Mandarin Oriental International Limited

Annual Report 2013

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 close to 11,000 rooms in 25 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, 13 *Residences at Mandarin Oriental* connected to its properties. The Group has equity interests in a number of its properties and net assets worth approximately US$3.1 billion as at 31st December 2013.

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

The parent company, Mandarin Oriental International Limited, is incorporated in Bermuda and has a premium listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. Mandarin Oriental Hotel Group International Limited, which operates from Hong Kong, manages the activities of the Group's hotels. Mandarin Oriental is a member of the Jardine Matheson Group.

Jardines

A member of the Jardine Matheson Group

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Corporate Information

Directors

Ben Keswick *Chairman and Managing Director*
Edouard Ettedgui *Group Chief Executive*
Stuart Dickie
Mark Greenberg
Julian Hui
Adam Keswick
Sir Henry Keswick
Simon Keswick
Lord Leach of Fairford
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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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P.J. Clark
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

- Underlying profit up 35%
- Two new hotels opened in China
- Acquisition of freehold interest in Mandarin Oriental, Paris enhances results
- Four new hotel management contracts announced

Results

	Year ended 31st December 2013 US$m	2012 US$m restated[5]	Change %
Combined total revenue of hotels under management[1]	**1,360.8**	1,283.3	6
Underlying EBITDA (Earnings before interest, tax, depreciation and amortization)[2]	**208.7**	172.6	21
Underlying profit attributable to shareholders[3]	**93.2**	69.2	35
Profit attributable to shareholders	**96.3**	70.7	36
	US¢	US¢	%
Underlying earnings per share[3]	**9.30**	6.93	34
Earnings per share	**9.61**	7.08	36
Dividends per share	**7.00**	7.00	–
	US$	US$	%
Net asset value per share	**0.99**	0.95	4
Adjusted net asset value per share[4]	**3.05**	2.88	6
Net debt/shareholders' funds	**48%**	14%	
Net debt/adjusted shareholders' funds[4]	**16%**	5%	

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

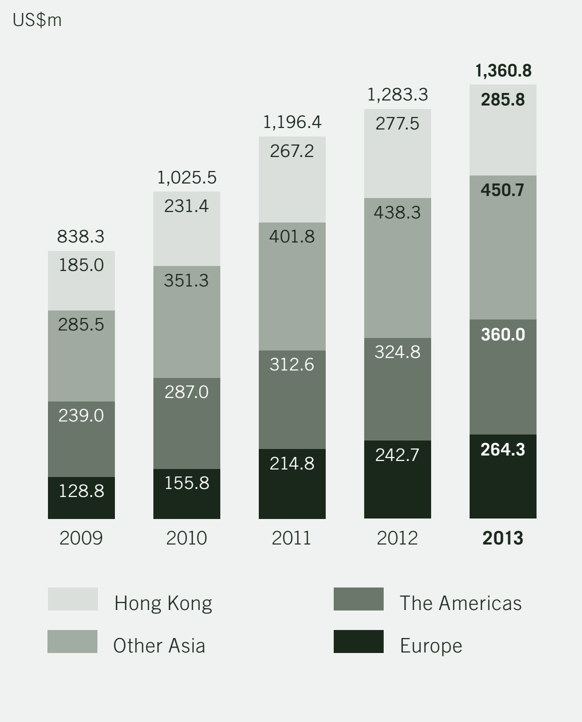
2 EBITDA of subsidiaries plus the Group's share of EBITDA of associates.

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.

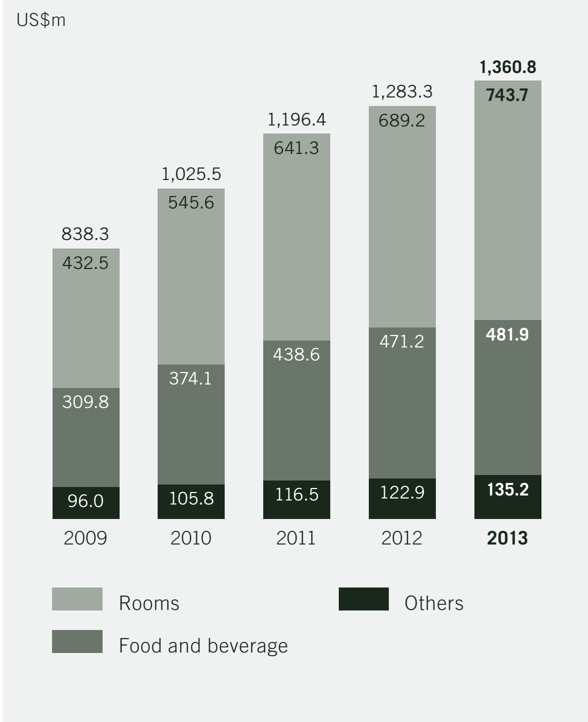
4 The adjusted net asset value per share and net debt/adjusted shareholders' funds have been adjusted to include the market value of the Group's freehold and leasehold interests which are carried in the consolidated balance sheet at amortized cost.

5 The accounts have been restated due to a change in accounting policy upon adoption of IAS 19 (amended 2011) 'Employee Benefits', as set out in the 'Basis of preparation' note in the financial statements.

