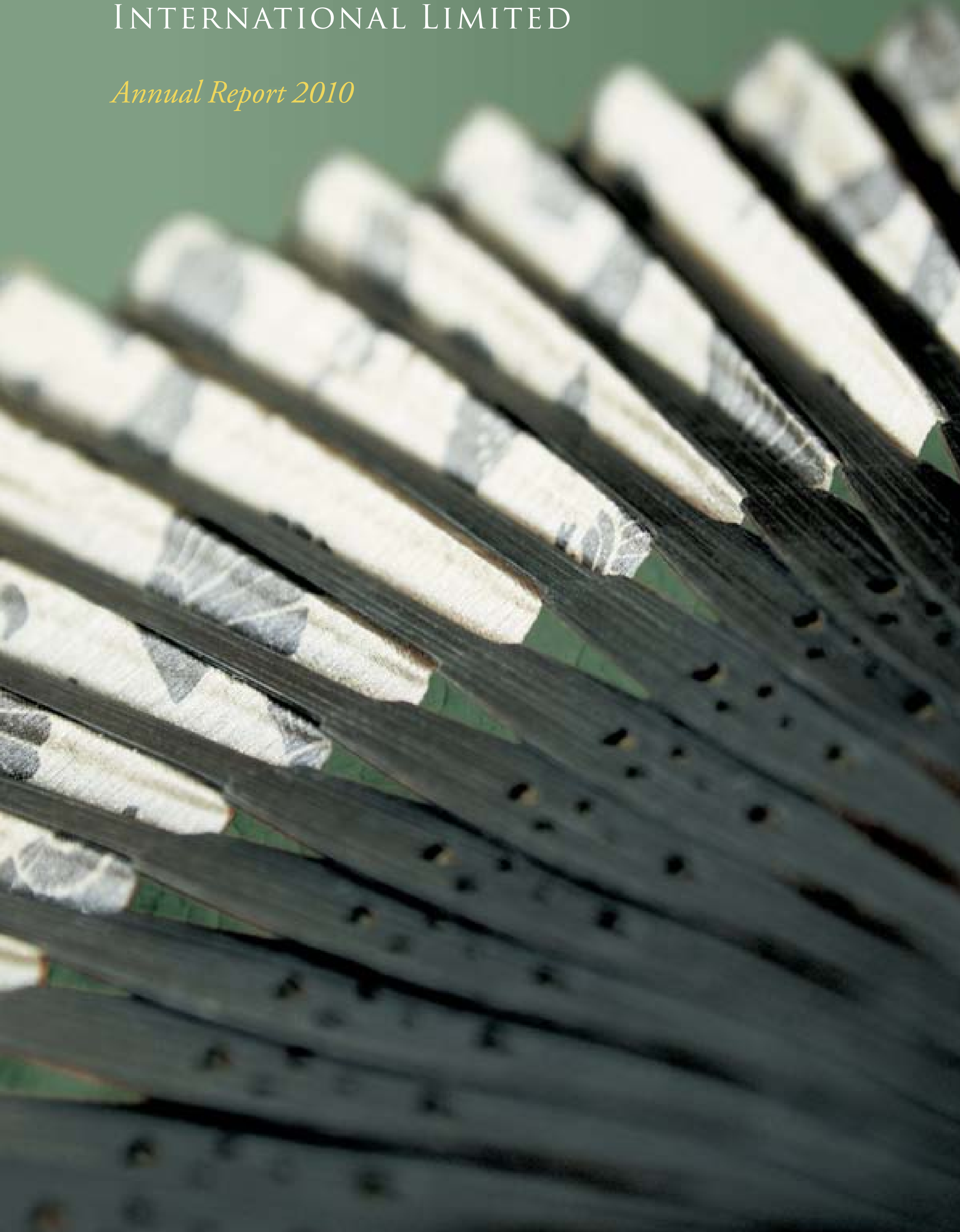
Mandarin Oriental International Limited

Annual Report 2010



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, 42 hotels representing over 10,000 rooms in 27 countries, with 18 hotels in Asia, 12 in The Americas and 12 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 a number of its properties and net assets of approximately US$2.3 billion as at 31st December 2010.

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 a Premium Listing on the London Stock Exchange, with 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
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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

- Recovery in demand across key markets, particularly Hong Kong
- Improved profitability and strong balance sheet
- Successful opening of the new Macau hotel
- New projects announced in Abu Dhabi, Doha and Shanghai

Results

	Year ended 31st December 2010 US$m	2009 US$m (restated)[1]	Change %
Combined total revenue of hotels under management[2]	**1,025.5**	838.3	22
EBITDA (Earnings before interest, tax, depreciation and amortization)[3]	**136.4**	87.5	56
Underlying profit attributable to shareholders[4]	**44.4**	12.5	255
Profit attributable to shareholders	**44.4**	83.4	(47)
	US¢	US¢	%
Underlying earnings per share[4]	**4.48**	1.27	253
Earnings per share	**4.48**	8.47	(47)
Dividends per share	**5.00**	7.00	(29)
	US$	US$	%
Net asset value per share	**0.90**	0.92	(2)
Adjusted net asset value per share[5]	**2.33**	2.18	7
Net debt/shareholders' funds	**16%**	13%	
Net debt/adjusted shareholders' funds[5]	**6%**	5%	

1 The accounts have been restated due to changes in accounting policies as set out in the 'Basis of preparation'.

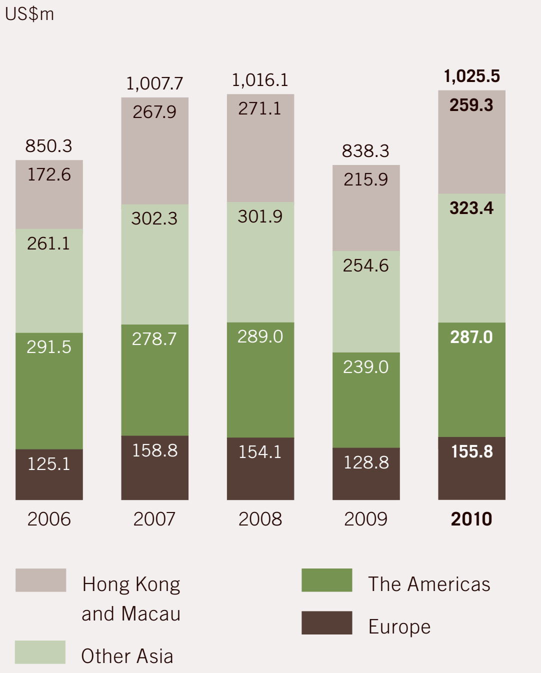
2 Combined revenue includes turnover of the Group's subsidiary hotels in addition to 100% of revenue from associate, joint venture and managed hotels.

3 EBITDA of subsidiaries plus the Group's share of EBITDA of associates and joint ventures.

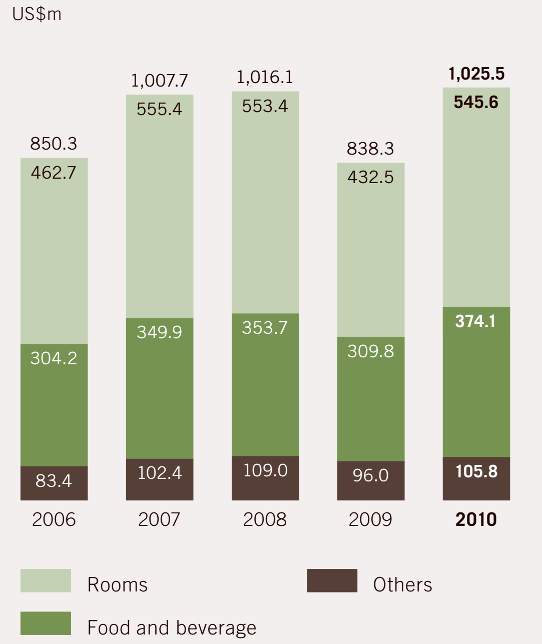
4 Underlying profit attributable to shareholders and underlying earnings per share exclude non-trading items such as gains on disposals and provisions against asset impairment.

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

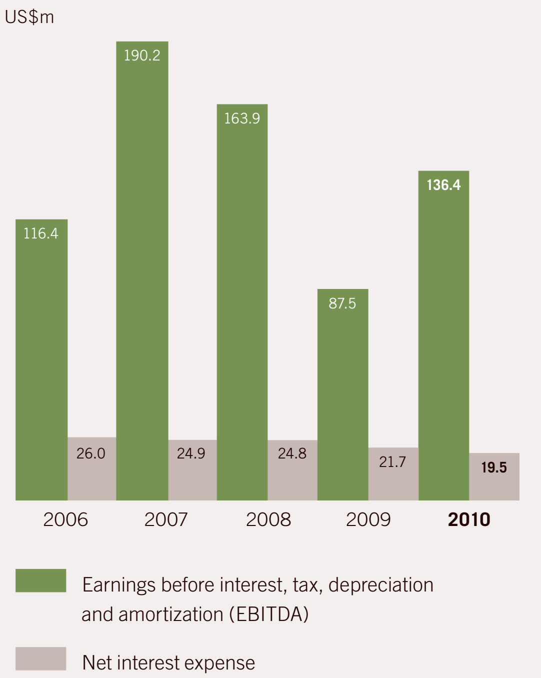
Combined total revenue
by geographical area



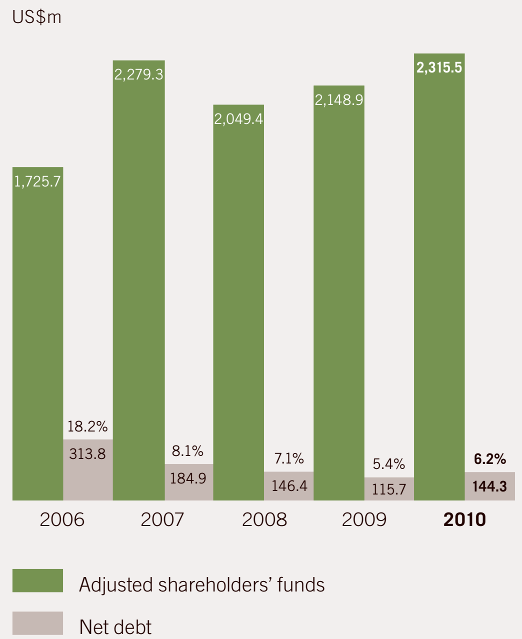
Combined total revenue
by type of business



EBITDA and net interest expense



Net debt/adjusted shareholders' funds



Chairman's Statement

Overview

More favourable economic conditions throughout 2010 resulted in increased demand in most of the Group's markets, leading to a significant improvement in underlying profit. While cost control measures remained in place across the portfolio, all hotels focused on maintaining or enhancing their competitive positions.

Performance

Earnings before interest, tax, depreciation and amortization for 2010 were US$136 million, compared to US$88 million in 2009.

Underlying profit was US$44 million in 2010, which compared with US$12 million in 2009. Underlying earnings per share were US¢4.48, compared to US¢1.27 in 2009. There were no non-trading items in 2010, while in 2009 the profit attributable to shareholders of US$83 million included such items, being principally a gain from a property disposal.

The Directors recommend a final dividend of US¢3.00 per share. This, together with the interim dividend of US¢2.00 per share, will make a total annual dividend of US¢5.00 per share, compared to US¢7.00 per share in 2009.

The net asset value per share with freehold and leasehold properties adjusted for fair market value was US$2.33 at 31st December 2010, compared to US$2.18 at the end of 2009. This is based on the valuation of the Group's hotel properties by its independent valuers. The Group's balance sheet remains strong with net debt of US$144 million, representing 6% of adjusted shareholders' funds.

Group review

Profitability improved across the Group's hotels in 2010 with the strongest performances being seen in Asia.

In Hong Kong, a significant recovery in demand produced increased occupancy and rates. As a result, revenue per available room ('RevPAR') at Mandarin Oriental, Hong Kong and The Excelsior rose by 38% and 30%, respectively. Mandarin Oriental, Singapore benefited from an increase in visitor arrivals to the city and delivered a strong performance with a 31% improvement in RevPAR in local currency terms. In Bangkok, while the hotel remains the market leader, business levels were down following the political demonstrations earlier in the year.

The Group's London property performed satisfactorily despite the disruption caused by the construction of the adjacent *One Hyde Park* complex and the volcanic ash cloud in April.

In The Americas, while business levels generally have yet to recover fully, the New York hotel produced a strong performance particularly in the second half of the year.

Under the Group's hotel management activity, fees received from its portfolio of hotels increased during the year, reflecting the improved market conditions.

Developments

The Group now has a total of 26 hotels, with a further 16 under development.

A new Mandarin Oriental hotel opened in Macau in June 2010 under a long-term management contract. This was followed by the launch of *The Residences and Apartments at Mandarin Oriental, Macau* in November 2010, where the Group will benefit from branding fees as sales proceed.

During the year, three new projects were announced. Two developments due to open in 2014, in Abu Dhabi and Doha, mark the Group's entry into the Middle East. A new hotel in Pudong, Shanghai, which is scheduled to open in 2013, represents the fourth hotel in mainland China that the Group operates or has under development. One previously announced project in Atlanta will now not proceed.

In 2011, the Group will benefit from branding fees following the completion of the 86 *Residences at Mandarin Oriental, London*, located in the *One Hyde Park* complex. In addition, a non-trading gain of approximately US$10 million will be recognized following the grant by the developer of *One Hyde Park* of a leasehold interest within the complex at no cost, allowing the Group to add new facilities to the hotel.

Mandarin Oriental, Paris will open this summer, under a long-term lease. Located on fashionable rue Saint-Honoré, the hotel has been designed to compete amongst the city's legendary palace hotels.

People

On behalf of the Board, I would like to express my appreciation to all employees throughout the Group for their exceptional commitment to excellent service delivery.

Outlook

Markets stabilized in 2010 and 2011 has begun well for Mandarin Oriental. While it is too early to anticipate the outcome for the year, over the medium term the Group should benefit from the strength of its brand, the limited new supply of hotel rooms in many of its key markets and the phased completion in coming years of hotels under development.

