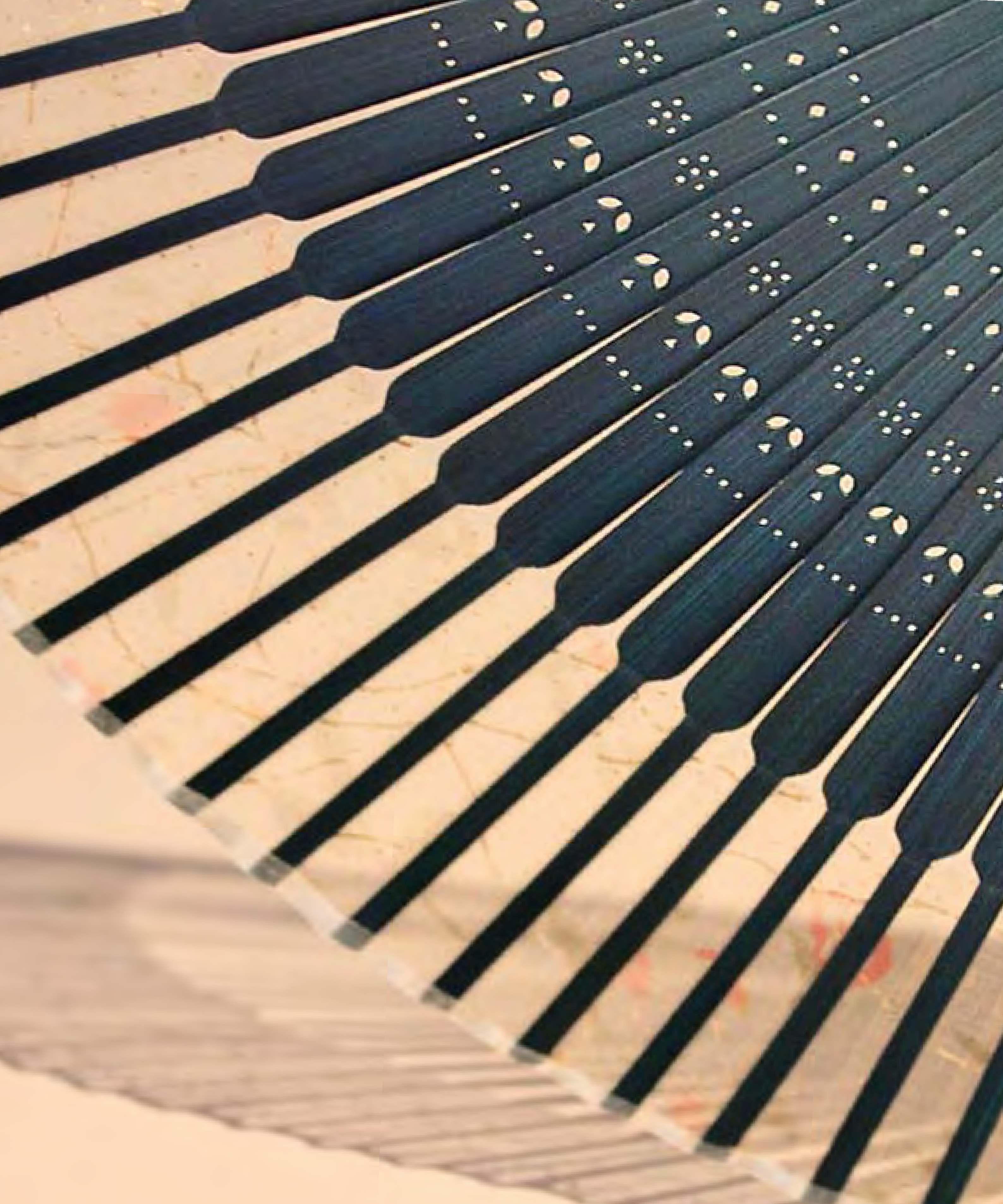

Mandarin Oriental International Limited

Annual Report 2011

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 and the Middle East. 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 worth approximately US$2.7 billion as at 31st December 2011.

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*
Ben Keswick *Managing Director*
Edouard Ettedgui *Group Chief Executive*
Stuart Dickie
Mark Greenberg
Julian Hui
Adam Keswick
Sir Henry Keswick
Lord Leach of Fairford
Dr Richard Lee
Robert Léon
Lincoln K.K. Leong
A.J.L. Nightingale
Lord Powell of Bayswater KCMG
James Watkins
Percy Weatherall
Giles White

Company Secretary and Registered Office

John C. Lang
Jardine House
33-35 Reid Street
Hamilton, Bermuda

Mandarin Oriental Hotel Group International Limited

Directors

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

Corporate Secretary

N.M. McNamara

Highlights

Mandarin Oriental International Limited

- Improved profitability, particularly in Hong Kong
- Significant contribution from *The Residences at Mandarin Oriental* in London
- Successful opening of Paris hotel
- New project announced in Bodrum, Turkey

Results

	Year ended 31st December **2011** **US$m**	2010 US$m	Change %
Combined total revenue of hotels under management[1]	**1,196.4**	1,025.5	17
Underlying EBITDA (Earnings before interest, tax, depreciation and amortization)[2]	**163.0**	136.4	20
Underlying profit attributable to shareholders[3]	**59.0**	44.4	33
Profit attributable to shareholders	**67.5**	44.4	52
	US¢	US¢	%
Underlying earnings per share[3]	**5.92**	4.48	32
Earnings per share	**6.78**	4.48	51
Dividends per share	**6.00**	5.00	20
	US$	US$	%
Net asset value per share	**0.91**	0.90	1
Adjusted net asset value per share[4]	**2.70**	2.33	16
Net debt/shareholders' funds	**12%**	16%	
Net debt/adjusted shareholders' funds[4]	**4%**	6%	

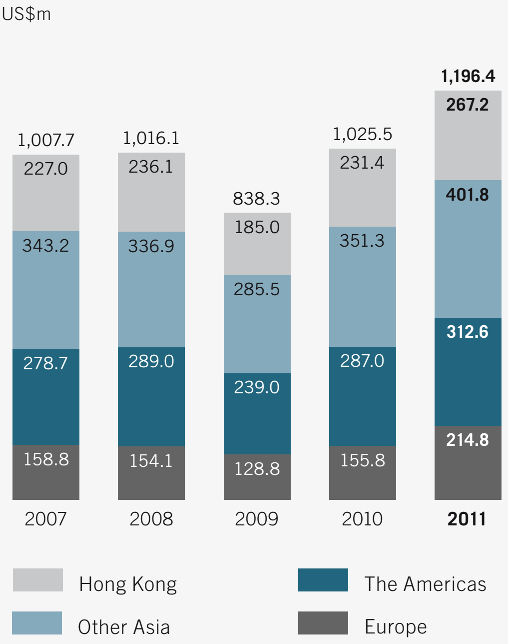
1 Combined revenue includes turnover of the Group's subsidiary hotels in addition to 100% of revenue from associate, joint venture and managed hotels.

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

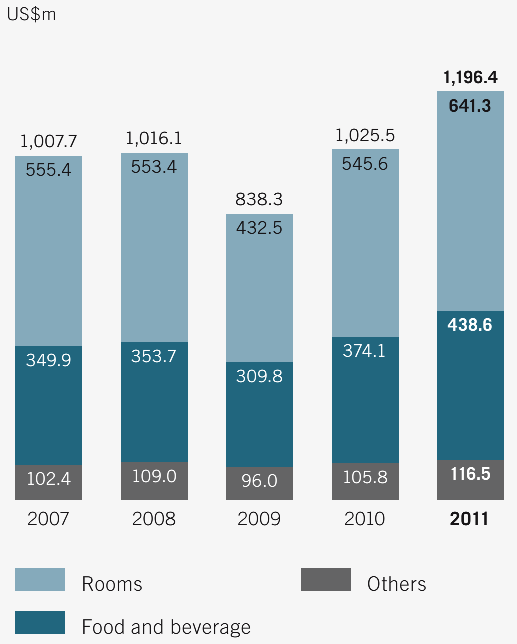
3 Underlying profit attributable to shareholders and underlying earnings per share exclude non-trading items such as gains on disposals and provisions against asset impairment.

4 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

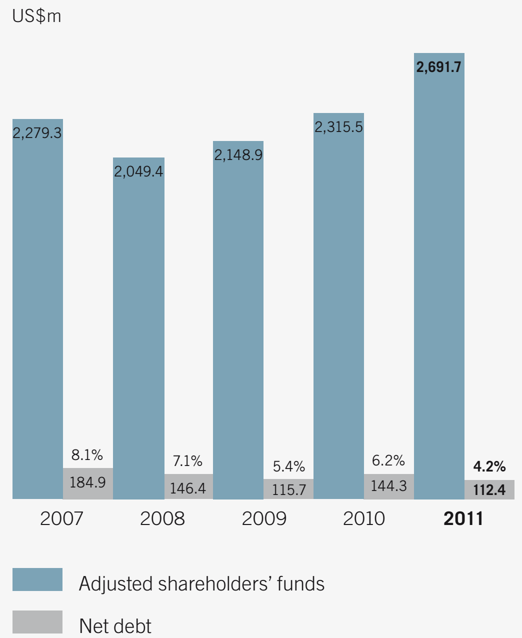


Combined total revenue
by type of business



EBITDA and net interest expense

Net debt/adjusted shareholders' funds



Chairman's Statement

Overview

Increased demand throughout 2011 led to improved performances in most of the Group's markets, which helped offset the impact on earnings of reduced occupancy in Tokyo following the earthquake and tsunami and the pre-opening costs in Paris. Most Group hotels maintained or enhanced their competitive positions, and the strength of the brand was further demonstrated by an increase in the number of leading awards received.

Performance

Underlying earnings before interest, tax, depreciation and amortization ('EBITDA') for 2011 were US$163 million, an increase of US$27 million from 2010. The 2011 result includes US$16 million of branding fees received following the completion of *The Residences at Mandarin Oriental, London* offset in part by US$13 million of pre-opening expenses in Paris.

Underlying profit was up 33% at US$59 million in 2011, and underlying earnings per share were 32% higher at US¢5.92.

Profit attributable to shareholders was US$67 million. This included US$8 million of net non-trading profit, with the principal item being a gain of some US$10 million representing the value of a long-term leasehold interest in part of *The Residences at Mandarin Oriental, London* which was granted by the developer to the Group at no cost. There were no non-trading items in 2010.

The Group's balance sheet remains strong. After taking into account an independent valuation of the Group's hotel properties, the net asset value per share was US$2.70 at 31st December 2011, compared with US$2.33 at the end of 2010.

The Directors recommend a final dividend of US¢4.00 per share. This, together with the interim dividend of US¢2.00 per share, will make a total annual dividend of US¢6.00 per share, an increase of US¢1.00 per share from 2010.

Group review

Profitability improved across most of Mandarin Oriental's portfolio, particularly in Asia and Europe.

In Hong Kong, robust demand at the Group's two wholly-owned hotels led to improved occupancy, rates and profitability. Revenue per available room ('RevPAR') increased at Mandarin Oriental, Hong Kong by 14% and at The Excelsior by 18%. In Tokyo, occupancy fell to 50% from 64% in 2010, although some improvement was seen towards the end of the year. Singapore continued to benefit from a growing number of visitors to the city, but the performance in Bangkok was adversely affected in the last quarter of the year by the floods in Thailand.

In Europe, most of the Group's hotels benefited from an increase in demand, with particularly strong performances in London and Munich. Mandarin Oriental, Paris opened in June to considerable acclaim. The 138-room property is positioned as one of the best hotels in the city and has been well received.

In The Americas, business levels improved across the portfolio, although the rate of RevPAR growth was lower than in the Group's other regions.

Development

The Group's next planned hotel opening is in Guangzhou in the second half of 2012. This will be followed in 2013 by Taipei, Milan and Shanghai. The Group has recently announced that it will manage a new 102-room hotel with *Residences* in Bodrum, Turkey, which is expected to open in 2014.

Mandarin Oriental now has 27 hotels in operation. It has a further 15 hotels under development, all of which will be operated under long-term management contracts that require no capital investment by the Group. In addition, the Group operates, or has under development, 13 *Residences at Mandarin Oriental* which are connected to its properties.

People

On behalf of the Directors, I would like to acknowledge the contribution of all employees throughout the Group for continuing to provide exceptional levels of service to our guests.

R.C. Kwok and Sydney Leong retired as Directors of the Company on 12th May and 31st December 2011, respectively. Anthony Nightingale will step down as Managing Director at the end of March 2012, and will remain as a non-executive Director. On behalf of the Board, I would like to thank them for their significant contributions to the Group. On 1st March 2012 Lincoln Leong was appointed a Director of the Company. Joining the Board on 1st April 2012 will be Ben Keswick as Managing Director and Adam Keswick as a Director.

Outlook

While levels of demand improved in 2011, current economic challenges in Europe and the United States may impact some of the Group's markets in 2012. Results should, however, benefit from a recovery of demand in Tokyo and a full year of trading in Paris. Over the longer term, Mandarin Oriental will benefit from the strength of its brand, the limited new supply of luxury hotels in its key markets and the phased opening of hotels in its portfolio.

Simon Keswick
Chairman
1st March 2012

Group Chief Executive's Review

Business model and strategy

Mandarin Oriental Hotel Group is an award-winning 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 and the Middle East. 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 adjusted net assets worth approximately US$2.7 billion as at 31st December 2011. Capitalizing on the strength of its brand, the Group operates hotels on behalf of third party owners that require no equity investment by the Group.

The Group's strategy is to be recognized widely as the best global luxury hotel group, which it will achieve by investing in its exceptional facilities and its people while continuing to seek further selective opportunities for expansion around the world. This strategy combined with a strong balance sheet is designed to achieve long-term growth in both earnings and net asset value.