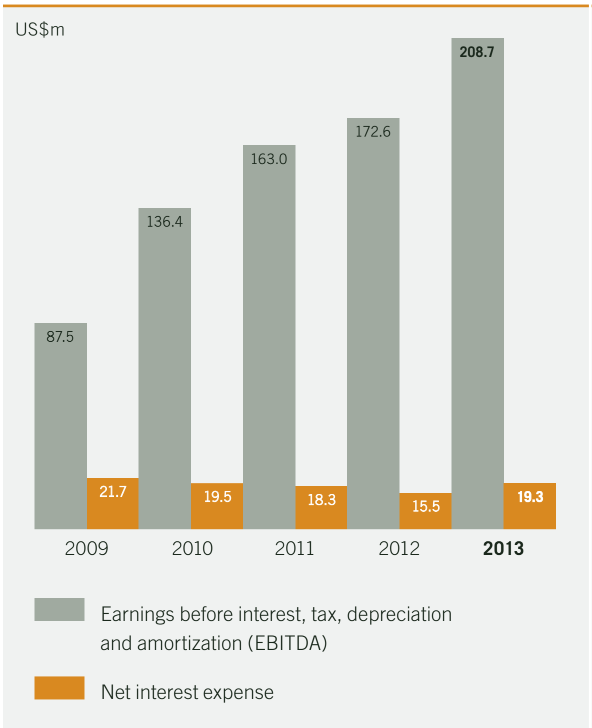
Combined total revenue
by geographical area



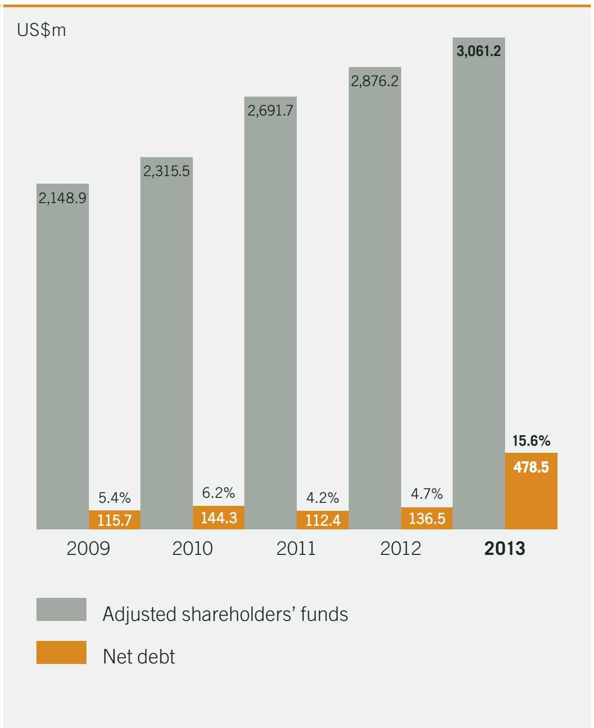
Combined total revenue
by type of business



EBITDA and net interest expense



Net debt/adjusted shareholders' funds



Chairman's Statement

Overview

Trading momentum across the portfolio remained positive in 2013, with most Group hotels maintaining or enhancing their competitive positions. As a result, the Group reported strong growth in underlying profit. International recognition of the brand was reflected in the many prestigious awards received during a year in which the Group celebrated the 50th anniversary of its flagship Mandarin Oriental, Hong Kong.

Performance

Underlying earnings before interest, tax, depreciation and amortization for 2013 were US$209 million, an increase of US$36 million from 2012 and a record level for the Group. Underlying profit was up 35% at US$93 million, also a record for the Group, and underlying earnings per share were 34% higher at US¢9.30. Underlying earnings benefited from a profit of US$7 million arising upon the acquisition in February of the freehold rights of the Group's Paris hotel together with an increased contribution from the hotel itself.

Profit attributable to shareholders was US$96 million in 2013, compared to US$71 million in the prior year. The 2013 result includes the writeback of a US$3 million asset impairment provision, which compares with a US$2 million writeback in 2012.

After taking into account an independent valuation of the Group's hotel properties, the net asset value per share was US$3.05 at 31st December 2013, compared with US$2.88 per share at the end of 2012.

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 2012.

Group review

In Hong Kong, the Group's two wholly-owned hotels performed well, maintaining occupancy and average rates broadly in line with the record levels achieved in 2012. Mandarin Oriental, Tokyo's performance improved significantly in local currency terms as visitor arrivals to the city continued to increase, and despite challenging market conditions Mandarin Oriental, Bangkok also achieved improved results. Trading performances of the other Asian hotels were resilient, albeit in the face of increasing pressure on costs.

In Europe, a continued strong performance in Munich more than offset subdued results in Geneva where the market remained difficult. London was marginally down following a record year in 2012, which included the Olympic Games, while the Paris hotel stabilized further with occupancy increasing by nine percentage points and its average rate rising.

In The Americas, increased demand led to higher revenue per available room in each location and an overall improved performance.

Business developments

The Group opened new luxury hotels in Guangzhou and Shanghai during the year. In February 2013, it also completed the acquisition of the freehold rights of the building housing Mandarin Oriental, Paris and two prime retail units.

Three management contracts were announced in 2013 for hotels under development in Istanbul, Turkey, and Shenzhen and Chongqing in China. In January 2014, the Group announced a management contract for a luxury resort in Bali, scheduled to open in 2016.