Simon Keswick
Chairman
3rd March 2011

Group Chief Executive's Review

Business strategy

Mandarin Oriental Hotel Group aims to be widely recognized as the best international luxury hotel group operating in sought-after destinations around the globe. An award-winning owner and operator of some of the world's most prestigious hotels and resorts, the Group continues to grow its global presence, with 26 hotels in operation and a further 16 under development. Together, this brings the total number of rooms to more than 10,000 in 27 countries.

Progress achieved

Continued recognition of the Mandarin Oriental brand internationally ensured that the Group benefited from the improvement in the global economy throughout 2010. The Group's financial performance was impacted positively as increased demand led to higher occupancies in almost every destination. This in turn allowed most hotels to raise their rates, although not yet back to the levels achieved in 2008. Performances were strong in Asia, particularly in Hong Kong, where corporate travel rebounded. Our hotels also benefited from the growing number of outbound leisure travellers from newer markets, particularly mainland China, which is now the Group's second largest source of business after the United States.

Cost control measures continued to be enforced across the portfolio. Nonetheless, all hotels ensured that the services and facilities they offered were of the highest quality, thereby maintaining or enhancing their competitive positions in their local marketplaces. The Group's global brand recognition was enhanced further with the opening of Mandarin Oriental, Macau in June 2010 and the announcements of three new management contracts for hotels under construction in Abu Dhabi, Doha and Shanghai. Mandarin Oriental's reputation for excellence continues to grow as more hotels open in key destinations, and this, combined with our financial strength, places the Group in a strong position to take advantage of opportunities for further growth.

Performance in 2010

Set out below is a review of the Group's performance in 2010, 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

The Group is increasingly recognized for delivering 21st century luxury with oriental charm. Each of our hotels ensures its position as one of the best in its market through a combination of tradition, quality and innovation, while the Group continues to invest behind our core brand attributes of creative hotel design and architecture, holistic spa operations, excellent dining experiences and guest-orientated technology. Above all, the delivery of legendary service to our guests remains at the core of everything we do.

The Group's increasing global recognition in 2010 is evidenced by the achievement of many significant awards from respected travel associations and publications worldwide. Highlights include *Condé Nast Traveler US* 'Readers' Choice Awards 2010' which featured 15 award nominations, and 'The World's Best' 2011 from *Travel + Leisure* which had nominations for seven of our hotels. The Group's growing brand awareness in mainland China was also recognized with both Mandarin Oriental, Hong Kong and The Landmark Mandarin Oriental, Hong Kong being listed in the prestigious 2010 *Hurun* 'Presidential Awards'. Eight hotels were nominated in the *Forbes Travel Guide* listing and 11 hotels appeared in the prestigious *Institutional Investor's* 'World's Best 2010' listings.

The Group's reputation for excellent dining experiences has been acknowledged further, with nine restaurants being honoured, and a total of 11 stars awarded, in the most recent 2011 *Michelin* guides, including three at Mandarin Oriental, Tokyo alone. Mandarin Oriental, Barcelona's signature restaurant *Moments*, was awarded one Michelin star; an outstanding achievement in its first year of operation. The Group has also announced further 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 2011 and beyond.

The Group's overall spa operations were also recognized in 2010 with Mandarin Oriental being nominated for the third year as 'Best Spa Brand' in *SpaFinder's* 2010 'Readers' Choice Awards'. In addition, Mandarin Oriental, Sanya was nominated 'Best Destination Spa' and Mandarin Oriental, Hong Kong received 'Best Hotel Spa' of the year in *SpaChina* magazine. The prestigious *Forbes* 'Five Star Spa' award has also been granted to a record six hotels, more than any other hotel group in the world.

Mandarin Oriental's newly opened hotels in Barcelona and Las Vegas achieved impressive accolades in their first full year of operation. In addition to the Michelin award, Mandarin Oriental, Barcelona was also recognized on the 'Hot List' in *Condé Nast Traveller UK* and was voted 'Best Business Hotel' by *Wallpaper* and *Fortune* magazines. Mandarin Oriental, Las Vegas was awarded 'Best Getaway Spa' and 'Best Luxury Spa' by *SpaFinder*, and did well to receive the prestigious 'Five Diamond Lodging Award' for 2011 from the *American Automobile Association (AAA).* Once again, Mandarin Oriental's hotels in New York, Boston and Riviera Maya, Mexico also achieved this exceptional rating. Mandarin Oriental, Macau, which opened in June 2010, is already attracting positive reviews and accolades, in particular for its design quality.

Mandarin Oriental's global recognition is further enhanced by the Group's award-winning international advertising campaign which features 20 celebrity 'fans', who regularly stay in our hotels. The Group welcomed three new celebrities to the campaign in 2010: singer and actor, Harry Connick Jr; French classical pianist, Hélène Grimaud and Chinese singer and songwriter, Sa Dingding.

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 exceptional services and amenities.

Group Chief Executive's Review *Continued*

2) Strengthening our competitive position

Critical to the success of the Group is the ability of our hotels to maintain or enhance their leadership positions against primary competitors in their individual markets. Strong brand recognition, combined with the strength of our hotel management teams, plus the added support provided by an established corporate structure, allows our properties to compete effectively and to achieve premium rates.

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 that are meaningful and of value. This is particularly relevant in today's environment where understated luxury is in demand and preferable to the conspicuous consumption of the pre-crisis years. Higher-spending leisure customers make up more than 40% of the Group's room nights, and across the portfolio, our hotels have witnessed a return in demand from our traditional markets. Our hotels have also experienced growth from newer markets where the Group has been increasing its investment in recent years. Mainland China now provides 11% of our total visitor arrivals, up from 4% in 2009.

Our position is further supported by limited new supply in many of the key markets in which we operate. A lack of suitable sites on which to build luxury hotels and the high costs associated with their construction, continues to enhance the competitive position of many of our properties.

Overall, the Group's profitability improved as a result of better conditions in all markets.

The highlights of each region are as follows:

Asia

The Group's strongest performance was in Asia, where our hotels were well placed to benefit from the improved economy, particularly in Hong Kong. As a result of increased demand in most markets, overall Revenue Per Available Room ('RevPAR') for Asia was up by 25% in US dollar terms on a like-for-like basis.

The Group's flagship, Mandarin Oriental, Hong Kong, benefited from improved city-wide activity and an increase in demand from the corporate segment, achieving a 38% increase in RevPAR over 2009. At the same time the hotel improved its competitive position in the market. Both Mandarin Oriental, Hong Kong and The Landmark Mandarin Oriental maintained their exceptional 'Five Star' rating in the *Forbes Travel Guide*; two of only five hotels in Hong Kong to achieve the highest rating.

Visitor arrivals at The Excelsior, Hong Kong have returned close to historical levels with occupancy back up to 86%. Average rates also increased, although they remain below 2008 levels. Overall the hotel achieved a 30% increase in RevPAR compared to 2009.

In Tokyo, the market became even more competitive with new supply in the luxury hotel segment. Despite this, Mandarin Oriental's excellent reputation amongst Japan's domestic leisure travellers resulted in higher occupancy levels and the hotel did well to increase its RevPAR by 11% in local currency terms. Importantly Mandarin Oriental, Tokyo was voted the 'Best Hotel in the World' in the 2010 *Institutional Investor's* survey.

Mandarin Oriental, Singapore took full advantage of strong economic conditions and growth in visitor arrivals to the city to increase its occupancy to 81% and improve its average rate. This resulted in a 31% increase in RevPAR in local currency terms.

Mandarin Oriental, Bangkok was impacted by the continuing political uncertainty, further exacerbated by the anti-government demonstrations that occurred in the first half of the year. The hotel, however, remains the market leader in the city. 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, our hotels took full advantage of the stronger demand with both Kuala Lumpur and Manila increasing their RevPAR in local currency terms by 11% and 10% respectively. After soft opening in October 2009 with a partial room inventory, Mandarin Oriental, Jakarta finalized the completion of its comprehensive US$50 million renovation during the second quarter of 2010. The hotel is building market share, but it will take time to stabilize in what remains a highly competitive environment.

Mandarin Oriental, Macau, which opened in June, is on track to establish itself as a leader in luxury hospitality in the territory.

Europe

In Europe, the Group's hotels were successful in maintaining or enhancing their competitive positions at the top of their markets and improved their performances despite the economic downturn. Consequently, overall RevPAR for Europe increased by 5% in US dollar terms on a like-for-like basis.

Mandarin Oriental Hyde Park, London experienced resilient demand, particularly from leisure travellers, with occupancy remaining high at 80%. Average rates in local currency terms increased by 4% over the previous year. The hotel benefited from the successful opening of *Bar Boulud* in May, a contemporary French bistro operated by celebrity chef Daniel Boulud, which received excellent reviews in the international media and was listed as 'The Best Restaurant' to open in London in the 2010 *Time Out* guide. Since January 2011, the hotel's facilities have been further enhanced with the highly acclaimed launch of Heston Blumenthal's first London operation, *Dinner*, as well as the completion of Mandarin Oriental's first *Residences* in London in the *One Hyde Park* project adjacent to the hotel.

The 86 *Residences at Mandarin Oriental, London* will generate a significant amount of branding fees for the Group in 2011. A gain of approximately US$10 million will also be recognized following the grant to the Group by the developer of *One Hyde Park* of a long-term leasehold interest within the complex at no cost. This space will be used primarily to add a swimming pool, an enhanced fitness centre and car parking to the hotel's existing guest facilities.

In Munich, our hotel maintained its position as the undisputed market leader in the city and benefited from strong demand in the high-end leisure market, resulting in a 29% increase in RevPAR over 2009 in local currency terms. Mandarin Oriental, Geneva maintained its competitive position and was able to increase average rates by 5% to CHF 720 as a result of improved corporate demand.

Mandarin Oriental, Barcelona has successfully positioned itself at the forefront of the city's luxury hotel market in its first full year of operation, with a strong average rate and solid occupancy levels. The hotel has been designated 'The Best New City Hotel in the World' in the annual *Tatler UK Travel Guide*.

The Americas

While the economic recovery was uneven across the region, most properties improved their performances when compared to 2009. Overall, the Group's RevPAR in this region increased by 16% in US dollar terms on a like-for-like basis.

Group Chief Executive's Review *Continued*

In Washington D.C., although occupancy increased to 61%, average rates were below last year's due to the competitive market environment for meetings and conventions in the city. The hotel remains well established as one of the city's most luxurious properties, and appeared in numerous reader surveys in prestigious US publications including *Institutional Investor's* 'World's Best 2010'.

Mandarin Oriental, New York performed strongly, particularly in the second half of the year as corporate and leisure travel to the city improved. Overall, the hotel increased its RevPAR by 22% when compared to 2009. The hotel's excellent positioning in this important destination was further reinforced by the retention of both the prestigious *Forbes* 'Five Star' rating and the *American Automobile Association's* 'Five Diamond Lodging Award'.

In Miami, while the market remains challenging, the hotel capitalized on increases in demand with occupancy at 65%, up from 56% last year. The hotel 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 once again received the *Forbes* 'Five Star' rating, and remains the only hotel in Florida to do so.

In other destinations, Mandarin Oriental, Boston performed strongly in a highly competitive environment, achieving a RevPAR increase of 41% over 2009. In Las Vegas, depressed market conditions resulted in lack of demand and significant pressure on average rates. Nonetheless, Mandarin Oriental has quickly established itself as the leading luxury hotel in the city, achieving international recognition and awards, including the *Forbes* 'Five Star' rating for its spa in its first full year of operation.

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

Mandarin Oriental should achieve its mid-term goal of operating 10,000 rooms in key global locations within the next few years. Moreover, the Group has achieved strong geographic diversification with a well balanced portfolio across the globe.

In June 2010, the Group successfully opened its 213-room luxury hotel in Macau, further establishing the brand's presence in this strategically important destination. Mandarin Oriental, Barcelona and Mandarin Oriental, Las Vegas, which both opened to great acclaim at the end of 2009, successfully completed their first full year of operation and have strengthened further the Group's brand recognition in southern Europe and on the west coast of the United States respectively. In 2011, the Group will add a new luxury property to its portfolio in the historic centre of Paris.

The Group announced three new projects over the course of 2010, all of which will be operated under long-term management contracts. In February, the Group announced a 160-room luxury hotel and 35 serviced apartments in Abu Dhabi, which is scheduled to open in 2014. This development will also feature 50 branded *Residences at Mandarin Oriental*. This was followed in June by the announcement of a second development in the Middle East, Mandarin Oriental, Doha in Qatar, which is also scheduled to complete in 2014 with 160 rooms and 95 serviced apartments. In October 2010, the Group announced a new luxury hotel currently under development in Pudong in Shanghai, which will open in 2013 with 362 rooms and 210 serviced apartments.

While some projects are experiencing delays, construction work in most of the Group's 16 hotel developments is progressing well. One previously announced project, in Atlanta, will no longer proceed.

In 2010, the Group's third *Residences* project was completed in Las Vegas, and in June 2010, *The Residences and Apartments at Mandarin Oriental, Macau* were announced. This project will be the first branded Mandarin Oriental residential concept in Asia when it opens in mid-2011. 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.

The potential for further growth remains significant and the Group continues to review opportunities for additional luxurious hotels and resorts in important or unique locations around the world. Mandarin Oriental is well positioned to invest in hotels in strategic locations that offer attractive returns, while at the same time Mandarin Oriental's strong brand continues to be compelling to luxury hotel developers. In fact, all 16 of the Group's announced projects, except for the leasehold interest in Paris, are long-term management contracts without equity participation, reflecting the brand's strength. 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 performance recovered in 2010, reflecting the improved performance across the Group, particularly in the owned hotels in Hong Kong. Branding fees received during the year from *Residences* projects in Taipei and Las Vegas also contributed to the Group's results. Excluding non-trading items, profit attributable to shareholders in 2010 was US$44 million compared to US$12 million in 2009.

The financial well being of the Group remains a critical factor in its continued success. Mandarin Oriental remains in a strong financial position with a low level of gearing and significant cash balances. There is no requirement for refinancing any of the Group's significant bank borrowings in 2011, and the investment required to complete Mandarin Oriental, Paris will be met from the Group's cash resources.

Reflecting the Group's strong financial position, the Board has recommended a final dividend of US¢3.00, which, when combined with the interim dividend of US¢2.00, makes a full year dividend of US¢5.00.

The future

Further improvement in demand for Mandarin Oriental's luxury hotels is dependent on a sustained recovery of the global economy. The Group, however, will benefit from its growing portfolio as new properties open and stabilize in sought-after destinations around the world.