Progress achieved

In 2011, the Group's overall results benefited from increased demand which led to higher occupancies in most of the Group's markets. This in turn enabled almost every hotel across the portfolio to raise their rates in local currency terms over the previous year. Performances were particularly strong throughout Europe and Asia, principally in Hong Kong, which helped to offset the impact of pre-opening expenses for our new hotel in Paris as well as the losses incurred in Tokyo following the earthquake in March 2011. Our hotels continue to benefit from the increasing number of high net worth leisure travellers who are attracted by the growing recognition of the Mandarin Oriental brand. The Group experienced improved demand from its traditional markets, as well as growth from developing markets, predominantly China, which is now the second largest source of business after the United States, accounting for 13% of Mandarin Oriental's total room nights.

The Group's global brand recognition was further enhanced in 2011 with the opening of Mandarin Oriental, Paris in June, on the prestigious rue Saint-Honoré, achieving significant global publicity. Operated under a long-term lease, the 138-room hotel is being positioned as one of the best in the city and has achieved an average rate of close to €950 in its first six months of operation. The hotel's food and beverage concepts led by celebrity chef Thierry Marx have also been well received. Having a strong brand presence in the top 'world' cities of London, New York and Paris is crucial to all luxury brands, and Mandarin Oriental will continue to benefit from the prominent exposure our hotels have achieved in these important destinations.

In addition, the Group announced a new management contract in February 2012, for a luxury resort with *Residences at Mandarin Oriental*, currently under construction in a coastal setting in Bodrum, Turkey.

The recognition and credibility of the Mandarin Oriental brand internationally, together with our financial strength, places the Group in a strong position to take advantage of future growth opportunities.

Performance in 2011

Set out below is a review of the Group's performance in 2011, 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

Mandarin Oriental is increasingly recognized for creating some of the world's most sought-after properties, delivering 21st century luxury with oriental charm. Each of our hotels ensures its position at the top of its market by delivering the Group's unique style of luxury, through a combination of tradition, quality and innovation. Throughout the portfolio, the Group invested behind our core brand attributes of creative hotel design, architecture and technology, holistic spa operations and excellent dining experiences. 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 2011 is evidenced by the achievement of many significant awards from respected travel associations and publications worldwide. Highlights included a record of ten hotels being awarded in the 2012 *Forbes Travel Guide*, with six gaining the top 'Five Star Hotel' status. *Condé Nast Traveler US* 'Readers Choice Awards' 2011 featured 14 hotel awards, and 'The World's Best' 2011 from *Travel + Leisure* included winning entries for nine of our hotels. Nine hotels also featured in the prestigious *Institutional Investor's* 'World's Best 2011' listings. The Group's growing brand awareness in mainland China was also recognized with The Landmark Mandarin Oriental, Hong Kong and our properties in Sanya and Macau being listed in several prestigious publications such as *The Hurun Report* and *Condé Nast Traveler US*.

The Group's reputation for excellent dining experiences has been further acknowledged with ten restaurants being honoured, and a total of 12 stars awarded, in the most recent 2012 *Michelin* guides, including three at Mandarin Oriental, Hong Kong alone. Mandarin Oriental Hyde Park, London's newest restaurant *Dinner*, was awarded one Michelin star and was also voted 'Best New Restaurant' in *Tatler, UK's* annual Dining Awards. *Amber* at The Landmark Mandarin Oriental, Hong Kong was voted one of the 'Top 50 Restaurants' in the world in the respected *San Pellegrino* listings.

The Group's overall spa operations were also recognized in 2011 with Mandarin Oriental being nominated for the fourth consecutive year as 'Best Spa Brand' in *SpaFinder's* 2011 'Readers' Choice Awards'. The prestigious *Forbes* 'Five Star Spa' award has also been granted to a record eight hotels, including the Group's newest spas at Mandarin Oriental, Macau and Singapore. This is more than any other hotel group in the world.

Mandarin Oriental's newly opened hotel in Paris was highlighted in *Condé Nast Traveler, Spain*'s 'Hot List' and received the coveted 'Best Business Hotel' by *Wallpaper* magazine in its first few months of operation. Once again, Mandarin Oriental's hotels in New York, Boston, Las Vegas and Miami achieved the 'Five Diamond Lodging Award' for 2012 from the *American Automobile Association*.

Group Chief Executive's Review *Continued*

Mandarin Oriental's global recognition is further enhanced by the Group's award-winning international advertising campaign which now features 23 celebrity 'fans', who regularly stay in our hotels. The campaign has grown in popularity since its launch in 2000, and in 2011, an additional three well-known personalities were introduced as fans: Kevin Spacey, the legendary actor and director; Sophie Marceau, the famous French actress; and shoe designer, Christian Louboutin.

Mandarin Oriental's goal, to be recognized as the world's best luxury hotel group, will be further accomplished as we increase the number of hotels we operate in new and exciting travel destinations.

2) Strengthening our competitive position

While better conditions in all markets in 2011 resulted in improved profitability across most of the Group, critical to our success is the focus of every hotel on maintaining or enhancing their leadership positions against primary competitors in their individual markets. Achieving a top competitive position in every destination reflects the strength of our hotel management teams combined with our strong brand recognition plus the added support provided by an established corporate structure. Our position has been further supported by limited new supply in many of the key markets in which we operate.

Demographic trends continue to support the Group's strategy of creating quality services and facilities which allows our properties to compete effectively and to achieve premium rates. Over the last few years, Mandarin Oriental's operational and marketing focus has been on attracting leisure travellers who are looking for meaningful luxury experiences that are of value. As a result, higher-spending leisure customers make up more than 40% of the Group's room nights, and this successful shift in consumer demand has resulted in an increase in the Group's average rate across the portfolio.

The highlights of each region are as follows:

Asia

Increasing demand across the region, with the exception of Tokyo, resulted in a strong performance in Asia, particularly in Hong Kong. Overall, Revenue per Available Room ('RevPAR') for Asia was up by 14% in US dollar terms over the previous year on a like-for-like basis.

The 100%-owned Mandarin Oriental, Hong Kong improved its operating performance, benefiting from strong city-wide activity and an increase in demand, particularly from the corporate segment. As a result, the hotel achieved a 14% RevPAR improvement over 2010. Food and beverage revenues also improved, with a 20% increase over the prior year. Both Mandarin Oriental, Hong Kong and The Landmark Mandarin Oriental received the coveted 'Five Star' rating in the *Forbes Travel Guide 2012* for both the hotel and spa, for the third year in succession.

The Excelsior, the Group's other 100%-owned hotel in Hong Kong, successfully maintained its leading competitive position and achieved an overall RevPAR gain of 18% as a result of both occupancy and average rate increases. Occupancy, at 89%, has returned to historical levels.

In Tokyo, our hotel's performance was negatively affected by the impact of the earthquake and subsequent tsunami in March 2011. Visitor arrivals to the city plummeted in the immediate aftermath of the disaster, resulting in a significant drop in occupancy at the hotel, which only started to recover at the end of the year. Nonetheless the hotel maintained its competitive position and was voted 'Best Hotel in Japan' in the 2011 *International Hotel Awards*.

In Singapore, the strong city-wide demand that began in 2010 continued throughout 2011, driving further increases in average rate at our hotel, which led to an overall RevPAR improvement of 14% in local currency terms. Mandarin Oriental, Singapore was the only property in the city to achieve *Forbes* 'Five Star' status in the annual *Forbes Travel Guide 2012* for both the hotel and its spa.

Mandarin Oriental, Bangkok's performance was adversely impacted by the serious flooding in northern Thailand in the last quarter of 2011. Nonetheless, occupancy levels for the full year were above levels achieved in 2010, resulting in an overall RevPAR improvement of 10% in local currency terms. The hotel remains the market leader in the city and was once again recognized as one of the world's best hotels in the most important travel awards, including 'Best City Hotel In Asia' in *Travel + Leisure's 2011* 'World's Best Awards'.

Mandarin Oriental, Jakarta continued to build occupancy following its comprehensive renovation which was completed in 2010. The hotel's competitive position has improved and it achieved an overall increase in RevPAR of 42% in local currency terms.

Mandarin Oriental, Macau, which opened in June 2010, improved its performance in its first full year of operation, achieving an overall occupancy of 63%, up from 49% at the end of 2010. The hotel is already establishing itself as a leader in luxury hospitality in the territory and was voted one of the 'Best Business Hotels' in *Business Traveller, Asia Pacific*. The hotel's spa also achieved *Forbes* 'Five Star' status. During 2011, the 92 *Residences and Apartments* located above the hotel were launched, resulting in branding fees from the continued sales.

Throughout the rest of Asia, our hotels took full advantage of the stronger demand with RevPAR up in all other locations, except Kuala Lumpur which was unchanged from 2010.

Europe

In Europe, the Group's hotels competed effectively at the top of their markets and improved their performances as a result of resilient demand and limited supply. Consequently, overall RevPAR for Europe increased by 20% in US dollar terms on a like-for-like basis over 2010, with a combined average rate which now exceeds US$700.

Mandarin Oriental Hyde Park, London's performance was bolstered by strong demand, particularly from leisure travellers from both traditional and new markets. Occupancy remained high at 80% and the hotel successfully achieved a 15% increase in average rate, at £538, resulting in an overall RevPAR increase of 14% in local currency terms. The hotel's food and beverage revenues also improved significantly following the launch of *Dinner*, Heston Blumenthal's first London operation, at the beginning of 2011. This followed the successful opening of *Bar Boulud* in May 2010. Both restaurants have already garnered an array of distinctive awards.

The 86 *Residences at Mandarin Oriental, London*, which opened at *One Hyde Park* to great acclaim in January 2011, generated US$16 million of one-off branding fees for the Group. In addition, the Group benefited from a non-trading gain of approximately US$10 million, 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 2012.

Mandarin Oriental, Munich benefited from strong demand in the high-end leisure market, and successfully maintained its position as the undisputed market leader in the city. Improvements in both occupancy and average rate resulted in a 19% increase in RevPAR over 2010 in local currency terms. Mandarin Oriental, Geneva's operating performance was impacted by the continuation of a phased rooms renovation and a strong Swiss franc, resulting in an 8% decrease in RevPAR in local currency terms although the hotel maintained its competitive position. In US dollar terms the contribution from this subsidiary hotel was similar to 2010.

In Barcelona and Prague, our hotels have successfully positioned themselves ahead of the competition in their respective markets, and both continue to receive global recognition for excellence in well respected publications such as *Condé Nast Traveler US.*

The Americas

Overall RevPAR in The Americas increased by 9% on a like-for-like basis, as a result of improvements in both occupancies and average rates in all destinations.

In Washington D.C., the hotel improved its competitive position and strengthened both occupancy and rate to achieve a 6% increase in RevPAR over 2010. The hotel appeared in numerous reader surveys in prestigious publications including *Institutional Investor's* 'World's Best 2011'.

Mandarin Oriental, New York's strong positioning as one of the world's most luxurious properties enabled the hotel to grow occupancy levels by 3% while maintaining its average rate despite a highly competitive market. The hotel's international recognition was further reinforced by the retention of both the prestigious *Forbes* 'Five Star' rating and the *American Automobile Association's* 'Five Diamond Lodging Award'.

Mandarin Oriental, Miami took advantage of market demand and performed well against challenging competition, achieving a 19% increase in RevPAR. The hotel continues to receive positive media attention, and the hotel's Spa has received the *Forbes* 'Five Star' rating in 2012 for the third consecutive year; the only hotel in Florida to do so.

In other destinations, Mandarin Oriental's managed properties performed well against competition and all achieved increases in occupancy and rate. Mandarin Oriental, Boston and Mandarin Oriental, Las Vegas achieved the *Forbes* 'Five Star' rating in 2011 for both the hotel and the spa, with the hotel in Las Vegas achieving a further 'Five Star' rating for its restaurant, *Twist*, operated by Pierre Gagnaire.

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

Mandarin Oriental has achieved strong geographic diversification with a well balanced portfolio across the globe and is on track to achieve its mid-term goal of operating 10,000 rooms in key global locations within the next few years. The Group now operates close to 7,700 rooms around the world, which rises to almost 11,000 including the hotels under development.

In 2012, the Group will launch a new luxury property in Guangzhou, followed in 2013 by openings in Taipei, Milan and Shanghai. In total, the Group has announced 15 new hotel developments, all of which are long-term management contracts requiring no capital investment by the Group. This includes the most recent announcement of a 102-room luxurious hideaway resort and spa with 214 branded *Residences at Mandarin Oriental* which is scheduled to open on an exclusive 100 acre waterfront site on the Bodrum Peninsula in Turkey in 2014.

In addition to the Group's portfolio of hotels, a total of 13 *Residences at Mandarin Oriental* projects are open or under development. The associated branding fees from these projects, as well as ongoing revenues from management fees and the use of hotel facilities by the home owners, will provide an additional return for the Group over the next few years.

The long-term potential for growth is significant and the Group's strategy of operating both owned and managed hotels remains in place. Mandarin Oriental is well positioned to take advantage of selective investment opportunities in strategic locations that offer attractive returns, while at the same time our strong brand continues to be compelling to developers of luxury hotels. The Group has in the pipeline, many opportunities for additional luxurious hotels and residences in important or unique locations around the world.

4) Achieving a strong financial performance

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

In 2011, the Group's overall financial performance was strengthened as a result of the improved operating performances across its portfolio, particularly in the owned hotels in Hong Kong. Branding fees received during the year from *Residences* projects in London and Macau also contributed to the Group's results. These increases were, however, partially offset by the loss incurred in Tokyo and the pre-opening expenses at Mandarin Oriental, Paris. The investment required to complete the Paris hotel was met from the Group's cash resources.

Excluding non-trading items, profit attributable to shareholders in 2011 was US$59 million compared to US$44 million in 2010. Including non-trading items, profit attributable to shareholders in 2011 was US$67 million. There were no non-trading items in 2010.

Reflecting the Group's strong financial position, the Board has recommended a final dividend of US¢4.00, which, when combined with the interim dividend of US¢2.00, makes a full year dividend of US¢6.00.