During the second half of 2013, the Group ceased management of the Chiang Mai resort, and announced that the project in St. Kitts would no longer proceed. In January 2014, the Group ended its management of the Grand Lapa hotel in Macau, which had continued on a transitional basis at the request of the new owner, following the Group's sale of its 50% interest in the hotel in 2009. The Group will also cease management of the Elbow Beach hotel in Bermuda at the end of March.

Within the next 18 months, five new hotels are scheduled to open in Taipei, Bodrum, Marrakech, Beijing and Milan.

Mandarin Oriental now operates 26 hotels, and has a further 18 hotels under development. Together these represent close to 11,000 rooms in 25 countries. In addition, the Group operates six *Residences at Mandarin Oriental* connected to its properties, with a further seven under development.

Corporate developments

The Company has announced its intention, subject to shareholder approval, to transfer the listing of its shares on the Main Market of the London Stock Exchange to the standard listing category from the current premium listing category.

People

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

Simon Keswick stepped down as Chairman in May, and remains a non-executive Director. We appreciate greatly his tremendous contribution as Chairman of the Company since his appointment in 1986.

Outlook

While global market conditions remain uncertain, the Group is in a strong competitive and financial position. Over the longer term, Mandarin Oriental will continue to benefit from the strength of its brand, the increasing number of travellers from emerging markets such as China, the limited new supply of luxury hotels in its key mature markets and the phased opening of new hotels under development.

Ben Keswick
Chairman
6th March 2014

Group Chief Executive's Review

Business model and strategy

Mandarin Oriental Hotel Group is an award-winning international hotel investment and management group with deluxe and first class hotels, resorts and residences in sought-after destinations around the world. The Group now operates, or has under development, 44 hotels representing almost 11,000 rooms in 25 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, 13 *Residences at Mandarin Oriental* connected to its properties. The Group has equity interests in a number of its properties and adjusted net assets of approximately US$3.1 billion as at 31st December 2013. Capitalizing on the strength of its brand, Mandarin Oriental also operates hotels on behalf of third party owners that require no equity investment by the Group.

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

Progress achieved

The Group celebrated the 50th anniversary of the opening of its original flagship hotel in Hong Kong in 2013, which contributed to the growing recognition of the Mandarin Oriental brand internationally. Increased demand in many of the Group's destinations enabled the majority of the hotels to raise rates in local currency terms. While the Group experienced a softening of corporate demand in some markets, it benefited from improved demand in the leisure sector, and from its successful development of new markets.

In Asia, our hotels performed well against their competition, with the Hong Kong properties broadly maintaining the record performances of the previous year, and Tokyo benefiting from increased visitor arrivals. In Europe, performances were generally strong and the Paris hotel, of which the Group acquired the freehold rights in February 2013, continues to stabilize well and to attract significant media attention. In The Americas, all hotels experienced strong demand, which enabled rate increases and improved performances across the region.

Overall, the Group benefited from the increasing number of high net worth travellers who are attracted by the reputation of the Mandarin Oriental brand, and our increasing presence in top tier destinations.

The Group's global brand recognition was further enhanced in 2013 with the successful launch of two luxury hotels in China. Mandarin Oriental, Guangzhou and Mandarin Oriental Pudong, Shanghai opened in January and April respectively and both properties received the *Hurun* 'Hot Hotel' Award in 2013, one of the most recognized awards in China. Two further management contracts, announced in 2013, for hotels under construction in Shenzhen and in Chongqing, bring to seven the total number of hotels that the Group now operates, or has under development in mainland China. The Group also announced a management contract in May 2013 for a hotel under construction in Istanbul, Turkey, and in January 2014, the Group signed a contract to manage a resort currently under development in Bali, Indonesia.

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

Performance in 2013

Set out below is a review of the Group's performance in 2013, 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 recognition is evidenced by many significant awards from respected travel associations and publications worldwide. Highlights include a record 13 hotels being awarded in the 2014 *Forbes Travel Guide*, with nine gaining the top 'Five Star Hotel' status, and three gaining the rare 'triple crown' for hotel, spa and restaurant. Moreover, four of the Group's hotels in the United States achieved the coveted 'Five Diamond Lodging Award' for 2014 from the *American Automobile Association*.

Condé Nast Traveler, *US* 'Readers' Choice Awards' 2013 featured 16 Mandarin Oriental hotels, more than in any previous year, with five hotels being listed as one of the top three in their respective cities. In addition, 'The World's Best 2013' from *Travel + Leisure* included winning entries for eight hotels, with the Group's properties in Munich, Bangkok and Hong Kong being listed as one of the top three in their respective destinations. The Group was also well represented in the *Robb Report*'s 'World's Top 100 Hotels' listings, with seven hotels recognized.

The Group's reputation for excellent and innovative dining experiences was again acknowledged in the most recent 2014 *Michelin* guides with 11 restaurants being honoured and a total of 16 stars being granted. This is more than any other hotel group in the world. In addition, 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 ten hotels gaining the prestigious *Forbes* 'Five Star Spa' award. Again, this is more than any other hotel group in the world. In addition, five of the Group's eight operating hotels in The Americas were honoured in *Condé Nast Traveler*, *US* 'Readers' Poll' of 'Top US Spas'.