With the credibility of the brand now firmly established, supported by our strong balance sheet, Mandarin Oriental is moving ever closer to its goal of being widely recognized as the best luxury hotel group in the world.

Edouard Ettedgui
Group Chief Executive
3rd March 2011

Operating Summary

There are 26 hotels in operation, but the operating summary includes only hotels in which the Group has an equity interest.

ASIA

Mandarin Oriental, Hong Kong 100% ownership

	2010	2009	% Change
Available rooms	**501**	501	0
Average occupancy (%)	**68**	56	21
Average room rate (US$)	**426**	374	14
RevPAR (US$)	**289**	210	38

The Excelsior, Hong Kong 100% ownership

	2010	2009	% Change
Available rooms	**886**	886	0
Average occupancy (%)	**86**	74	16
Average room rate (US$)	**171**	152	13
RevPAR (US$)	**147**	113	30

Mandarin Oriental, Tokyo long-term leasehold

	2010	2009	% Change
Available rooms	**178**	179	(1)
Average occupancy (%)	**64**	55	16
Average room rate (US$)	**536**	517	4
RevPAR (US$)	**341**	286	19

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

	2010	2009	% Change
Available rooms*	**272**	272	0
Average occupancy (%)	**46**	31	48
Average room rate (US$)	**141**	152	(7)
RevPAR (US$)	**64**	47	36

* 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

	2010	2009	% Change
Available rooms	**442**	442	0
Average occupancy (%)	**71**	64	11
Average room rate (US$)	**96**	92	4
RevPAR (US$)	**68**	59	15

Mandarin Oriental, Singapore 50% ownership

	2010	2009	% Change
Available rooms	**527**	527	0
Average occupancy (%)	**81**	69	17
Average room rate (US$)	**218**	185	18
RevPAR (US$)	**177**	127	39

Mandarin Oriental, Bangkok 44.9% ownership

	2010	2009	% Change
Available rooms	**393**	393	0
Average occupancy (%)	**40**	43	(7)
Average room rate (US$)	**325**	302	8
RevPAR (US$)	**131**	130	1

Mandarin Oriental, Kuala Lumpur 25% ownership

	2010	2009	% Change
Available rooms	**632**	632	0
Average occupancy (%)	**64**	54	19
Average room rate (US$)	**185**	182	2
RevPAR (US$)	**119**	98	21

EUROPE

Mandarin Oriental Hyde Park, London 100% ownership

	2010	2009	% Change
Available rooms	**189**	191	(1)
Average occupancy (%)	**80**	81	(1)
Average room rate (US$)	**720**	702	3
RevPAR (US$)	**578**	566	2

Mandarin Oriental, Munich 100% ownership

	2010	2009	% Change
Available rooms	**73**	73	0
Average occupancy (%)	**77**	70	10
Average room rate (US$)	**648**	584	11
RevPAR (US$)	**498**	408	22

Mandarin Oriental, Geneva 92.6% ownership

	2010	2009	% Change
Available rooms	**197**	197	0
Average occupancy (%)	**55**	56	(2)
Average room rate (US$)	**692**	634	9
RevPAR (US$)	**383**	356	8

THE AMERICAS

Mandarin Oriental, Washington D.C. 80% ownership

	2010	2009	% Change
Available rooms	**400**	400	0
Average occupancy (%)	**61**	53	15
Average room rate (US$)	**285**	308	(7)
RevPAR (US$)	**173**	164	5

Mandarin Oriental, New York 25% ownership

	2010	2009	% Change
Available rooms	**248**	248	0
Average occupancy (%)	**69**	62	11
Average room rate (US$)	**883**	808	9
RevPAR (US$)	**612**	503	22

Mandarin Oriental, Miami 25% ownership

	2010	2009	% Change
Available rooms	**326**	326	0
Average occupancy (%)	**65**	56	16
Average room rate (US$)	**293**	292	0
RevPAR (US$)	**189**	165	15

Development Portfolio

Mandarin Oriental Hotel Group currently has 16 hotels and 8 *Residences at Mandarin Oriental* under development.

Asia

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

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 Pudong, Shanghai
A 362-room hotel and 210 serviced apartments located in the Lujiazui central financial district in Pudong. The hotel will form part of 'Harbour City' a 25 hectare mixed-use development, with outstanding views of the city skyline and the Huangpu River.

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.

Europe, Middle East and Africa

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

Mandarin Oriental, Doha
A 160-room hotel and 95 serviced apartments located in Musheireb, adjacent to Doha's cultural gem, Souk Waqif, and the city's business centre in West Bay.

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

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

The Americas

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 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, 2010

Mandarin Oriental, Bangkok

Mandarin Oriental in Bangkok is one of those mythical hotels – a legend. The service is sophisticated, subdued and not overbearing.

The Wall Street Journal Europe, 2010

Sooner or later, as long-time guest David Puttnam says, everyone passes through the lobby here. The Oriental has the best location in the city – you really feel like you're at the beating heart of it – and the service simply sings.

Tatler, UK, 2010

Mandarin Oriental Dhara Dhevi, Chiang Mai

"A romantic and unique getaway," it's designed to look like an ancient Thai city:
"Once you pass through the gates, you're in nirvana."

Condé Nast Traveler, US, 2010

Mandarin Oriental, Hong Kong

Central's acupuncture point, with raised walkways connecting to major banks, business and shops. Peerless: confident, stylish and extremely refined.

Condé Nast Traveller, UK, 2010

The Landmark Mandarin Oriental, Hong Kong

The ultra luxury Landmark Mandarin Oriental Hotel is wonderfully located in Central district. Don't miss the hotel's spa, probably the best in Hong Kong.

Luxury Travel, 2010

Mandarin Oriental, Macau

Walking into the Mandarin's low-key lobby is a refreshing experience for the traveller in search of tranquility and sophistication.

South China Morning Post, 2010

Mandarin Oriental, Tokyo

Situated a quick meander away from Nihonbashi Bridge, the Mandarin Oriental is placed exactly where the traditional and modern worlds of this great city collide.

A truly spectacular hotel that seeks to enhance the experience of this city rather than provide an escape from it.

Quintessentially Online, 2010

Mandarin Oriental, Barcelona

Each of Mandarin Oriental Barcelona's 98 spacious rooms is a distinctly peaceful hideaway from the buzzing city below, while the Terrat rooftop terrace features a pool and cocktails with a spectacular skyline view.

Robb Report, 2010

This new outpost of the swish Mandarin Oriental chain only opened in 2009, but judging by the number of elegant Catalans gliding in and out, it has already become established as a place to see and be seen. The hotel scored top marks for comfort and service.

The Independent, UK, 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 with its "solid service", "spacious rooms", "first-class" cuisine and "enjoyable bar".

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

Mandarin Oriental Hyde Park, London

Mandarin Oriental Hyde Park is a glorious re-invention of the historic, Edwardian-style palace that has hosted the full gamut of British royalty since the turn of the 20th century. Mandarin Oriental saved the British high tea in big hats vibe and added 100 million dollars of modernity to achieve a proverbial yet often unattainable equilibrium of old meets new.

Mark's List, 2010

Mandarin Oriental, Prague

"On a quiet Street" under Castle Hill, this hotel "incorporates a fourteenth-century monastery." Perfect-scoring "luxurious modern rooms" have parquet floors and vaulted ceilings. The glass-floored spa, set about Gothic ruins, offers "excellent and in-expensive services."

Condé Nast Traveler, US, 2010

Mandarin Oriental, Las Vegas

This a discreet and refined hotel with an almost boutique feel. The rooms, which are wonderfully calm; the spa, likewise, but even more so; and the superb public areas, where lofty, airy spaces and vast picture windows offer breathtaking views over the city.

The Sunday Telegraph, 2010

As the most luxurious, non-gaming hotel in CityCenter, the 47-storey Mandarin Oriental brings new aesthetics and expectations to hospitality. Service was prompt, personal and attuned to privacy.

The LA Times, US, 2010

Mandarin Oriental, Miami

This curved tower on a private key is "away from Miami's wild nightlife." Contemporary, mostly white rooms are "very spa-like," set off by dark woods and bursts of color, and the water views are "the best feature by far."

Condé Nast Traveler, US, 2010

Mandarin Oriental, New York

Superb facilities and a view of Central Park – a truly glamorous respite.

The Times, 2010

Mandarin Oriental Riviera Maya, Mexico

This fabulous tropical hideaway blends luxury and beauty. Overlooking the Caribbean Sea and set around a sacred lake, it is the ultimate holistic escape.

Harper's Bazaar, UK, 2010

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').

In 2010, the Group's accounting policy in respect of its freehold land and buildings and the building component of owner-occupied leasehold properties was revised to the cost model, under which these assets are carried at cost less any accumulated depreciation and impairment. Previously, these assets were stated at valuation. This change harmonizes the treatment of land and buildings, both freehold and leasehold, and aligns the Group's accounting policy with industry practice, enhancing the comparability of the Group's financial statements with those of its international peers. This change in accounting policy has been accounted for retrospectively and as a result, the 2009 financial statements have been restated.

During the year, the Group also adopted IAS 17 (amendment) 'Leases', in which 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. As a result, certain land use rights amounting to US$184 million, previously included under intangible assets, have been reclassified as tangible assets.

Apart from the above changes, the accounting policies adopted are consistent with those of the previous year, except that the Group has adopted several amendments and interpretations to IFRS effective on 1st January 2010, as more fully detailed in the 'Basis of preparation' note in the financial statements. The adoption of these 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 ventures is shown below:

	2010 US$m	2009 US$m
Subsidiaries	**109.5**	68.5
Associates and joint ventures	**26.9**	19.0
Total EBITDA before provisions for asset impairment	**136.4**	87.5
Less provisions against asset impairment	**–**	(9.9)
Total EBITDA	**136.4**	77.6

Subsidiaries

	2010 US$m	2009 US$m
EBITDA from subsidiaries before provisions for asset impairment	**109.5**	68.5
Less provisions for asset impairment against managed hotels	**–**	(4.2)
EBITDA from subsidiaries	**109.5**	64.3
Less depreciation and amortization expenses	**(44.6)**	(40.7)
Operating profit	**64.9**	23.6

Financial Review *Continued*

Subsidiaries *continued*

In 2010, EBITDA from subsidiaries before provisions for asset impairment increased by US$41.0 million or 60%, to US$109.5 million from US$68.5 million in 2009.

In Hong Kong, Mandarin Oriental and The Excelsior, improved their operating performance in 2010, increasing revenue per available room ('RevPAR') by 38% and 30%, respectively. These increases, combined with a 21% increase in food and beverage revenues at Mandarin Oriental, Hong Kong resulted in a 36% increase in the combined contribution from both Hong Kong hotels in 2010. Elsewhere in Asia, Tokyo's contribution benefited from an increase in occupancy levels and the strength of the Japanese yen, which improved results when translated into US dollars. The contribution from Manila was in line with 2009, while the Jakarta hotel will take time to stabilize following completion of its comprehensive renovation in the second quarter of 2010.

In Europe, the London hotel was able to increase room revenue, although its contribution fell by 6%, principally due to the loss of business following the volcanic ash cloud in April and the pre-opening costs associated with the two new restaurants. Munich and Geneva's contribution increased by 66% and 33%, respectively, in 2010 due to strong demand from corporate and leisure customers. During the year, US$2.1 million was spent on pre-opening expenses for the new Paris hotel.

In The Americas, the contribution from the Group's hotel in Washington D.C. improved by 41%, reflecting the increase in occupancy levels, although pressure on rates was a limiting factor.

The contribution from management activities was US$18.1 million in 2010, an increase of US$15.0 million when compared to 2009. The combined revenue of the Group (including associate, joint venture and managed hotels), on which management fees are largely based, increased by 22% to US$1,025.5 million in 2010 from US$838.3 million in 2009. Management activities also benefited from the year-on-year increase in branding fees received following the sales of *The Residences at Mandarin Oriental* in Taipei. Branding fees from the Group's *Residences* project in Las Vegas were also recognized in 2010.

Depreciation and amortization expenses were US$44.6 million for 2010, up from US$40.7 million in 2009.

Associates and joint ventures

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

	2010 US$m	2009 US$m
EBITDA before provision against asset impairment	**26.9**	19.0
Less provision against asset impairment in respect of a managed hotel	**–**	(5.7)
EBITDA from associates and joint ventures	**26.9**	13.3
Less depreciation and amortization expenses	**(11.1)**	(10.3)
Operating profit	**15.8**	3.0
Less net financing charges	**(6.4)**	(6.5)
tax	**(5.1)**	(1.3)
Share of results of associates and joint ventures	**4.3**	(4.8)

The contribution from all hotels where the Group has an associate interest increased in 2010. In total, the Group's share of EBITDA from associates and joint ventures before provision against asset impairment increased by US$7.9 million, or 42%, to US$26.9 million in 2010.

The contribution from the Group's 50%-owned hotel in Singapore increased by 48% in 2010, due primarily to an improvement in RevPAR. Despite difficult market conditions, the contribution from Bangkok increased by 10% as the hotel successfully managed to reduce costs in light of reduced demand attributable to the ongoing political uncertainty in Thailand. Kuala Lumpur was also able to increase its contribution during the year by 40%. The contribution from these three hotels was further enhanced in 2010 due to the appreciation of their local currencies in comparison to the US dollar.

In The Americas, the Group's 25%-owned hotel in New York had a good year, particularly in the second half leading to a significantly improved contribution in 2010. Miami's contribution improved marginally from 2009 as the hotel continued to be impacted by the oversupply of hotel rooms in the city.

Depreciation and amortization expenses from associates and joint ventures were US$11.1 million in 2010, up from US$10.3 million in 2009. The Group's share of net financing charges from associates and joint ventures was US$6.4 million in 2010, largely in line with 2009. The 2010 tax charge of US$5.1 million increased by US$3.8 million, due primarily to a reversal of a tax asset in Bangkok and an increase in the tax charge in Singapore due to higher profits.

Gain on disposal of joint venture

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

Net financing charges

Net financing charges for the Group's subsidiaries decreased to US$13.1 million in 2010 from US$15.2 million in 2009. This is principally due to the reduction in debt following the repayment of a US$87 million loan in Washington D.C., partially offset by a reduction in interest received on cash balances as deposit rates fell by more than borrowing rates.

