Mandarin Oriental International Limited

Annual Report 2014

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. Having grown from a well-respected Asian hotel company into a global brand, the Group now operates, or has under development, 44 hotels representing almost 11,000 rooms in 24 countries, with 20 hotels in Asia, ten in The Americas and 14 in Europe, Middle East and North Africa. In addition, the Group operates, or has under development, 15 *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$3.2 billion as at 31st December 2014.

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 standard listing on the London Stock Exchange as its primary listing, 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

Ben Keswick *Chairman and Managing Director*
Edouard Ettedgui *Group Chief Executive*
Stuart Dickie
Mark Greenberg
Julian Hui
Adam Keswick
Sir Henry Keswick
Simon Keswick
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Mandarin Oriental Hotel Group International Limited

Directors

Ben Keswick *Chairman*
Edouard Ettedgui *Group Chief Executive*
Stuart Dickie *Chief Financial Officer*
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K.J. Barry
P.J. Clark
J.D. Goessing
Mark Greenberg
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

- Record underlying profit of US$97 million
- New hotels opened in Taipei and Bodrum
- Four new management contracts, including Bangkok *Residences*
- Major renovation of London hotel announced
- 1 for 4 rights issue to raise US$316 million

Results

	Year ended 31st December 2014 US$m	2013 US$m	Change %
Combined total revenue of hotels under management[1]	**1,389.9**	1,360.8	2
Underlying EBITDA (Earnings before interest, tax, depreciation and amortization)[2]	**217.3**	208.7	4
Underlying profit attributable to shareholders[3]	**97.0**	93.2	4
Profit attributable to shareholders	**97.0**	96.3	1
	US¢	US¢	%
Underlying earnings per share[3]	**9.67**	9.30	4
Earnings per share	**9.67**	9.61	1
Dividends per share	**7.00**	7.00	–
	US$	US$	%
Net asset value per share	**0.95**	0.99	(4)
Adjusted net asset value per share[4]	**3.14**	3.05	3
Net debt/shareholders' funds	**42%**	48%	
Net debt/adjusted shareholders' funds[4]	**13%**	16%	

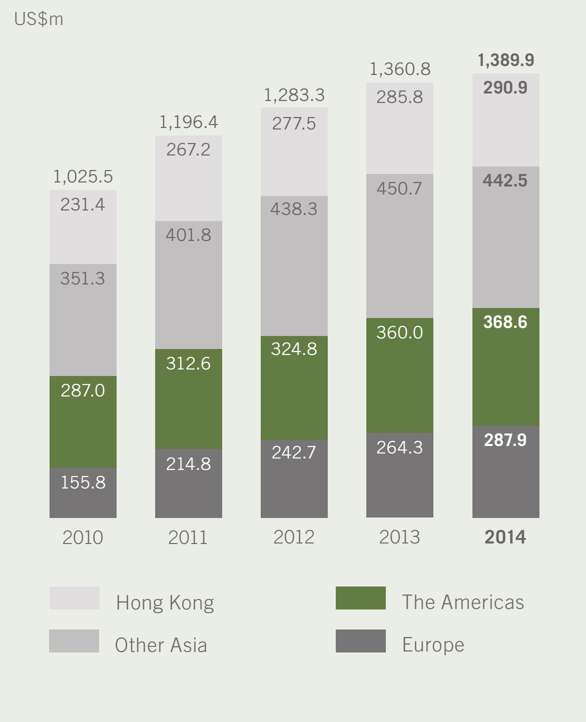
1 Combined revenue includes turnover of the Group's subsidiary hotels in addition to 100% of revenue from associate and managed hotels.

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

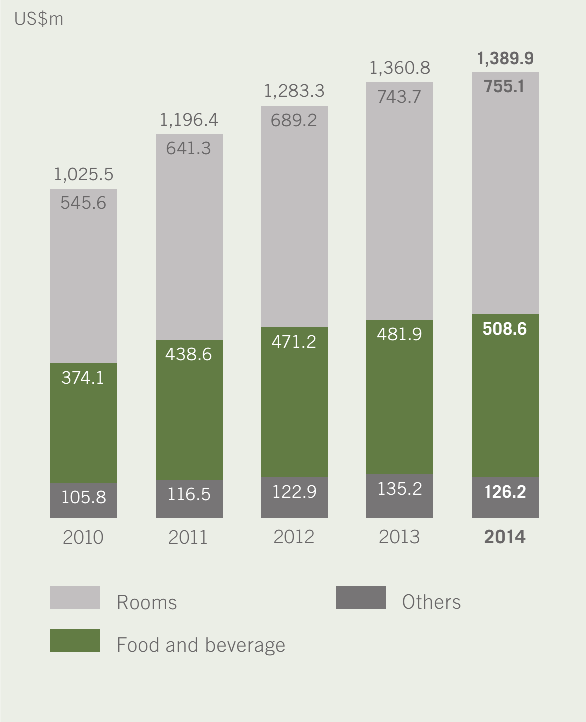
3 Underlying profit attributable to shareholders and underlying earnings per share exclude non-trading items such as gains on disposals, provisions against asset impairment and writeback thereof.

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.

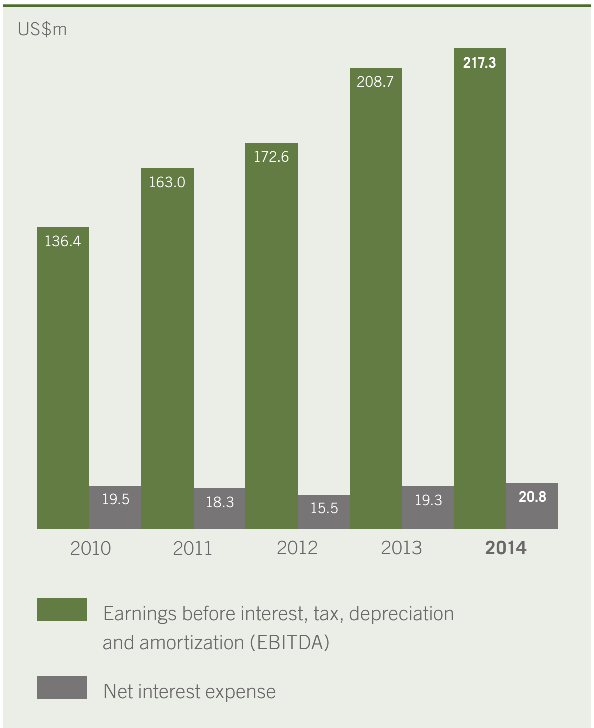
Combined total revenue
by geographical area



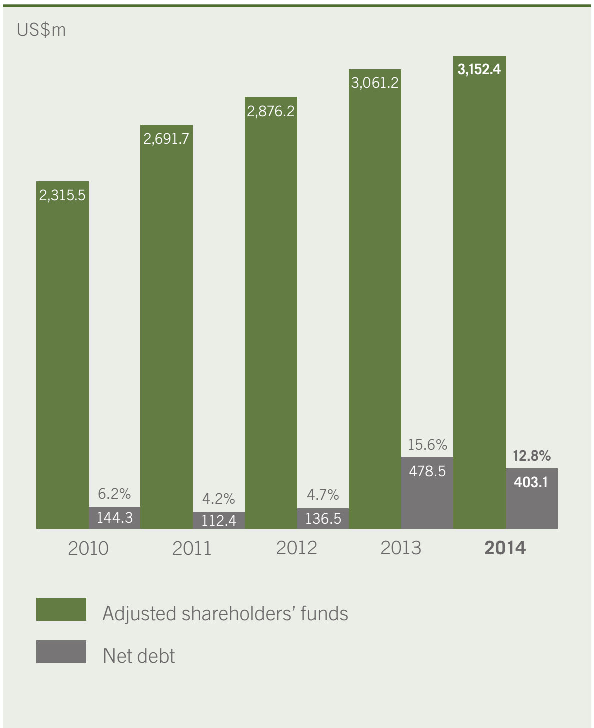
Combined total revenue
by type of business



EBITDA and net interest expense



Net debt/adjusted shareholders' funds



Chairman's Statement

Overview

Against the background of challenging conditions in some markets, Mandarin Oriental did well to achieve an improvement in underlying profit in 2014. The Group benefited from resilient demand from the leisure sector, the geographic diversification of its portfolio and the receipt of US$15 million of branding fees in relation to the ongoing sales of *The Residences at Mandarin Oriental* in Bodrum.

Performance

Underlying earnings before interest, tax, depreciation and amortization for 2014 were US$217 million, an increase of US$8 million from 2013. Underlying profit of US$97 million was US$4 million higher than the prior year, which benefited from a US$7 million profit recognized on acquisition of the freehold rights of the Paris hotel, while underlying earnings per share were US¢9.67 compared with US¢9.30 in 2013.

Profit attributable to shareholders was US$97 million in 2014, compared to US$96 million in the prior year, with the 2013 results including the writeback of a US$3 million asset impairment provision.

Following an independent valuation of the Group's hotel properties, the adjusted net asset value per share was US$3.14 at 31st December 2014, compared with US$3.05 per share at the end of 2013.

The Directors recommend a final dividend of US¢5.00 per share. This, together with the interim dividend of US¢2.00 per share, will make a total annual dividend of US¢7.00 per share, unchanged from 2013.

Group review

In Hong Kong, the Group's two wholly-owned hotels performed well compared to last year, although their results were impacted by demonstrations in the city during the final quarter. Mandarin Oriental, Tokyo benefited from improved visitor arrivals to the city, while occupancy at the Bangkok property continued to be affected by the ongoing political uncertainty in the country. The performances of the Group's other Asian hotels were broadly stable.

The results in Europe benefited from further stabilization of the Paris hotel and an improvement in Geneva, which more than offset weaker demand in London.

In The Americas, while the majority of the Group's hotels reported higher revenue per available room, the overall result was impacted by lower demand in Washington D.C. when compared to the prior year, which included the 2013 Presidential Inauguration.

Business developments

The Group's development projects remained active during the year with hotels opening in Taipei, Taiwan and Bodrum, Turkey, while management contracts were announced for new hotels under development in Bali, Manila and Dubai.

In October, the Group also announced it is to brand and manage 146 *Residences at Mandarin Oriental* in Bangkok. *The Residences* will be developed as part of a large mixed-use project located diagonally across the Chao Phraya River from Mandarin Oriental, Bangkok, and are expected to complete in 2018.

In the first quarter of 2014, the Group ceased management of two unbranded hotels, the Grand Lapa in Macau and the Elbow Beach in Bermuda. Following the announcement of a management contract for a new luxury hotel in Manila scheduled to open in 2020, the Group's existing hotel in the city was closed in September. The hotel project in Moscow will also no longer proceed.

The Group is to expand its Munich property with 51 additional guest rooms, hotel facilities and 19 branded *Residences* in a mixed-use complex being developed opposite the hotel, which is due to open in 2021. The Group will own the freehold of the hotel component. The Group's total investment is estimated to be €124 million (US$150 million) in today's terms, which includes a refurbishment of the hotel's existing rooms. The Group is to undertake a major renovation of Mandarin Oriental Hyde Park in London, scheduled to commence in 2016 which will take 18 months to complete at an estimated cost of £85 million (US$130 million). The hotel will stay open throughout the renovation period with reduced facilities and room inventory.

Mandarin Oriental now operates 27 hotels, and has a further 17 under development. Together these represent close to 11,000 rooms in 24 countries. In addition, the Group operates eight *Residences at Mandarin Oriental* connected to its properties, with a further seven under development.

Within the next 18 months, four new hotels are scheduled to open, in Marrakech, Milan, Beijing and Doha.

Corporate developments

Following shareholder approval at a Special General Meeting held in April, the transfer of the Company's listing on the Main Market of the London Stock Exchange to the standard listing category was completed on 27th May 2014.

The Group has announced its intention to raise US$316 million through a 1 for 4 rights issue of new ordinary shares. The proceeds of the rights issue will be used to pay down debt, thereby providing the Group with the capacity to finance the £85 million (US$130 million) renovation of Mandarin Oriental Hyde Park, London and make further investments in line with its development strategy. Jardine Strategic, the Company's principal shareholder, has committed to take up its entitlement and fully underwrite the offer.

People

On behalf of the Directors, I would like to acknowledge the contribution of all employees throughout the Group for continuing to provide the exceptional service for which the brand is renowned.

Giles White will be retiring as a Director on 31st July 2015 and we would like to thank him for his contribution.

Outlook

While trading conditions in a number of markets are expected to remain challenging, the Group is in a strong competitive position. Over the longer term, Mandarin Oriental will benefit from the strength of its brand, the increasing number of travellers from emerging markets, particularly mainland China, the limited new supply of luxury hotels in its key mature markets, and the phased opening of new hotels and *Residences* under development.

Ben Keswick
Chairman
13th March 2015

Group Chief Executive's Review

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 operates, or has under development, 44 hotels representing almost 11,000 rooms in 24 countries, with 20 hotels in Asia, ten in The Americas and 14 in Europe, Middle East and North Africa. In addition, the Group operates, or has under development, 15 *Residences at Mandarin Oriental* connected to its properties.

The Group holds equity interests in a number of its hotels, and had adjusted net assets of approximately US$3.2 billion as at 31st December 2014. Capitalizing on the strength of its brand, Mandarin Oriental also operates properties on behalf of third party owners that require no equity investment by the Group.

The Group aims to be recognized widely as the world's best 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 approach, combined with a strong balance sheet, is designed to achieve long-term growth in both earnings and net asset value.

Progress achieved

The Group benefited from the growing recognition of the Mandarin Oriental brand internationally, which attracted an increasing number of high net worth travellers, allowing most of our hotels to raise their rates in local currency terms during 2014. While there was a softening of corporate demand in some markets, the Group experienced improved demand from the leisure sector and from its successful development of new markets, predominantly China. Overall, the Group benefited from the resilience that comes with a broad portfolio of hotels and residences across many destinations.

In Asia, our hotels performed well against their competition, although ongoing political uncertainty in Bangkok and the demonstrations in Hong Kong during the last quarter of the year affected overall results. In Europe, the Group benefited from further progress in Paris and an improved performance in Geneva, which more than offset softer demand in London. In The Americas most of our hotels experienced strong demand. The exception was in Washington D.C. where visitor arrivals were down compared to the previous year, which included the 2013 Presidential Inauguration.

Mandarin Oriental's growing presence in top tier destinations was enhanced further in 2014 with the successful launch of two new luxury hotels in Taipei, Taiwan and Bodrum, Turkey in May and July, respectively. During the year, three hotel management contracts were announced for new properties in Bali, Manila and Dubai, while the Group also entered an agreement to expand its wholly-owned property in Munich. Finally, in October, the Group signed a contract to brand and manage new luxury *Residences at Mandarin Oriental* in Bangkok.

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

Performance in 2014

Set out below is a review of the Group's performance in 2014, 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 consistently 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 as one of the best in its market through a combination of tradition, quality and innovation. Throughout the portfolio, the Group invests behind its core brand attributes of creative hotel design, architecture and technology, excellent dining experiences and holistic spa operations. 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 2014 is evidenced by the achievement of many significant awards from respected travel associations and publications worldwide. Highlights include a record 14 hotels being recognized in the 2015 *Forbes Travel Guide*, with 11 properties around the world gaining the top 'Five Star Hotel' status, and five properties gaining the rare 'triple crown' for hotel, spa and restaurant. Mandarin Oriental, Hong Kong is the only city hotel in the world to achieve five 'Five Star' Awards, for the hotel, spa, and three of its restaurants. Furthermore, four of the Group's hotels in the United States achieved the coveted 'Five Diamond Lodging Award' for 2015 from the *American Automobile Association*. These two listings are amongst the most prestigious awards in the hotel industry, and are given to very few hotels in recognition of service excellence.

Condé Nast Traveler, US 'Readers' Choice Awards' 2014 featured 13 Mandarin Oriental hotels, with three hotels being listed as one of the top three in their respective cities. In addition, 'The World's Best 2014' from *Travel + Leisure* included winning entries for eight hotels. The Group was also well represented in *Institutional Investor* 2014 'World's Best Hotels' with a record 12 hotels listed, four of which were voted 'Best in the City'. In China, the well-respected *Hurun Report's* annual 'Best of the Best Awards', voted Mandarin Oriental Hotel Group as the 'Best Luxury Hotel Brand in China'.

The Group's reputation for excellent and innovative dining experiences was again acknowledged in the most recent 2015 *Michelin* guides with 11 restaurants being honoured and a total of 16 stars being granted, including four at Mandarin Oriental, Hong Kong alone. This is more than any other hotel group in the world. Once again, both *Amber* at The Landmark Mandarin Oriental, Hong Kong and *Dinner* at Mandarin Oriental Hyde Park, London were voted as two of the 'Top 50 Restaurants' in the world in the prized *San Pellegrino* listings.

The Group's spa operations were acknowledged as being among the best, with a record 13 hotels gaining the prestigious *Forbes* 'Five Star Spa' award. Again, this is more than any other hotel group in the world. In addition, three of the Group's hotels in The Americas were honoured in *Condé Nast Traveler, US* 'Readers' Poll' of 'Top US Spas', and the Group was voted 'Most Trusted Global Spa Brand' by *SpaChina* in the 2014 awards.

Group Chief Executive's Review *Continued*

The Group's commitment to working with some of the best architects and designers was also recognized in 2014. In particular, the Group's latest hotel in China, Mandarin Oriental Pudong, Shanghai was included in *Condé Nast Traveler's US* 'Hot List 2014 Best Design Hotels'. In London, Mandarin Oriental Hyde Park received the 'Interior Design Award' for its new tea and champagne lounge, *The Rosebery*, in the *European Hotel Design Awards* 2014.

The Group's global recognition is further enhanced by our award-winning international advertising campaign which now features 28 celebrity 'fans', who regularly stay in our hotels. During the last 12 months, the Group welcomed the Academy Award winning American actor and director, Morgan Freeman and Hollywood actress, Lucy Liu to the campaign. The Group's relationship with its celebrity fans goes far beyond their appearance in the advertisements alone. They frequent the Group's hotels regularly, and further enhance brand recognition by attending events and meeting with guests.

The Group also continues to invest in its award-winning website and in digital marketing across all devices and in multiple languages. Compared to the previous year, online revenues have improved by 8% on a like-for-like basis and now represent 13% of total transient room revenue. Furthermore, the Group actively encourages a global conversation with consumers through its social media strategy, and now has a larger and more connected global digital network than ever before, reaching consumers in all corners of the globe, including a growing following on China's most important social media platforms.

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

Critical to the Group's success is the focus of every hotel on maintaining or enhancing their leadership positions against primary competitors in their individual markets. Strong brand recognition, combined with the strength of our hotel management teams, plus the added support provided by an established corporate structure, allows our properties to compete effectively and to achieve premium rates. In 2014, our position was further supported by limited new supply in many of the key markets in which we operate.