The Group's commitment to working with some of the best architects and designers was also recognized in 2013. In particular, the Group's newest Southern China property, Mandarin Oriental, Guangzhou was singled out for several honours throughout the year for its creative design. These included 'Best International Hotel' in the US magazine, *Interior Design*, and 'Best Spa Design of the Year' in *SpaChina*'s 2013 Awards. Mandarin Oriental Pudong, Shanghai has also received design accolades, not least as a result of its impressive collection of more than 4,000 original artworks throughout the property.

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 three new fans to the campaign: Italian mezzo-soprano, Cecilia Bartoli; renowned British collage artist, Sir Peter Blake and the Academy Award winning American actor and director, Morgan Freeman. 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 digital marketing, and received the *Web Marketing Association* award for 'Outstanding Website' 2013. Since launching its new experiential website in late 2012, customer engagement time has grown by 20% and website revenues have improved by 24%. Online bookings now represent 13% of total transient room revenue. The Group also actively encourages a global conversation with consumers through social media, and now has more connected digital network than ever before. The brand and properties manage 88 official accounts across 13 platforms reaching consumers in all corners of the globe, including a growing base of potential guests on Sina Weibo, China's most important social media platform.

Group Chief Executive's Review *Continued*

Our goal will of course be further accomplished as we increase the number of hotels we operate in new and exciting travel destinations.

2) Strengthening our competitive position

Every hotel is focused on maintaining or enhancing their leadership positions against primary competitors in their individual markets. This is critical to the Group's success. 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. Our position has been 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 that are meaningful and of value. Demographic trends support this strategy, with higher spending leisure customers now making up over 44% of the Group's room nights. These high net worth individuals continue to come from the Group's traditional markets, but increasingly, the Group is attracting additional customers from the emerging markets, predominantly China, which is the second largest source of business after the United States, accounting for 16% of our total visitor arrivals. The exceptional services and facilities offered by the Group create demand and a resultant increase in the average rate across the portfolio.

The highlights of each region are as follows:

Asia

Despite a softening in demand in some markets, and the region as a whole facing increased pressure on costs, the Group's competitive performance in Asia was strong, and many hotels increased their average rates in local currency terms. Recognition of the Group was further enhanced with the well-publicized openings in Guangzhou and Shanghai. Overall, Revenue per Available Room ('RevPAR') for Asia was up by 1% in US dollar terms over the previous year on a like-for-like basis.

In Hong Kong, city-wide activity softened slightly, however the 100%-owned Mandarin Oriental maintained its historically high results achieved in 2012. Food and beverage revenues improved, with a 5% increase over the prior year. A star-studded Gala to celebrate the hotel's 50th anniversary resulted in significant global media coverage, and the property received the *Virtuoso* 2013 'Hotel of the Year' award – one of the industry's highest accolades.

Moreover, Mandarin Oriental, Hong Kong received the 'Five Star' rating in the 2014 *Forbes Travel Guide* for the hotel, the spa and two of its restaurants, *Pierre* 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 100%-owned hotel in Hong Kong, maintained its RevPAR at similar levels to 2012, with a high year-round occupancy of 89%.

In Tokyo, our hotel's performance benefited from a further increase in visitor arrivals, resulting in an improvement in occupancy of 25%. With the average rate also increasing the hotel achieved an overall uplift in RevPAR of 28% in local currency terms. A weaker Japanese yen has however impacted results in US dollar terms. The hotel was listed as one of the 'World's Best' in *Travel + Leisure*'s 2013 annual awards, and one of the 'Top Five' hotels in the 2013 *Condé Nast Traveler, US* 'Readers' Choice' Awards.

Despite a slight weakening in city-wide corporate demand in Singapore, our hotel maintained its competitive position in the market. 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 hotels for luxury and service in Singapore in *TripAdvisor*'s 2014 'Traveler's Choice'.

Mandarin Oriental, Bangkok was adversely affected by the political demonstrations in the city in the last quarter of the year but achieved strong average rates resulting in an overall RevPAR improvement of 7% in local currency terms. The hotel remains the market leader in the city and was once again recognized as one of the world's best hotels in the most important travel awards, including the 'Best Hotel Worldwide' in *The Times & Sunday Times, UK* 'Travel Awards' 2013, and the 'Best Hotel in Asia' in *Celebrated Living*'s, *US* 'Platinum List' 2013.

Mandarin Oriental, Jakarta continued to improve its competitive position and benefited from the strong Indonesian economy, achieving an overall increase in RevPAR of 18% in local currency terms over the previous year. The hotel was voted one of the 'Top 10 Hotels in Indonesia' in *TripAdvisor*'s 2014 'Traveler's Choice'.

Performances of the Group's remaining hotels in the region were resilient, and the new hotels in Guangzhou and Shanghai are achieving high average rates in recognition of their exceptional services and facilities.

Europe

In Europe, the Group's hotels were successful in maintaining or enhancing 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 9% in US dollar terms, on a like-for-like basis with 2012.

Mandarin Oriental Hyde Park, London did well to achieve revenues which were only marginally down from the previous year, when its performance was bolstered by the 2012 Olympics and the celebrations for the Queen's Diamond Jubilee. Occupancy remained high at 80% but a slight decrease in average rates led to a 1% drop in RevPAR in local currency terms. Food and beverage also performed well, with the hotel's two award-winning restaurants, *Dinner* and *Bar Boulud*, being nominated as two of the 'UK's Top 100 Restaurants' in the 2013 National Restaurant Awards.