Financial Review *Continued*

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 2010 calculated as EBITDA (including the Group's share of EBITDA from associates and joint ventures) over net financing charges (including the Group's share of net financing charges from associates and joint ventures), was 7.0 times compared with 4.0 times in 2009.

Tax

The tax charge for 2010 was US$12.0 million compared to US$1.1 million in 2009. The higher tax charge is largely attributable to the improved operating performance. In 2009, the tax charge was also lower as the Group recognized US$5.0 million of current tax assets on losses arising in the year, and received US$2.9 million of tax refunds relating to prior years, both principally in relation to the United States.

The underlying effective tax rate for the year was 24%, broadly in line with the 2009 rate of 25%.

Cash flow

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

	2010 US$m	2009 US$m
Operating activities	**114**	81
Investing activities: ▪ Capital expenditure on existing properties	**(44)**	(51)
▪ Investment in Paris	**(28)**	–
▪ Purchase of intangible assets	**(3)**	(4)
▪ Investments in and loans to associates	**(3)**	(4)
▪ Net proceeds on disposal of Macau hotel	**–**	90
▪ Hotel mezzanine funding	**(3)**	(1)
▪ Other	**–**	(1)
Financing activities: ▪ Issue of shares	**7**	3
▪ Drawdown of borrowings	**25**	12
▪ Repayment of borrowings	**(125)**	(11)
▪ Dividends paid	**(69)**	(69)
▪ Other	**1**	1
Net (decrease)/increase in cash and cash equivalents	**(128)**	46
Cash and cash equivalents at 1st January	**561**	515
Cash and cash equivalents at 31st December	**433**	561

The cash flows from operating activities rose to US$114 million in 2010, compared to US$81 million in 2009, mainly due to the strong operating performance of the Group's hotels and an increase in management and branding fees received. Operating activities also benefited in both years from tax refunds in respect of the Group's operations in the United States, although the refund in 2009 was more significant.

Under investing activities, capital expenditure on existing properties totalled US$44 million, compared with US$51 million in 2009. During the year, the London hotel spent US$18 million on new facilities, principally creating two new restaurants and refurbishing its Royal Suite. Also included within this amount were preliminary works to integrate *The Residences at Mandarin Oriental, London*, adjacent to the hotel. Ongoing asset improvements across the portfolio accounted for the balance of capital expenditure incurred, including US$5 million to complete the renovation of Mandarin Oriental, Jakarta.

In 2011, approximately US$20 million will be incurred by the London hotel as it continues to enhance its facilities and adds a swimming pool and fitness centre in new leasehold space in *One Hyde Park*, which is connected to the hotel. This long-term leasehold interest, valued at approximately US$10 million, has been granted to the Group by the developer of *One Hyde Park* at no cost and will be recognized as a non-trading gain in the 2011 financial statements.

The Group's total investment in the new Paris hotel is approximately US$70 million, of which US$62 million will be capitalized and US$8 million will be charged to profit and loss as pre-opening expenses as outlined below:

	2009 and before US$m	**2010 US$m**	2011 US$m	**Total US$m**
Leasehold improvements and furniture & equipment	8	**28**	26	**62**
Pre-opening expenses (charged to profit and loss)	–	**2**	6	**8**
Total Investment in Paris	8	**30**	32	**70**

US$28 million was capitalized in 2010 and a further US$2 million of pre-opening expenses was charged to profit and loss and is included under operating activities. A further US$32 million is expected to be incurred in 2011 to finish the hotel and prepare it for opening.

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

In 2010, the Group made US$3 million (2009: US$4 million) in aggregate of investments in, and loans to, associate hotels in Miami and New York.

In 2010, the Group provided US$3 million (2009: US$1 million) in respect of loans to the owners of managed hotels.

Dividends

The Board is recommending a final dividend of US¢3.00 per share for a full-year dividend of US¢5.00 per share (2009: US¢7.00 per share). No scrip alternative is being offered in respect of the dividend. The final dividend is payable on 18th May 2011 to shareholders on the register of members at the close of business on 18th March 2011.

Supplementary information

Although the Group has revised its accounting policy to the cost model in respect of its freehold land and buildings and the building component of owner-occupied leasehold properties, the Directors continue to review their fair market values in conjunction with an independent appraiser on an annual basis. The fair market value of both freehold and leasehold land and buildings is used by the Group to calculate adjusted net assets, which the Directors believe gives important supplementary information regarding net asset value per share and gearing as outlined below:

	2010		2009 (restated)	
	US$m	**Per share US$**	US$m	Per share US$
Shareholders' funds/net assets at amortized cost	**899**	**0.90**	911	0.92
Add surplus for fair market value of freehold and leasehold land and buildings	**1,416**	**1.43**	1,238	1.26
Adjusted shareholders' funds/net assets	**2,315**	**2.33**	2,149	2.18

On IFRS basis, the Group's consolidated net debt of US$144 million at 31st December 2010 was 16% of shareholders' funds, compared with consolidated net debt of US$116 million at 31st December 2009 which was 13% of shareholders' funds. Taking into account the fair market value of the Group's interests in freehold and leasehold land, gearing was 6% of adjusted shareholders' funds at 31st December 2010, compared with 5% at 31st December 2009.

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 45% 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 2010, the Group's net assets were denominated in the following currencies:

	Net assets		Adjusted net assets*	
	US$m	%	US$m	%
Hong Kong dollar	22	2	1,229	53
United States dollar	474	53	503	22
United Kingdom sterling	83	9	130	6
Euro	97	11	105	5
Singapore dollar	41	5	98	4
Swiss franc	84	9	94	4
Thai baht	19	2	69	3
Others	79	9	87	3
	899	100	2,315	100

* see supplementary information section above

Included on the Group's consolidated balance sheet is cash at bank of US$433.5 million (2009: US$561.6 million) which, after the deduction of US$0.4 million (2009: US$0.4 million) of bank overdraft facilities, is shown in the Group's consolidated cash flow as cash and cash equivalents of US$433.1 million (2009: US$561.2 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 ventures, had committed borrowing facilities totaling US$715 million, of which US$577 million was drawn at 31st December 2010. The principal amounts due for repayment are as follows:

	Facilities committed US$m	Facilities drawn US$m	Unused facilities US$m
Within one year	39	3	36
Between one and two years	4	4	–
Between two and three years	11	11	–
Between three and four years	623	524	99
Between four and five years	32	29	3
Beyond five years	6	6	–
	715	577	138

At 31st December 2010, the Group had US$138 million of committed, undrawn facilities in addition to its net cash balances of US$433 million. The average tenor of the Group's borrowings was 3.7 years (2009: 4.0 years).

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 88 and 89.

Stuart Dickie
Chief Financial Officer
3rd March 2011

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 member of the Commission on Strategic Development, a member of the Committee on Strategic Enhancement of Hong Kong as an International Financial Centre, a vice president of The Real Estate Developers Association of Hong Kong, a council member of the Employers' Federation of Hong Kong, a Hong Kong representative to the APEC Business Advisory Council and a member of Chongqing Mayor's International Economic Advisory Council. He is also chairman of The Sailors Home and Missions to Seamen in Hong Kong.

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 in 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 and Bridgeport Energy.

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 Holding, 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 and Jardine Cycle & Carriage.

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 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 2010

	Note	2010 Underlying US$m	2010 Non-trading items US$m	2010 Total US$m	2009 Underlying US$m (restated)	2009 Non-trading items US$m (restated)	2009 Total US$m (restated)
Revenue	1	**513.2**	**–**	**513.2**	438.0	–	438.0
Cost of sales		**(326.6)**	**–**	**(326.6)**	(298.1)	–	(298.1)
Gross profit		**186.6**	**–**	**186.6**	139.9	–	139.9
Selling and distribution costs		**(35.9)**	**–**	**(35.9)**	(33.6)	–	(33.6)
Administration expenses		**(85.8)**	**–**	**(85.8)**	(78.5)	(4.2)	(82.7)
Operating profit	2	**64.9**	**–**	**64.9**	27.8	(4.2)	23.6
Financing charges		**(14.8)**	**–**	**(14.8)**	(19.1)	–	(19.1)
Interest income		**1.7**	**–**	**1.7**	3.9	–	3.9
Net financing charges	3	**(13.1)**	**–**	**(13.1)**	(15.2)	–	(15.2)
Share of results of associates and joint ventures	4	**4.3**	**–**	**4.3**	0.9	(5.7)	(4.8)
Gain on disposal of joint venture	5	**–**	**–**	**–**	–	80.8	80.8
Profit before tax		**56.1**	**–**	**56.1**	13.5	70.9	84.4
Tax	6	**(12.0)**	**–**	**(12.0)**	(1.1)	–	(1.1)
Profit after tax		**44.1**	**–**	**44.1**	12.4	70.9	83.3
Attributable to:							
Shareholders of the Company		**44.4**	**–**	**44.4**	12.5	70.9	83.4
Minority interests		**(0.3)**	**–**	**(0.3)**	(0.1)	–	(0.1)
		44.1	**–**	**44.1**	12.4	70.9	83.3

	Note	2010 US¢	2009 US¢
Earnings per share	7		
– basic		**4.48**	8.47
– diluted		**4.46**	8.43

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2010

	Note	2010 US$m	2009 US$m (restated)
Profit for the year		**44.1**	83.3
Other comprehensive income			
Actuarial gains on employee benefit plans		**2.6**	8.7
Net exchange translation differences		**(4.6)**	15.7
Fair value (losses)/gains on cash flow hedges		**(4.2)**	7.2
Share of other comprehensive income of associates		**8.2**	2.2
Tax relating to components of other comprehensive income	6	**0.3**	(2.8)
Other comprehensive income for the year		**2.3**	31.0
Total comprehensive income for the year		**46.4**	114.3
Attributable to:			
Shareholders of the Company		**46.1**	114.5
Minority interests		**0.3**	(0.2)
		46.4	114.3

Consolidated Balance Sheet

as at 31st December 2010

	Note	At 31st December 2010 US$m	2009 US$m (restated)	At 1st January 2009 US$m (restated)
Net assets				
Intangible assets	9	**67.4**	46.9	46.4
Tangible assets	10	**985.6**	976.6	936.5
Associates and joint ventures	11	**77.9**	68.4	84.7
Other investments		**4.9**	4.3	3.9
Loans receivable	12	**4.7**	3.1	4.8
Pension assets	13	**19.3**	16.5	6.6
Deferred tax assets	14	**15.0**	15.5	16.5
Non-current assets		**1,174.8**	1,131.3	1,099.4
Stocks		**4.4**	4.2	4.1
Debtors and prepayments	15	**59.2**	57.5	61.3
Current tax assets		**0.3**	6.8	15.2
Cash at bank	16	**433.5**	561.6	514.9
Current assets		**497.4**	630.1	595.5
Creditors and accruals	17	**(101.9)**	(91.5)	(92.9)
Current borrowings	18	**(3.3)**	(120.2)	(7.4)
Current tax liabilities		**(6.9)**	(4.9)	(5.2)
Current liabilities		**(112.1)**	(216.6)	(105.5)
Net current assets		**385.3**	413.5	490.0
Long-term borrowings	18	**(574.5)**	(557.1)	(653.9)
Deferred tax liabilities	14	**(64.1)**	(58.9)	(52.7)
Pension liabilities	13	**(0.1)**	(0.5)	–
Other non-current liabilities	26	**(17.5)**	(12.7)	(19.2)
		903.9	915.6	863.6
Total equity				
Share capital	21	**49.8**	49.4	49.2
Share premium	22	**178.3**	171.3	168.9
Revenue and other reserves		**671.2**	690.6	641.0
Shareholders' funds		**899.3**	911.3	859.1
Minority interests		**4.6**	4.3	4.5
		903.9	915.6	863.6

Approved by the Board of Directors

A J L Nightingale
Edouard Ettedgui
Directors
3rd March 2011

Consolidated Statement of Changes in Equity

for the year ended 31st December 2010

	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$m	Attributable to shareholders of the Company US$m	Attributable to minority interests US$m	Total equity US$m
2010										
At 1st January										
– as previously reported	49.4	171.3	272.4	436.8	182.5	(10.7)	(73.2)	1,028.5	4.5	**1,033.0**
– change in accounting policy for owner-occupied properties	–	–	–	6.0	(182.5)	–	59.3	(117.2)	(0.2)	**(117.4)**
– as restated	49.4	171.3	272.4	442.8	–	(10.7)	(13.9)	911.3	4.3	**915.6**
Total comprehensive income	–	–	–	46.8	–	(3.8)	3.1	46.1	0.3	**46.4**
Dividends paid by the Company	–	–	–	(69.2)	–	–	–	(69.2)	–	**(69.2)**
Issue of shares	0.4	7.0	–	–	–	–	–	7.4	–	**7.4**
Employee share option schemes	–	–	3.7	–	–	–	–	3.7	–	**3.7**
At 31st December	**49.8**	**178.3**	**276.1**	**420.4**	**–**	**(14.5)**	**(10.8)**	**899.3**	**4.6**	**903.9**
2009										
At 1st January										
– as previously reported	49.2	168.9	268.4	415.5	220.0	(16.3)	(99.3)	1,006.4	5.1	1,011.5
– change in accounting policy for owner-occupied properties	–	–	–	5.4	(220.0)	–	67.3	(147.3)	(0.6)	(147.9)
– as restated	49.2	168.9	268.4	420.9	–	(16.3)	(32.0)	859.1	4.5	863.6
Total comprehensive income	–	–	–	90.8	–	5.6	18.1	114.5	(0.2)	114.3
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
At 31st December	49.4	171.3	272.4	442.8	–	(10.7)	(13.9)	911.3	4.3	915.6

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US$44.4 million (2009: US$83.4 million), actuarial gains on employee benefit plans of US$2.3 million (2009: US$7.4 million) and deferred tax on fair value losses on revaluation of other investments of US$0.1 million (2009: nil).