The future

While the Group experienced a rebound in demand in 2010 and 2011, the current macro-economic volatility around the world, particularly in the financial sector, may put pressure on occupancies in the immediate term. However, the Group will benefit from its strong brand and its growing portfolio as new properties open in sought-after destinations around the world, as well as by the limited supply of competitive luxury hotels in our key markets.

Mandarin Oriental's long-term strategy of being widely recognized as the best luxury hotel group in the world is firmly on track.

Edouard Ettedgui
Group Chief Executive
1st March 2012

Operating Summary

There are 27 hotels in operation, but the operating summary includes only hotels in which the Group has an equity interest and were operating throughout 2011.

ASIA

Mandarin Oriental, Hong Kong 100% ownership

	2011	2010	% Change
Available rooms	**501**	501	0
Average occupancy (%)	**71**	68	4
Average room rate (US$)	**468**	426	10
RevPAR (US$)	**330**	289	14

Mandarin Oriental, Manila 96.2% ownership

	2011	2010	% Change
Available rooms	**442**	442	0
Average occupancy (%)	**72**	71	1
Average room rate (US$)	**112**	96	17
RevPAR (US$)	**80**	68	18

The Excelsior, Hong Kong 100% ownership

	2011	2010	% Change
Available rooms	**884**	886	(0)
Average occupancy (%)	**89**	86	3
Average room rate (US$)	**195**	171	14
RevPAR (US$)	**174**	147	18

Mandarin Oriental, Singapore 50% ownership

	2011	2010	% Change
Available rooms	**527**	527	0
Average occupancy (%)	**82**	81	1
Average room rate (US$)	**267**	218	22
RevPAR (US$)	**218**	177	23

Mandarin Oriental, Tokyo 100% leasehold

	2011	2010	% Change
Available rooms	**178**	178	0
Average occupancy (%)	**50**	64	(22)
Average room rate (US$)	**570**	536	6
RevPAR (US$)	**283**	341	(17)

Mandarin Oriental, Bangkok 44.9% ownership

	2011	2010	% Change
Available rooms	**393**	393	0
Average occupancy (%)	**45**	40	13
Average room rate (US$)	**336**	325	3
RevPAR (US$)	**150**	131	15

Mandarin Oriental, Jakarta 96.9% ownership

	2011	2010	% Change
Available rooms	**272**	272	0
Average occupancy (%)	**59**	46	28
Average room rate (US$)	**159**	141	13
RevPAR (US$)	**94**	64	47

Mandarin Oriental, Kuala Lumpur 25% ownership

	2011	2010	% Change
Available rooms	**632**	632	0
Average occupancy (%)	**66**	64	3
Average room rate (US$)	**190**	185	3
RevPAR (US$)	**126**	119	6

EUROPE

Mandarin Oriental Hyde Park, London 100% ownership

	2011	2010	% Change
Available rooms	**189**	189	0
Average occupancy (%)	**80**	80	0
Average room rate (US$)	**863**	720	20
RevPAR (US$)	**688**	578	19

Mandarin Oriental, Munich 100% ownership

	2011	2010	% Change
Available rooms	**73**	73	0
Average occupancy (%)	**82**	77	6
Average room rate (US$)	**768**	648	19
RevPAR (US$)	**626**	498	26

Mandarin Oriental, Geneva 92.6% ownership

	2011	2010	% Change
Available rooms	**185**	197	(6)
Average occupancy (%)	**52**	55	(5)
Average room rate (US$)	**802**	692	16
RevPAR (US$)	**416**	383	9

THE AMERICAS

Mandarin Oriental, Washington D.C. 80% ownership

	2011	2010	% Change
Available rooms	**400**	400	0
Average occupancy (%)	**62**	61	2
Average room rate (US$)	**296**	285	4
RevPAR (US$)	**184**	173	6

Mandarin Oriental, New York 25% ownership

	2011	2010	% Change
Available rooms	**248**	248	0
Average occupancy (%)	**71**	69	3
Average room rate (US$)	**883**	883	0
RevPAR (US$)	**627**	612	2

Mandarin Oriental, Miami 25% ownership

	2011	2010	% Change
Available rooms	**326**	326	0
Average occupancy (%)	**72**	65	11
Average room rate (US$)	**312**	293	6
RevPAR (US$)	**225**	189	19

Development Portfolio

Mandarin Oriental Hotel Group currently has 15 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 and the Middle East

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, Bodrum
A 102-room resort and 214 *Residences at Mandarin Oriental* located on a waterfront site on the Bodrum peninsula in Turkey, with panoramic views of the Aegean sea.

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, 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.

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

While some international groups create extremely slick but generic luxury, Mandarin Oriental seems to have gone the other way, adding locality, personal touches and intuitive grace.

Lux Magazine, 2011

Mandarin Oriental, Bangkok

The Oriental Hotel in Bangkok still one of the best hotels to be found anywhere.

The Wall Street Journal, 2011

Mandarin Oriental Dhara Dhevi, Chiang Mai

You couldn't have a softer landing than Mandarin Oriental Chiang Mai, 60 acres filled with faux temples, pavilions, wats and traditional houses. The whole confection is a King and I-style fantasy of old Siam.

The Sunday Times Travel, 2011

Mandarin Oriental, Hong Kong

Mandarin Oriental, Hong Kong accommodates travelers of business or pleasure and encompasses the true meaning of luxury.

USATODAY.com, 2011

The Landmark Mandarin Oriental, Hong Kong

The service is sharp 24 hours a day, and 'technology butlers' know everything there is to know about electronic gadgetry.

Condé Nast Traveller, UK, 2011

Mandarin Oriental, Singapore

In the hotel, there's a pleasant buzz – especially in the revamped pool area, with its loungey white cabanas, breezy gardens and twinkly views of the jagged skyline come evening.

The Sunday Times, 2011

Mandarin Oriental, Tokyo

The views from Mandarin Oriental, Tokyo are amazing, the rooms are impeccable, and the service unmatched.

Condé Nast Traveler, US, 2011

Mandarin Oriental, Barcelona

Quality is the real luxury at Mandarin Oriental, Barcelona, starting with the blow-you-away entrance through a soaring atrium. Gourmet dining, a vibrant cocktail bar and a courtyard terrace shaded by mimosa trees are all reason enough not to leave the hotel for days, despite the treasures of Barcelona on your doorstep.

Wallpaper City Guides, 2011

International Recognition *Continued*

Mandarin Oriental Hyde Park, London

This is "one of the best-located hotels in London". It never rests on its laurels and is constantly evolving.

The Independent, 2011

Mandarin Oriental, Prague

Mandarin Oriental, Prague – A dose of old Bohemian splendor and a spa of epic historical proportions.

Daily Candy, 2011

Mandarin Oriental, Paris

For its first hotel in France, Mandarin Oriental wanted to offer the best: an amazing prime location between Place de la Concorde and Place Vendome and an experienced team, but also charm and glamour; all the necessary ingredients for the launch of a contemporary palace with an Art-Deco flair.

Le Figaro, 2011

If there is one word to sum up the Mandarin Oriental, Paris, it is *magnifique*.

About.com, 2011

Mandarin Oriental, Boston

Mandarin Oriental, Boston is on sought-after Boylston Street. With its original artwork and excellent staff, it is an oasis of calm from the bustle outside.

Sunday Express, 2011

Mandarin Oriental, Las Vegas

Serene Asiatic flavours, sharp service; peaceful, spacious, harmonious and with an immaculate attention to detail; personalized service, green design, serenity.

Condé Nast Traveller, UK, 2011

Mandarin Oriental, Miami

Mandarin Oriental, Miami provides unsurpassed levels of luxury and service in Miami.

Condé Nast Traveller Online, 2011

Mandarin Oriental, New York

Perched stop Time Warner Center, this paragon of old-school opulent hospitality has breathtaking views of the city and the Hudson. The location is dandy, with Central Park just beyond the front door. Lincoln Center a few blocks north and Fifth Avenue shopping a mere 10-minute walk.

Los Angeles Times Magazine, 2011

Financial Review

Accounting policies

The Directors continue to review the appropriateness of the accounting policies adopted by the Group having regard to developments in International Financial Reporting Standards ('IFRS').

The accounting policies adopted are consistent with those of the previous year, except that the Group has adopted several new standards, amendments and interpretations to IFRS effective on 1st January 2011, as more fully detailed in the 'Basis of preparation' note in the financial statements. The adoption of these new standards, amendments and interpretations did not have a material impact on the Group's financial statements.

Results

Overall

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

	2011 US$m	2010 US$m
Subsidiaries	**130.3**	109.5
Associates and joint ventures	**32.7**	26.9
Underlying EBITDA	**163.0**	136.4

Subsidiaries

	2011 US$m	2010 US$m
Underlying EBITDA from subsidiaries	**130.3**	109.5
Non-trading items:		
Gain on *One Hyde Park* lease space	**10.1**	–
Provision against asset impairment	**(1.6)**	–
EBITDA from subsidiaries	**138.8**	109.5
Less depreciation and amortization expenses	**(49.7)**	(44.6)
Operating profit	**89.1**	64.9

In 2011, underlying EBITDA from subsidiaries increased by US$20.8 million or 19%, to US$130.3 million, from US$109.5 million in 2010.

Improved operating performances by all of the Group's Asian subsidiary hotels, except Tokyo, led to higher EBITDA contributions in 2011. In Hong Kong, strong demand for the Group's two subsidiary hotels Mandarin Oriental, Hong Kong and The Excelsior led to increases in revenue per available room ('RevPAR') of 14% and 18%, respectively. As a result, the combined EBITDA contribution from both hotels increased by 22% in 2011. In Tokyo, the hotel's performance was negatively impacted following the natural disaster in March 2011, although occupancy levels recovered towards the end of the year. The contribution from Manila increased primarily due to a strong Philippine Peso, which benefited results when translated into US dollars. In Jakarta, EBITDA improved as the hotel's occupancy level increased in its first full year of operation after its comprehensive renovation (which completed in 2010).

Financial Review *Continued*

Subsidiaries continued

In Europe, London benefited from strong market conditions and a significant increase in food and beverage revenues from two new restaurants, leading to a 28% increase in EBITDA, when compared to 2010. Mandarin Oriental, Paris opened in June 2011 with pre-opening expenses charged to profit and loss of US$13 million. In the first six months of trading the hotel achieved an average rate of close to €950, with occupancy restricted by the full inventory of 138 rooms only being available from late September onwards. In Munich, strong demand resulted in EBITDA increasing by 35% in 2011. In Geneva, a phased rooms renovation and a strong Swiss Franc impacted the hotel's operating performance, although its contribution, when converted into US dollars, was similar to 2010.

In The Americas, the contribution from the Washington D.C. hotel improved as a result of an increase in RevPAR.

In 2011, the contribution from management activities was US$32.7 million, an increase of US$14.6 million compared to 2010. This increase principally relates to US$16 million of branding fees received from the sale of *The Residences at Mandarin Oriental, London*.

Depreciation and amortization expenses were US$49.7 million for 2011, an increase of US$5.1 million from 2010, the majority of which is attributable to the new Paris hotel.

Associates and joint ventures

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

	2011 US$m	2010 US$m
EBITDA from associates and joint ventures	**32.7**	26.9
Less depreciation and amortization expenses	**(12.2)**	(11.1)
Operating profit	**20.5**	15.8
Less net financing charges	**(6.3)**	(6.4)
tax	**(4.4)**	(5.1)
Share of results of associates and joint ventures	**9.8**	4.3

In total, the Group's share of EBITDA from associates and joint ventures increased by US$5.8 million or 22% to US$32.7 million in 2011.

In Singapore, the Group's 50%-owned hotel benefited from strong market conditions, improving its EBITDA by 34% during the year. Although overall occupancy levels improved in Bangkok in 2011, the extensive floods in Thailand in the fourth quarter of the year impacted the hotel's performance, resulting in a full year contribution in line with 2010. Kuala Lumpur's EBITDA was largely unchanged from 2010, in a highly competitive market.

In The Americas, the New York hotel maintained its competitive market position, achieving a modest increase in EBITDA contribution. In Miami, the hotel's performance benefited from an increase in citywide demand and a 19% increase in RevPAR, leading to an improved EBITDA contribution.

Depreciation and amortization expenses from associates and joint ventures were US$12.2 million, up from US$11.1 million in 2010. The Group's share of net financing charges from associates and joint ventures was US$6.3 million, largely in line with 2010. The 2011 tax charge of US$4.4 million was US$0.7 million lower than last year, primarily due to the reversal of a tax asset in Bangkok which made the tax charge higher in 2010.

Non-trading items

In 2011, there was a net non-trading gain of US$8.5 million. The principal item was a gain of US$10.1 million representing the market value of a long-term leasehold interest in part of the *One Hyde Park* complex adjacent to the London hotel. This leasehold interest was granted by the developer to the Group at no cost. This gain was partially offset by a US$1.6 million provision for asset impairment made in relation to a managed hotel.

Net financing charges

Net financing charges for the Group's subsidiaries decreased to US$12.0 million in 2011 from US$13.1 million in 2010. This decrease is principally due to higher interest received on cash balances as deposit rates improved in 2011.

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 2011 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 8.9 times compared with 7.0 times in 2010.

Tax

The tax charge for 2011 was US$19.0 million compared to US$12.0 million in 2010. The higher tax charge is largely attributable to the Group's improved operating performance.

The underlying effective tax rate for the year was 23%, broadly in line with the 2010 rate of 24%.

Cash flow

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

	2011 US$m	2010 US$m
Operating activities	**146**	114
Investing activities: • Capital expenditure on existing properties	**(38)**	(44)
• Investment in Paris	**(25)**	(28)
• Purchase of intangible assets	**(3)**	(3)
• Investments in and loans to associates	**(1)**	(3)
• Repayment/(funding) of hotel mezzanine loans	**3**	(3)
• Other	**(1)**	–
Financing activities: • Issue of shares	**1**	7
• Drawdown of borrowings	**10**	25
• Repayment of borrowings	**(7)**	(125)
• Dividends paid	**(50)**	(69)
• Other	**1**	1
Net increase/(decrease) in cash and cash equivalents	**36**	(128)
Cash and cash equivalents at 1st January	**433**	561
Cash and cash equivalents at 31st December	**469**	433

The Group's cash flows from operating activities were US$146 million in 2011, an increase of US$32 million from 2010, primarily due to the improved operating performance of the Group's hotels and an increase in branding fees received.