In February 2014, the hotel introduced a new swimming pool and fitness centre, and is undergoing a renovation of existing meeting space to create a new afternoon tea and champagne lounge in the heart of the hotel which will open in the second quarter of 2014.

Mandarin Oriental, Munich's performance improved as a result of strong demand in the high-end leisure market, which enabled the hotel to raise average rates and achieve an 18% RevPAR increase in local currency terms. The hotel has successfully maintained its position as the undisputed market leader and was singled out as the 'Best City Hotel in Europe' in *Travel + Leisure*'s 'World's Best' awards.

In Geneva, our hotel's performance was negatively impacted by challenging market conditions and the strong Swiss franc. A drop in visitor arrivals to the city resulted in a slight reduction in occupancy levels and a RevPAR decrease of 2% in local currency terms.

Mandarin Oriental, Paris continues to stabilize well and has successfully positioned itself as one of the best luxury hotels in the city. The property achieved an increase in occupancy of nine percentage points to 66% with an average rate of more than €950. This resulted in a RevPAR increase of 22% 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 2014 listing. Mandarin Oriental, Paris featured in *Condé Nast Traveler*'s, 2013 'Top 100 List' as one of the top hotels in France.

In Barcelona and Prague, our hotels successfully improved their performance over 2012, with local currency RevPAR increases of 18% and 8% respectively. Both properties received further global recognition for excellence, with The Spa at Mandarin Oriental, Prague being voted the 'Best in the Czech Republic' in the *SpaFinder Wellness Awards* 2013, and Mandarin Oriental, Barcelona being voted 'Best Urban Hotel' in *Condé Nast Traveler*'s Spanish edition.

Group Chief Executive's Review *Continued*

The Americas

The improved trading environment in The Americas, led to increased demand for the Group's hotels across the region with a RevPAR increase of 11% on a like-for-like basis compared to the previous year. A record six Mandarin Oriental hotels in the US were voted 'Top Ten' properties in their respective cities in the *Condé Nast Traveler*, *US* 'Readers' Choice' Awards.

Mandarin Oriental, Washington D.C. achieved a strong increase in average rates leading to an overall RevPAR improvement of 10% over the prior year. The hotel appeared in numerous reader surveys in prestigious publications and received the *American Automobile Association*'s 'Five Diamond Award' for its restaurant *Cityzen*.

Mandarin Oriental, New York further improved its competitive position and became the market leader in the city, growing both its average rate and occupancy to achieve a 9% 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, improved market conditions led to an uplift of both occupancy and average rate, which resulted in a RevPAR increase of 11%. The hotel continues to receive positive media attention, and achieved a triple *Forbes* 'Five Star' rating in 2014 for the hotel, the spa and its restaurant *Azul* – the only hotel in Florida to so do. In 2014, the hotel will be introducing new restaurant and bar facilities, including the launch of *La Mar* by celebrity Peruvian chef, Gaston Acurio.

Mandarin Oriental, San Francisco improved its competitive position and continued to garner accolades following the rooms and public area renovation in 2012. The new facilities, including a Mandarin Oriental spa, have been well received and the hotel has increased its average rate by 11% compared to the previous year. The hotel and spa were featured in *Condé Nast Traveler*, *US* 'Hot List' 2013, and both received the coveted *Forbes* 'Five Star' rating for 2014.

In all other locations, our managed hotels performed well, with significant RevPAR increases. Our hotels in Boston and Las Vegas both achieved the *Forbes* 'Five Star' rating in 2014 for hotel and spa, with the hotel in Las Vegas achieving a further 'Five Star' rating for its restaurant, *Twist*, operated by Pierre Gagnaire.

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

Mandarin Oriental has achieved strong geographic diversification with a well-balanced portfolio across the globe and is on track to achieve its mid-term goal of operating 10,000 rooms in key global locations within the next few years. Today, the Group operates approximately 8,000 rooms in 26 hotels around the world. The total portfolio however, including hotels under development, now extends to almost 11,000 rooms, with 44 hotels in 25 countries.

Four new hotel management contracts have been signed in the past 12 months:

- In May 2013, the Group announced a luxurious waterfront hotel on the Bosphorus in Istanbul. Expected to open in 2016, and ideally located for both business and leisure, the property will feature 130 spacious guestrooms and suites.
- In August 2013, the Group announced a 190-room luxury hotel, located on top of a 400-metre tower, currently under development in Shenzhen, China which is scheduled to open in 2018.
- In September 2013, a luxury 231-room hotel in Chongqing, southwest China was announced. The hotel, which will open in 2016, will form part of a premier mixed-use project in the new financial centre of the city, and will offer panoramic river and city views.
- Finally, in January 2014, the Group announced a new management contract for a luxury resort in Bali, Indonesia. Located southwest of Nusa Dua, this 121-room hotel includes 97 expansive pool villas, and is situated on a cliffside with panoramic views and direct access to a secluded beach.

In the second half of 2013, the Group ceased management of the resort in Chiang Mai and also announced that the project in St. Kitts would no longer proceed. In January 2014, the Group ended its management of the Grand Lapa hotel in Macau, which had continued on a transitional basis at the request of the new owner, following the Group's sale of its 50% interest in the hotel in 2009. From 31st March 2014, the Group will also cease management of the Elbow Beach hotel in Bermuda.