Consolidated Cash Flow Statement

for the year ended 31st December 2010

	Note	2010 US$m	2009 US$m (restated)
Operating activities			
Operating profit	2	**64.9**	23.6
Depreciation	10	**42.2**	39.0
Amortization of intangible assets	9	**2.4**	1.7
Non-cash items	25a	**4.3**	10.8
Movements in working capital	25b	**5.2**	(0.2)
Interest received		**1.7**	4.0
Interest and other financing charges paid		**(13.8)**	(18.1)
Tax (paid)/refunded		**1.0**	10.6
		107.9	71.4
Dividends from associates and joint ventures		**6.3**	9.9
Cash flows from operating activities		**114.2**	81.3
Investing activities			
Purchase of tangible assets		**(50.5)**	(51.0)
Purchase of intangible assets		**(24.2)**	(4.3)
Investments in and loans to associates	25c	**(3.3)**	(4.2)
Advance of mezzanine loans		**(2.8)**	(1.3)
Purchase of other investments		**(0.6)**	(0.3)
Proceeds on disposal of joint venture	25d	**–**	90.0
Cash flows from investing activities		**(81.4)**	28.9
Financing activities			
Issue of shares		**7.4**	2.7
Drawdown of borrowings		**25.2**	11.9
Repayment of borrowings		**(125.0)**	(11.0)
Dividends paid by the Company	24	**(69.2)**	(68.9)
Cash flows from financing activities		**(161.6)**	(65.3)
Effect of exchange rate changes		**0.7**	1.6
Net (decrease)/increase in cash and cash equivalents		**(128.1)**	46.5
Cash and cash equivalents at 1st January		**561.2**	514.7
Cash and cash equivalents at 31st December	25e	**433.1**	561.2

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.

Previously, the Group's freehold land and buildings, and the building component of owner-occupied leasehold properties were stated at valuation. Independent valuations were 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. In the intervening years, the Directors reviewed the carrying values and adjustments were made where there were material changes. Revaluation surpluses and deficits were recognized in other comprehensive income and accumulated in equity under asset revaluation reserves, except for movements on individual properties below depreciated cost which were recognized in profit and loss. Leasehold land was carried at amortized cost.

With effect from 1st January 2010, the Group revised its accounting policy in respect of its freehold land and buildings and the building component of owner-occupied leasehold properties to the cost model, under which these assets are carried at cost less any accumulated depreciation and impairment. This change harmonizes the treatment of land and buildings, both freehold and leasehold, and aligns the Group's accounting policy with industry practice, enhancing the comparability of the Group's financial statements with those of its international peers. The Directors believe that the new policy provides reliable and more relevant financial information to the users of the financial statements.

This change in accounting policy has been accounted for retrospectively, and the comparative financial statements have been restated.

i) Standards, amendments and interpretations effective in 2010 which are relevant to the Group's operations

Amendments to IFRS 2	Group Cash-settled Share-based Payment Transactions
Amendment to IAS 39	Eligible Hedged Items
Improvements to IFRSs (2009)	

IAS 17 (amendment) 'Leases' (which is part of the 2009 improvement project) 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. Previously, the Group's leasehold land was included under land use rights in intangible assets and stated at cost less accumulated amortization. In accordance with the amendment, certain long-term interests in leasehold land have been classified as finance leases and grouped under tangible assets if substantially all risks and rewards relating to the land have been transferred to the Group. The amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases. There is no impact on the consolidated profit and loss account on the adoption of IAS 17 (amendment).

The adoption of the following standards, amendments and interpretations does not have a material impact on the Group's accounting policies.

A Basis of preparation *continued*

i) Standards, amendments and interpretations effective in 2010 which are relevant to the Group's operations continued

The amendments to IFRS 2 'Group Cash-settled Share-based Payment Transactions' incorporate the guidance provided in IFRIC 8 'Scope of IFRS 2' and IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' and expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

The amendment to IAS 39 'Eligible Hedged Items' gives additional guidance on the designation of a hedged item and how hedged accounting should be applied in particular situations.

IFRS 5 (amendment) 'Non-current Assets Held for Sale and Discontinued Operations' is part of the 2009 improvement project. It clarifies that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale of discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

IAS 1 (amendment) 'Presentation of Financial Statements' is part of the 2009 improvement project. It clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

IAS 36 (amendment) 'Impairment of Assets' is part of the 2009 improvement project. It clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8.

IFRIC 16 (amendment) 'Hedges of a Net Investment in a Foreign Operation' is part of the 2009 improvement project. It states that in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

A Basis of preparation *continued*

Effects of change in accounting policies:

On the consolidated profit and loss account for the year ended 31st December
There is no material impact on the consolidated profit and loss account arising from the change in accounting policy to the cost model.

On the consolidated balance sheet at 31st December

	Increase/(decrease) in net assets				Decrease in total equity	
	Intangible assets US$m	Tangible assets US$m	Associates and joint ventures US$m	Deferred tax liailities US$m	Revenue and other reserves US$m	Minority interests US$m
2010						
Effect of:						
Change to cost model for owner-occupied properties	–	(105)	(70)	33	(139)	(3)
Adopting IAS 17 (amendment)	(184)	184	–	–	–	–
Total	**(184)**	**79**	**(70)**	**33**	**(139)**	**(3)**
2009						
Effect of:						
Change to cost model for owner-occupied properties	–	(89)	(55)	27	(117)	–
Adopting IAS 17 (amendment)	(185)	185	–	–	–	–
Total	(185)	96	(55)	27	(117)	–
2008						
Effect of:						
Change to cost model for owner-occupied properties	–	(110)	(71)	33	(147)	(1)
Adopting IAS 17 (amendment)	(186)	186	–	–	–	–
Total	(186)	76	(71)	33	(147)	(1)

Principal Accounting Policies *Continued*

A Basis of preparation *continued*

ii) Standards, amendments and interpretations effective after 2010 which are relevant to the Group's operations and yet to be adopted

IFRS 9	Financial Instruments
Revised IAS 24	Related Party Disclosures
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs (2010)	

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. IFRS 9 is likely to affect the Group's accounting for its financial assets. The Group will apply IFRS 9 from 1st January 2013 and is yet to assess IFRS 9's full impact.

Revised 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.

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, but it is not expected to have any significant impact on the results of the Group.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective from 1st July 2010) provides guidance on the application of IAS 39 and IAS 32 when an entity issues its own equity instruments to extinguish all or part of a financial liability. The Group will apply IFRIC 19 from 1st January 2011 and is in the process of making an assessment of the impact of this interpretation.

The Improvements to IFRSs (2010) comprise a number of non-urgent but necessary amendments to IFRSs. The amendments which are relevant to the Group's operations include IFRS 3 (amendments) 'Business Combinations', IFRS 7 (amendments) 'Financial Instruments: Disclosures', IAS 1 (amendments) 'Presentation of Financial Statements', and IAS 34 (amendments) 'Interim Financial Reporting'. The adoption of these amendments is not expected to have any significant impact on the results of the Group.

IFRS 3 (amendments) 'Business Combinations' (effective from 1st July 2010) clarify the transition requirements for contingent consideration from business combination that occurred before the effective date of the revised IFRS, the measurement of non-controlling interests and un-replaced and voluntarily replaced share-based payment awards. The Group will apply the amendments from 1st January 2011.

IFRS 7 (amendments) 'Financial Instruments: Disclosures' (effective from 1st January 2011) emphasize the interaction between qualitative and quantitative disclosures and the nature and extent of risks associated with financial instruments. The Group will apply the amendments from 1st January 2011.

IAS 1 (amendments) 'Presentation of Financial Statements' (effective from 1st January 2011) clarify that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group will apply the amendments from 1st January 2011.

A Basis of preparation *continued*

ii) Standards, amendments and interpretations effective after 2010 which are relevant to the Group's operations and yet to be adopted continued

IAS 34 (amendments) 'Interim Financial Reporting' (effective from 1st January 2011) provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The Group will apply the amendments from 1st January 2011.

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.

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

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.

Principal Accounting Policies *Continued*

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 available for sale 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) Leasehold land represents payments to third parties to acquire short-term interests in owner-occupied property. These payments are stated at cost and are amortized over the useful life of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

E Intangible assets *continued*

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 cost less any accumulated depreciation and impairment. Long-term interests in leasehold land are classified as finance leases and grouped under tangible assets if substantially all risks and rewards relating to the land have been transferred to the Group, and are amortized over the useful life of the lease. Grants related to tangible assets are deducted in arriving at the carrying amount of the assets. Other tangible fixed assets are stated at cost less amounts provided for depreciation.

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
Surfaces, finishes and services	20 years to 30 years
Leasehold improvements	10 years
Leasehold land	over the respective lease term
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 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.

Principal Accounting Policies *Continued*

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.

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. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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 qualify 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. 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. 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 2010 are disclosed in note 26.

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 2010, if the United States dollar had strengthened/weakened by 10% against Euro with all other variables unchanged, the Group's profit after tax and total equity would have been US$0.5 million lower/higher, arising from foreign exchange losses/gains taken on translation. In 2009, the movement of the Indonesian Rupiah has impacted the Group's profit after tax. 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. This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. 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 2010 that are denominated in a currency that is not the 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 three to seven years. At 31st December 2010 the Group's interest rate hedging ratio of gross debt was 45% (2009: 43%), with an average tenor of 4.3 years (2009: 4.0 years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 18.

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 2010, 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$1.0 million (2009: US$1.1 million) higher/lower, and hedging reserves would have been US$7.0 million (2009: US$5.6 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 2010, cash balances with banks and financial institutions amounted to US$433 million (2009: US$561 million), of which over 99% (2009: over 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 2010, there was no positive fair value of derivative financial instruments (2009: 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$59.2 million (2009: US$57.5 million). The Group has no exposure to credit risk arising from exposure to derivative financial instruments with a positive fair value (2009: nil). The Group's exposure to credit risk arising from bank balances totals US$433 million (2009: US$561 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 2010, total available borrowing facilities amounted to US$715 million (2009: US$807 million) of which US$577 million (2009: US$677 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US$138 million (2009: US$130 million) in addition to its cash balances of US$433 million (2009: US$561 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 17, 18 and 26.

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 ventures) divided by net financing charges. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2010 and 2009 based on IFRS balance sheets are as follows:

	2010	2009
Gearing ratio	**16%**	13%
Interest cover	**5.3**	1.9

The increase in gearing for the year ended 2010 was due to higher net debt. The increase in interest cover for the year as compared to 2009 was primarily due to the improved financial performance of the Group and decrease in borrowings.

C Fair value estimation

The fair values of listed investments are 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 values of interest rate swaps and caps are 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 values of forward foreign exchange contracts are 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 Tangible fixed assets and depreciation

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.

C 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.

Provision of deferred tax follows the way management expects to recover or settle the carrying amount of the related assets or liabilities, which the management may expect to recover through use, sale or combination of both. Accordingly, deferred tax will be calculated at income tax rate, capital gains tax rate or combination of both.

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.

D 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.

E 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

	2010 US$m	2009 US$m
Analysis by geographical area		
– Hong Kong and Macau	**204.4**	163.6
– Other Asia	**122.9**	101.4
– Europe	**126.5**	118.1
– The Americas	**59.4**	54.9
	513.2	438.0
Analysis by activity		
– Hotel ownership	**487.3**	421.0
– Hotel management	**52.3**	38.7
– Less: Intra-segment revenue	**(26.4)**	(21.7)
	513.2	438.0

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 20.

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

	2010 US$m	2009 US$m
Analysis by geographical area		
– Hong Kong and Macau	**67.2**	45.8
– Other Asia	**12.8**	3.7
– Europe	**26.2**	26.3
– The Americas	**3.3**	(7.3)
EBITDA from subsidiaries before provisions against asset impairment	**109.5**	68.5
Less provisions against asset impairment (refer note 8)		
– Europe	**–**	(0.8)
– The Americas	**–**	(3.4)
EBITDA from subsidiaries	**109.5**	64.3
Less depreciation and amortization	**(44.6)**	(40.7)
Operating profit	**64.9**	23.6
Analysis by activity		
– Hotel ownership	**91.4**	61.2
– Hotel management	**18.1**	3.1
EBITDA from subsidiaries	**109.5**	64.3
– Hotel ownership	**48.7**	22.3
– Hotel management	**16.2**	1.3
Operating profit	**64.9**	23.6
The following items have been (credited)/charged in arriving at operating profit:		
Rental income	**(10.1)**	(10.0)
Interest income from mezzanine loans	**(0.5)**	(0.3)
Depreciation of tangible assets (refer note 10)	**42.2**	39.0
Amortization of intangible assets (refer note 9)	**2.4**	1.7
Operating lease payments	**16.9**	15.2
Provisions against asset impairment (refer note 8)	**–**	4.2
Employee benefit expense		
– Salaries and benefits in kind	**189.2**	176.7
– Defined benefit pension costs (refer note 13)	**1.7**	2.8
– Defined contribution pension costs	**0.6**	0.5
– Share-based payments	**3.7**	4.0
	195.2	184.0
Net foreign exchange loss/(gain)	**0.3**	(2.5)

Notes to the Financial Statements *Continued*

3 Net financing charges

	2010 US$m	2009 US$m
Interest income	**1.7**	3.9
Interest expense		
– Bank loans	**(14.0)**	(18.3)
Commitment and other fees	**(0.8)**	(0.8)
Financing charges	**(14.8)**	(19.1)
Net financing charges	**(13.1)**	(15.2)

4 Share of results of associates and joint ventures

	EBITDA US$m	Depreciation and amortization US$m	Operating profit US$m	Net financing charges US$m	Tax US$m	Net profit/ (loss) US$m
2010						
Analysis by geographical area						
– Other Asia	23.5	(8.2)	15.3	(2.1)	(5.2)	**8.0**
– The Americas	3.4	(2.9)	0.5	(4.3)	0.1	**(3.7)**
	26.9	**(11.1)**	**15.8**	**(6.4)**	**(5.1)**	**4.3**
Analysis by activity						
– Hotel ownership	25.9	(10.7)	15.2	(6.4)	(4.9)	**3.9**
– Other	1.0	(0.4)	0.6	–	(0.2)	**0.4**
	26.9	**(11.1)**	**15.8**	**(6.4)**	**(5.1)**	**4.3**
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)

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 from the date of disposal.