The Group's strategy is to create quality services and facilities which attract individuals who will pay a premium for genuine luxury experiences. This creates demand, which allows the hotels to increase average rates across the portfolio. Demographic trends support this strategy, with higher spending leisure customers now making up close to 50% of the Group's room nights. These high net worth individuals continue to originate from the Group's traditional markets, but increasingly, the Group is attracting additional customers from emerging markets. This is particularly true of China, which is now the second largest source of business after the United States accounting for 15% of our total visitor arrivals. The contribution from China will continue to grow as the total number of hotels that the Group now operates, or has under development in mainland China, has increased to seven.

The highlights of each region are as follows:

Asia

The Group's hotels in the region competed effectively in 2014, while most achieved higher average rates in local currency terms. Recognition of the Group was further enhanced with the well-publicized hotel opening in Taipei. Overall, Revenue per Available Room ('RevPAR') for Asia increased by 1% in local currency terms over 2013, on a like-for-like basis.

Mandarin Oriental, Hong Kong performed well despite the impact of the political demonstrations in the city in the last quarter, achieving an overall revenue increase which was 3% above the previous year.

The property received the 'Five Star' rating in the 2015 *Forbes Travel Guide* for the hotel, the spa and three of its restaurants, *Pierre, The Krug Room* and *The Mandarin Grill*. The Landmark Mandarin Oriental, Hong Kong achieved the same accolade for the hotel, spa and *Amber* restaurant.

The Excelsior, the Group's other wholly-owned hotel in Hong Kong also performed well competitively, however, RevPAR was down 4% mainly due to the impact of the political demonstrations in the last quarter. Despite the RevPAR decrease, food and beverage performance was robust, improving by 5% over 2013.

In Tokyo, our hotel's performance benefited from a further increase in visitor arrivals, resulting in a 13% improvement in the average rate which led to an overall uplift in RevPAR of 16% in local currency terms and 7% in US dollar terms. The hotel was listed as the 'Top Hotel in Japan' in the 2014 *Condé Nast Traveler, US* 'Readers' Choice Awards', while three of its restaurants were awarded Michelin stars in the 2015 guide, the only hotel in the city to achieve this accolade.

Mandarin Oriental, Singapore was impacted by weaker city-wide corporate demand which was partially offset by an increase in leisure demand, resulting in a similar RevPAR to 2013. The hotel also achieved *Forbes* 'Five Star' status in the annual 2014 *Forbes Travel Guide* for both the hotel and its spa, and was voted one of the top city hotels in Asia in *Travel + Leisure*'s 'World's Best Awards' 2014.

Mandarin Oriental, Bangkok was adversely affected by the ongoing political uncertainty in Thailand, which continued to suppress visitor arrivals. The hotel did well to increase its average rate, however overall RevPAR was down 14% in local currency terms compared to 2013. The hotel remains the market leader in the city and was once again recognized in the most important travel awards, including being voted 'The World's Number 1' in *Condé Nast Traveller, UK*'s 'Readers' Choice Awards' 2014. It was also listed as an 'Enduring Classic' in *Fodor's* 'World's Best Hotels' 2014 listings. Moreover, the hotel also achieved *Forbes* 'Five Star' status in the 2015 inaugural *Forbes Travel Guide* in Thailand for both the hotel and its spa.

Mandarin Oriental, Jakarta maintained its market share and benefited from the strong local economy, achieving an overall increase in RevPAR of 5% in local currency terms. The weakening Indonesian rupiah, however, led to RevPAR decreasing 7% year-on-year when translated into US dollars. The hotel was voted one of the 'Top 25 Hotels in Indonesia' in *TripAdvisor*'s 2015 'Traveler's Choice', and was one of the top five hotels in Indonesia to receive the *ASEAN* 'Green Hotel Award' 2014 for its corporate responsibility initiatives.

Performances of the Group's remaining hotels in the region were resilient, and include the first full-year management fees from our hotels in Guangzhou and Shanghai which opened in 2013. Both are achieving recognition for their exceptional services and facilities. Mandarin Oriental Pudong, Shanghai was named one of the 'Best New Hotels of The Year' in *Condé Nast Traveller UK*'s 'Hot List', as well as *Travel + Leisure*'s 'It List'. Mandarin Oriental, Guangzhou was voted one of the most 'Glamorous Hotels in China' in the *China Hotel Starlight Awards*, which is one of the most prominent award listings in mainland China. Finally, the new Mandarin Oriental hotel in Taipei, which opened to great acclaim in May, is establishing itself as one of the best hotels in the city and is achieving high average rates.

Europe

In Europe, the Group's hotels were successful in maintaining their positions at the top end of their markets, and most continued to benefit from resilient demand in the leisure sector. Across the region, RevPAR increased by 3% in local currency terms, on a like-for-like basis with 2013.

Mandarin Oriental Hyde Park, London was impacted by weaker demand, which reduced RevPAR by 5% in local currency terms, although RevPAR was flat in US dollar terms. Food and beverage performed well, with the hotel's award-winning restaurants, *Dinner* and *Bar Boulud*, being nominated as two of the UK's 'Top 100 Restaurants' in the 2014 *National Restaurant Awards*. During the year, the hotel introduced its new swimming pool and fitness centre, and launched *The Rosebery*, a luxurious afternoon tea and champagne lounge which has achieved a strong following.

The Group has also announced that it will invest £85 million (US$130 million) to renovate the London hotel. The project, which will commence in 2016 and take approximately 18 months to complete, will comprise a full renovation of the existing guestrooms, restaurants, bars, meeting facilities and lobby. In addition, two new penthouse suites overlooking Hyde Park will be created as well as an expansion of the spa facilities and improvements to core buildings services. The hotel will remain open during the renovation period with reduced facilities and room inventory.

Mandarin Oriental, Munich continued to perform well as a result of strong demand in the high-end leisure market, and maintained 2013 RevPAR levels in local currency terms. The hotel remains the undisputed market leader and was one of the 'Top Twenty Hotels in North Europe' in *Condé Nast Traveler's, US* 'Readers' Choice Awards' 2014. In 2015, the property will be introducing a new lobby lounge, bar and restaurant concept to further extend its appeal as the best hotel in the city.

In Geneva, the hotel's performance improved as a result of stronger corporate and leisure demand. Occupancy was up 16% leading to an overall RevPAR increase of 14% in local currency terms. The hotel was singled out as 'Switzerland's Leading Business Hotel' in the *World Travel Awards* 2014, as well as being voted one of the 'Top 10 City Hotels in Switzerland' in the well regarded Swiss business publication, *Bilanz*.

Mandarin Oriental, Paris has been further recognized as one of the best luxury hotels in the city and continues to improve its performance. The property increased both occupancy and average rate, leading to a RevPAR uplift of 5% in local currency terms. The hotel's food and beverage operations, led by renowned chef Thierry Marx, have attained many accolades, and the signature restaurant, *Sur Mesure*, was once again awarded two Michelin stars in the 2015 listing. Importantly, the hotel was also granted an official 'Palace Distinction' in 2014 – one of only eight hotels in the city to receive this honour.

Elsewhere in the region, our hotels in Barcelona and Prague successfully maintained their top competitive positions. Both properties received further global recognition for excellence, and were featured in *Condé Nast Traveler*'s, *US* 'Readers' Choice Awards' 2014 as two of the top hotels in their respective cities. In addition, Mandarin Oriental, Barcelona was voted 'Best Urban Hotel' in *Condé Nast Traveler*'s 2014 Spanish edition, and also gained top honours in the *SpaFinder* 'Country Wellness Awards' 2014. The Group's recognition was further enhanced with the arrival of its first European resort in Bodrum which has achieved high average rates and was listed as one of the 'World's Best Hotels' in the 2015 *Tatler UK* 'Travel Guide'.

The Americas

The trading environment in The Americas continued to strengthen in 2014, leading to increased demand for most of the Group's hotels in the region with an overall RevPAR increase of 5% on a like-for-like basis over the previous year. Four Mandarin Oriental hotels in the US were voted 'Top Ten' properties in their respective cities in the *Condé Nast Traveler US* 'Readers' Choice Awards' 2014, with three hotels attaining the number one spot for 'Best Business Hotel' in *Travel + Leisure*'s 'World's Best Business Hotels' 2014.

Mandarin Oriental, Washington D.C. largely maintained its competitive position in the market, but as a result of a drop in overall visitor arrivals to the city, RevPAR was down 5% over the prior year. The hotel appeared in numerous reader surveys in prestigious publications and was voted 'Best Business Hotel' in the city in the *Travel + Leisure* 'World's Best Business Hotels' 2014.

Mandarin Oriental, New York successfully maintained its competitive position as the market leader during the year, achieving a 3% increase in RevPAR. The hotel's international recognition as one of the world's most luxurious properties was further reinforced by the retention of both the prestigious *Forbes* 'Five Star' rating and the *American Automobile Association*'s 'Five Diamond Lodging Award'.

At Mandarin Oriental, Miami, stable market conditions led to an uplift in RevPAR of 3%. The hotel continues to receive positive media attention, and achieved a triple *Forbes* 'Five Star' rating in 2015 for the hotel, the spa and its restaurant *Azul* – the only hotel in Florida to so do. In 2014, the hotel introduced a new restaurant and bar, *La Mar*, by celebrity Peruvian chef Gaston Acurio, which was voted one of the 'Fifteen Hottest Restaurant Openings Around the US' in the latest *Zagat* dining guide.

Mandarin Oriental, Boston maintained its position as market leader, improving its RevPAR by 7%, while the Group's hotels in Atlanta and Las Vegas increased their RevPAR by 14% and 15% respectively. All three hotels were recognized with the *Forbes* 'Five Star' rating in 2015 for hotel and spa, with the hotel in Las Vegas being awarded a further 'Five Star' rating for its restaurant *Twist*, operated by Pierre Gagnaire.

Group Chief Executive's Review *Continued*

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 meet its mid-term goal of operating 10,000 rooms in key global locations within the next few years. Today, the Group operates close to 8,000 rooms in 27 hotels around the world, and by including the hotels under development, the total portfolio now extends to almost 11,000 rooms in 44 hotels located in 24 countries.

Three new hotel management contracts, a hotel expansion and one new residential project were announced in 2014:

- In January, the Group announced a new management contract for a luxury resort in Bali, Indonesia, scheduled to open in 2018. Located southwest of Nusa Dua, this 114-room hotel includes 88 expansive pool villas, and is situated on a cliffside with panoramic views and direct access to a secluded beach.
- In March, the Group entered into an agreement with a local development partner to expand its wholly owned property in Munich through the construction of a new mixed-use complex opposite the hotel, scheduled to open in 2021. The new development will comprise two buildings that will jointly house 51 new hotel rooms, 19 luxury branded *Residences at Mandarin Oriental*, a restaurant and bar, a spa, a swimming pool and fitness centre and hotel back of house facilities, as well as retail units, commercial offices and underground car parking. Mandarin Oriental will own 100% of the freehold interest in the land and buildings of the hotel component. The Group's total investment in the project, which will also include a refurbishment of the existing hotel's 73 rooms, is estimated at €124 million (US$150 million) in today's terms.
- In June, the Group announced a new management contract for a 275-room hotel in the heart of Metro Manila, which is scheduled to open in 2020. It will replace the Group's original property on Makati Avenue, which closed in September 2014.
- In September, a new management contract for a luxury 255-room urban resort in Dubai was announced. The hotel will feature exclusive over-water villas with direct access to the Arabian Gulf, and is scheduled to open in 2017.
- Finally in October, the Group announced an agreement to brand and manage 146 *Residences at Mandarin Oriental* that will be developed as part of a mixed-use project located on the Chao Phraya River diagonally opposite Mandarin Oriental, Bangkok.

During 2014, the Group ceased management of the Grand Lapa hotel in Macau and the Elbow Beach hotel in Bermuda. Also, the project in Moscow will no longer proceed.

In total, Mandarin Oriental has 17 new hotels currently under development, all of which are long-term management contracts requiring no capital investment by the Group. Four of these properties will be operational within the next 18 months, including a 104-room luxury hotel in Milan and an exclusive resort comprising 63 private villas in Marrakech, both of which are due to open in the second quarter of 2015. Mandarin Oriental, Beijing, located within the iconic CCTV development in the heart of the city, and Mandarin Oriental, Doha, the Group's first hotel in the Middle East, are both scheduled to open in 2016.

In addition to the Group's portfolio of hotels, a total of 15 *Residences at Mandarin Oriental* projects are open or under development. Since the first *Residences* launched in 2004 in New York, the associated branding of these projects has, on average, resulted in fees of approximately US$5 million per annum over the decade. These fees, as well as ongoing revenues from management fees and the use of hotel facilities by the home owners, should provide a growing return for the Group in future years.

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 sought after by developers of luxury hotels. The long-term potential for growth is significant, and 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 overall financial performance improved in 2014, as strong competitive performances were maintained across the majority of the portfolio. Underlying profit in 2014 was US$97 million, a record level for the Group, compared to the previous record underlying profit of US$93 million reported in 2013.

The Group's financial well-being remains fundamental to its success. At 31st December 2014, gearing was 13% of adjusted shareholder funds.

The Board has recommended a final dividend of US¢5.00 per share, which, when combined with the interim dividend of US¢2.00 per share, makes a full year dividend of US¢7.00 per share.

The Group has announced its intention to raise US$316 million through a 1 for 4 rights issue of new ordinary shares. The proceeds of the rights issue will be used to pay down debt, thereby providing the Group with the capacity to finance the £85 million (US$130 million) renovation of Mandarin Oriental Hyde Park, London and make further investments in line with its development strategy.

The future

While challenging conditions are expected to continue in some markets, demand for the Mandarin Oriental brand remains strong. Moreover, the Group's results will benefit from the further stabilization of its recently opened hotels, as well as from the continued growth of its global portfolio as new properties open in diverse locations. In addition, the Group will be supported by the increasing number of high net worth travellers from both traditional and emerging markets, as well as the limited supply of competitive luxury hotels in our key mature markets.

The geographical broadening of the Group's hotel portfolio and the increasing opportunities for branded *Residences* projects internationally, underlie the strength of the brand and the growing recognition of Mandarin Oriental as one of the best luxury hotel groups in the world.

Edouard Ettedgui
Group Chief Executive
13th March 2015

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 2014.

ASIA

Mandarin Oriental, Hong Kong 100% ownership

	2014	2013	% Change
Available rooms	**501**	501	0
Average occupancy (%)	**68**	70	(3)
Average room rate (US$)	**545**	523	4
RevPAR (US$)	**370**	366	1

The Excelsior, Hong Kong 100% ownership

	2014	2013	% Change
Available rooms	**884**	884	0
Average occupancy (%)	**85**	89	(4)
Average room rate (US$)	**212**	211	0
RevPAR (US$)	**180**	188	(4)

Mandarin Oriental, Tokyo 100% leasehold

	2014	2013	% Change
Available rooms	**178**	178	0
Average occupancy (%)	**76**	74	3
Average room rate (US$)	**520**	499	4
RevPAR (US$)	**397**	371	7

Mandarin Oriental, Jakarta 96.9% ownership

	2014	2013	% Change
Available rooms	**272**	272	0
Average occupancy (%)	**59**	63	(6)
Average room rate (US$)	**184**	185	(1)
RevPAR (US$)	**109**	117	(7)

Mandarin Oriental, Singapore 50% ownership

	2014	2013	% Change
Available rooms	**527**	527	0
Average occupancy (%)	**82**	83	(1)
Average room rate (US$)	**307**	311	(1)
RevPAR (US$)	**251**	259	(3)

Mandarin Oriental, Bangkok 44.9% ownership

	2014	2013	% Change
Available rooms	**374**	393	(5)
Average occupancy (%)	**41**	51	(20)
Average room rate (US$)	**386**	377	2
RevPAR (US$)	**159**	193	(18)

Mandarin Oriental, Kuala Lumpur 25% ownership

	2014	2013	% Change
Available rooms	**632**	632	0
Average occupancy (%)	**63**	62	2
Average room rate (US$)	**198**	202	(2)
RevPAR (US$)	**124**	126	(2)

EUROPE

Mandarin Oriental Hyde Park, London 100% ownership

	2014	2013	% Change
Available rooms	**194**	194	0
Average occupancy (%)	**78**	80	(3)
Average room rate (US$)	**872**	857	2
RevPAR (US$)	**682**	682	0

Mandarin Oriental, Munich 100% ownership

	2014	2013	% Change
Available rooms	**73**	73	0
Average occupancy (%)	**76**	77	(1)
Average room rate (US$)	**983**	976	1
RevPAR (US$)	**751**	753	0

Mandarin Oriental, Paris 100% ownership with effect from 8th February 2013 (previously 100% leasehold)

	2014	2013	% Change
Available rooms	**138**	138	0
Average occupancy (%)	**68**	66	3
Average room rate (US$)	**1,303**	1,283	2
RevPAR (US$)	**890**	849	5

Mandarin Oriental, Geneva 92.6% ownership

	2014	2013	% Change
Available rooms	**196**	197	(1)
Average occupancy (%)	**58**	50	16
Average room rate (US$)	**701**	708	(1)
RevPAR (US$)	**408**	356	15

THE AMERICAS

Mandarin Oriental, Washington D.C. 80% ownership

	2014	2013	% Change
Available rooms	**397**	397	0
Average occupancy (%)	**57**	60	(5)
Average room rate (US$)	**324**	326	(1)
RevPAR (US$)	**185**	195	(5)

Mandarin Oriental, New York 25% ownership

	2014	2013	% Change
Available rooms	**244**	244	0
Average occupancy (%)	**74**	75	(1)
Average room rate (US$)	**986**	947	4
RevPAR (US$)	**732**	706	3

Mandarin Oriental, Miami 25% ownership

	2014	2013	% Change
Available rooms	**326**	326	0
Average occupancy (%)	**70**	70	0
Average room rate (US$)	**371**	362	2
RevPAR (US$)	**261**	253	3

Development Portfolio

Mandarin Oriental Hotel Group currently has 17 hotels and 7 *Residences at Mandarin Oriental* under development.

Asia

Mandarin Oriental, Bali
A 114-room resort located on Bali's southern Bukit peninsula. Perched on a cliffside plateau, the resort will offer dramatic and spectacular views with direct access to a secluded and protected white-sand beach.

***The Residences at Mandarin Oriental*, Bangkok**
146 luxury residences located across the Chao Phraya River from Mandarin Oriental, Bangkok, part of an iconic mixed-use riverfront development.

Mandarin Oriental, Beijing
A 241-room hotel located in the central business district, and part of the iconic new headquarters of China Central Television (CCTV).