In total, Mandarin Oriental has 18 new hotels currently under development, all of which are long-term management contracts requiring no capital investment by the Group. Five of these properties will be operational within the next 18 months, beginning with the 303-room luxury hotel in Taipei, scheduled to open in May 2014. An exclusive resort comprising 106 private villas in a picturesque oceanfront setting in Bodrum, Turkey will follow later in the year. A luxurious resort in Marrakech, Morocco, a city centre hotel in Beijing and a hotel in a prime location in Milan will follow in the first half of 2015.

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

The 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 2013, as a result of strong competitive performances across the majority of the portfolio. Profit attributable to shareholders in 2013 was US$93 million, a record level for the Group, compared to US$69 million in 2012, excluding non-trading items. Including non-trading items, profit attributable to shareholders in 2013 was US$96 million, compared to US$71 million in 2012.

The Group's financial well-being remains fundamental to its success and its balance sheet remains strong, with gearing of 16% of adjusted shareholder funds.

Reflecting the Group's strong financial position, 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 future

While market conditions remain uncertain, a sustained recovery in the global economy will positively impact demand for Mandarin Oriental hotels around the world. Moreover, the Group will further benefit from its growing portfolio as new properties open in sought-after destinations, and from the increasing number of travellers from emerging markets, as well as the limited supply of competitive luxury hotels in our key mature markets.

The geographical diversification of the Group's portfolio and the increasing number of international awards achieved, underlie the strength of the brand and the increasing recognition of Mandarin Oriental as one of the best luxury hotel groups in the world.

Edouard Ettedgui
Group Chief Executive
6th March 2014

Operating Summary

There are 26 hotels in operation, but the operating summary includes only hotels in which the Group has an equity interest and were operating throughout 2013.

ASIA

Mandarin Oriental, Hong Kong 100% ownership

	2013	2012*	% Change
Available rooms	**501**	501	0
Average occupancy (%)	**70**	69	1
Average room rate (US$)	**523**	522	0
RevPAR (US$)	**366**	362	1

Mandarin Oriental, Manila 96.2% ownership

	2013	2012	% Change
Available rooms	**442**	442	0
Average occupancy (%)	**67**	70	(4)
Average room rate (US$)	**113**	116	(3)
RevPAR (US$)	**76**	81	(6)

The Excelsior, Hong Kong 100% ownership

	2013	2012*	% Change
Available rooms	**884**	884	0
Average occupancy (%)	**89**	88	1
Average room rate (US$)	**211**	216	(2)
RevPAR (US$)	**188**	191	(2)

Mandarin Oriental, Singapore 50% ownership

	2013	2012*	% Change
Available rooms	**527**	527	0
Average occupancy (%)	**83**	85	(2)
Average room rate (US$)	**311**	315	(1)
RevPAR (US$)	**259**	266	(3)

Mandarin Oriental, Tokyo 100% leasehold

	2013	2012	% Change
Available rooms	**178**	178	0
Average occupancy (%)	**74**	59	25
Average room rate (US$)	**499**	595	(16)
RevPAR (US$)	**371**	353	5

Mandarin Oriental, Bangkok 44.9% ownership

	2013	2012	% Change
Available rooms	**393**	393	0
Average occupancy (%)	**51**	54	(6)
Average room rate (US$)	**377**	333	13
RevPAR (US$)	**193**	178	8

Mandarin Oriental, Jakarta 96.9% ownership

	2013	2012	% Change
Available rooms	**272**	272	0
Average occupancy (%)	**63**	61	3
Average room rate (US$)	**185**	182	2
RevPAR (US$)	**117**	111	5

Mandarin Oriental, Kuala Lumpur 25% ownership

	2013	2012	% Change
Available rooms	**632**	632	0
Average occupancy (%)	**62**	67	(7)
Average room rate (US$)	**202**	200	1
RevPAR (US$)	**126**	133	(5)

* Comparative average room rates and RevPAR in Hong Kong and Singapore have been restated to include undistributed service charge to conform to current year's presentation and industry practice.

EUROPE

Mandarin Oriental Hyde Park, London 100% ownership

	2013	2012	% Change
Available rooms	**194**	194	0
Average occupancy (%)	**80**	78	3
Average room rate (US$)	**857**	900	(5)
RevPAR (US$)	**682**	703	(3)

Mandarin Oriental, Munich 100% ownership

	2013	2012	% Change
Available rooms	**73**	73	0
Average occupancy (%)	**77**	76	1
Average room rate (US$)	**976**	819	19
RevPAR (US$)	**753**	619	22

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

	2013	2012	% Change
Available rooms	**138**	138	0
Average occupancy (%)	**66**	57	16
Average room rate (US$)	**1,283**	1,176	9
RevPAR (US$)	**849**	676	26

Mandarin Oriental, Geneva 92.6% ownership

	2013	2012	% Change
Available rooms	**197**	190	4
Average occupancy (%)	**50**	51	(2)
Average room rate (US$)	**708**	700	1
RevPAR (US$)	**356**	359	(1)

THE AMERICAS

Mandarin Oriental, Washington D.C. 80% ownership

	2013	2012	% Change
Available rooms	**397**	400	(1)
Average occupancy (%)	**60**	60	0
Average room rate (US$)	**326**	294	11
RevPAR (US$)	**195**	177	10

Mandarin Oriental, New York 25% ownership

	2013	2012	% Change
Available rooms	**244**	243	0
Average occupancy (%)	**75**	71	6
Average room rate (US$)	**947**	915	3
RevPAR (US$)	**706**	650	9

Mandarin Oriental, Miami 25% ownership

	2013	2012	% Change
Available rooms	**326**	326	0
Average occupancy (%)	**70**	66	6
Average room rate (US$)	**362**	347	4
RevPAR (US$)	**253**	228	11

Development Portfolio

Mandarin Oriental Hotel Group currently has 18 hotels and 7 *Residences at Mandarin Oriental* under development.