6 Tax

	2010 US$m	2009 US$m
Tax charged/(credited) to profit and loss is analyzed as follows:		
– Current tax	7.5	(2.3)
– Deferred tax (refer note 14)	4.5	3.4
	12.0	1.1
Analysis by geographical area		
– Hong Kong and Macau	8.6	5.5
– Other Asia	(0.5)	0.8
– Europe	3.6	2.6
– The Americas	0.3	(7.8)
	12.0	1.1
Analysis by activity		
– Hotel ownership	6.3	(1.3)
– Hotel management	5.7	2.4
	12.0	1.1
Reconciliation between tax expense and tax at the applicable tax rate:		
Tax at applicable tax rate	5.6	6.8
Income not subject to tax		
– Disposal of joint venture	–	(13.4)
– Others	(0.3)	(0.3)
Expenses not deductible for tax purposes	1.9	4.6
Tax losses not recognized	5.3	7.8
Utilization of previously unrecognized temporary differences	–	(2.9)
Recognition of previously unrecognized temporary differences	0.6	1.1
Deferred tax liabilities written back	(2.6)	–
Withholding tax	1.3	1.3
Under/(over) provision in prior years	0.1	(3.8)
Others	0.1	(0.1)
	12.0	1.1

Share of tax of associates and joint ventures of US$5.1 million (2009: US$1.3 million) are included in share of results of associates and joint ventures (refer note 4).

The applicable tax rate for the year was 11% (2009: 8%) 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:

Defined benefit pension plan	(0.3)	(1.3)
Fair value change on other investments	0.1	–
Cash flow hedges	0.5	(1.5)
	0.3	(2.8)

Notes to the Financial Statements *Continued*

7 Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of US$44.4 million (2009: US$83.4 million) and on the weighted average number of 990.8 million (2009: 985.1 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$44.4 million (2009: US$83.4 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 996.1 million (2009: 989.4 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	
	2010	2009
Weighted average number of shares in issue	**991.9**	988.8
Shares held by the Trustee under the Senior Executive Share Incentive Schemes	**(1.1)**	(3.7)
Weighted average number of shares for basic earnings per share calculation	**990.8**	985.1
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**5.3**	4.3
Weighted average number of shares for diluted earnings per share calculation	**996.1**	989.4

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:

		2010			2009	
	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	**44.4**	**4.48**	**4.46**	12.5	1.27	1.26
Non-trading items (refer note 8)	–	–	–	70.9	7.20	7.17
Profit attributable to shareholders	**44.4**	**4.48**	**4.46**	83.4	8.47	8.43

8 Non-trading items

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

	2010 US$m	2009 US$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$m	Leasehold land US$m	Computer software US$m	Development costs US$m	Total US$m
2010					
Cost					
– as previously reported	23.9	195.4	6.0	17.2	**242.5**
– change in accounting policy for long-term interests in leasehold land	–	(188.5)	–	–	**(188.5)**
– as restated	23.9	6.9	6.0	17.2	**54.0**
Amortization and impairment					
– as previously reported	–	(4.6)	(2.8)	(2.8)	**(10.2)**
– reclassification of leasehold land to tangible assets	–	3.1	–	–	**3.1**
– as restated	–	(1.5)	(2.8)	(2.8)	**(7.1)**
Net book value at 1st January	23.9	5.4	3.2	14.4	**46.9**
Exchange differences	–	–	0.1	(0.3)	**(0.2)**
Additions	–	–	1.9	22.0	**23.9**
Amortization charge	–	(0.2)	(2.1)	(0.1)	**(2.4)**
Provisions against asset impairment	–	–	–	(0.8)	**(0.8)**
Net book value at 31st December	**23.9**	**5.2**	**3.1**	**35.2**	**67.4**
Cost	23.9	6.5	7.8	38.9	**77.1**
Amortization and impairment	–	(1.3)	(4.7)	(3.7)	**(9.7)**
	23.9	**5.2**	**3.1**	**35.2**	**67.4**

Notes to the Financial Statements *Continued*

9 Intangible assets *continued*

	Goodwill US$m	Leasehold land US$m	Computer software US$m	Development costs US$m	Total US$m
2009					
Cost					
– as previously reported	23.9	195.5	4.0	14.7	238.1
– change in accounting policy for long-term interests in leasehold land	–	(188.7)	–	–	(188.7)
– as restated	23.9	6.8	4.0	14.7	49.4
Amortization and impairment					
– as previously reported	–	(4.1)	(1.4)	(0.3)	(5.8)
– reclassification of leasehold land to tangible assets	–	2.8	–	–	2.8
– as restated	–	(1.3)	(1.4)	(0.3)	(3.0)
Net book value at 1st January	23.9	5.5	2.6	14.4	46.4
Exchange differences	–	0.1	0.1	0.2	0.4
Additions	–	–	1.9	2.3	4.2
Amortization charge	–	(0.2)	(1.4)	(0.1)	(1.7)
Provisions against asset impairment	–	–	–	(2.4)	(2.4)
Net book value at 31st December	23.9	5.4	3.2	14.4	46.9
Cost	23.9	6.9	6.0	17.2	54.0
Amortization and impairment	–	(1.5)	(2.8)	(2.8)	(7.1)
	23.9	5.4	3.2	14.4	46.9

Management has performed an impairment review of the carrying amount of goodwill at 31st December 2010. 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 the 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 2% to 17% 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.

10 Tangible assets

	Freehold properties US$m	Leasehold properties & improvements US$m	Plant & machinery US$m	Furniture, equipment & motor vehicles US$m	Total US$m
2010					
Cost					
– as previously reported	436.6	463.1	97.6	226.3	**1,223.6**
– change in accounting policies for					
– owner-occupied properties	(89.9)	0.4	–	–	**(89.5)**
– long-term interests in leasehold land	–	188.5	–	–	**188.5**
– as restated	346.7	652.0	97.6	226.3	**1,322.6**
Depreciation and impairment					
– as previously reported	(23.4)	(105.1)	(58.4)	(156.0)	**(342.9)**
– change in accounting policy for long-term interests in leasehold land	–	(3.1)	–	–	**(3.1)**
– as restated	(23.4)	(108.2)	(58.4)	(156.0)	**(346.0)**
Net book value at 1st January	323.3	543.8	39.2	70.3	**976.6**
Exchange differences	(11.4)	7.0	0.7	1.8	**(1.9)**
Additions	1.2	19.9	4.1	28.0	**53.2**
Disposals	–	–	–	(0.1)	**(0.1)**
Depreciation charge	(4.5)	(13.9)	(6.3)	(17.5)	**(42.2)**
Net book value at 31st December	**308.6**	**556.8**	**37.7**	**82.5**	**985.6**
Cost	350.0	673.0	89.7	220.2	**1,332.9**
Depreciation and impairment	(41.4)	(116.2)	(52.0)	(137.7)	**(347.3)**
	308.6	**556.8**	**37.7**	**82.5**	**985.6**

Notes to the Financial Statements *Continued*

10 Tangible assets *continued*

	Freehold properties US$m	Leasehold properties & improvements US$m	Plant & machinery US$m	Furniture, equipment & motor vehicles US$m	Total US$m
2009					
Cost					
– as previously reported	426.6	437.4	93.8	207.6	1,165.4
– change in accounting policies for					
– owner-occupied properties	(104.6)	(5.6)	–	–	(110.2)
– long-term interests in leasehold land	–	188.7	–	–	188.7
– as restated	322.0	620.5	93.8	207.6	1,243.9
Depreciation and impairment					
– as previously reported	(19.8)	(94.0)	(53.3)	(137.5)	(304.6)
– change in accounting policy for long-term interests in leasehold land	–	(2.8)	–	–	(2.8)
– as restated	(19.8)	(96.8)	(53.3)	(137.5)	(307.4)
Net book value at 1st January	302.2	523.7	40.5	70.1	936.5
Exchange differences	21.1	8.3	0.9	1.1	31.4
Additions	3.6	23.2	3.0	17.9	47.7
Depreciation charge	(3.6)	(11.4)	(5.2)	(18.8)	(39.0)
Net book value at 31st December	323.3	543.8	39.2	70.3	976.6
Cost	346.7	652.0	97.6	226.3	1,322.6
Depreciation and impairment	(23.4)	(108.2)	(58.4)	(156.0)	(346.0)
	323.3	543.8	39.2	70.3	976.6

Freehold land and buildings include a property of US$101.5 million (2009: US$101.9 million), which is stated net of tax increment financing of US$27.3 million (2009: US$28.1 million) (refer note 19).

Certain of the hotel properties are pledged as security for bank borrowings as shown in note 18.

10 Tangible assets *continued*

	2010 US$m	2009 US$m
Analysis of additions by geographical area		
– Hong Kong and Macau	**11.6**	7.1
– Other Asia	**9.0**	24.2
– Europe	**29.5**	11.5
– The Americas	**3.1**	4.9
	53.2	47.7
Analysis of additions by activity		
– Hotel ownership	**52.7**	46.7
– Hotel management	**0.5**	1.0
	53.2	47.7
Analysis of depreciation by geographical area		
– Hong Kong and Macau	**(15.6)**	(15.6)
– Other Asia	**(11.1)**	(5.8)
– Europe	**(11.6)**	(11.2)
– The Americas	**(3.9)**	(6.4)
	(42.2)	(39.0)
Analysis of depreciation by activity		
– Hotel ownership	**(40.5)**	(37.3)
– Hotel management	**(1.7)**	(1.7)
	(42.2)	(39.0)

11 Associates and joint ventures

	2010 US$m	2009 US$m
Listed investment in OHTL PCL	**16.8**	16.3
Unlisted investments in other associates	**61.1**	52.1
Group share of attributable net assets of associates	**77.9**	68.4
Market value of listed investment in OHTL PCL	**80.8**	73.4

Notes to the Financial Statements *Continued*

11 Associates and joint ventures *continued*

	2010 US$m	2009 US$m
The Group's share of assets, liabilities, capital commitments, contingent liabilities and results of associates and joint ventures are summarized below:		
Associates		
Total assets	**280.1**	257.7
Total liabilities	**(202.2)**	(189.3)
Attributable net assets	**77.9**	68.4
Revenue	**108.2**	88.1
Profit/(loss) before tax	**9.4**	(3.6)
Net profit/(loss)	**4.3**	(4.9)
Capital commitments	**8.8**	7.9
Contingent liabilities	**–**	–
Joint ventures		
Non-current assets	**–**	–
Current assets	**–**	–
Current liabilities	**–**	–
Non-current liabilities	**–**	–
Attributable net assets	**–**	–
Revenue	**–**	0.5
Profit before tax	**–**	0.1
Net profit	**–**	0.1
Capital commitments	**–**	–
Contingent liabilities	**–**	–
Movements of associates and joint ventures for the year:		
At 1st January		
– as previously reported	**123.0**	155.5
– change in accounting policy for owner-occupied properties	**(54.6)**	(70.8)
– as restated	**68.4**	84.7
Share of results after tax	**4.3**	(4.8)
Share of other comprehensive income after tax	**8.2**	2.2
Investments in and loans to associates (refer note 25c)	**3.3**	4.2
Dividends received	**(6.3)**	(9.9)
Disposal of joint venture (refer note 5)	**–**	(9.2)
Others	**–**	1.2
At 31st December	**77.9**	68.4

12 Loans receivable

	2010 US$m	2009 US$m
At 1st January	3.1	4.8
Exchange differences	(0.3)	–
Addition	2.8	1.3
Provision	(0.9)	(3.0)
At 31st December	4.7	3.1

The balances as at 31st December 2010 comprised (i) a mezzanine loan of US$3.0 million, with repayment on or before 31st December 2011 against which a full provision has been made; (ii) a loan of US$1.7 million, bearing interest at EURO LIBOR+4% with repayment on or before 12th September 2011 against which a provision of US$0.9 million has been made; (iii) a loan of US$2.4 million, bearing interest at EURO LIBOR+2% with repayment on or before 31st December 2016; and (iv) a loan of US$1.5 million, bearing interest at 10% with repayment on or before 31st December 2016. The carrying amount of the loans receivable approximates their fair values.

The balances as at 31st December 2009 comprised (i) 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; (ii) a loan of US$1.8 million, bearing interest at EURO LIBOR+4% with repayment on or before 12th September 2011; and (iii) 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.

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:

	2010 Weighted average %	2009 Weighted average %
Discount rate applied to pension obligations	4.9	5.0
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 4.3% to 11.4% per annum and global bonds of 3.6% to 5.2% per annum, and the long-term benchmark allocation of assets between equities and bonds in each plan.