Mandarin Oriental, Chengdu
A 327-room hotel with 18 serviced apartments located on the top 33 floors of an iconic tower, on a prime riverfront site in Jinjiang District, across from the ancient Wang-jiang Park.

Mandarin Oriental, Chongqing
A 213-room hotel with 18 serviced apartments situated in the heart of the central business district with panoramic views of the city skyline.

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

Mandarin Oriental, Manila
A 275-room hotel located within the Ayala Triangle in Makati central business district.

Mandarin Oriental, Shenzhen
A 190-room hotel situated on the top of an impressive 400 metre tower with outstanding views of the city skyline and the surrounding city parks.

Europe, Middle East and North Africa

Mandarin Oriental, Abu Dhabi
A 153-room resort and 66 *Residences at Mandarin Oriental* located on Saadiyat Island, set to become a leading leisure and cultural destination.

Mandarin Oriental, Doha
A 158-room hotel with 91 serviced apartments located in Musheireb, adjacent to Doha's cultural gem, Souk Waqif, and the city's business centre in West Bay.

Mandarin Oriental, Dubai
A 255-room urban resort located on Jumeirah Beach Road, one of the most sought-after waterfront locations in the city.

Mandarin Oriental Bosphorus, Istanbul
A 130-room hotel prominently located on the banks of the Bosphorus, with panoramic vistas of the famed strait, surrounding hills and the city's historical sites.

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, Marrakech
A 63-room hideaway resort comprising 54 spacious villas and 9 luxurious suites located in the heart of the Palmeraie, surrounded by Marrakech's three premium golf courses.

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.

***The Residences at Mandarin Oriental*, Munich**
19 luxury *Residences at Mandarin Oriental* located in a mixed-use complex being developed opposite Mandarin Oriental, Munich, which will include 51 additional hotel rooms.

The Americas

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

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

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. All of the above projects will be managed by Mandarin Oriental Hotel Group with no equity investment from the Group.

International Recognition

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

Mandarin Oriental Hotel Group

This clever group is managing to shine both in hotels and resorts, which is a rarity.

The Gallivanter's Guide

With a storied history that began in Hong Kong in the 1960s, and with thanks to its flagship property, Mandarin Oriental hotels have since become synonymous with Asian-inspired luxury.

American Spa

Mandarin Oriental, Bangkok

For more than 135 years, travelers have dropped their bags at the legendary and timeless Mandarin Oriental, Bangkok. Situated on the banks of the Chao Phraya River, this hotel is the place to be if you're a president, monarch, or celebrity or if you want to experience the best service in all of Thailand.

Fodor's Travel

Luxury accommodation with fancy restaurants and spas abound here but it's the 138-year-old Mandarin Oriental, Bangkok that sets the bar. The service is silky-smooth, the vibe classy and cosmopolitan…. You can still revel in the beautiful old Authors' Wing, where the likes of Noel Coward and Joseph Conrad once languished.

National Geographic Traveller

Mandarin Oriental, Hong Kong

There's something about this hotel which stays with you long after you have left. It weaves its way into your heart until your memories of it become a place of refuge, calm amidst the storm. Perhaps it is the omnipresent service – how wonderful to return to that childlike state of being looked after, where you know that everything is right with the world while you are here.

Condé Nast Traveler

"I've been going to Mandarin Oriental, Hong Kong for 30 years. Everyone knows me. I travel every week, and this hotel has the best service in the world. Nothing is too much trouble."

Wall Street Journal

The Landmark Mandarin Oriental, Hong Kong

Staff are super helpful with everything taken care of in signature Mandarin Oriental style.

BA High Life Online

Its intimate size combined with chic décor and great service makes The Landmark Mandarin Oriental, Hong Kong a must visit. Even though it's part of the Mandarin Oriental brand, the Forbes Travel Guide Five-Star property also gives you all the perks of a boutique hotel, including personalized service and exclusivity.

Forbes

Mandarin Oriental Pudong, Shanghai

It's Shanghai incarnate – cutting-edge, confident, sparkly on the surface, but with a deep bow to tradition on the inside.

Tatler

Mandarin Oriental, Taipei

Located in the heart of the city, Mandarin Oriental, Taipei offers the perfect fusion of classically inspired design and contemporary luxury.

Travel + Leisure

Mandarin Oriental, Tokyo

The Mandarin Oriental manages to feel both traditional and modern at the same time, with one of the most efficient concierge desks in the city.

GQ

Mandarin Oriental, Barcelona

One of the best hotels in the Catalan capital is even better now thanks to the additional of 17 spacious and elegant suites designed by the award-winning architect Patricia Urquiola.

Spectator Life

International Recognition *Continued*

Mandarin Oriental, Bodrum

Snuggled away across 60 hectares of its own private bay at Cennet Koyu on the northern side of Turkey's Bodrum Peninsula, it's hard to imagine a more serene and laid back, hideaway than the Mandarin Oriental. Once you arrive at the tranquil resort all your worries woes and reality will simply melt away.

Quintessentially

Mandarin Oriental Hyde Park, London

The bedrooms are traditionally furnished and you can see why the Queen is said to feel at home here but the Mandarin Oriental certainly doesn't feel stuffy: it's got the buzzing Bar Boulud in the basement, and charming doormen who wave you off to the Tube as you leave for work in the morning, and greet you with a smile when you return home again at night.

Harper's Bazaar

The Mandarin Oriental chain has clearly upped the ante for luxury in the hotel industry, in the case of their London property by taking over a fanciful Victorian building whose 169 rooms overlook Knightsbridge and which is very convenient to the V&A Museum, Harrods, Harvey Nichols and Green Park. The rooms are, in a word, sumptuous.

Huffpost Taste

Mandarin Oriental, Munich

The Mandarin Oriental, Munich – five star glamour hidden down a central city side street. Every time you order a drink, pass reception or encounter the doorman, expect to be greeted with your name.

Brides

Mandarin Oriental, Paris

Situated on the extra fabulous rue Saint Honore, Mandarin Oriental, Paris is a favorite among culinary insiders, international shopping addicts, and those who simply love luxury travel.

Gotham

Fiercely fashionable, Mandarin Oriental, Paris attracts glamorous French couples and impeccably groomed families from around the world. Despite the property's slick finish, rooms manage to remain plush and warm; their huge bathrooms, with marble-clad feature and spacious wet rooms, are the highlights.

The Telegraph Luxury Online

Mandarin Oriental, Boston

Spacious and elegant rooms have silk accents in warm buttery colors or cool teal tones. Friendly staff are attentive, efficient, and gracious.

Condé Nast Traveler

Mandarin Oriental, Las Vegas

It doesn't get more secluded than the tranquil, non-gaming Mandarin Oriental, featuring a bamboo-shaded entry and renowned for its service.

The Hollywood Reporter

Mandarin Oriental, Miami

Mandarin Oriental is the perfect balance of tranquil and exciting, and completely altered my take on the city. Every part of my stay seemed designed to relax. The rooms were specious and bright with glistening water views and when the sunshine poured in, I felt I could have happily lost hours sitting on the balcony.

Saveur

Mandarin Oriental, New York

Mandarin Oriental, New York is located just across the street from the lively Columbus Circle. With decadent, yet sleek décor and sweeping views of Central Park, the Mandarin Oriental is a wise choice for guests seeking a modern upscale twist.

Huffington Post

This place is a tranquil oasis in the heart of New York City.

Travel Pulse

Mandarin Oriental, Washington D.C.

The hotel features beautifully appointed rooms, excellent restaurants, a peaceful spa and courteous hospitality.

CBS DC

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 ('IFRSs').

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 IFRSs effective on 1st January 2014, 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 underlying EBITDA including the Group's share of underlying EBITDA from associates is shown below:

	2014 US$m	2013 US$m
Subsidiaries	185.8	171.8
Associates	31.5	36.9
Underlying EBITDA	217.3	208.7

Subsidiaries

	2014 US$m	2013 US$m
EBITDA from subsidiaries	185.8	171.8
Depreciation and amortization	(65.0)	(60.0)
Operating profit	120.8	111.8

In 2014, underlying EBITDA from subsidiaries increased by US$14.0 million or 8%, to US$185.8 million. Excluding the US$7.5 million of one-off credits recorded in 2013 related to the Group's acquisition of the Paris freehold interest, 2014 EBITDA increased by US$21.5 million or 13%, of which US$14.9 million was due to branding fees received in relation to the ongoing sales of *The Residences at Mandarin Oriental* in Bodrum.

In Hong Kong, while political demonstrations in the city impacted performance during the last quarter of the year, Mandarin Oriental, Hong Kong maintained its RevPAR in line with the record levels achieved in 2013 and reported an increase in both revenue and EBITDA. The Group's other wholly-owned Hong Kong hotel, The Excelsior, which was also impacted by the political demonstrations in the city, maintained overall revenue and EBITDA in line with prior year, despite a 4% decline in RevPAR due to a robust performance in Food and Beverage. In Tokyo, the continued recovery in visitor arrivals resulted in a strong improvement in operating performance, although a weaker Japanese yen meant that performance gains were not fully reflected in the US dollar results. While the Jakarta hotel reported improved performance in local currency terms, a weaker Indonesian rupiah meant that its EBITDA contribution was lower when translated into US dollars. In Manila, despite a decline in trading following the announcement of the hotel's pending closure in June, and payment of associated closure costs, the hotel's contribution during the nine months until its closure in September was broadly in line with 2013.

Financial Review *Continued*

Subsidiaries continued

Softer demand in London led to a lower contribution from the hotel, while further stabilization of the Paris hotel operation resulted in both higher revenue and EBITDA, after excluding the one-off credits related to the acquisition of the building's freehold interest in 2013. In Munich, the hotel maintained RevPAR and EBITDA broadly in line with the prior year, while improved performance in Geneva led to an increased contribution from the hotel.

In The Americas, softer city-wide demand resulted in a lower contribution from Washington D.C. hotel.

In 2014, the contribution from management activities increased by US$15.8 million, or 73%, to US$37.3 million, from US$21.5 million in the prior year, primarily due to the US$14.9 million of branding fees received from the ongoing sale of *The Residences at Mandarin Oriental* in Bodrum.

Associates

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

	2014 US$m	2013 US$m
Underlying EBITDA from associates	31.5	36.9
Non-trading items: Writeback of provision against asset impairment	–	3.1
EBITDA from associates	31.5	40.0
Depreciation and amortization	(12.1)	(12.2)
Operating profit	19.4	27.8
Less: net financing charges	(3.5)	(3.5)
tax	(3.6)	(3.7)
Share of results of associates	12.3	20.6

In total, the Group's share of underlying EBITDA from associates decreased by US$5.4 million or 15% to US$31.5 million in 2014, primarily due to weaker performance in Bangkok as a result of the ongoing political uncertainty.

In Singapore, a city-wide softening in demand led to a slightly lower EBITDA contribution from the Group's 50% owned hotel during the year, while contribution from the Group's 25% owned hotel in Kuala Lumpur was in line with the prior year.

In The Americas, both the Group's 25% owned hotels in New York and Miami maintained their respective competitive positions, with EBITDA contributions in line with the prior year.

Depreciation and amortization of associates were at a similar level as 2013, as were the Group's share of net financing charges from associates and share of tax.

Non-trading items

In 2013, there was a non-trading gain of US$3.1 million reflecting a writeback of a provision for asset impairment made by an associate.

Net financing charges

Net financing charges for the Group's subsidiaries increased to US$17.3 million in 2014 from US$15.8 million in 2013. This increase is principally due to the upfront hedging and transaction costs associated with the refinancing of the Group's London and Hong Kong facilities during the year.

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 2014 calculated as EBITDA (including the Group's share of EBITDA from associates) over net financing charges (including the Group's share of net financing charges from associates), was 10.4 times compared with 10.8 times in 2013.

Tax

The tax charge for 2014 of US$19.0 million was slightly lower than US$19.8 million in 2013. The underlying effective tax rate for the year was 21%, unchanged from the prior year.

Cash flow

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

	2014 US$m	2013 US$m
Operating activities	160	157
Investing activities:		
• Capital expenditure on existing properties	(29)	(36)
• Acquisition of Paris freehold interest	–	(382)
• Payment for Munich expansion	(17)	–
• Repayment of loans to associates	4	–
• Purchase of intangible assets	(3)	(3)
• Other	(1)	(1)
Financing activities:		
• Net (repayment)/drawdown of borrowings	(29)	199
• Dividends paid	(70)	(70)
• Other	–	3
Net increase/(decrease) in cash	**15**	(133)
Cash and cash equivalents at 1st January	316	453
Effect of exchange rate changes	(7)	(4)
Cash and cash equivalents at 31st December	**324**	316

The Group's cash flows from operating activities were US$160 million in 2014, an increase of US$3 million from the US$157 million inflow in 2013.

Under investing activities, capital expenditure on existing properties was US$29 million in 2014, compared to US$36 million in 2013.

In March 2014, the Group entered into an agreement to expand the Munich hotel through the construction of a mixed-use complex on an adjacent site that will include new hotel rooms and other facilities estimated to open in 2021. The Group's total investment in the project, which will also include a refurbishment of the existing hotel's 73 rooms, is estimated at €124 million (US$150 million) in today's terms. Total costs paid by the Group during the year in relation to the project amounted to US$17 million.

In 2013, the Group paid US$382 million to complete the acquisition of the freehold rights of the building housing Mandarin Oriental, Paris and two prime street-front retail units. The Paris acquisition was funded by US$201 million of new debt facilities, with the remainder paid from Group cash reserves.

Dividends

The Board is recommending a final dividend of US¢5.00 per share for a full-year dividend of US¢7.00 per share (2013: US¢7.00 per share). No scrip alternative is being offered in respect of the dividend. The final dividend is payable on 13th May 2015 to shareholders on the register of members at the close of business on 20th March 2015.

Financial Review *Continued*

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 independent appraisers 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:

	2014		2013	
	US$m	**Per share US$**	US$m	Per share US$
Shareholders' funds/net assets at amortized cost	**956**	**0.95**	989	0.99
Add surplus for fair market value of freehold and leasehold land and buildings	**2,196**	**2.19**	2,072	2.06
Adjusted shareholders' funds/net assets	**3,152**	**3.14**	3,061	3.05

On an IFRS basis, the Group's consolidated net debt of US$403 million at 31st December 2014 was 42% of shareholders' funds, compared with consolidated net debt of US$479 million at 31st December 2013 which was 48% of shareholders' funds. Taking into account the fair market value of the Group's interests in freehold and leasehold land, gearing was 13% of adjusted shareholders' funds at 31st December 2014, compared with 16% at 31st December 2013.

Treasury activities

The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objective is to manage exchange and interest rate risks and to provide a degree of certainty in respect of costs. The Group has fixed or capped interest rates on 43% of its gross borrowings.

In respect of specific hotel financing, borrowings are normally taken in the local currency to hedge partially the investment and the projected income. At 31st December 2014, the Group's net assets/(liabilities) were denominated in the following currencies:

	Net assets/ (liabilities)		Adjusted net assets*	
	US$m	%	US$m	%
Hong Kong dollar	(14)	(1)	1,704	54
Euro	287	30	393	12
United States dollar	322	34	371	12
United Kingdom sterling	120	13	205	7
Singapore dollar	48	5	183	6
Thai baht	28	3	95	3
Swiss franc	111	11	111	3
Others	54	5	90	3
	956	100	3,152	100

* see supplementary information section above.

Included on the Group's consolidated balance sheet is cash at bank of US$324.6 million (2013: US$316.4 million) which, after the deduction of US$0.3 million (2013: US$0.7 million) of bank overdraft facilities, is shown in the Group's consolidated cash flow as cash and cash equivalents of US$324.3 million (2013: US$315.7 million).

The Group, excluding associates, had committed borrowing facilities totalling US$861 million, of which US$728 million was drawn at 31st December 2014. The principal amounts due for repayment are as follows:

	Facilities committed US$m	Facilities drawn US$m	Unused facilities US$m
Within one year	217	217	–
Between one and two years	2	2	–
Between two and three years	3	3	–
Between three and four years	–	–	–
Between four and five years	638	505	133
Beyond five years	1	1	–
	861	728	133

At 31st December 2014, the Group had US$133 million of committed, undrawn facilities in addition to its net cash balances of US$324 million. During the year, the Group refinanced US$638 million of secured committed facilities (US$187 million in London and US$451 million in Hong Kong) for five years. The average tenor of the Group's borrowings was 3.7 years (2013: 1.1 years), with US$217 million of committed facilities due to mature before the end of 2015.

On 5th March 2015, the Group announced its plan to raise US$316 million through a 1 for 4 rights issue of new ordinary shares. Maintaining a strong balance sheet is important for the execution of the Group's development strategy, which includes maintaining the quality of its properties and taking advantage of further investment opportunities. In line with the Group's strategy, the additional capital being raised through the Rights Issue will enable the Group to retire debt and reduce gearing towards the levels that prevailed before the acquisition of the freehold of the Paris hotel, and provide the Group with the capacity to finance the £85 million (US$130 million) renovation of Mandarin Oriental Hyde Park, London, also announced on 5th March. Specifically, the funds will be used to fully repay the 2013 debt facilities associated with the Group's Paris acquisition, which are due to mature at the end of 2015, and to part repay the London facility.

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 97 and 98.

Stuart Dickie
Chief Financial Officer
13th March 2015

Directors' Profiles

Ben Keswick* *Chairman and Managing Director*
Mr Ben Keswick joined the Board as Managing Director in 2012 and became Chairman in 2013. 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 2012. He has an MBA from INSEAD. Mr Keswick is chairman of Jardine Matheson Limited and Jardine Cycle & Carriage and a commissioner of Astra. He is also chairman and managing director of Dairy Farm and Hongkong Land, managing director of 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 and Jardine Strategic.

Adam Keswick
Mr Adam Keswick joined the Board in 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 Zhongsheng Group Holdings.

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.

Simon Keswick
Mr Simon Keswick joined the Board in 1986 and was Chairman of the Company from 1986 to 2013. He joined the Jardine Matheson group in 1962 and is a director of Dairy Farm, Hongkong Land, Jardine Matheson and Jardine Strategic.

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 and Jardine Strategic. He is also a member of the supervisory board of Paris Orléans. He joined the Jardine Matheson group in 1983 after a career in 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 the honorary chairman of TAL Apparel. He is also a director of Jardine Matheson and Hongkong Land.

Lincoln K.K. Leong
Mr Leong joined the Board in 2012. He is a Chartered Accountant and has extensive experience in the accountancy and investment banking industries. Mr Leong is also acting chief executive officer of MTR Corporation and a non-executive director of Hong Kong Aircraft Engineering Company.