Asia

Mandarin Oriental, Bali
A 121-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.

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 345-room hotel located on the top 33 floors of an iconic tower, 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, 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.

Mandarin Oriental, Taipei
A 303-room hotel in the heart of the central business district, with 26 luxurious *Residences at Mandarin Oriental*, adjacent to the hotel.

Europe, Middle East and North Africa

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

Mandarin Oriental, Bodrum
A 106-room resort and 196 *Residences at Mandarin Oriental* located on a waterfront site on the Bodrum peninsula in Turkey, with panoramic views of the Aegean Sea, and three private beaches.

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 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 61-room hideaway resort comprises 54 spacious villas and 7 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.

Mandarin Oriental, Moscow
A 262-room hotel situated in the redevelopment of an original 19th century manor house. Located close to the Kremlin and Red Square.

The Americas

Mandarin Oriental, Costa Rica
A 130-room beach resort and 92 *Residences at Mandarin Oriental* located at Playa Manzanillo, 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

If you look at Mandarin Oriental, it really epitomizes where high-end clients should go. It is small, it is growing strategically and it's got incredible customer service and great properties.

Luxury Travel Magazine, 2013

Mandarin Oriental is an Asian brand that has successfully broken into the European hotel market. They have ensured their hotels are engaging social and culinary centres as well as fine places to stay for the night.

Cathay Pacific in-flight Discovery Magazine, 2013

Mandarin Oriental, Bangkok

In tumultuous, fascinating, exhausting Bangkok, Mandarin Oriental is a cocoon of comfort that remains essentially, stylishly Thai.

Condé Nast Traveller UK, 2013

For old-world charm and the best service experience in Asia, Mandarin Oriental Bangkok is still the reigning grand dame.

The Wall Street Journal Online, 2013

Mandarin Oriental, Guangzhou

I love MO hotels, they always seem to get the right balance between sleek, contemporary design and traditional Asian hospitality. Their latest venture, in the dynamic city of Guangzhou, is no exception.

Travel + Leisure, 2013

Mandarin Oriental, Hong Kong

The reality is there are only a few truly first-class hotels in the world. For just over 50 years Mandarin Oriental in Hong Kong has been a benchmark of global first class.

The Australian, 2014

It's not often that a hotel serves as a backdrop for so many of life's events, from the momentous to mundane, but something about Mandarin Oriental, Hong Kong makes it that way. Everything here is stylish and charming, and holds its own, but nothing is flaunted.

Saveur.com, 2013

This flagship hotel, celebrating its 50th anniversary, cherishes its colonial past but isn't buried in it. It is the sort of place that seems to answer needs you didn't even know.

The Daily Telegraph, 2013

Mandarin Oriental Hotel in Hong Kong, whose setting overlooking Victoria Harbour never fails to impress.

FT How To Spend It, 2013

Mandarin Oriental Pudong, Shanghai

From a restaurant run by a Michelin-starred chef to a crystal steam room in its spa, Mandarin Oriental Pudong, Shanghai is packed with luxuries to make a stay in the world's most populated city a definite retreat.

Fodor's, 2013

International Recognition *Continued*

Mandarin Oriental, Tokyo

Mandarin Oriental hotels in London and Tokyo are so slick and sophisticated. I love the balance between traditional comfort, cutting-edge design and unfaltering service.

The Independent, 2013

Mandarin Oriental, Barcelona

The hotel is the epitome of discreet luxury, as you'd expect of the Mandarin Oriental brand.

National Geographic Traveller, 2013

Mandarin Oriental Hyde Park, London

Like any Mandarin, it's astonishingly luxurious, impeccably staffed, and not at all hard on the eyes.

Tablethotels.com, 2013

Mandarin Oriental Hyde Park is perfectly placed, it's easy to see why it holds such A-list appeal. The rooms and suites are beautifully elegant, the service is second-to-none and there is an epic spa downstairs where you can escape the hustle and bustle of London life.

Wedding, 2013

Mandarin Oriental, Paris

The experience is as perfect as you would expect. Wonderfully central among the posh frocks of rue Saint-Honore, the hotel does the big things very well as well as the small things.

The Telegraph, 2013

Mandarin Oriental, Boston

This new Mandarin Oriental, on Boylston Street in the upscale Back Bay, was exactly what Boston needed. It's not simply that it's a high-end luxury hotel, but it's the obsessive attention to the finer points of style and design that make this Mandarin something much more than just another expense-account splurge.

tablethotels.com, 2013

Mandarin Oriental, Las Vegas

The service is impeccable, especially for a town like Vegas. Mandarin Oriental employees are willing to make this the best hotel stay in Vegas. And now we're not so sure we can stay anywhere else.