Under investing activities, capital expenditure on existing properties was US$38 million in 2011, compared to US$44 million in 2010. During the year, the London hotel spent approximately US$10 million principally completing a new restaurant and partially fitting out the space granted to the hotel by the developer of *The Residences at Mandarin Oriental*, adjacent to the hotel. The balance of expenditure incurred related to ongoing asset improvements across the portfolio, including approximately US$6 million in Geneva on a phased rooms renovation.

Financial Review *Continued*

Cash flow continued

The Group's total investment in the new Paris hotel was approximately US$75 million as outlined in the table below:

Mandarin Oriental, Paris

	2010 and before US$m	2011 US$m	Total US$m
Leasehold improvements and furniture & equipment	35	**25**	**60**
Pre-opening expenses (charged to profit and loss)	2	**13**	**15**
Total	37	**38**	**75**

In 2011, US$25 million was capitalized and US$13 million of pre-opening expenses were charged to profit and loss (and hence included in the cash flow under operating activities).

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 2011, the Group made US$1 million (2010: US$3 million) in aggregate of investments in, and loans to, associate hotels in The Americas.

In 2011, the Group received US$3 million from the repayment of loans given to the owners of managed hotels in prior years. Conversely, in 2010, the Group provided US$3 million in respect of loans to owners of managed hotels.

Dividends

The Board is recommending a final dividend of US¢4.00 per share for a full-year dividend of US¢6.00 per share (2010: US¢5.00 per share). No scrip alternative is being offered in respect of the dividend. The final dividend is payable on 16th May 2012 to shareholders on the register of members at the close of business on 16th March 2012.

Supplementary information

Although the Group's accounting policy in respect of its freehold land and buildings and the building component of owner-occupied leasehold properties is based on the cost model, 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:

	2011		2010	
	US$m	**Per share US$**	US$m	Per share US$
Shareholders' funds/net assets at amortized cost	**911**	**0.91**	899	0.90
Add surplus for fair market value of freehold and leasehold land and buildings	**1,781**	**1.79**	1,416	1.43
Adjusted shareholders' funds/net assets	**2,692**	**2.70**	2,315	2.33

On IFRS basis, the Group's consolidated net debt of US$113 million at 31st December 2011 was 12% of shareholders' funds, compared with consolidated net debt of US$144 million at 31st December 2010 which was 16% of shareholders' funds. Taking into account the fair market value of the Group's interests in freehold and leasehold land, gearing was 4% of adjusted shareholders' funds at 31st December 2011, compared with 6% at 31st December 2010.

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 44% 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 2011, the Group's net assets were denominated in the following currencies:

	Net assets		Adjusted net assets*	
	US$m	%	US$m	%
Hong Kong dollar	2	–	1,494	55
United States dollar	485	53	525	20
United Kingdom sterling	99	11	164	6
Singapore dollar	44	5	130	5
Euro	99	11	116	4
Swiss franc	90	10	95	4
Thai baht	19	2	76	3
Others	73	8	92	3
	911	100	2,692	100

* see supplementary information section on page 22

Included on the Group's consolidated balance sheet is cash at bank of US$470.1 million (2010: US$433.5 million) which, after the deduction of US$1.0 million (2010: US$0.4 million) of bank overdraft facilities, is shown in the Group's consolidated cash flow as cash and cash equivalents of US$469.1 million (2010: US$433.1 million).

The Group, excluding associates and joint ventures, had committed borrowing facilities totalling US$678 million, of which US$582 million was drawn at 31st December 2011. The principal amounts due for repayment are as follows:

	Facilities committed US$m	Facilities drawn US$m	Unused facilities US$m
Within one year	4	4	–
Between one and two years	11	9	2
Between two and three years	623	529	94
Between three and four years	34	34	–
Between four and five years	2	2	–
Beyond five years	4	4	–
	678	582	96

At 31st December 2011, the Group had US$96 million of committed, undrawn facilities in addition to its net cash balances of US$469 million. The average tenor of the Group's borrowings was 2.8 years (2010: 3.7 years).

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 82 to 83.

Stuart Dickie
Chief Financial Officer
1st March 2012

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.

Ben Keswick* *Managing Director*
Mr Ben Keswick joined the Board as Managing Director in April 2012. He has held a number of executive positions since joining the Jardine Matheson group in 1998, including finance director and then chief executive officer of Jardine Pacific between 2003 and 2007 and, thereafter, group managing director of Jardine Cycle & Carriage until March 2012. He has an MBA from INSEAD. Mr Keswick is chairman of Jardine Matheson Limited and Jardine Cycle & Carriage, and a commissioner of Astra and United Tractors. He is also managing director of Dairy Farm, Hongkong Land, Jardine Matheson and Jardine Strategic, and a director of Jardine Pacific and Jardine Motors.

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 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.

Adam Keswick
Mr Adam Keswick joined the Board in April 2012. He is deputy managing director of Jardine Matheson, chairman of Jardine Pacific, and chairman and chief executive of Jardine Motors. He has held a number of executive positions since joining the Jardine Matheson group from N M Rothschild & Sons in 2001, including group strategy director and, thereafter, group managing director of Jardine Cycle & Carriage between 2003 and 2007. Mr Keswick is also deputy chairman of Jardine Matheson Limited, and a director of Dairy Farm, Hongkong Land, Jardine Strategic and Rothschilds Continuation.

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 and Hongkong Land. He is also vice chairman of the Hong Kong Association.

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.

* Executive Director

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.

Lincoln K.K. Leong
Mr Leong joined the Board in March 2012. He is a Chartered Accountant and has extensive experience in the accountancy and investment banking industries. Mr Leong is also finance and business development director of MTR Corporation and a non-executive director of Hong Kong Aircraft Engineering Company and Tai Ping Carpets International.

A.J.L. Nightingale
Mr Nightingale joined the Board in 2006 and was Managing Director of the Company from 2006 to March 2012. He held a number of senior positions since first joining the Jardine Matheson group in 1969 until his retirement from executive office in March 2012. He is also a director of Dairy Farm, Hongkong Land, Jardine Cycle & Carriage, Jardine Matheson and Jardine Strategic, and a commissioner of Astra. Mr Nightingale is also 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, a member of Chongqing Mayor's International Economic Advisory Council and a member of the UK ASEAN Business Council Advisory Panel. He is also chairman of The Sailors Home and Missions to Seamen in Hong Kong.

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 first joined the Jardine Matheson group in 1976 and retired 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.

1st April 2012

Consolidated Profit and Loss Account

for the year ended 31st December 2011

	Note	2011 Underlying US$m	2011 Non-trading items US$m	2011 Total US$m	2010 Underlying US$m	2010 Non-trading items US$m	2010 Total US$m
Revenue	1	**614.2**	**–**	**614.2**	513.2	–	513.2
Cost of sales		**(377.3)**	**–**	**(377.3)**	(326.6)	–	(326.6)
Gross profit		**236.9**	**–**	**236.9**	186.6	–	186.6
Selling and distribution costs		**(42.1)**	**–**	**(42.1)**	(35.9)	–	(35.9)
Administration expenses		**(114.2)**	**8.5**	**(105.7)**	(85.8)	–	(85.8)
Operating profit	2	**80.6**	**8.5**	**89.1**	64.9	–	64.9
Financing charges		**(14.6)**	**–**	**(14.6)**	(14.8)	–	(14.8)
Interest income		**2.6**	**–**	**2.6**	1.7	–	1.7
Net financing charges	3	**(12.0)**	**–**	**(12.0)**	(13.1)	–	(13.1)
Share of results of associates and joint ventures	4	**9.8**	**–**	**9.8**	4.3	–	4.3
Profit before tax		**78.4**	**8.5**	**86.9**	56.1	–	56.1
Tax	5	**(19.0)**	**–**	**(19.0)**	(12.0)	–	(12.0)
Profit after tax		**59.4**	**8.5**	**67.9**	44.1	–	44.1
Attributable to:							
Shareholders of the Company	6&7	**59.0**	**8.5**	**67.5**	44.4	–	44.4
Non-controlling interests		**0.4**	**–**	**0.4**	(0.3)	–	(0.3)
		59.4	**8.5**	**67.9**	44.1	–	44.1
		US¢		**US¢**	US¢		US¢
Earnings per share	6						
– basic		**5.92**		**6.78**	4.48		4.48
– diluted		**5.88**		**6.73**	4.46		4.46

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2011

	Note	2011 US$m	2010 US$m
Profit for the year		**67.9**	44.1
Net actuarial (loss)/gain on employee benefit plans		**(7.3)**	2.6
Net exchange translation differences		**(0.1)**	(4.6)
Fair value losses on cash flow hedges		**(1.7)**	(4.2)
Fair value gains on other investments		**0.1**	–
Share of other comprehensive income of associates		**(2.7)**	8.2
Tax relating to components of other comprehensive income	5	**1.1**	0.3
Other comprehensive income for the year		**(10.6)**	2.3
Total comprehensive income for the year		**57.3**	46.4
Attributable to:			
Shareholders of the Company		**57.0**	46.1
Non-controlling interests		**0.3**	0.3
		57.3	46.4

Consolidated Balance Sheet

as at 31st December 2011

	Note	2011 US$m	2010 US$m
Net assets			
Intangible assets	8	**40.1**	67.4
Tangible assets	9	**1,038.0**	985.6
Associates and joint ventures	10	**78.4**	77.9
Other investments		**6.0**	4.9
Loans receivable	11	**–**	4.7
Pension assets	12	**12.5**	19.3
Deferred tax assets	13	**8.5**	15.0
Non-current assets		**1,183.5**	1,174.8
Stocks		**5.9**	4.4
Debtors and prepayments	14	**61.2**	59.2
Current tax assets		**0.8**	0.3
Cash at bank	15	**470.1**	433.5
Current assets		**538.0**	497.4
Creditors and accruals	16	**(128.2)**	(101.9)
Current borrowings	17	**(4.0)**	(3.3)
Current tax liabilities		**(10.9)**	(6.9)
Current liabilities		**(143.1)**	(112.1)
Net current assets		**394.9**	385.3
Long-term borrowings	17	**(578.5)**	(574.5)
Deferred tax liabilities	13	**(64.9)**	(64.1)
Pension liabilities	12	**(0.2)**	(0.1)
Other non-current liabilities	25	**(19.2)**	(17.5)
		915.6	903.9
Total equity			
Share capital	20	**49.8**	49.8
Share premium	21	**179.7**	178.3
Revenue and other reserves		**681.2**	671.2
Shareholders' funds		**910.7**	899.3
Non-controlling interests		**4.9**	4.6
		915.6	903.9

Approved by the Board of Directors

A.J.L. Nightingale
Edouard Ettedgui
Directors
1st March 2012

Consolidated Statement of Changes in Equity

for the year ended 31st December 2011

	Share capital US$m	Share premium US$m	Capital reserves US$m	Revenue reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Attributable to shareholders of the Company US$m	Attributable to non-controlling interests US$m	Total equity US$m
2011									
At 1st January	49.8	178.3	276.1	420.4	(14.5)	(10.8)	899.3	4.6	**903.9**
Total comprehensive income	–	–	–	61.3	(1.6)	(2.7)	57.0	0.3	**57.3**
Dividends paid by the Company	–	–	–	(49.8)	–	–	(49.8)	–	**(49.8)**
Issue of shares	–	1.4	–	–	–	–	1.4	–	**1.4**
Writeback of unclaimed dividends	–	–	–	0.2	–	–	0.2	–	**0.2**
Employee share option schemes	–	–	2.6	–	–	–	2.6	–	**2.6**
At 31st December	**49.8**	**179.7**	**278.7**	**432.1**	**(16.1)**	**(13.5)**	**910.7**	**4.9**	**915.6**
2010									
At 1st January	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

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US$67.5 million (2010: US$44.4 million), net actuarial loss on employee benefit plans of US$6.3 million (2010: net actuarial gain of US$2.3 million) and net fair value gain on other investments of US$0.1 million (2010: US$0.1 million). Cumulative net actuarial gain on employee benefit plans amounted to US$6.5 million (2010: US$12.8 million).

Consolidated Cash Flow Statement

for the year ended 31st December 2011

	Note	2011 US$m	2010 US$m
Operating activities			
Operating profit	2	**89.1**	64.9
Depreciation	9	**47.1**	42.2
Amortization of intangible assets	8	**2.6**	2.4
Other non-cash items	24a	**(0.4)**	4.3
Increase in working capital	24b	**18.6**	5.2
Interest received		**2.4**	1.7
Interest and other financing charges paid		**(14.0)**	(13.8)
Tax (paid)/refunded		**(6.9)**	1.0
		138.5	107.9
Dividends from associates and joint ventures		**7.8**	6.3
Cash flows from operating activities		**146.3**	114.2
Investing activities			
Purchase of tangible assets		**(62.4)**	(50.5)
Purchase of intangible assets		**(3.8)**	(24.2)
Investments in and loans to associates	24c	**(1.2)**	(3.3)
Repayment/(advance) of mezzanine loans		**3.4**	(2.8)
Purchase of other investments		**(1.0)**	(0.6)
Cash flows from investing activities		**(65.0)**	(81.4)
Financing activities			
Issue of shares		**1.4**	7.4
Drawdown of borrowings		**10.0**	25.2
Repayment of borrowings		**(7.0)**	(125.0)
Dividends paid by the Company	23	**(49.8)**	(69.2)
Cash flows from financing activities		**(45.4)**	(161.6)
Net increase/(decrease) in cash and cash equivalents		**35.9**	(128.8)
Cash and cash equivalents at 1st January		**433.1**	561.2
Effect of exchange rate changes		**0.1**	0.7
Cash and cash equivalents at 31st December	24d	**469.1**	433.1

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.