Anthony Nightingale
Mr Nightingale joined the Board in 2006 and was Managing Director of the Company from 2006 to 2012. He is also a director of Dairy Farm, Hongkong Land, Jardine Cycle & Carriage, Jardine Matheson, Jardine Strategic, China Xintiandi, Prudential and Schindler, and a commissioner of Astra. Mr Nightingale also holds a number of senior public appointments, including acting as a non-official member of the Commission on Strategic Development, a Hong Kong representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council and a member of the UK ASEAN Business Council Advisory Panel. He is 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 Hongkong Land, LVMH Moët Hennessy Louis Vuitton, Matheson & Co, Northern Trust Corporation and Textron Corporation. Previously president of the China-Britain Business Council and chairman of the Singapore-British Business Council, he is currently a British Business Ambassador. He is an independent member of the House of Lords.

Lord Sassoon, Kt
Lord Sassoon joined the Board in 2013. He began his career at KPMG, before joining SG Warburg (later UBS Warburg) in 1985. From 2002 to 2006 he was in the United Kingdom Treasury as a civil servant, where he had responsibility for financial services and enterprise policy. Following this, he chaired the Financial Action Task Force; and conducted a review of the UK's system of financial regulation. From 2010 to 2013 Lord Sassoon was the first Commercial Secretary to the Treasury and acted as the Government's Front Bench Treasury spokesman in the House of Lords. He is a director of Dairy Farm, Hongkong Land, Jardine Lloyd Thompson and Jardine Matheson. He is also chairman of the China-Britain 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 & Barrow and the Nith District Salmon Fishery Board.

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

Consolidated Profit and Loss Account

for the year ended 31st December 2014

	Note	2014 Underlying US$m	2014 Non-trading items US$m	2014 Total US$m	2013 Underlying US$m	2013 Non-trading items US$m	2013 Total US$m
Revenue	1	**679.9**	**–**	**679.9**	668.6	–	668.6
Cost of sales		**(410.0)**	**–**	**(410.0)**	(408.4)	–	(408.4)
Gross profit		**269.9**	**–**	**269.9**	260.2	–	260.2
Selling and distribution costs		**(44.7)**	**–**	**(44.7)**	(45.2)	–	(45.2)
Administration expenses		**(104.4)**	**–**	**(104.4)**	(103.2)	–	(103.2)
Operating profit	2	**120.8**	**–**	**120.8**	111.8	–	111.8
Financing charges		**(19.9)**	**–**	**(19.9)**	(17.5)	–	(17.5)
Interest income		**2.6**	**–**	**2.6**	1.7	–	1.7
Net financing charges	3	**(17.3)**	**–**	**(17.3)**	(15.8)	–	(15.8)
Share of results of associates	4	**12.3**	**–**	**12.3**	17.5	3.1	20.6
Profit before tax		**115.8**	**–**	**115.8**	113.5	3.1	116.6
Tax	5	**(19.0)**	**–**	**(19.0)**	(19.8)	–	(19.8)
Profit after tax		**96.8**	**–**	**96.8**	93.7	3.1	96.8
Attributable to:							
Shareholders of the Company	6&7	**97.0**	**–**	**97.0**	93.2	3.1	96.3
Non-controlling interests		**(0.2)**	**–**	**(0.2)**	0.5	–	0.5
		96.8	**–**	**96.8**	93.7	3.1	96.8
		US¢		**US¢**	US¢		US¢
Earnings per share	6						
– basic		**9.67**		**9.67**	9.30		9.61
– diluted		**9.63**		**9.63**	9.28		9.59

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2014

	Note	2014 US$m	2013 US$m
Profit for the year		**96.8**	96.8
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans		**(5.6)**	5.5
Tax on items that will not be reclassified	5	**0.9**	(0.9)
		(4.7)	4.6
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net (loss)/gain arising during the year		**(57.0)**	4.9
Fair value (losses)/gains on other investments		**(0.1)**	0.4
Fair value gains on cash flow hedges		**4.0**	8.5
Tax relating to items that may be reclassified	5	**(0.7)**	(1.6)
Share of other comprehensive expense of associates		**(4.0)**	(5.4)
		(57.8)	6.8
Other comprehensive (expense)/income for the year, net of tax		**(62.5)**	11.4
Total comprehensive income for the year		**34.3**	108.2
Attributable to:			
Shareholders of the Company		**35.0**	107.8
Non-controlling interests		**(0.7)**	0.4
		34.3	108.2

Consolidated Balance Sheet

as at 31st December 2014

	Note	2014 US$m	2013 US$m
Net assets			
Intangible assets	8	**45.6**	42.6
Tangible assets	9	**1,315.1**	1,440.5
Associates	10	**101.6**	110.8
Other investments		**10.5**	9.3
Loans receivable	11	**–**	–
Pension assets	12	**7.3**	14.4
Deferred tax assets	13	**2.2**	3.1
Non-current assets		**1,482.3**	1,620.7
Stocks		**5.9**	6.5
Debtors and prepayments	14	**94.5**	73.7
Current tax assets		**1.3**	1.0
Cash at bank	15	**324.6**	316.4
Current assets		**426.3**	397.6
Creditors and accruals	16	**(144.6)**	(147.0)
Current borrowings	17	**(217.0)**	(556.2)
Current tax liabilities		**(9.6)**	(12.1)
Current liabilities		**(371.2)**	(715.3)
Net current assets/(liabilities)		**55.1**	(317.7)
Long-term borrowings	17	**(510.7)**	(238.7)
Deferred tax liabilities	13	**(62.3)**	(65.5)
Pension liabilities	12	**–**	(0.6)
Other non-current liabilities	25	**(3.0)**	(3.5)
		961.4	994.7
Total equity			
Share capital	20	**50.2**	50.2
Share premium	21	**188.2**	186.6
Revenue and other reserves		**718.0**	752.2
Shareholders' funds		**956.4**	989.0
Non-controlling interests		**5.0**	5.7
		961.4	994.7

Approved by the Board of Directors

Ben Keswick
Edouard Ettedgui
Directors
13th March 2015

Consolidated Statement of Changes in Equity

for the year ended 31st December 2014

	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
2014									
At 1st January	50.2	186.6	282.1	473.6	(6.0)	2.5	989.0	5.7	**994.7**
Total comprehensive income	–	–	–	92.2	3.3	(60.5)	35.0	(0.7)	**34.3**
Dividends paid by the Company	–	–	–	(70.2)	–	–	(70.2)	–	**(70.2)**
Issue of shares	–	–	–	–	–	–	–	–	**–**
Employee share option schemes	–	–	2.6	–	–	–	2.6	–	**2.6**
Transfer	–	1.6	(1.6)	–	–	–	–	–	**–**
At 31st December	**50.2**	**188.2**	**283.1**	**495.6**	**(2.7)**	**(58.0)**	**956.4**	**5.0**	**961.4**
2013									
At 1st January	50.0	182.1	281.3	442.6	(12.9)	2.8	945.9	5.3	951.2
Total comprehensive income	–	–	–	101.2	6.9	(0.3)	107.8	0.4	108.2
Dividends paid by the Company	–	–	–	(70.2)	–	–	(70.2)	–	(70.2)
Issue of shares	0.2	2.7	–	–	–	–	2.9	–	2.9
Employee share option schemes	–	–	2.6	–	–	–	2.6	–	2.6
Transfer	–	1.8	(1.8)	–	–	–	–	–	–
At 31st December	50.2	186.6	282.1	473.6	(6.0)	2.5	989.0	5.7	994.7

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US$97.0 million (2013: US$96.3 million) and net fair value loss on other investments of US$0.1 million (2013: net fair value gain on other investments of US$0.2 million).

Consolidated Cash Flow Statement

for the year ended 31st December 2014

	Note	2014 US$m	2013 US$m
Operating activities			
Operating profit	2	**120.8**	111.8
Depreciation	9	**62.4**	57.4
Amortization of intangible assets	8	**2.6**	2.6
Other non-cash items	24a	**1.5**	(2.7)
Movements in working capital	24b	**2.2**	9.6
Interest received		**2.6**	1.7
Interest and other financing charges paid		**(24.4)**	(17.9)
Tax paid		**(21.4)**	(18.6)
		146.3	143.9
Dividends and interest from associates		**13.2**	13.0
Cash flows from operating activities		**159.5**	156.9
Investing activities			
Purchase of tangible assets		**(29.4)**	(35.9)
Purchase of intangible assets		**(2.9)**	(2.9)
Payment on Munich expansion	31	**(16.9)**	–
Acquisition of Paris freehold interest	28	**–**	(381.7)
Purchase of other investments		**(1.0)**	(1.8)
Repayment of loans to associates	24c	**4.3**	–
Sale of tangible assets		**0.3**	–
Cash flows from investing activities		**(45.6)**	(422.3)
Financing activities			
Issue of shares		**–**	2.8
Drawdown of borrowings		**512.5**	202.5
Repayment of borrowings		**(540.8)**	(3.1)
Dividends paid by the Company	23	**(70.2)**	(70.2)
Cash flows from financing activities		**(98.5)**	132.0
Net increase/(decrease) in cash and cash equivalents		**15.4**	(133.4)
Cash and cash equivalents at 1st January		**315.7**	453.4
Effect of exchange rate changes		**(6.8)**	(4.3)
Cash and cash equivalents at 31st December	24d	**324.3**	315.7

Principal Accounting Policies

A Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board. The financial statements have been prepared on a going concern basis and under the historical cost convention except as disclosed in the accounting policies below.

Amendments and interpretation effective in 2014 which are relevant to the Group's operations:

Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' are made to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of offset' and 'simultaneous realization and settlement'.

Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets' set out the changes to the disclosures when recoverable amount is determined based on fair value less costs of disposal. The key amendments are (a) to remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment, (b) to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognized or reversed, and (c) to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed.

Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

IFRIC 21 'Levies' sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Principal Accounting Policies *Continued*

A Basis of preparation *continued*

The following standards and amendments which are effective after 2014, are relevant to the Group's operations and yet to be adopted:

		Effective for accounting periods beginning on or after
IFRS 9	Financial Instruments	1st January 2018
IFRS 15	Revenue from Contracts with Customers	1st January 2017
Amendments to IAS 1	Presentation of Financial Statements	1st January 2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1st January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1st January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	1st January 2016
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	1st July 2014
Annual Improvements to IFRSs	2010 – 2012 Cycle	1st July 2014
	2011 – 2013 Cycle	1st July 2014
	2012 – 2014 Cycle	1st January 2016

The Group is currently assessing the impact of these new standards and amendments. The Group will adopt these new standards and amendments from their respective effective dates.

A complete set of IFRS 9 'Financial Instruments' has been published which replaces IAS 39 'Financial Instruments: Recognition and Measurement'. This complete version includes new guidance on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the incurred loss impairment model used today. A substantially-reformed approach to hedging accounting is also introduced.

There are three categories for financial assets under IFRS 9: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The measurement principles of each category are similar to the current requirements under IAS 39. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis.

IFRS 9 introduces a new expected-loss impairment model which replaces the 'incurred loss' model in IAS 39. A loss event will no longer need to occur before an impairment allowance is recognized. In practice, the new rules mean that entities will have to record a day one loss equal to the 12-month expected credit loss on initial recognition of financial assets that are not credit impaired (or lifetime expected credit loss for trade receivables). IFRS 9 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method.

Where there has been a significant increase in credit risk, impairment is measured using lifetime expected credit loss rather than 12-month expected credit loss. The model also applies to certain loan commitments and financial guarantees, and includes operational simplifications for lease and trade receivables.

A Basis of preparation *continued*

IFRS 9 introduces a substantially-reformed model for hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect in their financial statements how they manage risks associated with financial instruments. Additional disclosures about risk management activity and the effect of hedge accounting on the financial statements are required.

IFRS 15 'Revenue from Contracts with Customers' is a new standard which contains a single model that applies to contracts with customers and two approaches to recognizing revenue, that is at a point in time or over time. lFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for the Construction of Real Estate', IFRIC 18 'Transfers of Assets from Customers' and SIC-31 'Revenue – Barter Transactions Involving Advertising Services'.

The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in new disclosure requirements on revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Amendments to IAS 1 'Presentation of Financial Statements' are part of the International Accounting Standards Board's initiatives to improve the effectiveness of disclosure in financial reporting. Amendments to IAS 1 clarify that companies shall apply professional judgements in determining what information to disclose and how to structure it in the financial statements. The amendments include narrow-focus improvements in the guidance on materiality, disaggregation and subtotals, note structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss will be recognized by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognized by the investor to the extent of the other investors' interests.

Amendments to IFRS 11 'Joint Arrangements' introduce new guidance on the accounting for the acquisition of an interest in a joint operation that constitutes a business. Acquirers of such interests shall apply all of the principles on business combinations accounting in IFRS 3 'Business Combinations', and other IFRSs, that do not conflict with the guidance in IFRS 11 and disclose the information that is required in those IFRSs in relation to business combinations.

Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' clarify that the use of revenue-based methods to calculate the depreciation or amortization of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments to IAS 38 further clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption however, can be rebutted in certain limited circumstances.

Amendments to IAS 19 'Employee Benefits' regarding defined benefit plans apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

A Basis of preparation *continued*

Annual Improvements to IFRSs 2010 – 2012 Cycle, 2011 – 2013 Cycle and 2012 – 2014 Cycle comprise a number of non-urgent but necessary amendments. None of these amendments is likely to have a significant impact on the consolidated financial statements of the Group.

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.

B Basis of consolidation

i) The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the Group's interests in associates and joint ventures.

ii) A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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. The Group recognizes the non-controlling interest's proportionate share of the recognized identifiable net assets of the acquired subsidiary. 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.

iii) An associate is an entity, not being a subsidiary or joint venture, over which the Group exercises significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates and joint ventures are included on the equity basis of accounting.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognized in the consolidated financial statements only to the extent of unrelated investor's interests in the associates and joint ventures.

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, 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. Exchange differences relating to changes in the amortized cost of monetary securities classified as available-for-sale and all other exchange differences are recognized in profit and loss.

Goodwill and fair value adjustments arising on acquisition of a foreign entity after 1st January 2003 are treated as assets and liabilities of the foreign entity and translated into United States dollars at the rate of exchange ruling at the year end.

D Impairment of non-financial assets

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. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment annually.

E Intangible assets

i) Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the acquisition-date fair value of any previously held equity interest in the acquiree over the acquisition-date fair value of the Group's share of the net identifiable assets acquired. 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 is stated after deducting the carrying amount of goodwill relating to the entity sold.

E Intangible assets *continued*

ii) Leasehold land represents payments to third parties to acquire short-term interests in 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 12 months after the balance sheet date. Loans receivable are carried at amortized cost using the effective interest method.

H Investments

i) Investments are classified by management as available for sale or held to maturity on initial recognition. Available-for-sale investments are shown at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in equity. On the disposal of an investment or when an investment is determined to be impaired, the cumulative gain or loss previously deferred in equity is recognized in profit and loss. Held-to-maturity investments are shown at amortized cost. Investments are classified under non-current assets unless they are expected to be realized within 12 months after the balance sheet date.

ii) At each balance sheet date, the Group assesses whether there is objective evidence that an investment is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired and are recognized in profit and loss.

iii) All purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the investment.

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.

i) Amount due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

ii) Plant and machinery under finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

iii) 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.

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 12 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 as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 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 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or direct in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 value 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 arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the year in which they occur.

Past service costs are recognized immediately in profit and loss.

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

Share-based Long-term Incentive Plans ('LTIP') have been set up to provide longer-term incentives for selected executives. Awards can take the form of share options with an exercise price based on the then prevailing market prices or such other price set by the Board or they can be conditional rights to receive free shares. Awards normally vest after the third anniversary of the date of grant and may be subject to the achievement of performance conditions.

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. Changes in the fair value relating to the ineffective portion is recognized immediately in profit and loss. 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.

R Derivative financial instruments *continued*

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

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

The fair value of derivatives which are designated and qualify as effective hedges are classified as non-current assets or liabilities if the remaining maturities of the hedged assets or liabilities are greater than 12 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 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

U 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.

V Earnings per share

Basic earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year. The weighted average number excludes the Company shares held by the Trustee under the Share-based Long-term Incentive Plans. 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 of subsidiaries, associates or joint ventures, 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 Share-based Long-term Incentive Plans based on the average share price during the year.

W Dividends

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

X 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. Receipts under operating leases are accounted for on an accrual basis over the lease terms.

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.

Interest income is recognized on a time proportion basis taking into account the principal amounts outstanding and the interest rates applicable.

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

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

Y Pre-operating costs

Pre-operating costs are expensed as they are incurred.

Z 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 the profit and loss account. 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 2014 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. In 2014 and 2013, the Group's principal foreign exchange exposure was with the Euro. At 31st December 2014, 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$0.7 million lower/higher (2013: US$0.2 million lower/higher), arising from foreign exchange losses/gains taken on translation. The impact on amounts attributable to the shareholders of the Company would be US$0.7 million lower/higher (2013: US$0.2 million lower/higher). 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 2014 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.

A Financial risk factors *continued*

i) *Market risk* *continued*

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through fixed rate borrowings and the use of derivative financial instruments such as interest rate swaps and caps. 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% to 60% of its gross borrowings, in fixed rate instruments. At 31st December 2014 the Group's interest rate hedge was 43% (2013: 41%), with an average tenor of 3.3 years (2013: 1.3 years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 17.

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

At 31st December 2014, 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$2.6 million lower/higher (2013: US$2.4 million lower/higher), and hedging reserves would have been US$3.5 million (2013: US$2.2 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 sensitivity resulting from 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, United Kingdom and European rates, over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in the fair value of the hedged item caused by interest rate movements balance out in the profit and loss account 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.

A Financial risk factors *continued*

ii) Credit risk

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

The Group manages its 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 2014, 98% (2013: 96%) 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 2014, there was no positive fair value of derivative financial instruments (2013: 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.

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 2014, total available borrowing facilities amounted to US$861 million (2013: US$882 million) of which US$728 million (2013: US$795 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities totalled US$133 million (2013: US$87 million), in addition to cash balances of US$325 million. There was no undrawn uncommitted facilities (2013: nil).

A Financial risk factors *continued*

iii) Liquidity risk continued

The table below analyzes the Group's non-derivative financial liabilities and 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 2014							
Borrowings	231.1	12.5	12.3	9.5	510.0	2.3	**777.7**
Creditors	139.9	–	–	–	–	–	**139.9**
Net settled derivative financial instruments	2.2	1.2	0.3	–	–	–	**3.7**
At 31st December 2013							
Borrowings	568.3	236.7	2.0	2.7	0.2	2.7	812.6
Creditors	136.8	–	–	–	–	–	136.8
Net settled derivative financial instruments	4.5	1.3	0.8	0.2	–	–	6.8

B Capital management

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

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

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less bank balances and other liquid funds. Interest cover is calculated as underlying operating profit and share of results of 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 2014 and 2013 based on IFRS balance sheets are as follows:

	2014	2013
Gearing ratio	**42%**	48%
Interest cover	**7.7**	8.2

Financial Risk Management *Continued*

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 derivative financial instruments are determined using rates quoted by the Group's bankers at the balance sheet date. The rates for interest rate swaps and forward foreign exchange contracts are calculated by reference to market interest rates and foreign exchange rates.