13 Pension plans *continued*

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

	2010 US$m	2009 US$m
Fair value of plan assets	**67.3**	62.6
Present value of funded obligations	**(48.1)**	(46.6)
Net pension assets	**19.2**	16.0
Analysis of net pension assets		
Pension assets	**19.3**	16.5
Pension liabilities	**(0.1)**	(0.5)
	19.2	16.0
Movements in the fair value of plan assets		
At 1st January	**62.6**	53.9
Expected return on plan assets	**4.7**	3.9
Actuarial gains	**1.0**	8.9
Contributions from company	**2.4**	3.5
Contributions from plan members	**0.7**	0.9
Curtailment and settlement	**–**	(2.8)
Exchange differences	**(0.1)**	–
Benefits paid	**(2.5)**	(6.2)
Transfer (out)/in of assets	**(1.5)**	0.5
At 31st December	**67.3**	62.6
Movements in the present value of defined benefit obligations		
At 1st January	**(46.6)**	(47.3)
Current service cost	**(4.1)**	(4.0)
Interest cost	**(2.3)**	(2.7)
Contributions from plan members	**(0.7)**	(0.9)
Actuarial gains/(losses)	**1.6**	(0.2)
Curtailment and settlement	**–**	2.8
Benefits paid – funded	**2.5**	6.2
Transfer out/(in) of liabilities	**1.5**	(0.5)
At 31st December	**(48.1)**	(46.6)
The analysis of the fair value of plan assets at 31st December is as follows:		
Equity instruments	**31.1**	27.7
Debt instruments	**19.7**	18.7
Other assets	**16.5**	16.2
	67.3	62.6

13 Pension plans *continued*

The five year history of experience adjustments is as follows:

	2010 US$m	2009 US$m	2008 US$m	2007 US$m	2006 US$m
Fair value of plan assets	**67.3**	62.6	53.9	80.3	71.6
Present value of funded obligations	**(48.1)**	(46.6)	(47.3)	(46.4)	(45.7)
Plan surplus	**19.2**	16.0	6.6	33.9	25.9
Experience adjustments on plan assets	**1.1**	8.8	(30.7)	5.1	7.1
Percentage of plan assets (%)	**1.6**	14.1	57.0	6.4	9.9
Experience adjustments on plan obligations	**2.1**	3.2	(1.0)	1.4	1.7
Percentage of plan obligations (%)	**4.4**	6.8	2.2	3.0	3.7

The amounts recognized in profit and loss are as follows:

	2010 US$m	2009 US$m
Current service cost	**4.1**	4.0
Interest cost	**2.3**	2.7
Expected return on plan assets	**(4.7)**	(3.9)
	1.7	2.8
Actual return on plan assets in the year	**5.7**	12.8

The estimated amount of contributions expected to be paid to the plans in 2011 is US$2.2 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$m	Unremitted earnings in associates US$m	Provisions and other temporary differences US$m	Losses US$m	Total US$m
2010							
At 1st January							
– as previously reported	53.3	23.8	2.6	1.4	1.2	(12.2)	**70.1**
– change in accounting policy for owner-occupied properties	–	(26.7)	–	–	–	–	**(26.7)**
– as restated	53.3	(2.9)	2.6	1.4	1.2	(12.2)	**43.4**
Exchange differences	1.2	–	(0.1)	0.2	0.1	0.1	**1.5**
Charged/(credited) to profit and loss	4.2	–	0.1	–	(0.7)	0.9	**4.5**
(Credited)/charged to other comprehensive income	–	(0.5)	0.3	–	(0.1)	–	**(0.3)**
At 31st December	**58.7**	**(3.4)**	**2.9**	**1.6**	**0.5**	**(11.2)**	**49.1**
2009							
At 1st January							
– as previously reported	47.5	28.8	1.1	1.6	1.6	(11.3)	69.3
– change in accounting policy for owner-occupied properties	–	(33.1)	–	–	–	–	(33.1)
– as restated	47.5	(4.3)	1.1	1.6	1.6	(11.3)	36.2
Exchange differences	1.2	(0.1)	–	–	–	(0.1)	1.0
Charged/(credited) to profit and loss	4.6	–	0.2	(0.2)	(0.4)	(0.8)	3.4
Charged to other comprehensive income	–	1.5	1.3	–	–	–	2.8
At 31st December	53.3	(2.9)	2.6	1.4	1.2	(12.2)	43.4

14 Deferred tax (assets)/liabilities *continued*

	2010 US$m	2009 US$m
Deferred tax assets	**(15.0)**	(15.5)
Deferred tax liabilities	**64.1**	58.9
	49.1	43.4

Deferred tax balances predominantly comprise non-current items.

Deferred tax assets arising from unused tax losses of US$41.8 million (2009: US$37.5 million) have not been recognized in the financial statements.

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

Within one year	**0.4**	0.1
Between one and five years	**14.3**	8.5
Over five years	**9.3**	10.5
With no expiry dates	**17.8**	18.4
	41.8	37.5

Deferred tax assets of US$3.3 million (2009: US$5.0 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.

Notes to the Financial Statements *Continued*

15 Debtors and prepayments

	2010 US$m	2009 US$m
Trade debtors		
– third parties	**32.4**	32.2
– associates	**2.8**	2.8
	35.2	35.0
– provision for impairment	**(1.9)**	(2.2)
	33.3	32.8
Other debtors		
– third parties	**27.2**	26.1
– associates	**2.1**	2.0
	29.3	28.1
– provision for impairment	**(3.4)**	(3.4)
	25.9	24.7
	59.2	57.5

Other debtors are further analyzed as follows:

Prepayments	**7.2**	7.2
Amounts due from associates	**2.1**	2.0
Rental and other deposits	**4.3**	4.0
Other	**12.3**	11.5
	25.9	24.7
Analysis by geographical area of operation		
Hong Kong and Macau	**18.3**	16.7
Other Asia	**12.3**	11.2
Europe	**17.0**	17.4
The Americas	**11.6**	12.2
	59.2	57.5

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

No debtors and prepayments have been pledged as security.

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.

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 2010, trade debtors of US$2.1 million (2009: US$2.4 million) were impaired. The amount of the provision was US$1.9 million (2009: US$2.2 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	
	2010 US$m	2009 US$m
Below 30 days	**0.1**	0.1
Between 31 and 60 days	**0.1**	0.1
Between 61 and 90 days	**0.2**	0.2
Over 90 days	**1.7**	2.0
	2.1	2.4

At 31st December 2010, trade debtors and other debtors of US$14.1 million (2009: US$19.0 million) were past due but not impaired. The ageing analysis of these trade debtors and other debtors is as follows:

Below 30 days	**4.2**	8.4
Between 31 and 60 days	**1.6**	2.2
Between 61 and 90 days	**0.4**	1.0
Over 90 days	**7.9**	7.4
	14.1	19.0

The risk of trade debtors and other debtors that are neither past due nor impaired at 31st December 2010 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	
	2010 US$m	2009 US$m	**2010 US$m**	2009 US$m
At 1st January	**(2.2)**	(1.2)	**(3.4)**	–
Additional provisions	**(0.1)**	(0.6)	**(0.1)**	(2.8)
Reversal	**0.1**	0.2	**–**	–
Amount written off	**0.3**	–	**0.1**	–
Reclassification	**–**	(0.6)	**–**	(0.6)
At 31st December	**(1.9)**	(2.2)	**(3.4)**	(3.4)

Notes to the Financial Statements *Continued*

16 Cash at bank

	2010 US$m	2009 US$m
Deposits with banks and financial institutions	**387.4**	523.7
Bank balances	**45.2**	37.0
Cash balances	**0.9**	0.9
	433.5	561.6
Analysis by currency		
Euro	**10.6**	4.3
Hong Kong dollar	**4.2**	7.1
Japanese yen	**9.2**	5.5
Swiss franc	**2.4**	1.5
United Kingdom sterling	**11.8**	17.1
United States dollar	**388.8**	519.4
Other	**6.5**	6.7
	433.5	561.6

The weighted average interest rate on deposits with banks and financial institutions is 0.4% (2009: 0.7%) per annum.

17 Creditors and accruals

	2010 US$m	2009 US$m
Trade creditors	**25.5**	25.6
Accruals	**57.0**	46.3
Deposits accepted	**7.5**	9.1
Derivative financial instruments (refer note 26)	**–**	0.8
Other creditors	**6.7**	3.0
Rental income received in advance	**0.8**	0.2
Other income received in advance	**4.4**	6.5
	101.9	91.5
Analysis by currency		
Hong Kong dollar	**41.7**	41.4
Japanese yen	**12.9**	10.9
Swiss franc	**5.2**	5.3
United Kingdom sterling	**9.5**	8.4
United States dollar	**20.6**	17.6
Other	**12.0**	7.9
	101.9	91.5

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

Within one year	**96.7**	84.0

The fair value of creditors approximate their carrying amounts.

18 Borrowings

	2010 Carrying amount US$m	2010 Fair value US$m	2009 Carrying amount US$m	2009 Fair value US$m
Current				
– Bank overdrafts	**0.4**	**0.4**	0.4	0.4
Current portion of long-term borrowings				
– Bank loans	**2.6**	**3.1**	119.5	120.1
– Other borrowings	**0.3**	**0.3**	0.3	0.3
	2.9	**3.4**	119.8	120.4
Current borrowings	**3.3**	**3.8**	120.2	120.8
Long-term borrowings				
– Bank loans	**564.0**	**564.2**	547.2	547.6
– Other borrowings	**8.8**	**8.8**	8.2	8.2
– Tax increment financing (refer note 19)	**1.7**	**1.7**	1.7	1.7
Long-term borrowings	**574.5**	**574.7**	557.1	557.5
	577.8	**578.5**	677.3	678.3

The fair values are estimated using the expected future payments discounted at market interest rate of 1.9% (2009: 2.6%) per annum.

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
2010					
Euro	5.9	2.7	9.8	–	**9.8**
Hong Kong dollar	2.1	3.6	183.1	183.7	**366.8**
Swiss franc	1.8	21.0	2.4	42.5	**44.9**
United Kingdom sterling	2.8	3.5	31.9	95.7	**127.6**
United States dollar	6.0	6.3	1.7	–	**1.7**
Japanese yen	0.8	–	–	27.0	**27.0**
			228.9	**348.9**	**577.8**
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

The weighted average interest rates and period of fixed rate borrowings are stated after taking into account of hedging transactions (refer note 26).

18 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.

	2010 US$m	2009 US$m
Within one year	**16.6**	132.7
Between one and two years	**17.7**	14.4
Between two and three years	**23.8**	15.7
Between three and four years	**532.9**	21.2
Between four and five years	**29.5**	538.6
Beyond five years	**7.5**	9.9
	628.0	732.5
Secured	**542.0**	645.1
Unsecured	**35.8**	32.2
	577.8	677.3

Borrowings of US$542.0 million (2009: US$645.1 million) are secured against the tangible fixed assets of certain subsidiary undertakings. The book value of these tangible fixed assets as at 31st December 2010 was US$643.3 million (2009: US$780.3 million).

19 Tax increment financing

	2010 US$m	2009 US$m
Netted off against the net book value of the property (refer note 10)	**27.3**	28.1
Loan (refer note 18)	**1.7**	1.7
	29.0	29.8

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%. 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 (2009: US$1.7 million) is included in long-term borrowings.

20 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.

	2010 US$m	2009 US$m
Analysis by geographical area		
– Hong Kong and Macau	**414.0**	424.1
– Other Asia	**159.7**	144.5
– Europe	**457.5**	424.1
– The Americas	**99.7**	99.2
	1,130.9	1,091.9

Notes to the Financial Statements *Continued*

21 Share capital

	Ordinary shares in millions 2010	2009	2010 US$m	2009 US$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	**991.5**	991.2	**49.6**	49.6
Issued under share incentive schemes	**4.9**	0.3	**0.3**	–
At 31st December	**996.4**	991.5	**49.9**	49.6
Outstanding under share incentive schemes	**(1.1)**	(3.7)	**(0.1)**	(0.2)
At 31st December	**995.3**	987.8	**49.8**	49.4

22 Share premium

	2010 US$m	2009 US$m
At 1st January	**173.6**	173.4
Issued under share incentive schemes	**5.4**	0.2
At 31st December	**179.0**	173.6
Outstanding under share incentive schemes	**(0.7)**	(2.3)
At 31st December	**178.3**	171.3

23 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 21) and the premium attached to them is netted off the share premium account (refer note 22).

23 Senior Executive Share Incentive Schemes *continued*

Movements for the year:

	2010 Weighted average exercise price US$	2010 Options in millions	2009 Weighted average exercise price US$	2009 Options in millions
At 1st January	**1.26**	**29.8**	1.27	30.0
Granted	**1.44**	**6.9**	0.70	5.0
Exercised	**0.98**	**(7.5)**	0.60	(4.4)
Repurchased and cancelled	**1.09**	**(0.3)**	1.76	(0.8)
At 31st December	**1.38**	**28.9**	1.26	29.8

The average share price during the year was US$1.61 (2009: US$1.18) per share.

Outstanding at 31st December:

		Ordinary shares in millions	
Expiry date	Exercise price US$	**2010**	2009
2010	0.7	**–**	0.1
2011	0.6	**–**	0.4
2012	0.4	**0.2**	0.6
2013	0.4	**0.1**	0.4
2014	0.6	**0.1**	0.3
2015	0.8-1.0	**1.2**	2.4
2016	1.0-1.4	**4.2**	7.1
2017	1.9	**4.3**	4.9
2018	1.2-1.7	**7.8**	8.6
2019	0.7	**4.1**	5.0
2020	1.4	**6.9**	–
Total outstanding		**28.9**	29.8
of which exercisable		**10.0**	11.2

The fair value of options granted during the year, determined using the Trinomial valuation model, was US$3.4 million (2009: US$1.9 million). The significant inputs into the model, based on the weighted average number of options issued, were share price of US$1.39 (2009: US$0.65) at the grant date, exercise price shown above, expected volatility based on the last seven years of 45% (2009: 89%), dividend yield of 4.87% (2009: 6.73%), option life disclosed above, and annual risk-free interest rate of 3.7% (2009: 2.9%). Options are assumed to be exercised at the end of the seventh year following the date of grant.

Notes to the Financial Statements *Continued*

24 Dividends

	2010 US$m	2009 US$m
Final dividend in respect of 2009 of US¢5.00 (2008: US¢5.00) per share	**49.4**	49.2
Interim dividend in respect of 2010 of US¢2.00 (2009: US¢2.00) per share	**19.8**	19.7
	69.2	68.9

A final dividend in respect of 2010 of US¢3.00 (2009: US¢5.00) per share amounting to a total of US$29.9 million (2009: US$49.4 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 2011.

25 Notes to consolidated cash flow statement

a) Non-cash items

	2010 US$m	2009 US$m
Provisions against asset impairment (refer note 2)	**–**	4.2
Net foreign exchange loss/(gain)	**0.3**	(2.5)
Share-based payment	**3.7**	4.0
Others	**0.3**	5.1
	4.3	10.8

b) Movements in working capital

Increase in stocks	**(0.2)**	–
Increase in debtors and prepayments	**(1.9)**	(0.4)
Increase in creditors and accruals	**7.3**	0.2
	5.2	(0.2)

c) Investments in and loans to associates included the investment in Mandarin Oriental, Miami of US$1.3 million (2009: US$2.1 million) and loans to Mandarin Oriental, New York of US$2.0 million (2009: US$2.1 million).

d) Proceeds on disposal of joint venture

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) Analysis of balances of cash and cash equivalents

Cash at bank	**433.5**	561.6
Bank overdrafts	**(0.4)**	(0.4)
	433.1	561.2

26 Derivative financial instruments

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

	2010 Positive fair value US$m	2010 Negative fair value US$m	2009 Positive fair value US$m	2009 Negative fair value US$m
Designated as cash flow hedges				
– interest rate swaps and caps	–	17.5	–	13.5
At 31st December	–	17.5	–	13.5
Non-current	–	17.5	–	12.7
Current (refer note 17)	–	–	–	0.8
At 31st December	–	17.5	–	13.5

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
2010				
Net settled				
– interest rate swaps	7.2	6.5	5.5	–
2009				
Net settled				
– interest rate swaps	6.9	4.1	3.3	–

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2010 were US$246.8 million (2009: US$273.8 million).