Standards, amendments and interpretations effective in 2011 which are relevant to the Group's operations

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)	

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

Revised IAS 24 'Related Party Disclosures' supersedes IAS 24 (as revised in 2003). It simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' require an entity to recognize an asset for a prepayment that will reduce future minimum funding contributions required by the entity.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' 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 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'.

IFRS 3 (amendments) 'Business Combinations' clarify the transition requirements for contingent consideration from business combinations 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.

IFRS 7 (amendments) 'Financial Instruments: Disclosures' emphasize the interaction between qualitative and quantitative disclosures and the nature and extent of risks associated with financial instruments.

IAS 1 (amendments) 'Presentation of Financial Statements' 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.

IAS 34 (amendments) 'Interim Financial Reporting' 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.

Principal Accounting Policies *Continued*

A Basis of preparation *continued*

Standards and amendments effective after 2011 which are relevant to the Group's operations and yet to be adopted

Amendments to IFRS 7	Financial Instruments: Disclosures on Derecognition
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (amended 2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures

Amendments to IFRS 7 'Financial Instruments: Disclosures on Derecognition' (effective for annual period beginning 1st July 2011) promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position particularly those involving securitization of financial assets.

IFRS 9 'Financial Instruments' (effective from 1st January 2015) is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 is likely to affect the Group's accounting for its financial assets. The Group has yet to assess the full impact of IFRS 9 and will apply the standard from 1st January 2015.

IFRS 10 'Consolidated Financial Statements' (effective 1st January 2013) replaces SIC Interpretation 12 'Consolidation – Special Purpose Entities' and most of IAS 27 'Consolidated and Separate Financial Statements'. It contains a new single consolidation model that identifies control as the basis for consolidation for all types of entities. It provides a definition of control that comprises the elements of power over an investee; exposure of rights to variable returns from an investees; and ability to use power to affect the reporting entity's returns. The Group has yet to assess the full impact of IFRS 10 and will apply the standard from 1st January 2013.

IFRS 11 'Joint Arrangements' (effective 1st January 2013) replaces IAS 31 'Interests in Joint Ventures' and classifies joint arrangements as either joint operations (whereby the parties that have joint control have rights to the assets and obligations for the liabilities of the joint arrangements) or joint ventures (whereby the parties that have joint control have rights to the net assets of the joint arrangements). It prescribes the accounting for interests in joint operations as its interest in the assets, liabilities, revenues and expenses. The current option permitted by IAS 28 (amended) to proportionately consolidate for joint ventures is no longer permitted. The Group has yet to assess the full impact of IFRS 11 and will apply the standard from 1st January 2013.

A Basis of preparation *continued*

IFRS 12 'Disclosure of Interests in Other Entities' (effective 1st January 2013) requires entities to disclose information that helps financial statements readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Disclosure required includes significant judgements and assumptions made in determining whether an entity controls, jointly controls, significantly influences or has some other interest in other entities. The Group will apply the standard from 1st January 2013.

IFRS 13 'Fair Value Measurement' (effective 1st January 2013) requires entities to disclose information about the valuation techniques and inputs used to measure fair value, as well as information about the uncertainty inherent in fair value measurements. The standard applies to both financial and non-financial items measured at fair value. Fair value is now defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (i.e. an exit price). The Group will apply the standard from 1st January 2013.

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (effective from 1st July 2012) improves the consistency and clarity of the presentation of items of other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled – such as actuarial gains or losses on defined benefit pension plans – will be presented separately from items that may be recycled in the future – such as deferred gains and losses on cash flow hedges. The amounts of tax related to the two groups are required to be allocated on the same basis. The Group will apply the standard from 1st January 2013.

IAS 19 (amended 2011) 'Employee Benefits' (effective 1st January 2013) requires the assumed return on plan assets recognized in the profit and loss to be the same as the rate used to discount the defined benefit obligation. It also requires actuarial gains and losses to be recognized immediately in other comprehensive income and past service costs immediately in profit or loss. Additional disclosures are required to present the characteristics of benefit plans, the amount recognized in the financial statements, and the risks arising from defined benefit plans and multi-employer plans. The Group will apply the standard from 1st January 2013.

IAS 27 (2011) 'Separate Financial Statements' (effective 1st January 2013) supersedes IAS 27 (2008) and prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. There will be no impact on the consolidated financial statements as the changes only affect the separate financial statements of the investing entity.

IAS 28 (2011) 'Investments in Associates and Joint Ventures' (effective 1st January 2013) supersedes IAS 28 (2008) and prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The adoption of this standard is not expected to have any significant impact on the results of the Group as the Group is already following the standard.

Principal Accounting Policies *Continued*

A Basis of preparation *continued*

In addition to the above, the IASB has also issued IFRS 9 'Financial Instruments' (2009) and IFRS 9 (2010) which are effective from 1st January 2013. However, in August 2011, the IASB issued an exposure draft that proposes to delay the effective date of IFRS 9, 'Financial Instruments', to annual periods beginning on or after 1st January 2015. The original effective date was for annual periods beginning on or after 1st January 2013. This proposal is a result of the extension of the IASB's timeline for completing the remaining phases (for example, impairment and hedge accounting) of its project to replace IAS 39 beyond June 2011. IFRS 9 (2009) is the first standard issued as part of a wider project to replace IAS 39. It retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities, to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 'Remeasurement of Embedded Derivatives'. The Group will apply the standard from 1st January 2015.

The principal operating subsidiaries, 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 subsidiaries, and its associates and joint ventures.

ii) Subsidiaries 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 subsidiaries 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 that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary 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 subsidiaries are eliminated from shareholders' funds and non-controlling interests, and profit respectively.

B Basis of consolidation *continued*

iii) Associates are entities, not being subsidiaries 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) Non-controlling interests represent the proportion of the results and net assets of subsidiaries and their associates and joint ventures not attributable to the Group.

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

C Foreign currencies

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

Assets and liabilities of subsidiaries, 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 subsidiaries, 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.

Principal Accounting Policies *Continued*

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 subsidiaries, associates or joint ventures at the effective date of acquisition. Non-controlling 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 subsidiaries 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 subsidiaries, 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.

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 of hotel properties	20 years to 30 years
Leasehold improvements	10 years
Leasehold land	over the respective lease term
Plant and machinery	5 years to 15 years
Furniture, equipment and motor vehicles	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.

G 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.

H Other investments

Other investments are non-financial assets and are stated at cost less provision for impairment.

I 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*

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, excluding derivative financial instruments, are measured at amortized cost except where the effect of discounting would be immaterial. 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 subsidiaries, 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.

R 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), or a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognized in other comprehensive income and accumulated in equity under 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.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in profit and loss.

Hedges of net investments in foreign entities are accounted for on a similar basis to that used for cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in exchange reserves; the gain or loss relating to the ineffective portion is recognized immediately in profit and loss.

The fair value of derivatives which are designated and qualified as effective hedges are classified as non-current assets or liabilities if the remaining maturities of the hedged assets or liabilities are greater than twelve months after the balance sheet date.

S 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.

T 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 include items such as gains on disposals, provisions against asset impairment and other material items which are non-recurring in nature that require disclosure in order to provide additional insight into underlying business performance.

U 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 Company 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.

V Dividends

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

W 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.

X Pre-operating costs

Pre-operating costs are expensed as they are incurred.

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 2011 are disclosed in note 25.

i) Market risk

Foreign exchange risk

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

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

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. At 31st December 2011, if the United States dollar had strengthened/weakened by 10% against Euro with all other variables unchanged, the Group's profit after tax would have been US$0.1 million lower/higher (2010: US$0.5 million lower/higher), arising from foreign exchange losses/gains taken on translation. The amount attributable to the shareholders of the Company would be US$0.1 million (2010: US$0.5 million). 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 2011 that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

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. At 31st December 2011 the Group's interest rate hedge was 44% (2010: 45%), with an average tenor of 3.2 years (2010: 4.3 years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 17.

A Financial risk factors *continued*

i) Market risk continued

Interest rate risk *continued*

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 2011, 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$1.2 million (2010: US$1.0 million) higher/lower, and hedging reserves would have been US$5.5 million (2010: US$7.0 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 of the hedged item caused by interest rate movements balance out in profit and loss against changes in the fair value of the hedging instruments. 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.

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 deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2011, 99% (2010: over 99%) of deposits and balances with banks and financial institutions were made to 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 2011, there was no positive fair value of derivative financial instruments (2010: 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 sales on credit without collateral are made 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.

Financial Risk Management *Continued*

A Financial risk factors *continued*

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 2011, total available borrowing facilities amounted to US$678 million (2010: US$715 million) of which US$582 million (2010: US$577 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US$96 million (2010: US$138 million).

The table below analyzes the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year US$m	Between one and two years US$m	Between two and three years US$m	Between three and four years US$m	Between four and five years US$m	Beyond five years US$m	Total undiscounted cash flows US$m
At 31st December 2011							
Borrowings	17.7	22.7	538.3	34.6	2.1	5.4	**620.8**
Creditors	122.7	–	–	–	–	–	**122.7**
Net settled derivative financial instruments	6.6	6.9	3.6	0.7	0.4	0.1	**18.3**
At 31st December 2010							
Borrowings	16.6	17.7	23.8	532.9	29.5	7.5	628.0
Creditors	96.7	–	–	–	–	–	96.7
Net settled derivative financial instruments	7.2	6.5	3.9	1.6	–	–	19.2

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.

B Capital management *continued*

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 2011 and 2010 based on IFRS balance sheets are as follows:

	2011	2010
Gearing ratio	**12%**	16%
Interest cover	**7.5**	5.3

C Fair value estimation

i) *Financial instruments that are measured at fair value*

For financial instruments that are measured at fair value in the balance sheet, the corresponding fair value measurements are disclosed by level of the following fair value measurement hierarchy:

a) **Quoted prices (unadjusted) in active markets for identical assets or liabilities ('quoted prices in active markets')**
The fair value of listed securities, which are classified as available-for-sale, is based on quoted prices in active markets at the balance sheet date. The quoted market price used for listed investments held by the Group is the current bid price.

b) **Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions')**
The fair values of interest rate swaps and forward foreign exchange contracts have been determined using rates quoted by the Group's bankers at the balance sheet date which are calculated by reference to the market interest rates and foreign exchange rates.

c) **Inputs for the asset or liability that are not based on observable market data ('unobservable inputs')**
The fair value of unlisted securities, which are classified as available-for-sale, is determined using valuation techniques by reference to observable current market transactions or the market prices of the underlying investments with certain degree of entity specific estimates.

ii) *Financial instruments that are not measured at fair value*

The fair values of current debtors, bank balances and other liquid funds, current creditors and current borrowings are assumed to approximate their carrying amounts 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.

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.

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

	2011 US$m	2010 US$m
Analysis by geographical area		
– Hong Kong	**231.2**	200.3
– Other Asia	**127.5**	127.0
– Europe	**194.7**	126.5
– The Americas	**60.8**	59.4
	614.2	513.2
Analysis by activity		
– Hotel ownership	**570.1**	487.3
– Hotel management	**73.9**	52.3
– Less: Intra-segment revenue	**(29.8)**	(26.4)
	614.2	513.2

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, Other Asia, Europe and The Americas which form the basis of its reportable segments.

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

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

	2011 US$m	2010 US$m
Analysis by geographical area		
– Hong Kong	**81.0**	61.5
– Other Asia	**18.8**	18.5
– Europe	**28.8**	26.2
– The Americas	**1.7**	3.3
Underlying EBITDA from subsidiaries	**130.3**	109.5
Gain on *One Hyde Park* lease space (refer note 7)	**10.1**	–
Provisions against asset impairment (refer note 7)	**(1.6)**	–
EBITDA from subsidiaries	**138.8**	109.5
Less depreciation and amortization	**(49.7)**	(44.6)
Operating profit	**89.1**	64.9
Analysis by activity		
– Hotel ownership	**106.1**	91.4
– Hotel management	**32.7**	18.1
EBITDA from subsidiaries	**138.8**	109.5
– Hotel ownership	**58.6**	48.7
– Hotel management	**30.5**	16.2
Operating profit	**89.1**	64.9
The following items have been (credited)/charged in arriving at operating profit:		
Rental income	**(10.5)**	(10.1)
Interest income from mezzanine loans	**(0.4)**	(0.5)
Depreciation of tangible assets (refer note 9)	**47.1**	42.2
Amortization of intangible assets (refer note 8)	**2.6**	2.4
Operating lease payments	**22.7**	16.9
Employee benefit expense		
– Salaries and benefits in kind	**220.2**	189.2
– Defined benefit pension costs (refer note 12)	**0.6**	1.7
– Defined contribution pension costs	**0.4**	0.6
– Share-based payment	**2.6**	3.7
	223.8	195.2
Net foreign exchange (gain)/loss	**(0.2)**	0.3
Auditors' remuneration		
– Audit	**1.2**	1.0
– Non-audit services	**0.5**	0.8
	1.7	1.8
Operating profit included the following non-trading items		
– Gain on *One Hyde Park* lease space (refer note 7)	**(10.1)**	–
– Provisions against asset impairment (refer note 7)	**1.6**	–

Notes to the Financial Statements *Continued*

3 Net financing charges

	2011 US$m	2010 US$m
Interest expense		
– Bank loans	**(13.8)**	(14.0)
Commitment and other fees	**(0.8)**	(0.8)
Financing charges	**(14.6)**	(14.8)
Interest income	**2.6**	1.7
Net financing charges	**(12.0)**	(13.1)

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
2011						
Analysis by geographical area						
– Other Asia	28.4	(9.1)	19.3	(2.0)	(4.4)	**12.9**
– The Americas	4.3	(3.1)	1.2	(4.3)	–	**(3.1)**
	32.7	**(12.2)**	**20.5**	**(6.3)**	**(4.4)**	**9.8**
Analysis by activity						
– Hotel ownership	31.5	(11.5)	20.0	(6.1)	(4.3)	**9.6**
– Other	1.2	(0.7)	0.5	(0.2)	(0.1)	**0.2**
	32.7	**(12.2)**	**20.5**	**(6.3)**	**(4.4)**	**9.8**
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

5 Tax

	2011 US$m	2010 US$m
Tax charged to profit and loss is analyzed as follows:		
– Current tax	**10.4**	7.5
– Deferred tax (refer note 13)	**8.6**	4.5
	19.0	12.0
Analysis by geographical area		
– Hong Kong	**11.4**	8.6
– Other Asia	**2.6**	(0.5)
– Europe	**5.0**	3.6
– The Americas	**–**	0.3
	19.0	12.0
Analysis by activity		
– Hotel ownership	**13.9**	6.3
– Hotel management	**5.1**	5.7
	19.0	12.0
Reconciliation between tax expense and tax at the applicable tax rate*:		
Tax at applicable tax rate	**5.5**	5.6
Income not subject to tax	**(3.4)**	(0.3)
Expenses not deductible for tax purposes	**2.7**	1.9
Tax losses not recognized	**12.4**	5.3
Recognition of previously unrecognized temporary differences	**0.9**	0.6
Deferred tax liabilities written back	**–**	(2.6)
Withholding tax	**1.2**	1.3
(Over)/under provision in prior years	**(0.5)**	0.1
Others	**0.2**	0.1
	19.0	12.0
Tax relating to components of other comprehensive income is analyzed as follows:		
Actuarial valuation of employee benefit plan	**1.0**	(0.3)
Revaluation of other investments	**–**	0.1
Cash flow hedges	**0.1**	0.5
	1.1	0.3

Share of tax of associates and joint ventures of US$4.4 million (2010: US$5.1 million) are included in share of results of associates and joint ventures (refer note 4).