The fair value of unlisted investments, which are classified as available-for-sale and mainly include club and school debentures, are determined using prices quoted by brokers at the balance sheet date.

c) **Inputs for assets or liabilities that are not based on observable market data ('unobservable inputs')**
The fair value of other unlisted securities, which are classified as available-for-sale, is determined using valuation techniques by reference to observable current market transactions (including price-to earnings and price-to book ratios of listed securities of entities engaged in similar industries) or the market prices of the underlying investments with certain degree of entity specific estimates.

There were no changes in valuation techniques during the year.

The table below analyzes financial instruments carried at fair value, by the levels in the fair value measurement hierarchy.

	Quoted prices in active markets US$m	Observable current market transactions US$m	Unobservable inputs US$m	Total US$m
2014				
Assets				
Available-for-sale financial assets – unlisted investments	–	2.9	7.6	**10.5**
Liabilities				
Derivatives designated at fair value – through other comprehensive income	–	(3.0)	–	**(3.0)**
2013				
Assets				
Available-for-sale financial assets – unlisted investments	–	3.1	6.2	9.3
Liabilities				
Derivatives designated at fair value – through other comprehensive income	–	(7.0)	–	(7.0)

There were no transfers among the three categories during the year ended 31st December 2014.

C Fair value estimation *continued*

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

Movements of financial instruments which are valued based on unobservable inputs during the year ended 31st December are as follows:

	Available-for-sale financial assets 2014 US$m	Available-for-sale financial assets 2013 US$m
At 1st January	**6.2**	4.8
Additions	**1.4**	1.4
At 31st December	**7.6**	6.2

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.

D Financial instruments by category

The fair values of financial assets and financial liabilities, together with carrying amounts at 31st December 2014 and 2013 are as follows:

	Loans and receivables US$m	Derivatives used for hedging US$m	Available-for-sale US$m	Other financial instruments at amortized cost US$m	Other financial instruments at fair value through profit and loss US$m	Total carrying amount US$m	Fair value US$m
2014							
Assets							
Other investments	–	–	10.5	–	–	10.5	10.5
Debtors	63.2	–	–	–	–	63.2	63.2
Bank balances and other liquid funds	324.6	–	–	–	–	324.6	324.6
	387.8	**–**	**10.5**	**–**	**–**	**398.3**	**398.3**
Liabilities							
Other non-current liabilities	–	(3.0)	–	–	–	(3.0)	(3.0)
Borrowings	–	–	–	(727.7)	–	(727.7)	(727.6)
Trade and other payables excluding non-financial liabilities	–	–	–	(139.9)	–	(139.9)	(139.9)
	–	**(3.0)**	**–**	**(867.6)**	**–**	**(870.6)**	**(870.5)**
2013							
Assets							
Other investments	–	–	9.3	–	–	9.3	9.3
Debtors	61.1	–	–	–	–	61.1	61.1
Bank balances and other liquid funds	316.4	–	–	–	–	316.4	316.4
	377.5	–	9.3	–	–	386.8	386.8
Liabilities							
Other non-current liabilities	–	(3.5)	–	–	–	(3.5)	(3.5)
Borrowings	–	–	–	(794.9)	–	(794.9)	(794.9)
Trade and other payables excluding non-financial liabilities	–	(3.5)	–	(136.8)	–	(140.3)	(140.3)
	–	(7.0)	–	(931.7)	–	(938.7)	(938.7)

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 discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

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 obligation.

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, but follows the consistent methodology as set out in the Group's accounting policies.

Notes to the Financial Statements

1 Revenue

	2014 US$m	2013 US$m
Analysis by geographical area		
– Hong Kong	**249.5**	245.9
– Other Asia	**118.9**	131.6
– Europe	**249.6**	226.0
– The Americas	**61.9**	65.1
	679.9	668.6
Analysis by activity		
– Hotel ownership	**634.2**	637.8
– Hotel & Residences branding and management	**77.1**	62.7
– Less: Intra-segment revenue	**(31.4)**	(31.9)
	679.9	668.6

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive Directors of the Company 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 & Residences branding and 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

	2014 US$m	2013 US$m
Analysis by geographical area		
– Hong Kong	**85.1**	83.0
– Other Asia	**29.9**	30.1
– Europe	**67.6**	54.8
– The Americas	**3.2**	3.9
EBITDA from subsidiaries	**185.8**	171.8
Less depreciation and amortization	**(65.0)**	(60.0)
Operating profit	**120.8**	111.8
Analysis by activity		
– Hotel ownership	**148.5**	150.3
– Hotel & Residences branding and management	**37.3**	21.5
EBITDA from subsidiaries	**185.8**	171.8
– Hotel ownership	**86.7**	92.8
– Hotel & Residences branding and management	**34.1**	19.0
Operating profit	**120.8**	111.8
The following items have been (credited)/charged in arriving at operating profit:		
Rental income (refer note 9)	**(22.8)**	(19.3)
Amortization of intangible assets (refer note 8)	**2.6**	2.6
Depreciation of tangible assets (refer note 9)	**62.4**	57.4
Impairment of debtors	**0.1**	0.4
Employee benefit expense		
– Salaries and benefits in kind	**246.8**	245.4
– Share options granted	**2.6**	2.6
– Defined benefit pension plans (refer note 12)	**3.7**	4.8
– Defined contribution pension plans	**1.1**	0.6
	254.2	253.4
Net foreign exchange losses/(gains)	**0.2**	(2.7)
Operating leases		
– Minimum lease payments	**8.7**	6.3
– Contingent rents	**5.6**	6.1
– Subleases	**(0.3)**	(0.3)
	14.0	12.1
Auditors' remuneration		
– Audit	**1.6**	1.5
– Non-audit services	**0.8**	1.1
	2.4	2.6

The impact of Manila closure in 2014 on EBITDA mainly included lease termination fee (US$10 million); partly offset by loss from operations (US$1 million) and retrenchment costs (US$5 million). Including the write-off of remaining fixed assets through depreciation (US$7 million), total impact of Manila closure on underlying profit was negative US$3 million.

Notes to the Financial Statements *Continued*

3 Net financing charges

	2014 US$m	2013 US$m
Interest expense		
– Bank loans	(18.0)	(16.1)
Commitment and other fees	(1.9)	(1.4)
Financing charges	(19.9)	(17.5)
Interest income	2.6	1.7
Net financing charges	(17.3)	(15.8)

4 Share of results of associates

	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
2014						
Analysis by geographical area						
– Other Asia	25.9	(9.2)	16.7	(1.4)	(2.9)	**12.4**
– The Americas	5.6	(2.9)	2.7	(2.1)	(0.7)	**(0.1)**
	31.5	(12.1)	19.4	(3.5)	(3.6)	**12.3**
Non-trading item						
– Writeback of provisions against asset impairment (refer note 7)	–	–	–	–	–	**–**
	31.5	**(12.1)**	**19.4**	**(3.5)**	**(3.6)**	**12.3**
Analysis by activity						
– Hotel ownership	30.4	(11.5)	18.9	(3.4)	(3.4)	**12.1**
– Other	1.1	(0.6)	0.5	(0.1)	(0.2)	**0.2**
	31.5	**(12.1)**	**19.4**	**(3.5)**	**(3.6)**	**12.3**
2013						
Analysis by geographical area						
– Other Asia	31.3	(9.2)	22.1	(1.5)	(3.6)	17.0
– The Americas	5.6	(3.0)	2.6	(2.0)	(0.1)	0.5
	36.9	(12.2)	24.7	(3.5)	(3.7)	17.5
Non-trading item						
– Writeback of provisions against asset impairment (refer note 7)	3.1	–	3.1	–	–	3.1
	40.0	(12.2)	27.8	(3.5)	(3.7)	20.6
Analysis by activity						
– Hotel ownership	38.7	(11.5)	27.2	(3.4)	(3.6)	20.2
– Other	1.3	(0.7)	0.6	(0.1)	(0.1)	0.4
	40.0	(12.2)	27.8	(3.5)	(3.7)	20.6

5 Tax

	2014 US$m	2013 US$m
Tax charged to profit and loss is analyzed as follows:		
– Current tax	**18.8**	19.7
– Deferred tax (refer note 13)	**0.2**	0.1
	19.0	19.8
Analysis by geographical area		
– Hong Kong	**11.6**	11.7
– Other Asia	**3.0**	1.7
– Europe	**6.5**	6.3
– The Americas	**(2.1)**	0.1
	19.0	19.8
Analysis by activity		
– Hotel ownership	**14.6**	14.8
– Hotel & Residences branding and management	**4.4**	5.0
	19.0	19.8
Reconciliation between tax expense and tax at the applicable tax rate*:		
Tax at applicable tax rate	**11.5**	12.5
Expenses not deductible for tax purposes	**1.5**	3.4
Tax losses not recognized	**2.7**	2.1
Withholding tax	**4.0**	1.3
Over provision in prior years	**(0.1)**	(0.1)
Other	**(0.6)**	0.6
	19.0	19.8
Tax relating to components of other comprehensive income is analyzed as follows:		
Remeasurements of defined benefit plans	**0.9**	(0.9)
Revaluation of other investment	**–**	(0.1)
Cash flow hedges	**(0.7)**	(1.5)
	0.2	(2.5)

Share of tax charge of associates of US$3.6 million (2013: US$3.7 million) is included in share of results of associates (refer note 4).

*The applicable tax rate for the year was 11% (2013: 13%) 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 geographic mix of the Group's profitability.

Notes to the Financial Statements *Continued*

6 Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of US$97.0 million (2013: US$96.3 million) and on the weighted average number of 1,003.4 million (2013: 1,002.0 million) shares in issue during the year (refer principal accounting policy (V)).

Diluted earnings per share are calculated on profit attributable to shareholders of US$97.0 million (2013: US$96.3 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 1,007.4 million (2013: 1,003.9 million) shares in issue during the year (refer principal accounting policy (V)).

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

	Ordinary shares in millions	
	2014	2013
Weighted average number of shares in issue	**1,003.4**	1,002.0
Shares held by the Trustee under the Share-based Long-term Incentive Plans	**–**	–
Weighted average number of shares for basic earnings per share calculation	**1,003.4**	1,002.0
Adjustment for shares deemed to be issued for no consideration under the Share-based Long-term Incentive Plans	**4.0**	1.9
Weighted average number of shares for diluted earnings per share calculation	**1,007.4**	1,003.9

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:

	2014			2013		
	US$m	**Basic earnings per share US¢**	**Diluted earnings per share US¢**	US$m	Basic earnings per share US¢	Diluted earnings per share US¢
Profit attributable to shareholders	**97.0**	**9.67**	**9.63**	96.3	9.61	9.59
Non-trading items (refer note 7)	**–**	**–**	**–**	(3.1)	(0.31)	(0.31)
Underlying profit attributable to shareholders	**97.0**	**9.67**	**9.63**	93.2	9.30	9.28

7 Non-trading items

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

	2014 US$m	2013 US$m
Writeback of provisions against asset impairment	**–**	3.1

8 Intangible assets

	Goodwill US$m	Leasehold land US$m	Computer software US$m	Development costs US$m	Total US$m
2014					
Cost	23.9	6.5	18.0	12.8	**61.2**
Amortization and impairment	–	(1.9)	(14.4)	(2.3)	**(18.6)**
Net book value at 1st January	23.9	4.6	3.6	10.5	**42.6**
Exchange differences	–	–	(0.1)	(0.2)	**(0.3)**
Additions	–	–	1.5	4.4	**5.9**
Amortization	–	(0.2)	(2.0)	(0.4)	**(2.6)**
Net book value at 31st December	**23.9**	**4.4**	**3.0**	**14.3**	**45.6**
Cost	23.9	6.4	19.4	16.2	**65.9**
Amortization and impairment	–	(2.0)	(16.4)	(1.9)	**(20.3)**
	23.9	**4.4**	**3.0**	**14.3**	**45.6**
2013					
Cost	23.9	6.5	16.7	11.9	59.0
Amortization and impairment	–	(1.7)	(12.7)	(2.5)	(16.9)
Net book value at 1st January	23.9	4.8	4.0	9.4	42.1
Additions	–	–	1.7	1.4	3.1
Amortization	–	(0.2)	(2.1)	(0.3)	(2.6)
Net book value at 31st December	23.9	4.6	3.6	10.5	42.6
Cost	23.9	6.5	18.0	12.8	61.2
Amortization and impairment	–	(1.9)	(14.4)	(2.3)	(18.6)
	23.9	4.6	3.6	10.5	42.6

Management has performed an impairment review of the carrying amount of goodwill at 31st December 2014. For the purpose of impairment review, goodwill acquired has been allocated to the respective hotels and is reviewed for impairment based on individual hotel forecast operating performance and cash flows. Cash flow projections for the impairment reviews are based on individual hotel budgets prepared on the basis of assumptions reflective of the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations include average growth rates of between 2% to 14% to extrapolate cash flows over a five-year period after which the growth rate is assumed up to 5% in perpetuity, which may vary across the Group's geographical locations, and are based on management expectations for 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, selling and distribution costs and administration expenses.

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
2014					
Cost	755.5	751.5	152.2	272.8	**1,932.0**
Depreciation and impairment	(66.8)	(163.4)	(68.1)	(193.2)	**(491.5)**
Net book value at 1st January	688.7	588.1	84.1	79.6	**1,440.5**
Exchange differences	(60.4)	(21.5)	(6.0)	(3.9)	**(91.8)**
Additions	–	13.1	1.7	14.4	**29.2**
Transfers	2.6	1.3	–	(3.9)	**–**
Disposals	–	–	(0.1)	(0.3)	**(0.4)**
Depreciation charge	(8.0)	(22.1)	(8.2)	(24.1)	**(62.4)**
Net book value at 31st December	**622.9**	**558.9**	**71.5**	**61.8**	**1,315.1**
Cost	695.8	734.7	144.6	255.4	**1,830.5**
Depreciation and impairment	(72.9)	(175.8)	(73.1)	(193.6)	**(515.4)**
	622.9	**558.9**	**71.5**	**61.8**	**1,315.1**
2013					
Cost	366.7	756.3	98.9	272.3	1,494.2
Depreciation and impairment	(55.1)	(146.1)	(60.4)	(177.1)	(438.7)
Net book value at 1st January	311.6	610.2	38.5	95.2	1,055.5
Exchange differences	16.5	(1.2)	0.5	(1.8)	14.0
Additions	343.5	23.3	43.1	18.7	428.6
Transfers	25.1	(25.1)	9.3	(9.3)	–
Disposals	–	(0.1)	–	(0.1)	(0.2)
Depreciation charge	(8.0)	(19.0)	(7.3)	(23.1)	(57.4)
Net book value at 31st December	688.7	588.1	84.1	79.6	1,440.5
Cost	755.5	751.5	152.2	272.8	1,932.0
Depreciation and impairment	(66.8)	(163.4)	(68.1)	(193.2)	(491.5)
	688.7	588.1	84.1	79.6	1,440.5

Freehold properties include a property of US$96.2 million (2013: US$98.6 million), which is stated net of tax increment financing of US$23.9 million (2013: US$24.7 million) (refer note 18).

Net book value of leasehold properties acquired under finance leases amounted to US$183.7 million (2013: US$184.1 million).

Rental income from properties and other tangible assets amounted to US$22.8 million (2013: US$19.3 million) (refer note 2).

During 2013, leasehold properties of US$25.1 million had been transferred to freehold properties pursuant to the acquisition of Paris freehold interest.

9 Tangible assets *continued*

Future minimum rental payments receivable under non-cancellable leases are as follows:

	2014 US$m	2013 US$m
Within one year	**21.0**	20.0
Between one and two years	**16.9**	20.4
Between two and five years	**21.9**	36.7
Beyond five years	**12.8**	18.8
	72.6	95.9

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

Analysis of additions by geographical area		
– Hong Kong	**9.4**	10.1
– Other Asia	**1.6**	2.0
– Europe	**16.5**	413.5
– The Americas	**1.7**	3.0
	29.2	428.6
Analysis of additions by activity		
– Hotel ownership	**28.1**	427.3
– Hotel & Residences branding and management	**1.1**	1.3
	29.2	428.6
Analysis of depreciation by geographical area		
– Hong Kong	**(16.5)**	(15.7)
– Other Asia	**(13.2)**	(10.2)
– Europe	**(28.6)**	(27.3)
– The Americas	**(4.1)**	(4.2)
	(62.4)	(57.4)
Analysis of depreciation by activity		
– Hotel ownership	**(61.4)**	(56.4)
– Hotel & Residences branding and management	**(1.0)**	(1.0)
	(62.4)	(57.4)

Notes to the Financial Statements *Continued*

10 Associates

	2014 US$m	2013 US$m
Listed associate – OHTL	**18.8**	19.6
Unlisted associates	**77.3**	85.7
Share of attributable net assets	**96.1**	105.3
Notional goodwill	**5.5**	5.5
	101.6	110.8
Movements of associates during the year:		
At 1st January	**110.8**	108.6
Share of results after tax and non-controlling interests	**12.3**	20.6
Share of other comprehensive income after tax and non-controlling interests	**(4.0)**	(5.4)
Dividends received	**(13.2)**	(13.0)
Repayment of loans to associates (refer note 24c)	**(4.3)**	–
	101.6	110.8

The material associates of the Group are listed below. These associates have share capital consisting solely of ordinary shares, which are held directly by the Group.

Nature of investments in material associates in 2014 and 2013:

Name of entity	Nature of business	Country of incorporation/ principal place of business	% of ownership interest 2014	2013
OHTL PCL ('OHTL')	Owner of Mandarin Oriental, Bangkok	Thailand	**44.9%**	44.9%
Marina Bay Hotel Private Ltd. ('Marina Bay Hotel')	Owner of Mandarin Oriental, Singapore	Singapore	**50.0%**	50.0%

As at 31st December 2014, the fair value of the Group's interest in OHTL, which is listed on the Thailand Stock Exchange, was US$82.4 million (2013: US$77.2 million) and the carrying amount of the Group's interest was US$24.3 million (2013: US$25.1 million).

The Group's associates had capital commitments of US$9.3 million as at 31st December 2014 (2013: US$8.6 million). There were no contingent liabilities relating to the Group's interest in associates as at 31st December 2014.