At 31st December 2010, the fixed interest rates relating to interest rate swaps and caps vary from 2.9% to 7.0% (2009: 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 0.3% to 0.8% (2009: 0.1% to 0.6%) per annum.

Notes to the Financial Statements *Continued*

27 Financial guarantee

	2010 US$m	2009 US$m
Guarantee in respect of facilities made available to an associate	**20.6**	20.9

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.

28 Commitments

	2010 US$m	2009 US$m
Capital commitments:		
Authorized not contracted	**14.1**	68.0
Contracted not provided	**37.7**	43.6
	51.8	111.6
Operating lease commitments:		
Total commitments under operating leases		
– due within one year	**14.3**	8.7
– due between one and two years	**20.3**	18.0
– due between two and three years	**20.7**	20.6
– due between three and four years	**20.6**	20.6
– due between four and five years	**19.9**	20.6
– due beyond five years	**378.1**	391.8
	473.9	480.3

No future sublease payments are receivable relating to the above operating leases (2009: nil).

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.

29 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$0.2 million (2009: US$0.4 million) to Jardine Matheson Limited ('JML'), a subsidiary of JMH, being a fee of 0.5% of the Group's net profit in consideration for certain management consultancy services provided by JML. The Group also received rental payment in respect of a residential property from JML based on normal market terms of US$0.5 million (2009: US$0.5 million). The Group has no outstanding balance with JML as at 31st December 2010 (2009: US$0.2 million).

During 2010, the Group managed five (2009: five) associate hotels and received management fees of US$10.9 million (2009: US$8.9 million) based on long-term management agreements on normal commercial terms. The outstanding balances with associates 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 2010 to JLT amounted to US$0.5 million (2009: US$0.5 million). The Group has no outstanding balance with JLT as at 31st December 2010 (2009: 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 2010 amounted to US$0.8 million (2009: US$0.3 million and US$0.2 million as a subsidiary and an associate 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 84 under the heading of 'Directors' appointment, retirement, remuneration and service contracts'.

30 Summarized balance sheet of the Company

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

	2010 US$m	2009 US$m
Subsidiaries at cost	**768.0**	659.1
Net current liabilities	**(1.1)**	(1.0)
Net operating assets	**766.9**	658.1
Share capital (refer note 21)	**49.9**	49.6
Share premium (refer note 22)	**179.0**	173.6
Revenue reserves and other reserves	**538.0**	434.9
Shareholders' funds	**766.9**	658.1

Principal Subsidiaries, Associates and Managed Hotels

as at 31st December 2010

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 Immobilière de Mandarin Oriental (Genèva) SA	Owner: Mandarin Oriental, Geneva
	Société pour l'Exploitation de Mandarin Oriental (Genèva) SA	
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)*	–
Macau	Mandarin Oriental, Macau	–
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 % 2010	2009	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	178 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)*	189 rooms. Freehold
85.3	85.3	CHF 6,800,000	197 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 2035
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
–	–	–	416 rooms
–	–	–	213 rooms
–	–	–	296 rooms
–	–	–	123 rooms
–	–	–	99 rooms
–	–	–	98 rooms
–	–	–	158 rooms
–	–	–	148 rooms
–	–	–	392 rooms
–	–	–	128 rooms
–	–	–	98 rooms

Independent Auditors' Report

To the members of Mandarin Oriental International Limited

Report on the financial statements

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 2010 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.

Auditors' 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 auditors' 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 auditors consider 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 2010, 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.

Report on legal and regulatory requirements

We have nothing to report in respect of the following matters that under the UK Listing Rules we are required to review:

- Directors' statement in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK June 2008 Combined Code specified for our review.

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
3rd March 2011

Five Year Summary

Consolidated Profit and Loss Account

	2006 US$m	2007 US$m	2008 US$m	2009 US$m	**2010 US$m**
Revenue	404.6	529.5	530.0	438.0	**513.2**
Operating profit	129.5	107.7	86.2	23.6	**64.9**
Net financing charges	(15.2)	(16.4)	(17.0)	(15.2)	**(13.1)**
Share of results of associates and joint ventures	13.0	17.8	15.3	(4.8)	**4.3**
Gains on disposal of associate and joint venture	–	16.0	–	80.8	**–**
Profit before tax	127.3	125.1	84.5	84.4	**56.1**
Tax	(39.5)	(22.8)	(18.3)	(1.1)	**(12.0)**
Profit after tax	87.8	102.3	66.2	83.3	**44.1**
Profit attributable to shareholders	87.5	102.1	66.6	83.4	**44.4**
Underlying profit attributable to shareholders	87.5	102.1	66.6	12.5	**44.4**
Earnings per share (US¢)	9.05	10.53	6.79	8.47	**4.48**
Underlying earnings per share (US¢)	9.05	10.53	6.79	1.27	**4.48**
Dividends per share (US¢)	3.00	6.00	7.00	7.00	**5.00**

Consolidated Balance Sheet

Intangible assets	33.7	38.3	46.4	46.9	**67.4**
Tangible assets	942.3	979.8	936.5	976.6	**985.6**
Associates and joint ventures	116.5	114.4	84.7	68.4	**77.9**
Other investments	2.7	3.1	3.9	4.3	**4.9**
Loans receivable	12.0	3.4	4.8	3.1	**4.7**
Pension assets	27.1	34.0	6.6	16.5	**19.3**
Deferred tax assets	27.4	27.5	16.5	15.5	**15.0**
Other non-current assets	2.9	0.2	–	–	**–**
Net current assets	289.8	443.7	490.0	413.5	**385.3**
Long-term borrowings	(575.1)	(663.9)	(653.9)	(557.1)	**(574.5)**
Deferred tax liabilities	(36.4)	(46.8)	(52.7)	(58.9)	**(64.1)**
Pension liabilities	(1.5)	(0.1)	–	(0.5)	**(0.1)**
Other non-current liabilities	(0.2)	(2.9)	(19.2)	(12.7)	**(17.5)**
Net operating assets	841.2	930.7	863.6	915.6	**903.9**
Share capital	48.4	48.7	49.2	49.4	**49.8**
Share premium	160.3	163.5	168.9	171.3	**178.3**
Revenue and other reserves	628.9	714.0	641.0	690.6	**671.2**
Shareholders' funds	837.6	926.2	859.1	911.3	**899.3**
Minority interests	3.6	4.5	4.5	4.3	**4.6**
Total equity	841.2	930.7	863.6	915.6	**903.9**
Net asset value per share (US$)	0.87	0.95	0.87	0.92	**0.90**

Consolidated Cash Flow Statement

Cash flows from operating activities	62.4	129.5	123.9	81.3	**114.2**
Cash flows from investing activities	(38.0)	38.4	(57.3)	28.9	**(81.4)**
Net cash flow before financing activities	24.4	167.9	66.6	110.2	**32.8**
Cash flow per share from operating activities (US¢)	6.46	13.35	12.63	8.25	**11.53**

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
Stuart Dickie
Directors
3rd March 2011

Corporate Governance

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's equity shares have a Premium Listing on the London Stock Exchange, and secondary listings in Bermuda and Singapore. The Company attaches importance to the corporate stability that is fundamental to the Group's ability to pursue its long-term development strategy. It is committed to high standards of governance. Its approach, however, developed over many years, differs from that envisaged by the UK Corporate Governance Code (the 'UK Code'), which was originally introduced as a guide for United Kingdom incorporated companies listed on the London Stock Exchange. Following a change in the Listing Rules issued by the Financial Services Authority in the United Kingdom with effect from 6th April 2010, the Company's Premium Listed status now requires that this Report address how the main principles of the UK Code have been applied by the Company, and explain the reasons for the different approach adopted by the Company as compared to the UK Code's provisions. The Company's governance differs from that contemplated by provisions of the UK Code on board balance and refreshment, director independence, board evaluation procedures, nomination and remuneration committees and the appointment of a senior independent director.

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 26 and 27 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. These factors explain the balance on the Board between executive and non-executive Directors, the stability of the Board, the absence of nomination and remuneration committees and the conduct of Board evaluation procedures. The Board regards relevant business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. Accordingly the Board has not designated a 'senior independent director' as set out in the UK Code. Recommendations and decisions on remuneration result from consultations between the Chairman and the Managing Director and other Directors as they consider appropriate.

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 who do not serve on the board of MOHG and who are based outside Asia make regular visits to Asia and Bermuda where they will participate in four annual strategic reviews. All of these reviews precede the 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.

The Board is scheduled to hold four meetings in 2011 and ad hoc procedures are adopted to deal with urgent matters. In 2010 two meetings were held in Bermuda and two in Asia. All Directors attended all four Board meetings, save that Julian Hui and Lord Leach of Fairford attended three meetings, Robert Léon and Lord Powell of Bayswater attended two meetings, Sydney S W Leong attended one meeting and R C Kwok was unable to attend the meetings due to illness. Stuart Dickie attended three meetings following his appointment to the Board. 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.

The division of responsibilities between the Chairman, the Managing Director and the Group Chief Executive is well established. The Chairman's role is to lead the Board as it oversees the Group's strategic and financial direction. The Managing Director's principal role is to act as chairman of MOHG and of its finance committee, while the responsibility for running the Group's business and all the executive matters affecting the Group rests with the Group Chief Executive.

Directors' appointment, retirement, remuneration and service contracts

Candidates for appointment as executive Directors of the Company, as executive directors of MOHG or as 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 who can apply international best practice within 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.

In accordance with Bye-law 85, Julian Hui, Dr Richard Lee, Robert Léon and James Watkins retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election has a service contract with the Company or its subsidiaries.

The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognized that, due to the nature of the Group and its diverse geographic base, a number of its senior executives are required to be offered international terms and the nature of the remuneration packages is designed to reflect this.

Directors' fees, which are payable to all Directors other than the Group Chief Executive and the Chief Financial Officer, are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. A motion to increase the Directors' fees to US$35,000 each per annum and the fees for the Chairman and Managing Director to US$45,000 each per annum with effect from 1st January 2011 will be proposed at the forthcoming Annual General Meeting.

For the year ended 31st December 2010, the Directors received from the Group US$6.5 million (2009: US$6.4 million) in Directors' fees and employee benefits, being US$0.4 million (2009: US$0.4 million) in Directors' fees, US$4.4 million (2009: US$4.0 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind, US$0.2 million (2009: US$0.1 million) in post-employment benefits and US$1.5 million (2009: US$1.9 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 by the scheme trustee 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.

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.

Going concern

The Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are going concerns. The Group prepares comprehensive financial forecasts and, based on these forecasts, cash resources and existing credit facilities, the Directors consider that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis 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.

Risk management and internal control

The Board has overall responsibility for the Group's system of risk management and 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 88 and 89.

The Board has delegated to the audit committee of MOHG responsibility for reviewing areas of risk and uncertainty, the operation and effectiveness of the Group's system of internal control and the procedures by which these are monitored. The audit committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. The members of the audit committee of MOHG are A J L Nightingale, Mark Greenberg, James Riley and Giles White; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. The Board considers that the members of the audit committee of MOHG have, collectively, the requisite skills, knowledge and experience to enable it to discharge its responsibilities in a proper manner. All members of the audit committee attended both its meetings during the year. The group chief executive and chief financial officer of MOHG, together with representatives of the internal and external auditors, also attend the audit committee meetings by invitation.

Executive management is responsible for the implementation of the system of internal control throughout the Group. The internal audit function monitors the effectiveness of the system and the approach taken by the business units to risk. 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 audit committee of MOHG also reviews the effectiveness of the internal audit function.

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 underpins 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, including the adoption of new accounting policies, is undertaken by the audit committee of MOHG with the executive management and a report is received from the external auditors. The audit committee of MOHG also assesses any reports on frauds identified during the period under review. 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, and as part of that process considers and approves the level and nature of non-audit work performed. The terms of reference of the audit committee of MOHG can be found on the Company's website at www.mandarinoriental.com.

Directors' share interests

The Directors of the Company in office on 9th March 2011 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) as set out below in the ordinary share capital of the Company. 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 following holdings of voting rights of 5% or more attaching to the Company's issued ordinary share capital: (i) Jardine Strategic Holdings Limited ('Jardine Strategic') and its subsidiary undertakings are directly and indirectly interested in 738,335,281 ordinary shares carrying 74.10% 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 53,930,000 ordinary shares carrying 5.41% 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 9th March 2011.

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

Relations with shareholders

The 2011 Annual General Meeting will be held at The Fairmont Southampton, Bermuda on 11th May 2011. 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. All shareholders are invited to attend the Annual General Meeting and participate in communicating with the Company. The Company holds regular meetings with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at www.mandarinoriental.com.

Securities purchase arrangements

At the Annual General Meeting held on 5th May 2010, 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.

Arrangements under which shareholders have agreed to waive dividends

Mandarin Oriental Overseas (PTC) Limited has waived the interim dividend and has undertaken to waive the recommended final dividend for 2010 in respect of the ordinary shares in which it is interested as the 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 29 to the financial statements on page 77. 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 are set out in more detail on pages 85 and 86 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 may 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 which would impact demand for the Group's products and services.

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 44 to 47.

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. 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 competition or the oversupply of hotel rooms in any given market may also lead to reduced margins.

The Group competes with other luxury hotel operators for new management opportunities. Failure to establish and maintain relationships with hotel owners or developers could adversely affect the Group's business. The Group also makes investment decisions in respect of acquiring new hotel properties. The success of these investments is measured over the longer term and as a result is subject to market risk.

Mandarin Oriental's continued growth depends on the opening of individual hotels. Most of the Group's new hotel developments are controlled by third party owners and developers and can be subject to delays due to issues attributable to planning and construction, sourcing of finance, 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 as this would impact travel patterns, demand for the Group's products and services and could also affect the Group's ability to operate effectively. 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 performance of individual hotels as well as the wider Group.

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

2010 full-year results announced	3rd March 2011
Share registers closed	21st to 25th March 2011
Annual General Meeting to be held	11th May 2011
2010 final dividend payable	18th May 2011
2011 half-year results to be announced	28th July 2011*
Share registers to be closed	22nd to 26th August 2011*
2011 interim dividend payable	12th October 2011*

* *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 2010 final dividend by notifying the United Kingdom transfer agent in writing by 21st April 2011. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 4th May 2011. 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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MANDARIN ORIENTAL
THE HOTEL GROUP

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