*The applicable tax rate for the year was 7% (2010: 11%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The decrease in applicable tax rate was caused by a change in the geographical mix of the Group's profitability and a reduction in the income tax rate in the United Kingdom.

Notes to the Financial Statements *Continued*

6 Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of US$67.5 million (2010: US$44.4 million) and on the weighted average number of 996.1 million (2010: 990.8 million) shares in issue during the year (refer principal accounting policy (U)).

Diluted earnings per share are calculated on profit attributable to shareholders of US$67.5 million (2010: US$44.4 million), which is after adjusting for the effects of the conversion of dilutive potential ordinary shares of subsidiaries, associates or joint ventures, and on the weighted average number of 1,002.8 million (2010: 996.1 million) shares in issue during the year (refer principal accounting policy (U)).

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

	Ordinary shares in millions	
	2011	2010
Weighted average number of shares in issue	**996.7**	991.9
Shares held by the Trustee under the Senior Executive Share Incentive Schemes	**(0.6)**	(1.1)
Weighted average number of shares for basic earnings per share calculation	**996.1**	990.8
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**6.7**	5.3
Weighted average number of shares for diluted earnings per share calculation	**1,002.8**	996.1

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:

	2011			2010		
	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	**59.0**	**5.92**	**5.88**	44.4	4.48	4.46
Non-trading items (refer note 7)	**8.5**	**0.86**	**0.85**	–	–	–
Profit attributable to shareholders	**67.5**	**6.78**	**6.73**	44.4	4.48	4.46

7 Non-trading items

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

	2011 US$m	2010 US$m
Gain on *One Hyde Park* lease space	**10.1**	–
Provisions against asset impairment	**(1.6)**	–
	8.5	–

In 2011, a long-term leasehold interest, granted to the Group by the developer of *The Residences at Mandarin Oriental, London* at no cost, was recognized as a non-trading gain based on its market value less costs relating to the transfer of title.

8 Intangible assets

	Goodwill US$m	Leasehold land US$m	Computer software US$m	Development costs US$m	Total US$m
2011					
Cost	23.9	6.5	7.8	38.9	**77.1**
Amortization and impairment	–	(1.3)	(4.7)	(3.7)	**(9.7)**
Net book value at 1st January	23.9	5.2	3.1	35.2	**67.4**
Exchange differences	–	–	(0.1)	1.4	**1.3**
Additions	–	–	3.0	0.9	**3.9**
Amortization charge	–	(0.2)	(2.1)	(0.3)	**(2.6)**
Impairment charge	–	–	–	(0.9)	**(0.9)**
Reclassification to tangible assets	–	–	–	(29.0)	**(29.0)**
Net book value at 31st December	**23.9**	**5.0**	**3.9**	**7.3**	**40.1**
Cost	23.9	6.5	15.3	9.4	**55.1**
Amortization and impairment	–	(1.5)	(11.4)	(2.1)	**(15.0)**
	23.9	**5.0**	**3.9**	**7.3**	**40.1**
2010					
Cost	23.9	6.9	6.0	17.2	54.0
Amortization and impairment	–	(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)
Impairment charge	–	–	–	(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

Management has performed an impairment review of the carrying amount of goodwill at 31st December 2011. 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 5% 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 all recognized in arriving at operating profit and are included in cost of sales in profit and loss.

The remaining amortization periods for intangible assets are as follows:

Leasehold land	10 to 30 years
Computer software	3 to 5 years
Development costs	15 to 40 years

Notes to the Financial Statements *Continued*

9 Tangible assets

	Freehold properties US$m	Leasehold properties & improvements US$m	Plant & machinery US$m	Furniture equipment & motor vehicles US$m	Total US$m
2011					
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)**
Net book value at 1st January	308.6	556.8	37.7	82.5	**985.6**
Exchange differences	(2.0)	3.6	(0.4)	(1.6)	**(0.4)**
Additions	0.1	22.1	8.3	40.6	**71.1**
Disposals	–	(0.1)	–	(0.1)	**(0.2)**
Depreciation charge	(3.7)	(14.7)	(5.4)	(23.3)	**(47.1)**
Reclassification from intangible assets	–	21.6	–	7.4	**29.0**
Net book value at 31st December	**303.0**	**589.3**	**40.2**	**105.5**	**1,038.0**
Cost	354.0	719.9	94.3	263.0	**1,431.2**
Depreciation and impairment	(51.0)	(130.6)	(54.1)	(157.5)	**(393.2)**
	303.0	**589.3**	**40.2**	**105.5**	**1,038.0**
2010					
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)
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

Freehold properties include a property of US$100.6 million (2010: US$101.5 million), which is stated net of tax increment financing of US$26.4 million (2010: US$27.3 million) (refer note 18).

Net book value of leasehold properties acquired under finance leases amounted to US$184.4 million (2010: US$184.4 million).

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

9 Tangible assets *continued*

	2011 US$m	2010 US$m
Analysis of additions by geographical area		
– Hong Kong	**10.5**	11.6
– Other Asia	**1.9**	9.0
– Europe	**56.3**	29.5
– The Americas	**2.4**	3.1
	71.1	53.2
Analysis of additions by activity		
– Hotel ownership	**70.8**	52.7
– Hotel management	**0.3**	0.5
	71.1	53.2
Analysis of depreciation by geographical area		
– Hong Kong	**(15.4)**	(15.6)
– Other Asia	**(10.6)**	(11.1)
– Europe	**(17.2)**	(11.6)
– The Americas	**(3.9)**	(3.9)
	(47.1)	(42.2)
Analysis of depreciation by activity		
– Hotel ownership	**(45.5)**	(40.5)
– Hotel management	**(1.6)**	(1.7)
	(47.1)	(42.2)

Notes to the Financial Statements *Continued*

10 Associates and joint ventures

	2011 US$m	2010 US$m
Listed associate – OHTL PCL	**16.1**	16.8
Unlisted associates	**62.3**	61.1
Share of attributable net assets	**78.4**	77.9
Fair value of listed associate	**76.6**	80.8
The Group's share of assets, liabilities, capital commitments, contingent liabilities and results of associates and joint ventures are summarized below:		
Associates		
Total assets	**273.4**	280.1
Total liabilities	**(195.0)**	(202.2)
Attributable net assets	**78.4**	77.9
Revenue	**122.8**	108.2
Profit after tax	**9.8**	4.3
Capital commitments	**8.7**	8.8
Contingent liabilities	**–**	–
Joint ventures		
Non-current assets	**–**	–
Current assets	**–**	–
Current liabilities	**–**	–
Non-current liabilities	**–**	–
Attributable net assets	**–**	–
Revenue	**–**	–
Profit after tax	**–**	–
Capital commitments	**–**	–
Contingent liabilities	**–**	–
Movements of associates and joint ventures for the year:		
At 1st January	**77.9**	68.4
Share of results after tax and non-controlling interests	**9.8**	4.3
Share of other comprehensive income after tax and non-controlling interests	**(2.7)**	8.2
Investments in and loans to associates (refer note 24c)	**1.2**	3.3
Dividends received	**(7.8)**	(6.3)
At 31st December	**78.4**	77.9

11 Loans receivable

	2011 US$m	2010 US$m
At 1st January	**4.7**	3.1
Exchange differences	**0.5**	(0.3)
Addition	**–**	2.8
Repayment	**(3.4)**	–
Provision	**(1.8)**	(0.9)
At 31st December	**–**	4.7

As at 31st December 2011, full provision has been made against the loans receivable balance.

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.

12 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:

	2011 Weighted average %	2010 Weighted average %
Discount rate applied to pension obligations	**4.5**	4.9
Expected return on plan assets	**7.5**	7.5
Future salary increases	**5.0**	5.0

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 3.8% to 11.4% per annum and global bonds of 2.8% to 4.4% per annum, and the long-term benchmark allocation of assets between equities and bonds in each plan.

Notes to the Financial Statements *Continued*

12 Pension plans *continued*

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

	2011 US$m	2010 US$m
Fair value of plan assets	**62.4**	67.3
Present value of funded obligations	**(50.1)**	(48.1)
Net pension assets	**12.3**	19.2
Analysis of net pension assets		
Pension assets	**12.5**	19.3
Pension liabilities	**(0.2)**	(0.1)
	12.3	19.2
Movements in the fair value of plan assets		
At 1st January	**67.3**	62.6
Exchange differences	**0.1**	(0.1)
Expected return on plan assets	**5.0**	4.7
Actuarial (losses)/gains	**(8.7)**	1.0
Contributions from company	**1.0**	2.4
Contributions from plan members	**0.7**	0.7
Benefits paid	**(3.1)**	(2.5)
Transfer in/(out) other plans	**0.1**	(1.5)
At 31st December	**62.4**	67.3
Movements in the present value of defined benefit obligations		
At 1st January	**(48.1)**	(46.6)
Exchange differences	**(0.1)**	–
Current service cost	**(3.4)**	(4.1)
Interest cost	**(2.2)**	(2.3)
Contributions from plan members	**(0.7)**	(0.7)
Actuarial gains	**1.4**	1.6
Benefits paid	**3.1**	2.5
Transfer (in)/out other plans	**(0.1)**	1.5
At 31st December	**(50.1)**	(48.1)
The analysis of the fair value of plan assets at 31st December is as follows:		
Equity instruments	**29.5**	31.1
Debt instruments	**20.2**	19.7
Other assets	**12.7**	16.5
	62.4	67.3

12 Pension plans *continued*

The five year history of experience adjustments is as follows:

	2011 US$m	2010 US$m	2009 US$m	2008 US$m	2007 US$m
Fair value of plan assets	**62.4**	67.3	62.6	53.9	80.3
Present value of funded obligations	**(50.1)**	(48.1)	(46.6)	(47.3)	(46.4)
Surplus	**12.3**	19.2	16.0	6.6	33.9
Experience adjustments on plan assets	**(8.5)**	1.1	8.8	(30.7)	5.1
Percentage of plan assets (%)	**13.6**	1.6	14.1	57.0	6.4
Experience adjustments on plan obligations	**2.5**	2.1	3.2	(1.0)	1.4
Percentage of plan obligations (%)	**5.0**	4.4	6.8	2.2	3.0

The estimated amount of contributions expected to be paid to the plans in 2012 is US$1.3 million.

The amounts recognized in profit and loss are as follows:

	2011 US$m	2010 US$m
Current service cost	**3.4**	4.1
Interest cost	**2.2**	2.3
Expected return on plan assets	**(5.0)**	(4.7)
	0.6	1.7
Actual return on plan assets in the year	**(3.7)**	5.7

The above amounts are all recognized in arriving at operating profit (refer note 2) and are included in cost of sales, selling and distribution costs and administration expenses.

Notes to the Financial Statements *Continued*

13 Deferred tax (assets)/liabilities

	Accelerated tax depreciation US$m	Fair value gains/losses US$m	Losses US$m	Employee benefits US$m	Unremitted earnings in associates US$m	Provisions and other temporary differences US$m	Total US$m
2011							
At 1st January	58.7	(3.4)	(11.2)	2.9	1.6	0.5	**49.1**
Exchange differences	–	–	–	–	(0.2)	–	**(0.2)**
Charged to profit and loss	1.9	–	6.5	0.1	–	0.1	**8.6**
Credited to other comprehensive income	–	(0.1)	–	(1.0)	–	–	**(1.1)**
At 31st December	**60.6**	**(3.5)**	**(4.7)**	**2.0**	**1.4**	**0.6**	**56.4**
Deferred tax assets	–	(3.5)	(4.7)	(0.1)	–	(0.2)	**(8.5)**
Deferred tax liabilities	60.6	–	–	2.1	1.4	0.8	**64.9**
	60.6	**(3.5)**	**(4.7)**	**2.0**	**1.4**	**0.6**	**56.4**
2010							
At 1st January	53.3	(2.9)	(12.2)	2.6	1.4	1.2	43.4
Exchange differences	1.2	–	0.1	(0.1)	0.2	0.1	1.5
Charged/(credited) to profit and loss	4.2	–	0.9	0.1	–	(0.7)	4.5
(Credited)/charged to other comprehensive income	–	(0.5)	–	0.3	–	(0.1)	(0.3)
At 31st December	58.7	(3.4)	(11.2)	2.9	1.6	0.5	49.1
Deferred tax assets	–	(3.4)	(11.2)	(0.1)	–	(0.3)	(15.0)
Deferred tax liabilities	58.7	–	–	3.0	1.6	0.8	64.1
	58.7	(3.4)	(11.2)	2.9	1.6	0.5	49.1

Deferred tax balances predominantly comprise non-current items. Deferred tax assets and liabilities are netted when the taxes relate to the same taxation authority and where offsetting is allowed.