10 Associates *continued*

Summarized financial information for material associates

Summarized balance sheet at 31st December

	OHTL		Marina Bay Hotel		Total	
	2014 US$m	2013 US$m	**2014 US$m**	2013 US$m	**2014 US$m**	2013 US$m
Non-current assets	**59.2**	60.7	**132.8**	141.0	**192.0**	201.7
Current assets						
Cash and cash equivalents	**6.4**	8.3	**3.9**	8.4	**10.3**	16.7
Other current assets	**4.0**	4.8	**3.8**	3.9	**7.8**	8.7
Total current assets	**10.4**	13.1	**7.7**	12.3	**18.1**	25.4
Non-current liabilities						
Financial liabilities*	**(10.6)**	–	**(25.0)**	(34.8)	**(35.6)**	(34.8)
Other non-current liabilities*	**(3.9)**	(4.0)	**(3.3)**	(3.7)	**(7.2)**	(7.7)
Total non-current liabilities	**(14.5)**	(4.0)	**(28.3)**	(38.5)	**(42.8)**	(42.5)
Current liabilities						
Financial liabilities*	**(11.1)**	(23.1)	**(10.5)**	(10.8)	**(21.6)**	(33.9)
Other current liabilities*	**(4.5)**	(5.5)	**(7.9)**	(9.2)	**(12.4)**	(14.7)
Total current liabilities	**(15.6)**	(28.6)	**(18.4)**	(20.0)	**(34.0)**	(48.6)
Non-controlling interests	**–**	–	**–**	–	**–**	–
Net assets	**39.5**	41.2	**93.8**	94.8	**133.3**	136.0

*Excluding trade and other payables and provisions, which are presented under other current and non-current liabilities.

Summarized statement of comprehensive income for the year ended 31st December

	OHTL		Marina Bay Hotel		Total	
	2014 US$m	2013 US$m	**2014 US$m**	2013 US$m	**2014 US$m**	2013 US$m
Revenue	**58.9**	73.9	**84.4**	85.8	**143.3**	159.7
Depreciation and amortization	**(5.7)**	(6.3)	**(7.8)**	(7.7)	**(13.5)**	(14.0)
Interest income	**0.1**	0.2	**–**	–	**0.1**	0.2
Interest expense	**(0.6)**	(0.5)	**(0.7)**	(0.9)	**(1.3)**	(1.4)
Profit from underlying business performance	**7.9**	17.9	**18.8**	20.3	**26.7**	38.2
Income tax expense	**(1.2)**	(2.2)	**(3.0)**	(3.7)	**(4.2)**	(5.9)
Profit after tax from business performance	**6.7**	15.7	**15.8**	16.6	**22.5**	32.3
Profit after tax from non-trading items	**–**	6.8	**–**	–	**–**	6.8
Profit after tax	**6.7**	22.5	**15.8**	16.6	**22.5**	39.1
Other comprehensive income	**–**	(2.8)	**(5.0)**	(3.7)	**(5.0)**	(6.5)
Total comprehensive income	**6.7**	19.7	**10.8**	12.9	**17.5**	32.6
Dividends received from associates	**8.4**	9.1	**11.8**	12.5	**20.2**	21.6

The information above reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates, and fair value of the associates at the time of acquisition.

Notes to the Financial Statements *Continued*

10 Associates *continued*

Reconciliation of the summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of the Group's interests in its material associates for the year ended 31st December:

	OHTL		Marina Bay Hotel		Total	
	2014 US$m	2013 US$m	**2014 US$m**	2013 US$m	**2014 US$m**	2013 US$m
Operating net assets at 1st January	**41.2**	45.1	**94.8**	94.4	**136.0**	139.5
Profit for the year	**6.7**	22.5	**15.8**	16.6	**22.5**	39.1
Other comprehensive income	**–**	(2.8)	**(5.0)**	(3.7)	**(5.0)**	(6.5)
Other movements	**(8.4)**	(23.6)	**(11.8)**	(12.5)	**(20.2)**	(36.1)
Closing net assets	**39.5**	41.2	**93.8**	94.8	**133.3**	136.0
Effective interest in associates (%)*	**47.6**	47.6	**50.0**	50.0		
Group's share of net assets in associates	**18.8**	19.6	**46.9**	47.4	**65.7**	67.0
Notional goodwill*	**5.5**	5.5	**–**	–	**5.5**	5.5
Carrying value	**24.3**	25.1	**46.9**	47.4	**71.2**	72.5

The Group has interests in a number of individually immaterial associates. The following table analyzes, in aggregate, the share of profit and other comprehensive income and carrying amount of these associates.

	2014 US$m	2013 US$m
Share of profit	**1.2**	2.0
Share of other comprehensive income	**(1.4)**	(2.2)
Carrying amount of interests in these associates	**30.4**	38.3

*During 2013, OHTL repurchased some of its own shares. The number of OHTL shares held by the Group remained unchanged. As a result of the share repurchase, notional goodwill of US$5.5 million was recognized and the Group's effective interest increased to 47.6%.

11 Loans receivable

As at 31st December 2014, the loans receivable comprised (i) a loan of US$2.4 million, bearing interest at EURO LIBOR + 2%; and (ii) a loan of US$1.5 million, bearing interest at 10%; on which full provisions have been made.

12 Pension plans

The Group operates defined benefit pension plans in the main territories in which it operates, with the majority of the plans in Hong Kong. Most of the pension plans are final salary defined benefit plans calculated based on a members' length of service and their salaries in the final years leading up to retirement. In Hong Kong, the pension benefits are paid in one lump sum. With the exception of certain plans in Hong Kong, all the defined benefit plans are closed to new members. In addition, although all plans are impacted by the discount rate, liabilities are driven by salary growth.

The Group's defined benefit plans are either funded or unfunded, with the assets of the funded plans held independently of the Group's assets in separate trustee administered funds. Plan assets held in trusts are governed by local regulations and practice in each country. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the company and the boards of trustees. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

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

	2014 US$m	2013 US$m
Fair value of plan assets	**69.4**	71.9
Present value of funded obligations	**(62.1)**	(58.1)
Net pension assets	**7.3**	13.8
Analysis of net pension assets		
Pension assets	**7.3**	14.4
Pension liabilities	**–**	(0.6)
	7.3	13.8

Notes to the Financial Statements *Continued*

12 Pension plans *continued*

The movement in the net pension assets is as follows:

	Fair value of plan assets US$m	Present value of obligation US$m	Total US$m
2014			
At 1st January	71.9	(58.1)	**13.8**
Current service cost	–	(4.0)	**(4.0)**
Interest income/(expense)	3.1	(2.5)	**0.6**
Past service cost and losses on settlements	–	(0.1)	**(0.1)**
	75.0	(64.7)	**10.3**
Exchange differences	–	–	**–**
Administration expenses	(0.2)	–	**(0.2)**
Remeasurements			
– return on plan assets, excluding amounts included in interest income/(expense)	(1.3)	–	**(1.3)**
– change in financial assumptions	–	(3.1)	**(3.1)**
– experience losses	–	(1.2)	**(1.2)**
	(1.3)	(4.3)	**(5.6)**
Contributions from employers	1.9	–	**1.9**
Contributions from plan participants	0.7	(0.7)	**–**
Benefit payments	(6.6)	7.5	**0.9**
Transfer (to)/from other plans	(0.1)	0.1	**–**
At 31st December	**69.4**	**(62.1)**	**7.3**
2013			
At 1st January	68.5	(57.9)	10.6
Current service cost	–	(4.1)	(4.1)
Interest income/(expense)	2.4	(2.0)	0.4
Past service cost and losses on settlements	–	(0.9)	(0.9)
	70.9	(64.9)	6.0
Exchange differences	(0.2)	0.2	–
Administration expenses	(0.2)	–	(0.2)
Remeasurements			
– return on plan assets, excluding amounts included in interest income/(expense)	3.6	–	3.6
– change in financial assumptions	–	3.1	3.1
– experience losses	–	(1.2)	(1.2)
	3.6	1.9	5.5
Contributions from employers	2.5	–	2.5
Contributions from plan participants	1.0	(1.0)	–
Benefit payments	(5.6)	5.6	–
Transfer (to)/from other plans	(0.1)	0.1	–
At 31st December	71.9	(58.1)	13.8

12 Pension plans *continued*

The weighted average duration of the defined benefit obligation at 31st December 2014 is 5.3 years.

Expected maturity analysis of undiscounted pension benefits at 31st December is as follows:

	2014 US$m	2013 US$m
Less than a year	**6.6**	5.4
Between one and two years	**14.1**	9.0
Between two and five years	**23.5**	27.7
Beyond five years	**80.5**	92.4
	124.7	134.5

The principal actuarial assumptions used for accounting purposes at 31st December are as follows:

	Hong Kong	
	2014 %	2013 %
Discount rate	**3.4**	4.4
Salary growth rate	**5.0**	5.0

As participants of the plans relating to Hong Kong usually take lump sum amounts upon retirement, mortality is not a principal assumption for these plans.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption US$m	Decrease in assumption US$m
Discount rate	1%	(3.1)	3.4
Salary growth rate	1%	3.0	(2.8)

The above sensitivity analyzes are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognized within the balance sheet.

Notes to the Financial Statements *Continued*

12 Pension plans *continued*

The analysis of the fair value of plan assets at 31st December is as follows:

	Asia Pacific US$m	Europe US$m	North America US$m	Global US$m	Total US$m
2014					
Quoted investments					
Equity instruments	7.4	–	–	–	**7.4**
Debt instruments					
– government	–	–	–	–	**–**
– corporate bonds					
– investment grade	–	–	–	–	**–**
– non-investment grade	–	–	–	–	**–**
	–	–	–	–	**–**
	–	–	–	–	**–**
Investment funds	0.4	6.5	11.3	2.8	**21.0**
	7.8	6.5	11.3	2.8	**28.4**
Unquoted investments					
Equity instruments	–	–	–	–	**–**
Debt instruments					
– government	2.3	6.4	2.9	0.6	**12.2**
– corporate bonds					
– investment grade	0.3	1.0	1.5	–	**2.8**
– non-investment grade	–	2.0	3.2	–	**5.2**
	0.3	3.0	4.7	–	**8.0**
	2.6	9.4	7.6	0.6	**20.2**
Investment funds	0.1	–	–	20.1	**20.2**
	2.7	9.4	7.6	20.7	**40.4**
Total investments	**10.5**	**15.9**	**18.9**	**23.5**	**68.8**
Cash and cash equivalents					**0.6**
					69.4

12 Pension plans *continued*

The analysis of the fair value of plan assets at 31st December is as follows:

	Asia Pacific US$m	Europe US$m	North America US$m	Global US$m	Total US$m
2013					
Quoted investments					
Equity instruments	12.5	0.1	–	–	12.6
Debt instruments					
– government	–	–	–	–	–
– corporate bonds					
– investment grade	–	–	–	–	–
– non-investment grade	–	–	–	–	–
	–	–	–	–	–
	–	–	–	–	–
Investment funds	1.5	8.0	15.0	1.1	25.6
	14.0	8.1	15.0	1.1	38.2
Unquoted investments					
Equity instruments	–	–	–	–	–
Debt instruments					
– government	1.6	5.2	2.0	1.0	9.8
– corporate bonds					
– investment grade	0.3	1.7	3.8	–	5.8
– non-investment grade	–	0.1	0.5	–	0.6
	0.3	1.8	4.3	–	6.4
	1.9	7.0	6.3	1.0	16.2
Investment funds	0.1	–	–	16.8	16.9
	2.0	7.0	6.3	17.8	33.1
Total investments	16.0	15.1	21.3	18.9	71.3
Cash and cash equivalents					0.6
					71.9

The defined benefit plans in Hong Kong have strategic asset allocation for its closed plans. The closed plans have an equity/debt allocation of 55/45 split.

The strategic asset allocation is derived from the asset-liability modeling ('ALM') review, done triennially to ensure the plans can meet future funding and solvency requirements. The last ALM review was completed in 2012, with the new strategic asset allocations adopted in last quarter of 2014. The next ALM review is scheduled for 2015.

12 Pension plans *continued*

As at 31st December 2014, the Hong Kong plans had assets of US$69.4 million (2013: US$71.9 million). These assets were invested 15% in Asia Pacific, 23% in Europe and 27% in North America (2013: 22%, 21% and 30%, respectively). Within Asia Pacific, 71% was invested in Hong Kong equities. In 2014, 41% and 59% of the investments were in quoted and unquoted instruments respectively. In 2013, the split was 54% and 46% respectively. The high percentage of quoted instruments provides liquidity to fund drawdowns and benefit payments. Within the quoted equity allocation, the plan is well diversified in terms of sectors, with the top three being financials, industrials and consumer goods with a combined fair value of US$5.1 million. In 2013 the top three sectors were financials, properties and technology with a combined fair value of US$7.0 million.

Through its defined benefit pension plans, the Group is expected to be exposed to a number of risks such as asset volatility changes in bond yields, inflation risk and life expectancy, the most significant of which are detailed below:

Asset volatility
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The Group's defined benefit plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while generating volatility and risk in the short term.

In Hong Kong, where the Group has closed plans, the assets and liabilities mix are distinct to reduce the level of investment risk to the plan. The closed plans reduced their equity exposure and increased investments in government and corporate bonds in the fourth quarter of 2014. Management believe the long-term nature of the plan liabilities and the strength of the Group supports a level of equity investment as part of the Group's long term strategy to manage the plans efficiently.

Change in bond yields
A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk
The majority of the Group's plan assets are unaffected by inflation.

The Group ensures that the investment positions are managed within an asset-liability modeling ('ALM') framework that is developed to achieve long-term returns that are in line with the obligations under the pension schemes. Within the ALM framework, the Group's objective is to match assets to the pension obligations by investing in a well-diversified portfolio that generates sufficient risk-adjusted returns that match the benefit payments. The Group also actively monitors the duration and the expected yield of the investments to ensure it matches the expected cash outflows arising from the pension obligations.

Investments across the plans are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

The Group maintains an active and regular contribution schedule across all the plans. The contributions to all its plans in 2014 was US$1.9 million and the estimated amount of contributions expected to be paid to all its plans in 2015 is US$2.3 million.

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
2014							
At 1st January	60.3	(1.1)	(1.4)	2.2	1.7	0.7	**62.4**
Exchange differences	(2.4)	–	0.2	–	–	(0.1)	**(2.3)**
Charged/(credited) to profit and loss	0.2	–	0.1	(0.1)	(0.1)	0.1	**0.2**
Charged/(credited) to other comprehensive income	–	0.7	–	(0.9)	–	–	**(0.2)**
At 31st December	**58.1**	**(0.4)**	**(1.1)**	**1.2**	**1.6**	**0.7**	**60.1**
Deferred tax assets	(0.1)	(0.5)	(1.1)	(0.3)	–	(0.2)	**(2.2)**
Deferred tax liabilities	58.2	0.1	–	1.5	1.6	0.9	**62.3**
	58.1	**(0.4)**	**(1.1)**	**1.2**	**1.6**	**0.7**	**60.1**
2013							
At 1st January	59.9	(2.7)	(1.6)	1.6	1.7	0.7	59.6
Exchange differences	0.3	–	(0.1)	0.1	(0.2)	0.1	0.2
Charged/(credited) to profit and loss	0.1	–	0.3	(0.4)	0.2	(0.1)	0.1
Charged to other comprehensive income	–	1.6	–	0.9	–	–	2.5
At 31st December	60.3	(1.1)	(1.4)	2.2	1.7	0.7	62.4
Deferred tax assets	(0.1)	(1.2)	(1.4)	(0.2)	–	(0.2)	(3.1)
Deferred tax liabilities	60.4	0.1	–	2.4	1.7	0.9	65.5
	60.3	(1.1)	(1.4)	2.2	1.7	0.7	62.4

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$42.4 million (2013: US$47.5 million) arising from unused tax losses of US$170.8 million (2013: US$200.0 million) have not been recognized in the financial statements.

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

	2014 US$m	2013 US$m
Within one year	**1.0**	1.5
Between one and five years	**9.0**	9.2
Over five years	**3.5**	6.3
With no expiry dates	**28.9**	30.5
	42.4	47.5

Deferred tax assets of US$3.6 million (2013: US$3.8 million) have not been recognized in relation to temporary differences in subsidiaries.

The Group has no unrecognized deferred tax liabilities arising on temporary differences associated with investments in subsidiaries as at 31st December 2014. In 2013, deferred tax liabilities of US$0.4 million arising on temporary differences associated with investments in subsidiaries of US$3.8 million had not been recognized as there is no current intention of remitting the retained earnings of these subsidiaries to the holding companies in the foreseeable future.

Notes to the Financial Statements *Continued*

14 Debtors and prepayments

	2014 US$m	2013 US$m
Trade debtors		
– third parties	36.9	38.0
– associates	4.3	4.2
	41.2	42.2
– provision for impairment	(1.4)	(0.8)
	39.8	41.4
Other debtors		
– third parties*	55.0	33.3
– associates	2.2	2.6
	57.2	35.9
– provision for impairment	(2.5)	(3.6)
	54.7	32.3
	94.5	73.7
Analysis by geographical area of operation		
Hong Kong	22.1	21.7
Other Asia	17.5	12.5
Europe	39.6	24.1
The Americas	15.3	15.4
	94.5	73.7

*Includes prepayments of US$13.9 million in respect of Munich expansion incurred in 2014 (refer note 31).

Trade and other debtors are stated at amortized cost. The fair value of short-term debtors approximate their carrying amounts.

Fair value:		
Trade debtors	39.8	41.4
Other debtors**	23.4	19.7
	63.2	61.1

**Excluding prepayments, rental and other deposits.

The average credit period on provision of services varies among Group businesses and is generally 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.

14 Debtors and prepayments *continued*

At 31st December 2014, trade debtors of US$1.6 million (2013: US$1.0 million) and other debtors of US$2.7 million (2013: US$3.7 million) were impaired. The amounts of the provision were US$1.4 million (2013: US$0.8 million) and US$2.5 million (2013: US$3.6 million), respectively. It was assessed that a portion of the debtors is expected to be recoverable. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2014 US$m	2013 US$m	**2014 US$m**	2013 US$m
Below 30 days	**0.1**	–	**0.2**	0.1
Between 31 and 60 days	**–**	–	**–**	–
Between 61 and 90 days	**–**	–	**–**	–
Over 90 days	**1.5**	1.0	**2.5**	3.6
	1.6	1.0	**2.7**	3.7

At 31st December 2014, trade debtors of US$9.5 million (2013: US$7.0 million) and other debtors of US$3.6 million (2013: US$1.7 million), respectively, were past due but not impaired. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2014 US$m	2013 US$m	**2014 US$m**	2013 US$m
Below 30 days	**2.6**	2.3	**1.9**	0.9
Between 31 and 60 days	**2.9**	2.6	**0.6**	0.2
Between 61 and 90 days	**2.8**	1.2	**0.5**	0.2
Over 90 days	**1.2**	0.9	**0.6**	0.4
	9.5	7.0	**3.6**	1.7

The risk of trade debtors and other debtors that are neither past due nor impaired at 31st December 2014 becoming impaired is low as they have a good track record with the Group. 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 balances are still considered fully recoverable.