Deferred tax assets of US$50.5 million (2010: US$41.8 million) arising from unused tax losses of US$216.3 million (2010: US$179.7 million) have not been recognized in the financial statements.

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

	2011 US$m	2010 US$m
Within one year	**3.9**	0.4
Between one and five years	**7.6**	14.3
Over five years	**16.3**	9.3
With no expiry dates	**22.7**	17.8
	50.5	41.8

Deferred tax assets of US$5.7 million (2010: US$3.3 million) have not been recognized in relation to temporary differences in subsidiaries.

Deferred tax liabilities of US$0.4 million (2010: US$0.4 million) on temporary differences associated with investments in subsidiaries of US$3.8 million (2010: US$3.8 million) have not been recognized as there is no current intention of remitting the retained earnings to the holding companies.

14 Debtors and prepayments

	2011 US$m	2010 US$m
Trade debtors		
– third parties	33.4	32.4
– associates	3.2	2.8
	36.6	35.2
– provision for impairment	(1.8)	(1.9)
	34.8	33.3
Other debtors		
– third parties	28.4	27.2
– associates	2.0	2.1
	30.4	29.3
– provision for impairment	(4.0)	(3.4)
	26.4	25.9
	61.2	59.2

Other debtors are further analyzed as follows:

Prepayments	7.1	7.2
Amounts due from associates	2.0	2.1
Rental and other deposits	4.4	4.3
Other	12.9	12.3
	26.4	25.9
Analysis by geographical area of operation:		
Hong Kong	19.7	18.3
Other Asia	13.2	12.3
Europe	16.4	17.0
The Americas	11.9	11.6
	61.2	59.2

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.

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.

Notes to the Financial Statements *Continued*

14 Debtors and prepayments *continued*

At 31st December 2011, trade debtors of US$1.9 million (2010: US$2.1 million) were impaired. The amount of the provision was US$1.8 million (2010: US$1.9 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	
	2011 US$m	2010 US$m
Below 30 days	**0.1**	0.1
Between 31 and 60 days	**0.5**	0.1
Between 61 and 90 days	**0.1**	0.2
Over 90 days	**1.2**	1.7
	1.9	2.1

At 31st December 2011, trade debtors and other debtors of US$6.1 million (2010: US$14.1 million) were past due but not impaired. The ageing analysis of these trade debtors and other debtors is as follows:

Below 30 days	**2.4**	4.2
Between 31 and 60 days	**2.0**	1.6
Between 61 and 90 days	**0.2**	0.4
Over 90 days	**1.5**	7.9
	6.1	14.1

The risk of trade debtors and other debtors that are neither past due nor impaired at 31st December 2011 becoming impaired is low as the majority of the balances have been settled subsequent to year end. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable.

Movements on the provision for impairment are as follows:

	Trade debtors		Other debtors	
	2011 US$m	2010 US$m	**2011 US$m**	2010 US$m
At 1st January	**(1.9)**	(2.2)	**(3.4)**	(3.4)
Additional provisions	**(0.6)**	(0.1)	**(0.6)**	(0.1)
Reversal	**–**	0.1	**–**	–
Amount written off	**0.7**	0.3	**–**	0.1
At 31st December	**(1.8)**	(1.9)	**(4.0)**	(3.4)

15 Cash at bank

	2011 US$m	2010 US$m
Deposits with banks and financial institutions	**410.9**	387.4
Bank balances	**57.8**	45.2
Cash balances	**1.4**	0.9
	470.1	433.5
Analysis by currency		
Euro	**4.6**	10.6
Hong Kong dollar	**10.1**	4.2
Japanese yen	**10.4**	9.2
Swiss franc	**3.3**	2.4
United Kingdom sterling	**16.7**	11.8
United States dollar	**412.8**	388.8
Other	**12.2**	6.5
	470.1	433.5

The weighted average interest rate on deposits with banks and financial institutions is 0.6% (2010: 0.4%) per annum.

16 Creditors and accruals

	2011 US$m	2010 US$m
Trade creditors	**32.5**	25.5
Accruals	**68.3**	57.0
Rental and other refundable deposits	**11.1**	7.5
Other creditors	**10.8**	6.7
Rental income received in advance	**1.1**	0.8
Other income received in advance	**4.4**	4.4
	128.2	101.9
Analysis by currency		
Euro	**15.3**	3.9
Hong Kong dollar	**49.3**	41.7
Japanese yen	**12.1**	12.9
Swiss franc	**4.4**	5.2
United Kingdom sterling	**14.8**	9.5
United States dollar	**25.0**	20.6
Other	**7.3**	8.1
	128.2	101.9

The fair value of creditors approximate their carrying amounts.

Notes to the Financial Statements *Continued*

17 Borrowings

	2011 Carrying amount US$m	2011 Fair value US$m	2010 Carrying amount US$m	2010 Fair value US$m
Current				
– Bank overdrafts	**1.0**	**1.0**	0.4	0.4
Current portion of long-term borrowings				
– Bank loans	**2.7**	**3.1**	2.6	3.1
– Other borrowings	**0.3**	**0.3**	0.3	0.3
	3.0	**3.4**	2.9	3.4
Current borrowings	**4.0**	**4.4**	3.3	3.8
Long-term borrowings				
– Bank loans	**568.3**	**568.3**	564.0	564.2
– Other borrowings	**8.5**	**8.5**	8.8	8.8
– Tax increment financing (refer note 18)	**1.7**	**1.7**	1.7	1.7
Long-term borrowings	**578.5**	**578.5**	574.5	574.7
	582.5	**582.9**	577.8	578.5

The fair values are estimated using the expected future payments discounted at market interest rate of 1.3% (2010: 1.9%) per annum.

	2011 US$m	2010 US$m
Secured	**541.1**	542.0
Unsecured	**41.4**	35.8
	582.5	577.8

Borrowings of US$541.1 million (2010: US$542.0 million) are secured against the tangible fixed assets of certain subsidiaries. The book value of these tangible fixed assets as at 31st December 2011 was US$639.5 million (2010: US$643.3 million).

17 Borrowings *continued*

The borrowings are further summarized as follows:

	Fixed rate borrowings				
	Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
2011					
Euro	5.9	1.7	8.3	–	**8.3**
Hong Kong dollar	2.2	2.6	183.4	184.3	**367.7**
Swiss franc	1.7	20.0	2.3	44.2	**46.5**
United Kingdom sterling	2.9	2.5	31.4	94.7	**126.1**
United States dollar	6.0	5.3	1.7	–	**1.7**
Japanese yen	1.2	–	–	32.2	**32.2**
			227.1	**355.4**	**582.5**
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

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

The exposure of the Group's borrowing to interest rate changes and the contractual repricing dates at 31st December are as follows:

	2011 US$m	2010 US$m
Within one year	**4.0**	3.3
Between one and two years	**9.1**	4.5
Between two and three years	**529.6**	10.7
Between three and four years	**33.9**	524.5
Between four and five years	**1.8**	28.8
Beyond five years	**4.1**	6.0
	582.5	577.8

Notes to the Financial Statements *Continued*

18 Tax increment financing

	2011 US$m	2010 US$m
Netted off against the net book value of the property (refer note 9)	**26.4**	27.3
Loan (refer note 17)	**1.7**	1.7
	28.1	29.0

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 (2010: US$1.7 million) is included in long-term borrowings.

19 Segment information

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

	2011 US$m	2010 US$m
Analysis by geographical area		
– Hong Kong	**410.7**	414.0
– Other Asia	**153.3**	159.7
– Europe	**495.9**	457.5
– The Americas	**96.6**	99.7
	1,156.5	1,130.9

20 Share capital

	Ordinary shares in millions			
	2011	2010	**2011 US$m**	2010 US$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	**996.4**	991.5	**49.9**	49.6
Issued under share incentive schemes	**0.9**	4.9	**–**	0.3
At 31st December	**997.3**	996.4	**49.9**	49.9
Outstanding under share incentive schemes	**(0.6)**	(1.1)	**(0.1)**	(0.1)
At 31st December	**996.7**	995.3	**49.8**	49.8

21 Share premium

	2011 US$m	2010 US$m
At 1st January	**179.0**	173.6
Issued under share incentive schemes	**1.1**	5.4
At 31st December	**180.1**	179.0
Outstanding under share incentive schemes	**(0.4)**	(0.7)
At 31st December	**179.7**	178.3

22 Senior Executive Share Incentive Schemes

The Senior Executive Share Incentive Schemes were set up in order to provide selected executives with options to purchase ordinary shares in the Company.

The exercise price of the granted options is based on the average market price for the five trading days immediately preceding the date of grant of the options. Options are vested in tranches over a period of up to five years and are exercisable for up to ten years following the date of grant. Prior to the adoption of the 2005 Plan on 4th May 2005, ordinary shares were issued on the date of grant of the options to the Trustee of the Schemes, Mandarin Oriental Overseas (PTC) Limited, a wholly-owned subsidiary, 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 are, for presentation purposes, netted off the Company's share capital in the consolidated balance sheet (refer note 20) and the premium attached to them is netted off the share premium account (refer note 21).

Movements for the year:

	2011		2010	
	Weighted average exercise price US$	Options in millions	Weighted average exercise price US$	Options in millions
At 1st January	**1.38**	**28.9**	1.26	29.8
Granted	**2.11**	**5.5**	1.44	6.9
Exercised	**1.01**	**(1.5)**	0.98	(7.5)
Repurchased and cancelled	**1.57**	**(0.9)**	1.09	(0.3)
At 31st December	**1.51**	**32.0**	1.38	28.9

The average share price during the year was US$1.86 (2010: US$1.61) per share.

Notes to the Financial Statements *Continued*

22 Senior Executive Share Incentive Schemes *continued*

Outstanding at 31st December:

Expiry date	Exercise price US$	Ordinary shares in millions 2011	2010
2012	0.4	–	0.2
2013	0.4	–	0.1
2014	0.6	**0.1**	0.1
2015	0.8-1.0	**0.5**	1.2
2016	1.0-1.4	**3.9**	4.2
2017	1.9	**3.8**	4.3
2018	1.2-1.7	**7.8**	7.8
2019	0.7	**4.1**	4.1
2020	1.4	**6.3**	6.9
2021	2.1	**5.5**	–
Total outstanding		**32.0**	28.9
of which exercisable		**16.9**	10.0

The fair value of options granted during the year, determined using the Trinomial valuation model, was US$2.5 million (2010: US$3.4 million). The significant inputs into the model, based on the weighted average number of options issued, were share price of US$2.02 (2010: US$1.39) at the grant date, exercise price shown above, expected volatility based on the last seven years of 26% (2010: 45%), dividend yield of 3.4% (2010: 4.87%), option life disclosed above, and annual risk-free interest rate of 3.4% (2010: 3.7%). Options are assumed to be exercised at the end of the seventh year following the date of grant.

23 Dividends

	2011 US$m	2010 US$m
Final dividend in respect of 2010 of US¢3.00 (2009: US¢5.00) per share	**29.9**	49.4
Interim dividend in respect of 2011 of US¢2.00 (2010: US¢2.00) per share	**19.9**	19.8
	49.8	69.2

A final dividend in respect of 2011 of US¢4.00 (2010: US¢3.00) per share amounting to a total of US$39.8 million (2010: US$29.9 million) is proposed by the Board. The final 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 2012.

24 Notes to consolidated cash flow statement

a) Non-cash items

	2011 US$m	2010 US$m
Gain on *One Hyde Park* lease space*	**(10.8)**	–
Provisions against asset impairment (refer note 2)	**1.6**	–
Net foreign exchange (gain)/loss	**(0.2)**	0.3
Share-based payment	**2.6**	3.7
Operating lease adjustments	**3.9**	0.1
Others	**2.5**	0.2
	(0.4)	4.3

* Gain on *One Hyde Park* lease space of US$10.1 million (refer note 7) is stated after reflecting transaction costs of US$0.7 million from the gross gain of US$10.8 million.

b) Movements in working capital

Increase in stocks	**(1.7)**	(0.2)
Increase in debtors and prepayments	**(3.4)**	(1.9)
Increase in creditors and accruals	**23.7**	7.3
	18.6	5.2

c) Investments in and loans to associates included a loan to Mandarin Oriental, New York of US$1.2 million (2010: US$2.0 million). In 2010, this also included a capital contribution to Mandarin Oriental, Miami of US$1.3 million.

d) Analysis of balances of cash and cash equivalents

Cash at bank (refer note 15)	**470.1**	433.5
Bank overdrafts (refer note 17)	**(1.0)**	(0.4)
	469.1	433.1

25 Derivative financial instruments

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

	2011		2010	
	Positive fair value US$m	Negative fair value US$m	Positive fair value US$m	Negative fair value US$m
Designated as cash flow hedges				
– interest rate swaps and caps	–	**19.2**	–	17.5
At 31st December	–	**19.2**	–	17.5

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2011 were US$246.3 million (2010: US$246.8 million).

At 31st December 2011, the fixed interest rates relating to interest rate swaps and caps vary from 2.9% to 7.0% (2010: 2.9% to 7.0%).

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.4% to 1.9% (2010: 0.3% to 2.1%) per annum.

Notes to the Financial Statements *Continued*

26 Financial guarantee

	2011 US$m	2010 US$m
Guarantee in respect of facilities made available to an associate	**20.4**	20.6

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

27 Commitments

	2011 US$m	2010 US$m
Capital commitments:		
Authorized not contracted	**8.9**	14.1
Contracted not provided	**27.0**	37.7
	35.9	51.8
Operating lease commitments:		
Total commitments under operating leases		
– due within one year	**20.7**	14.3
– due between one and two years	**20.9**	20.3
– due between two and three years	**20.7**	20.7
– due between three and four years	**20.1**	20.6
– due between four and five years	**19.9**	19.9
– due beyond five years	**375.2**	378.1
	477.5	473.9

No future sublease payments are receivable relating to the above operating leases (2010: nil).

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

In addition, the Group has operating lease commitments with rentals determined in relation to sales. It is not possible to quantify accurately future rentals payable under such leases.

28 Related party transactions

The parent company of the Group is Jardine Strategic Holdings Limited ('JSH') and the ultimate holding company of the Group is Jardine Matheson Holdings Limited ('JMH'). Both companies are incorporated in Bermuda.

In the normal course of business, the Group undertakes a variety of transactions with its associates and with JMH and its subsidiaries and associates. In addition, the Group paid a management fee of US$0.3 million (2010: US$0.2 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$0.6 million (2010: US$0.5 million). The Group has US$0.1 million payable to JML as at 31st December 2011 (2010: nil).

During 2011, the Group managed five (2010: five) associate hotels and received management fees of US$12.4 million (2010: US$10.9 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 14.

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 2011 to JLT amounted to US$0.6 million (2010: US$0.5 million). The Group has no outstanding balance with JLT as at 31st December 2011 (2010: nil).

The Group provides hotel management services to Hongkong Land ('HKL'), a subsidiary of JSH. Total management fees received from HKL in 2011 amounted to US$3.0 million (2010: US$0.8 million), based on long-term management agreements on normal commercial terms.

Details of Directors' emoluments (being the key management personnel compensation) are shown on page 78 under the heading of 'Directors' appointment, retirement, remuneration and service contracts'.

29 Summarized balance sheet of the Company

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

	2011 US$m	2010 US$m
Subsidiaries at cost	**862.5**	768.0
Net current liabilities	**(1.0)**	(1.1)
Net operating assets	**861.5**	766.9
Share capital (refer note 20)	**49.8**	49.9
Share premium (refer note 21)	**180.1**	179.0
Revenue reserves and other reserves	**631.6**	538.0
Shareholders' funds	**861.5**	766.9

Subsidiaries are shown at cost less amount provided.

Principal Subsidiaries, Associates and Managed Hotels

as at 31st December 2011

			Attributable interest %			
Principal country	Company name	Main activities	**2011**	2010	Issued share capital	Hotel profile
Subsidiaries						
Hong Kong	Mandarin Oriental Hotel Group International Limited	Management	**100**	100	US$12,000	–
	Mandarin Oriental Hotel Group Limited	Management	**100**	100	HK$60,000,000	–
	Mandarin Oriental, Hong Kong Limited	Owner: Mandarin Oriental, Hong Kong	**100**	100	HK$33,000,000	501 rooms. Lease expiry 2895
	Excelsior Hotel (BVI) Limited	Owner: The Excelsior, Hong Kong	**100**	100	US$100	884 rooms. Lease expiry 2842
Japan	Mandarin Oriental Tokyo KK	Owner: Mandarin Oriental, Tokyo	**100**	100	Yen 10,000,000	178 rooms. Lease expiry 2035
Philippines	Manila Mandarin Hotel Incorporated	Owner: Mandarin Oriental, Manila	**96.2**	96.2	Peso 288,918,400	442 rooms. Lease expiry 2026
Indonesia	P.T. Jaya Mandarin Agung	Owner: Mandarin Oriental, Jakarta	**96.9**	96.9	Rup 266,300,230,000	272 rooms. Lease expiry 2023
United Kingdom	Mandarin Oriental Hyde Park Limited	Owner: Mandarin Oriental Hyde Park, London	**100**	100	GBP 4,493,484 GBP 1,578,791 *(Preference share)*	189 rooms. Freehold
Switzerland	Société Immobilière de Mandarin Oriental (Genèva) SA	Owner: Mandarin Oriental, Geneva	**85.3**	85.3	CHF 6,800,000	185 rooms. Lease expiry 2040
	Société pour l'Exploitation de Mandarin Oriental (Genèva) SA		**100**	100	CHF10,800,000	–
Germany	Dinavest International Holdings B.V.	Owner: Mandarin Oriental, Munich	**100**	100	Euro 3,632,000	73 rooms. Freehold
France	MOHG Hotel (Paris) Sarl	Owner: Mandarin Oriental, Paris	**100**	100	Euro 16,507,500	138 rooms. Lease expiry 2035
United States	Portals Hotel Site LLC	Owner: Mandarin Oriental, Washington D.C.	**80**	80	–	400 rooms. Freehold
Associates						
Singapore	Marina Bay Hotel Private Limited	Owner: Mandarin Oriental, Singapore	**50**	50	S$141,500,000	527 rooms. Lease expiry 2079
Thailand	OHTL PCL	Owner: Mandarin Oriental, Bangkok	**44.9**	44.9	Baht 160,000,000	393 rooms. Various freehold/leasehold
Malaysia	Asas Klasik Sdn Bhd	Owner: Mandarin Oriental, Kuala Lumpur	**25**	25	RM 130,000,000	632 rooms. Freehold
Thailand	Chaophaya Development Corporation Limited	Owner: River City Shopping Complex	**49**	49	Baht 120,000,000	–
United States	Istithmar Columbus Centre Hotel LLC	Owner: Mandarin Oriental, New York	**25**	25	–	248 rooms. Freehold
United States	Swire Brickell Key Hotel Limited	Owner: Mandarin Oriental, Miami	**25**	25	–	326 rooms. Freehold
Managed Hotels						
Hong Kong	The Landmark Mandarin Oriental, Hong Kong		**–**	–	–	113 rooms
Macau	Grand Lapa, Macau		**–**	–	–	416 rooms
Macau	Mandarin Oriental, Macau		**–**	–	–	213 rooms
China	Mandarin Oriental, Sanya		**–**	–	–	296 rooms
Thailand	Mandarin Oriental Dhara Dhevi, Chiang Mai		**–**	–	–	123 rooms
Czech Republic	Mandarin Oriental, Prague		**–**	–	–	99 rooms
Spain	Mandarin Oriental, Barcelona		**–**	–	–	98 rooms
United States	Mandarin Oriental, San Francisco		**–**	–	–	158 rooms
United States	Mandarin Oriental, Boston		**–**	–	–	148 rooms
United States	Mandarin Oriental, Las Vegas		**–**	–	–	392 rooms
Mexico	Mandarin Oriental Riviera Maya, Mexico		**–**	–	–	128 rooms
Bermuda	Elbow Beach, Bermuda		**–**	–	–	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 at 31st December 2011 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' judgement, 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 at 31st December 2011, 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 UK Corporate Governance 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
1st March 2012

Five Year Summary

Consolidated Profit and Loss Account

	2007 US$m	2008 US$m	2009 US$m	2010 US$m	**2011 US$m**
Revenue	529.5	530.0	438.0	513.2	**614.2**
Operating profit	107.7	86.2	23.6	64.9	**89.1**
Net financing charges	(16.4)	(17.0)	(15.2)	(13.1)	**(12.0)**
Share of results of associates and joint ventures	17.8	15.3	(4.8)	4.3	**9.8**
Gains on disposal of associate and joint venture	16.0	–	80.8	–	**–**
Profit before tax	125.1	84.5	84.4	56.1	**86.9**
Tax	(22.8)	(18.3)	(1.1)	(12.0)	**(19.0)**
Profit after tax	102.3	66.2	83.3	44.1	**67.9**
Profit attributable to shareholders	102.1	66.6	83.4	44.4	**67.5**
Underlying profit attributable to shareholders	102.1	66.6	12.5	44.4	**59.0**
Earnings per share (US¢)	10.53	6.79	8.47	4.48	**6.78**
Underlying earnings per share (US¢)	10.53	6.79	1.27	4.48	**5.92**
Dividends per share (US¢)	6.00	7.00	7.00	5.00	**6.00**

Consolidated Balance Sheet

Intangible assets	38.3	46.4	46.9	67.4	**40.1**
Tangible assets	979.8	936.5	976.6	985.6	**1,038.0**
Associates and joint ventures	114.4	84.7	68.4	77.9	**78.4**
Other investments	3.1	3.9	4.3	4.9	**6.0**
Loans receivable	3.4	4.8	3.1	4.7	**–**
Pension assets	34.0	6.6	16.5	19.3	**12.5**
Deferred tax assets	27.5	16.5	15.5	15.0	**8.5**
Other non-current assets	0.2	–	–	–	**–**
Net current assets	443.7	490.0	413.5	385.3	**394.9**
Long-term borrowings	(663.9)	(653.9)	(557.1)	(574.5)	**(578.5)**
Deferred tax liabilities	(46.8)	(52.7)	(58.9)	(64.1)	**(64.9)**
Pension liabilities	(0.1)	–	(0.5)	(0.1)	**(0.2)**
Other non-current liabilities	(2.9)	(19.2)	(12.7)	(17.5)	**(19.2)**
Net operating assets	930.7	863.6	915.6	903.9	**915.6**
Share capital	48.7	49.2	49.4	49.8	**49.8**
Share premium	163.5	168.9	171.3	178.3	**179.7**
Revenue and other reserves	714.0	641.0	690.6	671.2	**681.2**
Shareholders' funds	926.2	859.1	911.3	899.3	**910.7**
Non-controlling interests	4.5	4.5	4.3	4.6	**4.9**
Total equity	930.7	863.6	915.6	903.9	**915.6**
Net asset value per share (US$)	0.95	0.87	0.92	0.90	**0.91**

Consolidated Cash Flow Statement

Cash flows from operating activities	129.5	123.9	81.3	114.2	**146.3**
Cash flows from investing activities	38.4	(57.3)	28.9	(81.4)	**(65.0)**
Net cash flow before financing activities	167.9	66.6	110.2	32.8	**81.3**
Cash flow per share from operating activities (US¢)	13.35	12.63	8.25	11.53	**14.69**

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
1st March 2012

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. As provided in the Listing Rules issued by the Financial Services Authority in the United Kingdom, the Company's premium listed status 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 as well as the deputy managing director, 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 17 Directors: the Group Chief Executive and Chief Financial Officer; seven executives of Jardine Matheson; and eight non-executive Directors. Their names and brief biographies appear on pages 24 and 25 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The composition and operation of the Board reflect the Company's commitment to its long-term strategy, shareholding structure and tiered approach to oversight and management as described in this Report. 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 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.

Corporate Governance *Continued*

The Board is scheduled to hold four meetings in 2012 and ad hoc procedures are adopted to deal with urgent matters. In 2011 one meeting was held in Bermuda and three were held in Asia. All current Directors who held office in 2011 attended all four Board meetings, save that Julian Hui and Robert Léon attended three meetings and Lord Powell of Bayswater attended two meetings. 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.

R.C. Kwok and Sydney S.W. Leong retired from the Board of the Company on 12th May and 31st December 2011, respectively. On 1st March 2012, Lincoln K.K. Leong was appointed as a Director of the Company. On 1st April 2012, Ben Keswick succeeded A.J.L. Nightingale as Managing Director and Adam Keswick was appointed as a Director of the Company. A.J.L. Nightingale remains as a non-executive Director of the Company. In accordance with Bye-law 85, Edouard Ettedgui, Sir Henry Keswick, A.J.L. Nightingale and Percy Weatherall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Adam Keswick, Ben Keswick and Lincoln K.K. Leong will also retire, and, being eligible, offer themselves for re-election. Edouard Ettedgui has a service contract with MOHG that provides for termination with a notice period of six months. None of the other Directors proposed for re-election has a service contract with the Company or its subsidiaries.

The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognized that, due to the nature of the Group and its diverse geographic base, a number of its senior executives 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. For the year ended 31st December 2011, the Directors received from the Group US$6.1 million (2010: US$6.5 million) in Directors' fees and employee benefits, being US$0.5 million (2010: US$0.4 million) in Directors' fees, US$4.7 million (2010: US$4.4 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind, US$0.1 million (2010: US$0.2 million) in post-employment benefits and US$0.8 million (2010: US$1.5 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 82 and 83.

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 Ben Keswick, Mark Greenberg, Adam Keswick, James Riley and Giles White; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. Ben Keswick and Adam Keswick became members of the MOHG audit committee upon their appointment to the Board on 1st April 2012 and Ben Keswick succeeded A.J.L. Nightingale as chairman of the audit committee on that date. 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 the then current 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 mandarinoriental.com.

Directors' share interests

The Directors of the Company in office on 1st April 2012 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) in the ordinary share capital of the Company at 22nd March 2012 as set out below. These interests included those notified to the

Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

Simon Keswick	19,858
Edouard Ettedgui	5,250,000
Stuart Dickie	150,000
Lincoln K.K. Leong	142,206

In addition, Edouard Ettedgui and Stuart Dickie held options in respect of 12,400,000 and 2,050,000 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 737,775,281 ordinary shares carrying 73.95% 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 55,395,000 ordinary shares carrying 5.55% 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 22nd March 2012.

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

Relations with shareholders

The 2012 Annual General Meeting will be held at The Fairmont Southampton, Bermuda on 9th May 2012. 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 mandarinoriental.com.

Securities purchase arrangements

At the Annual General Meeting held on 11th May 2011, 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 2011 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 28 to the financial statements on page 71. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FSA in the United Kingdom apply.

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on pages 79 and 80 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 42 to 45.

Commercial and market risk

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

The Group operates within the global hotel industry which is highly competitive. 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, floods, earthquakes and tsunamis.

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

2011 full-year results announced	1st March 2012
Share registers closed	19th to 23rd March 2012
Annual General Meeting to be held	9th May 2012
2011 final dividend payable	16th May 2012
2012 half-year results to be announced	26th July 2012*
Share registers to be closed	20th to 24th August 2012*
2012 interim dividend payable	10th October 2012*

* *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 2011 final dividend by notifying the United Kingdom transfer agent in writing by 20th April 2012. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 2nd May 2012. 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, P.O. 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 mandarinoriental.com.

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THE HOTEL GROUP

Mandarin Oriental International Limited

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