Movements in the provisions for impairment are as follows:

	Trade debtors		Other debtors	
	2014 US$m	2013 US$m	**2014 US$m**	2013 US$m
At 1st January	**(0.8)**	(1.4)	**(3.6)**	(3.9)
Additional provisions	**(0.7)**	(0.1)	**(0.4)**	(0.5)
Unused amounts reversed	**–**	0.1	**1.0**	0.1
Amounts written off	**0.1**	0.6	**0.5**	0.7
At 31st December	**(1.4)**	(0.8)	**(2.5)**	(3.6)

14 Debtors and prepayments *continued*

Other debtors are further analyzed as follows:

	2014 US$m	2013 US$m
Other amounts due from associates	**2.2**	2.6
Other receivables	**21.2**	17.1
Financial assets	**23.4**	19.7
Prepayments	**12.6**	7.3
Rental and other deposits	**18.1**	3.9
Other	**0.6**	1.4
	54.7	32.3

No debtors and prepayments have been pledged as security.

15 Cash at bank

	2014 US$m	2013 US$m
Deposits with banks and financial institutions	**227.4**	213.9
Bank balances	**96.1**	101.3
Cash balances	**1.1**	1.2
	324.6	316.4
Analysis by currency		
Euro	**33.4**	24.3
Hong Kong dollar	**15.3**	25.9
Indonesian rupiah	**13.4**	9.5
Japanese yen	**14.0**	12.1
Swiss franc	**2.4**	1.9
United Kingdom sterling	**17.3**	13.1
United States dollar	**221.3**	221.4
Other	**7.5**	8.2
	324.6	316.4

The weighted average interest rate on deposits with banks and financial institutions is 0.9% (2013: 0.6%) per annum.

16 Creditors and accruals

	2014 US$m	2013 US$m
Trade creditors	**34.3**	33.8
Accruals	**71.0**	75.3
Rental and other refundable deposits	**13.4**	12.1
Derivative financial instruments (refer note 25)	**–**	3.5
Other creditors	**21.2**	15.6
Financial liabilities	**139.9**	140.3
Rental income received in advance	**2.2**	2.2
Other income received in advance	**2.5**	4.5
	144.6	147.0
Analysis by currency		
Euro	**15.0**	17.3
Hong Kong dollar	**55.4**	56.4
Japanese yen	**12.7**	12.0
Swiss franc	**7.5**	8.1
United Kingdom sterling	**14.0**	14.5
United States dollar	**34.1**	32.2
Other	**5.9**	6.5
	144.6	147.0

Creditors and accruals are stated at amortized cost. Their fair values approximate their carrying amounts.

Notes to the Financial Statements *Continued*

17 Borrowings

	2014 Carrying amount US$m	2014 Fair value US$m	2013 Carrying amount US$m	2013 Fair value US$m
Current				
– Bank overdrafts	0.3	0.3	0.7	0.7
Current portion of long-term borrowings				
– Bank loans	211.0	211.0	549.0	549.0
– Other borrowings	5.7	5.7	6.5	6.5
	216.7	216.7	555.5	555.5
Current borrowings	217.0	217.0	556.2	556.2
Long-term borrowings				
– Bank loans	507.1	507.0	234.9	234.9
– Other borrowings	1.9	1.9	2.1	2.1
– Tax increment financing (refer note 18)	1.7	1.7	1.7	1.7
Long-term borrowings	510.7	510.6	238.7	238.7
	727.7	727.6	794.9	794.9

The fair values are estimated using the expected future payments discounted at market interest rate of 0.2% (2013: 0.9%) per annum.

	2014 US$m	2013 US$m
Secured	516.6	555.3
Unsecured	211.1	239.6
	727.7	794.9

Borrowings of US$516.6 million (2013: US$555.3 million) are secured against the tangible fixed assets of certain subsidiaries. The book value of these tangible fixed assets as at 31st December 2014 was US$521.6 million (2013: US$644.0 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
2014					
Euro	1.6	2.4	3.6	182.5	**186.1**
Hong Kong dollar	2.2	3.5	119.3	253.6	**372.9**
Swiss franc	1.8	17.0	1.9	11.7	**13.6**
United Kingdom sterling	1.6	–	–	132.4	**132.4**
United States dollar	6.0	2.3	1.7	–	**1.7**
Japanese yen	1.0	–	–	21.0	**21.0**
			126.5	**601.2**	**727.7**
2013					
Euro	1.8	3.4	5.8	206.9	212.7
Hong Kong dollar	2.2	0.6	183.8	184.7	368.5
Swiss franc	1.2	18.0	2.2	54.3	56.5
United Kingdom sterling	2.7	0.5	32.9	98.8	131.7
United States dollar	6.0	3.3	1.7	–	1.7
Japanese yen	1.1	–	–	23.8	23.8
			226.4	568.5	794.9

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 borrowings to interest rate changes and the contractual repricing dates at 31st December after taking account into hedging transactions are as follows:

	2014 US$m	2013 US$m
Within one year	**601.2**	785.2
Between one and two years	**–**	–
Between two and three years	**60.2**	–
Between three and four years	**–**	7.5
Between four and five years	**64.4**	–
Beyond five years	**1.9**	2.2
	727.7	794.9

Notes to the Financial Statements *Continued*

18 Tax increment financing

	2014 US$m	2013 US$m
Netted off against the net book value of the property (refer note 9)	23.9	24.7
Loan (refer note 17)	1.7	1.7
	25.6	26.4

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 (2013: 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.

	2014 US$m	2013 US$m
Analysis by geographical area		
– Hong Kong	392.9	400.6
– Other Asia	118.5	139.4
– Europe	840.5	939.6
– The Americas	110.4	114.3
	1,462.3	1,593.9

20 Share capital

	Ordinary shares in millions 2014	2013	2014 US$m	2013 US$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	**1,003.0**	1,000.4	**50.2**	50.0
Issued under Share-based Long-term Incentive Plans	**0.7**	2.6	**–**	0.2
At 31st December	**1,003.7**	1,003.0	**50.2**	50.2

21 Share premium

	2014 US$m	2013 US$m
At 1st January	**186.6**	182.4
Issued under Share-based Long-term Incentive Plans	**–**	2.4
Transfer	**1.6**	1.8
At 31st December	**188.2**	186.6

22 Share-based Long-term Incentive Plan

Share-based Long-term Incentive Plans ('LTIP') have been set up to provide incentives for selected executives. Awards can take the form of share options with an exercise price based on the then prevailing market prices or such other price set by the Directors or share awards which will vest free of payment. Awards normally vest on or after the third anniversary of the date of grant and may be subject to the achievement of performance conditions.

i) The 2014 LTIP was adopted by the Company on 6th March 2014. During 2014, conditional awards of 1,890,000 shares (2013: nil) were awarded under the 2014 LTIP. Under these awards, the free shares are received by the participants to the extent the award vests. Conditions, if any, are at the discretion of the Directors. The fair value of the share awards granted during the year was US$2.8 million (2013: nil). The inputs into the discounted cash flow valuation model were share price of US$1.715 at the grant date, dividend yield of 4.3%, and annual risk-free interest rate of 2.0%.

ii) Prior to the adoption of the 2014 LTIP, The Mandarin Oriental International Share Option Plan 2005 (the '2005 Plan') provided selected executives with options to purchase ordinary shares in the Company. The exercise price of the granted options was based on the average market price for the five trading days immediately preceding the date of grant of the options. Options are vested over a period of up to three years and are exercisable for up to ten years following the date of grant.

Notes to the Financial Statements *Continued*

22 Share-based Long-term Incentive Plan *continued*

Movements of the outstanding options during the year:

	2014 Weighted average exercise price US$	2014 Options in millions	2013 Weighted average exercise price US$	2013 Options in millions
At 1st January	**1.68**	**36.5**	1.62	35.0
Granted	**–**	**–**	1.67	5.6
Exercised	**1.44**	**(3.1)**	1.09	(3.9)
Repurchased and cancelled	**2.03**	**(1.0)**	1.53	(0.2)
At 31st December	**1.69**	**32.4**	1.68	36.5

The average share price during the year was US$1.77 (2013: US$1.65) per share.

Outstanding at 31st December:

Expiry date	Exercise price US$	Ordinary shares in millions 2014	Ordinary shares in millions 2013
2016	1.0-1.4	**0.3**	1.0
2017	1.9	**3.6**	3.6
2018	1.1-1.7	**6.8**	7.6
2019	0.7	**1.5**	1.7
2020	1.4	**3.8**	4.7
2021	2.1	**4.5**	5.3
2022	1.7	**6.4**	7.1
2023	1.7	**5.5**	5.5
Total outstanding		**32.4**	36.5
of which exercisable		**21.2**	19.5

In 2013, the fair value of the options granted under the 2005 Plan was US$2.4 million, which was determined using the Trinomial valuation model. The significant inputs into the model, based on the weighted average number of options issued, were share price of US$1.66 at the grant date, exercise price shown above, expected volatility based on the last seven years of 34%, dividend yield of 4.3%, option life disclosed above, and annual risk-free interest rate of 2.0%. Options are assumed to be exercised at the end of the seventh year following the date of grant.

23 Dividends

	2014 US$m	2013 US$m
Final dividend in respect of 2013 of US¢5.00 (2012: US¢5.00) per share	**50.1**	50.1
Interim dividend in respect of 2014 of US¢2.00 (2013: US¢2.00) per share	**20.1**	20.1
	70.2	70.2

A final dividend in respect of 2014 of US¢5.00 (2013: US¢5.00) per share amounting to a total of US$50.2 million (2013: US$50.1 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2015.

24 Notes to consolidated cash flow statement

a) Other non-cash items

	2014 US$m	2013 US$m
Share-based payment	**2.6**	2.6
Operating lease adjustments	**(0.1)**	(4.2)
Others	**(1.0)**	(1.1)
	1.5	(2.7)

b) Movements in working capital

Decrease/(increase) in stocks	**0.3**	(0.2)
Increase in debtors and prepayments	**(4.9)**	(6.3)
Increase in creditors and accruals	**5.9**	13.8
Increase in pension obligations	**0.9**	2.3
	2.2	9.6

c) The Group received repayment on its shareholder loans previously provided to Mandarin Oriental, Kuala Lumpur and Mandarin Oriental, New York of US$3.3 million and US$1.0 million, respectively.

d) Analysis of balances of cash and cash equivalents

Cash at bank (refer note 15)	**324.6**	316.4
Bank overdrafts (refer note 17)	**(0.3)**	(0.7)
	324.3	315.7

Notes to the Financial Statements *Continued*

25 Derivative financial instruments

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

	2014 Positive fair value US$m	2014 Negative fair value US$m	2013 Positive fair value US$m	2013 Negative fair value US$m
Designated as cash flow hedges				
– interest rate swaps and caps	–	3.0	–	7.0
At 31st December	–	3.0	–	7.0
Non-current	–	3.0	–	3.5
Current (refer note 16)	–	–	–	3.5
At 31st December	–	3.0	–	7.0

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2014 were US$306.8 million (2013: US$318.6 million).

At 31st December 2014, the fixed interest rates relating to interest rate swaps and caps vary from 1.0% to 2.9% (2013: 1.0% to 7.0%).

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.2% to 1.7% (2013: 0.2% to 1.1%) per annum.

26 Financial guarantee

	2014 US$m	2013 US$m
Guarantee in respect of facilities made available to an associate	21.6	21.3

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

	2014 US$m	2013 US$m
Capital commitments:		
Authorized not contracted	**139.8**	9.2
Contracted not provided	**26.7**	11.9
	166.5	21.1
Operating lease commitments:		
Total commitments under operating leases		
– due within one year	**6.9**	8.9
– due between one and two years	**6.4**	7.5
– due between two and three years	**6.2**	6.8
– due between three and four years	**5.8**	6.7
– due between four and five years	**5.5**	6.6
– due beyond five years	**87.6**	112.7
	118.4	149.2

No future sublease payments are receivable relating to the above operating leases (2013: nil).

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

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 Acquisition of Paris freehold interest

On 8th February 2013, the Group completed the acquisition of the freehold interest in the building housing Mandarin Oriental, Paris and two prime street-front retail units from Société Foncière Lyonnaise for €290.0 million (US$388.9 million). The Group had paid €10.0 million (US$13.1 million) advance deposit in late 2012; and the remaining balance together with transaction expenses of US$5.9 million was paid in 2013.

The acquisition was partly funded by new five-year €150.0 million (US$201.1 million) debt facilities, with the balance from the Group's cash reserves.

Pursuant to this acquisition, gains totalling US$7.5 million were recognized in the profit and loss account in February 2013. These included an exchange gain arising on acquisition (US$1.9 million), the capitalization of acquisition costs (US$1.5 million), as well as the release of lease accrual of €3.1 million (US$4.1 million) as the hotel operation was previously a leasehold tenant of the freehold interest acquired.

Notes to the Financial Statements *Continued*

29 Related party transactions

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

In the normal course of business, the Group undertakes a variety of transactions with its associates and with JMH and its subsidiaries and associates. In addition, the Group paid a management fee of US$0.5 million (2013: US$0.5 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 did not have any amount payable to JML as at 31st December 2014 (2013: US$0.2 million).

During 2014, the Group managed five (2013: five) associate hotels and received management fees of US$14.3 million (2013: US$15.2 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 2014 to JLT amounted to US$0.8 million (2013: US$0.6 million). The Group has no outstanding balance with JLT as at 31st December 2014 (2013: nil).

The Group provides hotel management services to Hongkong Land ('HKL'), a subsidiary of JSH. Total management fees received from HKL in 2014 amounted to US$3.5 million (2013: US$3.0 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 92 under the heading of 'Directors' appointment, retirement, remuneration and service contracts'.

30 Summarized balance sheet of the Company

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

	2014 US$m	2013 US$m
Subsidiaries	721.4	794.3
Net current liabilities	(1.4)	(1.3)
Net operating assets	720.0	793.0
Share capital (refer note 20)	50.2	50.2
Share premium (refer note 21)	188.2	186.6
Revenue and other reserves	481.6	556.2
Shareholders' funds	720.0	793.0

Subsidiaries are shown at cost less amount provided.

31 Munich expansion

On 26th March 2014, the Group announced that it had entered into an agreement with a developer for the expansion of Mandarin Oriental, Munich. The expansion will include new hotel rooms and facilities as part of a mixed-used complex estimated to open in 2021. The Group's total investment in the project, which will also include a refurbishment of the existing hotel's 73 rooms, is estimated at €124 million (US$150 million) in today's terms. As at 31st December 2014, cumulative costs paid by the Group in relation to the expansion project amounted to US$16.9 million, the majority of which have been included within Other Debtors pending transfer of title in the underlying land.

32 Post balance sheet events

Subsequent to the year end, the Group announced that it will invest £85 million (US$130 million) to renovate Mandarin Oriental Hyde Park, London. The project will commence in 2016 and take approximately 18 months to complete. The hotel will remain open during the renovation period with reduced facilities and room inventory.

In addition, the Group also announced its intention to raise US$316 million through a 1 for 4 rights issue of new ordinary shares. The proceed of the rights issue will be used to pay down debt, thereby providing the Group with the capacity to finance the renovation of the London hotel and make further investments in line with its development strategy. Jardine Strategic Holdings Limited, the Company's principal shareholder, has committed to take up its entitlement and fully underwrite the offer.

Principal Subsidiaries, Associates and Managed Hotels

as at 31st December 2014

Principal country	Company name	Main activities	Attributable interest % 2014	Attributable interest % 2013	Proportion of ordinary shares and voting powers at 31st December 2014 held by the Group %	Proportion of ordinary shares and voting powers at 31st December 2014 held by non-controlling interests %	Hotel profile
Subsidiaries							
Hong Kong	Mandarin Oriental Hotel Group International Limited	Management	**100**	100	**100**	–	–
	Mandarin Oriental Hotel Group Limited	Management	**100**	100	**100**	–	–
	Mandarin Oriental, Hong Kong Limited	Owner: Mandarin Oriental, Hong Kong	**100**	100	**100**	–	501 rooms. Lease expiry 2895
	Excelsior Hotel (BVI) Limited	Owner: The Excelsior, Hong Kong	**100**	100	**100**	–	884 rooms. Lease expiry 2842
Japan	Mandarin Oriental Tokyo KK	Owner: Mandarin Oriental, Tokyo	**100**	100	**100**	–	178 rooms. Lease expiry 2035
Indonesia	P.T. Jaya Mandarin Agung	Owner: Mandarin Oriental, Jakarta	**96.9**	96.9	**96.9**	**3.1**	272 rooms. Lease expiry 2023
United Kingdom	Mandarin Oriental Hyde Park Limited	Owner: Mandarin Oriental Hyde Park, London	**100**	100	**100**	–	194 rooms. Freehold
Switzerland	Société Immobilière de Mandarin Oriental (Genèva) SA	Owner: Mandarin Oriental, Geneva	**85.3**	85.3	**85.3**	**14.7**	196 rooms. Lease expiry 2040
	Société pour l' Exploitation de Mandarin Oriental (Genèva) SA		**100**	100	**100**	–	–
Germany	Dinavest International Holdings B.V.	Owner: Mandarin Oriental, Munich	**100**	100	**100**	–	73 rooms. Freehold
France	MOHG Hotel (Paris) Sarl	Owner: Mandarin Oriental, Paris	**100**	100	**100**	–	138 rooms (refer note 28)
United States	Portals Hotel Site LLC	Owner: Mandarin Oriental, Washington D.C.	**80**	80	**80**	**20**	397 rooms. Freehold
Associates							
Singapore	Marina Bay Hotel Private Limited	Owner: Mandarin Oriental, Singapore	**50**	50	**50**	**50**	527 rooms. Lease expiry 2079
Thailand	OHTL PCL	Owner: Mandarin Oriental, Bangkok	**44.9**	44.9	**44.9**	**55.1**	374 rooms. Various freehold/leasehold
Malaysia	Asas Klasik Sdn Bhd	Owner: Mandarin Oriental, Kuala Lumpur	**25**	25	**25**	**75**	632 rooms. Freehold
Thailand	Chaophaya Development Corporation Limited	Owner: River City Shopping Complex	**49**	49	**49**	**51**	–
United States	Columbus Centre Hotel LLC	Owner: Mandarin Oriental, New York	**25**	25	**25**	**75**	244 rooms. Freehold
United States	Swire Brickell Key Hotel Limited	Owner: Mandarin Oriental, Miami	**25**	25	**25**	**75**	326 rooms. Freehold
Managed hotels							
Hong Kong	The Landmark Mandarin Oriental, Hong Kong		–	–	–	–	109 rooms
Macau	Mandarin Oriental, Macau		–	–	–	–	213 rooms
China	Mandarin Oriental, Sanya		–	–	–	–	296 rooms
China	Mandarin Oriental, Guangzhou		–	–	–	–	263 rooms
China	Mandarin Oriental Pudong, Shanghai		–	–	–	–	362 rooms
Taiwan	Mandarin Oriental, Taipei		–	–	–	–	303 rooms
Czech Republic	Mandarin Oriental, Prague		–	–	–	–	99 rooms
Spain	Mandarin Oriental, Barcelona		–	–	–	–	120 rooms
Turkey	Mandarin Oriental, Bodrum		–	–	–	–	106 rooms
United States	Mandarin Oriental, San Francisco		–	–	–	–	158 rooms
United States	Mandarin Oriental, Boston		–	–	–	–	148 rooms
United States	Mandarin Oriental, Las Vegas		–	–	–	–	392 rooms
United States	Mandarin Oriental, Atlanta		–	–	–	–	127 rooms

Independent Auditors' Report

To the members of Mandarin Oriental International Limited

Report on the consolidated financial statements

Our opinion

In our opinion, Mandarin Oriental International Limited's consolidated financial statements ('the financial statements') present fairly, in all material respects, the financial position of the Group as at 31st December 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') and The Companies Act 1981 (Bermuda).

What we have audited

Mandarin Oriental International Limited's financial statements comprise:

- the Consolidated Balance Sheet as at 31st December 2014;
- the Consolidated Profit and Loss Account and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law in Bermuda and IFRSs as issued by the International Accounting Standards Board (IASB).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Responsibilities Statement on page 89, the Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and The Companies Act 1981 (Bermuda).

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 90 of The Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13th March 2015

a) The maintenance and integrity of the Mandarin Oriental International Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Five Year Summary

Consolidated Profit and Loss Account

	2010 US$m	2011 US$m	2012 US$m	2013 US$m	**2014 US$m**
Revenue	513.2	614.2	648.3	668.6	**679.9**
Operating profit	63.3	87.3	83.9	111.8	**120.8**
Net financing charges	(13.1)	(12.0)	(11.1)	(15.8)	**(17.3)**
Share of results of associates and joint ventures	4.3	9.8	15.5	20.6	**12.3**
Profit before tax	54.5	85.1	88.3	116.6	**115.8**
Tax	(11.7)	(18.7)	(17.3)	(19.8)	**(19.0)**
Profit after tax	42.8	66.4	71.0	96.8	**96.8**
Profit attributable to shareholders	43.1	66.0	70.7	96.3	**97.0**
Underlying profit attributable to shareholders	43.1	57.5	69.2	93.2	**97.0**
Earnings per share (US¢)	4.35	6.63	7.08	9.61	**9.67**
Underlying earnings per share (US¢)	4.35	5.77	6.93	9.30	**9.67**
Dividends per share (US¢)	5.00	6.00	7.00	7.00	**7.00**

Consolidated Balance Sheet

	2010 US$m	2011 US$m	2012 US$m	2013 US$m	**2014 US$m**
Intangible assets	67.4	40.1	42.1	42.6	**45.6**
Tangible assets	985.6	1,038.0	1,055.5	1,440.5	**1,315.1**
Associates	77.9	78.4	108.6	110.8	**101.6**
Other investments	4.9	6.0	7.2	9.3	**10.5**
Loans receivable	4.7	–	–	–	**–**
Pension assets	19.3	12.5	11.2	14.4	**7.3**
Deferred tax assets	15.0	8.5	4.7	3.1	**2.2**
Net current assets / (liabilities)	385.3	394.9	382.8	(317.7)	**55.1**
Long-term borrowings	(574.5)	(578.5)	(580.5)	(238.7)	**(510.7)**
Deferred tax liabilities	(64.1)	(64.9)	(64.3)	(65.5)	**(62.3)**
Pension liabilities	(0.1)	(0.2)	(0.6)	(0.6)	**–**
Other non-current liabilities	(17.5)	(19.2)	(15.5)	(3.5)	**(3.0)**
Net operating assets	903.9	915.6	951.2	994.7	**961.4**
Share capital	49.8	49.8	50.0	50.2	**50.2**
Share premium	178.3	179.7	182.1	186.6	**188.2**
Revenue and other reserves	671.2	681.2	713.8	752.2	**718.0**
Shareholders' funds	899.3	910.7	945.9	989.0	**956.4**
Non-controlling interests	4.6	4.9	5.3	5.7	**5.0**
Total equity	903.9	915.6	951.2	994.7	**961.4**
Net asset value per share (US$)	0.90	0.91	0.95	0.99	**0.95**

Consolidated Cash Flow Statement

	2010 US$m	2011 US$m	2012 US$m	2013 US$m	**2014 US$m**
Cash flows from operating activities	114.2	146.3	126.0	156.9	**159.5**
Cash flows from investing activities	(81.4)	(65.0)	(87.0)	(422.3)	**(45.6)**
Net cash flow before financing activities	32.8	81.3	39.0	(265.4)	**113.9**
Cash flow per share from operating activities (US¢)	11.53	14.69	12.61	15.66	**15.90**

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 Conduct Authority in the United Kingdom.

For and on behalf of the Board

Edouard Ettedgui
Stuart Dickie
Directors
13th March 2015

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 standard listing on the Main Market of the London Stock Exchange, and secondary listings in Bermuda and Singapore. At a Special General Meeting held on 8th April 2014 shareholders approved the transfer of the Company's shares to a standard listing from a premium listing on the London Stock Exchange, and this transfer took effect on 27th May 2014. The Disclosure and Transparency Rules (the 'DTRs') issued by the Financial Conduct Authority in the United Kingdom (the 'FCA') require that this Report address all relevant information about the corporate governance practices applied beyond the requirements under Bermuda law.

The Company attaches importance to the corporate stability and opportunities that result from it being part of the Jardine Matheson Holdings Limited ('Jardine Matheson') group, which is considered to be fundamental to the Company's ability to pursue its long-term development strategy. By coordinating objectives, establishing common values and standards, and sharing experience, contacts and business relationships, the Jardine Matheson group companies aim to optimize their opportunities across countries where they operate, particularly in Asia.

The Group is committed to high standards of governance. The system of governance it has adopted is based on a well-tried approach to oversight and management that has been developed over many years by the members of the Jardine Matheson group. It enables the Company to benefit from Jardine Matheson's strategic guidance and professional expertise, while at the same time the independence of the Board is respected and clear operational accountability rests with the Company's executive management teams.

At the time of the Company's transfer from a premium listing to a standard listing the Company advised that it intended to maintain certain governance principles, including in relation to significant transactions, related party transactions, pre-emption rights over the issue of new shares and securities dealing rules, that would otherwise no longer apply to the Company. These are more fully described in 'Further Governance Principles' below.

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 to be, or to appoint, the Managing Director of the Company. Reflecting this, and the Jardine Matheson group's 73% interest 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 Jardine Matheson's deputy managing director, group finance director, group strategy director and group general counsel.

The presence of Jardine Matheson representatives on the Board and on the board of MOHG, as well as on its audit and finance committees, provides an added element of stability to the Company's financial planning and supervision, enhancing its ability to raise finance and take a long-term view of business development. It also eases the ability of management to work effectively together in exploiting the full range of the Jardine Matheson group's commercial strengths.

The Directors of the Company retain full power to manage the business affairs of the Company, other than matters reserved to be exercised by the Company in general meeting under Bermuda legislation or the Company's Bye-laws. Among the matters on which the Board decides are the Group's business strategy, its annual budget, dividends and major corporate activities.

The Board

The Company currently has a Board of 17 Directors. Their names and brief biographies appear on pages 26 and 27 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The Board composition and operation helps to provide the Company with the necessary stability as it seeks to grow its business.

The role of the Chairman is to lead the Board as it oversees the Group's strategic and financial direction, while the principal role of the Managing Director is to act as chairman of MOHG and of its finance committee. Ben Keswick is currently appointed to both positions. The responsibility for running the Group's business and all the executive matters affecting the Group rests with the Group Chief Executive, Edouard Ettedgui. The implementation of 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.

The Board is scheduled to hold four meetings in 2015 and ad hoc procedures are adopted to deal with urgent matters. In 2014 one meeting was held in Bermuda and three were held in Asia. The Board receives high quality, up to date information for each of its meetings. In addition, certain Directors of the Company who do not serve on the board of MOHG and who are based outside Asia regularly visit Asia and Bermuda to discuss the Group's business, as well as to participate in the four strategic reviews that precede the regular 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 at Board meetings.

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, or from the Jardine Matheson group or externally, including by using the services of specialist executive search firms. The aim is to appoint individuals who combine international best practice with familiarity of or adaptability to Asian markets. When appointing non-executive Directors, the Board pays particular attention to the Asian business experience and relationships that they can bring.

Each new Director is appointed by the Board and, in accordance with the Company's Bye-laws, each new Director is subject to retirement at the first annual general meeting after appointment. Thereafter, Directors are subject to retirement by rotation under the Bye-laws 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 does not extend to the Chairman or Managing Director. At this year's Annual General Meeting Edouard Ettedgui, Adam Keswick, Sir Henry Keswick, Lincoln K.K. Leong and Percy Weatherall retire by rotation and, being eligible, offer themselves for re-election. Edouard Ettedgui has a service contract with a subsidiary of the Company that has 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.

Giles White is to retire from the Board on 31st July 2015.

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. Executive Directors joining from outside the Group are normally offered an initial fixed-term service contract to reflect any requirement for them to relocate.

Recommendations and decisions on remuneration and other benefits payable or made available to executive Directors result from consultations between the Chairman and other Directors as he considers appropriate. Directors' fees, which are payable to all Directors other than the Group Chief Executive and the Chief Financial Officer, are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. A motion to increase the Directors' fees to US$45,000 each per annum and the fee for the Chairman and Managing Director to US$55,000 per annum with effect from 1st January 2015 will be proposed at the forthcoming Annual General Meeting.

For the year ended 31st December 2014, the Directors received from the Group US$7.2 million (2013: US$6.4 million) in Directors' fees and employee benefits, being US$0.6 million (2013: US$0.7 million) in Directors' fees, US$5.7 million (2013: US$5.1 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind, US$0.2 million (2013: US$0.1 million) in post-employment benefits and US$0.7 million (2013: US$0.5 million) in share-based payments. The information set out in this paragraph forms part of the audited financial statements.

Share-based long-term incentive plans have also been established to provide incentives for executive Directors and senior managers. Share options and share awards are granted by the scheme trustee after consultation between the Chairman and the Group Chief Executive as well as other Directors as they consider appropriate. Share options are granted at the then prevailing market prices, while share awards will vest free of payment. The share options and share awards normally vest on or after the third anniversary of the date of grant. Grants may be made in a number of instalments. Share options and share awards 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.

Audit Committee

The Board has established within MOHG an audit committee (the 'Audit Committee'), the current members of which are Adam Keswick, Mark Greenberg, James Riley and Giles White; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. The chairman, 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. The Audit Committee meets and reports to the Board semi-annually.

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 with the executive management and a report is received from the external auditors. The external auditors also have access to the full Board, in addition to the Group Chief Executive, Chief Financial Officer and other senior executives.

The Audit Committee keeps under review the nature, scope and results of the audits conducted by the internal audit function. The Audit Committee's responsibilities extend to reviewing the effectiveness of both the internal and external audit functions; considering the independence and objectivity of the external auditors; and reviewing and approving the level and nature of non-audit work performed by the external auditors.

The terms of reference of the Audit Committee can be found on the Company's website at www.mandarinoriental.com.

Risk management and internal control

The Board has overall responsibility for the Group's systems of risk management and internal control. The Board has delegated to the Audit Committee responsibility for reviewing areas of risk and uncertainty, the operation and effectiveness of the Group's systems of internal control and the procedures by which these are monitored. The Audit Committee considers the systems and procedures on a regular basis, and reports to the Board semi-annually. The systems of internal control are 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.

Executive management is responsible for the implementation of the systems of internal control throughout the Group. The internal audit function also monitors the effectiveness of the systems of internal control 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.

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 is set out in the Group's Code of Conduct, which is a set of guidelines to which every employee must adhere, and is reinforced and monitored by an annual compliance certification process.

The Audit Committee 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.

The principal risks and uncertainties facing the Company are set out on pages 97 and 98.

Directors' responsibilities in respect of the financial statements

The Directors are required under the Bermuda Companies Act 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 are required to 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. The financial statements have been prepared on a going concern basis.

Code of Conduct

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in its Code of Conduct, which is modelled on the Jardine Matheson group's code of conduct. The Code of Conduct 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 of Conduct 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.

Directors' share interests

The Directors of the Company in office on 13th March 2015 had interests (within the meaning of the DTRs) as set out below in the ordinary share capital of the Company. These interests include 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).

Edouard Ettedgui	10,000,000
Stuart Dickie	216,867
Simon Keswick	19,858
Lincoln K.K. Leong	103,806

In addition, Edouard Ettedgui held share options in respect of 9,150,000 ordinary shares, and Stuart Dickie held share options in respect of 2,250,000 ordinary shares and share awards in respect of 235,000 ordinary shares, issued pursuant to the Company's share-based long-term incentive plans.

Substantial shareholders

As a non-UK issuer, the Company is subject to the DTRs pursuant to which a person must in certain circumstances notify the Company of the percentage of voting rights attaching to the share capital of the Company that he holds. The obligation to notify arises if that person acquires or disposes of shares in the Company which results in the percentage of voting rights which he holds reaching, exceeding, or falling below, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.

The Company has been informed of the holding of voting rights of 5% or more attaching to the Company's issued ordinary share capital by Jardine Strategic Holdings Limited ('Jardine Strategic'), which is directly interested in 737,275,281 ordinary shares carrying 73.45% of the voting rights. By virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares. Apart from this shareholding, 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 13th March 2015.

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

Further governance principles

In May 2014 the Company's primary listing on the London Stock Exchange was transferred from a premium listing to a standard listing on the Main Market. Under a standard listing, the Company is subject to the UK Listing Rules (other than those which apply only to companies with a premium listing), the DTRs, the UK Prospectus Rules and the market abuse provisions of the UK Financial Services and Markets Act. The Company, therefore, is bound by the rules in relation to continuous disclosure, periodic financial reporting, disclosure of interests in shares and market abuse, including the rules governing insider dealing, market manipulation and the disclosure of price sensitive information. The Company is also subject to regulatory oversight from the FCA, as the Company's principal securities regulator, and is required to comply with the Admission and Disclosure Standards of the Main Market of the London Stock Exchange.

The main areas of the UK Listing Rules that no longer apply to the Company are in respect of significant transactions, related party transactions, pre-emption rights over the issue of new shares, share repurchases and the need to comply or explain non-compliance with the UK Corporate Governance Code. At the time of the move to a standard listing, however, the Company stated that it intended to maintain certain governance principles in the following areas:

1. When assessing a significant transaction, being a larger transaction which would be classified as a class 1 transaction under the provisions of the UK Listing Rules (having regard to the basis on which such provisions were applied to the Company on the date of transfer to a standard listing), the Company will engage an independent financial adviser to provide a fairness opinion on the terms of the transaction.

2. In the event of a related party transaction, being a transaction with a related party which would require a sponsor to provide a fair and reasonable opinion under the provisions of the UK Listing Rules (having regard to the basis on which such provisions were applied to the Company on the date of transfer to a standard listing), the Company will engage an independent financial adviser to confirm that the terms of the transaction are fair and reasonable as far as the shareholders of the Company are concerned.

3. Further, as soon as the terms of a significant transaction or a related party transaction are agreed, an announcement will be issued by the Company providing such details of the transaction as are necessary for investors to evaluate the effect of the transaction on the Company.

4. At each annual general meeting, the Company will seek shareholder approval to issue new shares on a non-pre-emptive basis for up to 33% of the Company's issued share capital, of which up to 5% can be issued for cash consideration.

5. The Company will continue to adhere to its Securities Dealing Rules, which follow the UK Model Code as applied to the Company on the date of transfer to a standard listing.

6. The Company will continue its policies and practices in respect of risk management and internal controls.

Related party transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in note 29 to the financial statements on page 82.

Securities purchase arrangements

The Directors have the power under the Bermuda Companies Act and the Company's Memorandum of Association to purchase the Company's shares. Any shares so purchased shall be treated as cancelled. When the Board reviews the possibility for share repurchases, it will take into consideration the potential for the enhancement of earnings or asset values per share.

At the Annual General Meeting held on 7th May 2014, 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 in accordance with the UK Listing Rules applicable to the Company's premium listing status at the time. As such an authority is no longer required by the Company's standard listing obligations, its renewal is not being sought at the forthcoming Annual General Meeting. The Company will, however, remain subject to the UK market abuse regime.

Takeover Code

The Company is subject to a Takeover Code, based on London's City Code on Takeovers and Mergers. The Takeover Code provides an orderly framework within which takeovers can be conducted and the interests of shareholders protected. The Takeover Code has statutory backing, being established under the Acts of incorporation of the Company in Bermuda.

Annual General Meeting

The 2015 Annual General Meeting will be held at Rosewood Tucker's Point, Bermuda on 6th May 2015. 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. A corporate website is maintained containing a wide range of information of interest to investors at www.mandarinoriental.com.

Power to amend Bye-laws

The Bye-laws of the Company can be amended by the shareholders by way of a special resolution at a general meeting of the Company.

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 page 93 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 Conduct Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Group Chief Executive's Review.

Economic and financial risk

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

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Risk Management section in the Financial Statements on pages 44 to 49.

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 opportunities in the areas of hotel management, residences management and residences branding. 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 new hotels and branded residences. Most of the Group's new 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, branding 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

2014 full-year results announced	5th March 2015
Shares quoted ex-dividend on the Singapore Exchange	18th March 2015
Shares quoted ex-dividend on the London Stock Exchange	19th March 2015
Share registers closed	23rd to 27th March 2015
Annual General Meeting to be held	6th May 2015
2014 final dividend payable	13th May 2015
2015 half-year results to be announced	30th July 2015*
Shares quoted ex-dividend on the Singapore Exchange	19th August 2015*
Shares quoted ex-dividend on the London Stock Exchange	20th August 2015*
Share registers to be closed	24th to 28th August 2015*
2015 interim dividend payable	14th October 2015*

* 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 2014 final dividend by notifying the United Kingdom transfer agent in writing by 24th April 2015. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 29th April 2015. 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, 112 Robinson Road #05-01, Singapore 068902

United Kingdom Transfer Agent

Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England

Press releases and other financial information can be accessed through the internet at www.mandarinoriental.com.

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