Hotelchatter.com, 2013

Mandarin Oriental, Miami

Checking in to the one-and-only Mandarin Oriental Miami, located in one of the most desired destinations, it was like living the dream…. This five-star hotel is with the most helpful staff.

Vanity Fair, 2013

Mandarin Oriental, New York

The moment you step out of the elevator and see a sliver of sky and Central Park, you'll never want to leave. The attentive staff greet you by name when you arrive…. The sweeping views of Central Park make your food and drink taste that much better.

USA Today, 2013

Mandarin Oriental, San Francisco

The rooms are comfortable, the food delicious and the spa top notch, but the views make this hotel. It is a rare treat to see the city from such a height.

Country Life, 2013

Mandarin Oriental, Washington D.C.

Mandarin Oriental, Washington D.C. – Perhaps the best location in Washington, D.C. for a waterfront wedding or a cherry blossom ceremony.

Startle Forbes blog, 2013

Financial Review

Accounting policies

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

The accounting policies adopted are consistent with those of the previous year, except that the Group has adopted several new standards, amendments and interpretations to IFRS effective on 1st January 2013, as more fully detailed in the 'Basis of preparation' note in the financial statements. The adoption of these new standards, amendments and interpretations did not have a material impact on the Group's financial statements.

Results

Overall

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

	2013 US$m	2012 US$m restated
Subsidiaries	**171.8**	136.0
Associates	**36.9**	36.6
Underlying EBITDA	**208.7**	172.6

Subsidiaries

	2013 US$m	2012 US$m restated
Underlying EBITDA from subsidiaries	**171.8**	136.0
Non-trading items: Writeback of provisions against asset impairment	–	1.5
EBITDA from subsidiaries	**171.8**	137.5
Less depreciation and amortization expenses	**(60.0)**	(53.6)
Operating profit	**111.8**	83.9

In 2013, underlying EBITDA from subsidiaries increased by US$35.8 million or 26%, to US$171.8 million, from US$136.0 million in the prior year. In 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. Pursuant to this acquisition, US$7.5 million of one-off items were credited to the profit and loss account, comprising the release of a lease accrual (US$4.1 million), the capitalization of acquisition costs (US$1.5 million), and an exchange gain arising on acquisition (US$1.9 million). Excluding these one-off items, 2013 EBITDA increased by US$28.3 million or 21%.

In Hong Kong, revenue and EBITDA at Mandarin Oriental, Hong Kong were both slightly ahead of the previous year, with the hotel maintaining its RevPAR in line with the record levels achieved in 2012 and achieving 5% growth in food and beverage business. The Group's other wholly-owned Hong Kong hotel, The Excelsior, maintained its market position, however its revenue and EBITDA contribution were slightly down on 2012. In Tokyo, the continued recovery in visitor arrivals to the city resulted in a strong improvement in operating performance, although a weaker Japanese yen meant that not all of the performance gains were reflected in the US dollar results. Hotel revenues in Manila were down on the prior period, which combined with an increase in costs, led to a reduction in profitability. While growth in revenue offset increased costs in Jakarta, its EBITDA contribution remained largely unchanged from 2012, primarily due to the weaker Indonesian rupiah on translation into US dollars.

Financial Review *Continued*

Subsidiaries continued

In London, while the hotel performed well competitively, revenue and EBITDA contributions were below the record levels achieved in 2012, a year which was bolstered by the Olympic Games and celebrations for the Queen's Diamond Jubilee. The Paris operation further stabilized, and following the acquisition of the building's freehold, the Group also benefited from the resulting rental stream from the hotel and two retail units. In Munich, strong demand enabled the hotel to further improve EBITDA from the record high achieved in 2012. Mandarin Oriental, Geneva was negatively impacted by the strong Swiss franc and challenging market conditions, but increased its EBITDA contribution after completion of the phased rooms renovation which took place throughout 2012 and early 2013.

In The Americas, increased demand led to an improved contribution from the Washington D.C. hotel.

In 2013, the contribution from management activities was US$21.5 million, in line with the prior year.

Depreciation and amortization expenses were US$60.0 million for 2013, an increase of US$6.4 million from the prior year, primarily due to the acquisition of the Paris freehold.

Associates

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

	2013 US$m	2012 US$m
Underlying EBITDA from associates	**36.9**	36.6
Non-trading items: Writeback of provisions against asset impairment	**3.1**	–
EBITDA from associates	**40.0**	36.6
Less depreciation and amortization expenses	**(12.2)**	(11.9)
Operating profit	**27.8**	24.7
Less net financing charges	**(3.5)**	(4.4)
tax	**(3.7)**	(4.8)
Share of results of associates	**20.6**	15.5

In total, the Group's share of EBITDA from associates increased by US$5.1 million or 33% to US$20.6 million in 2013.

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. In Bangkok, despite challenging market conditions as a result of the political uncertainty towards the end of the year, the hotel achieved a strong increase in average rates which led to an increase in EBITDA compared to prior year. Kuala Lumpur's EBITDA was impacted by a city-wide softening in demand.

In The Americas, the New York hotel further improved its competitive position to become the market leader in the city, with an increased EBITDA contribution compared to the prior year. In Miami, the hotel benefited from improved conditions leading to higher revenue and EBITDA.

Depreciation and amortization expenses from associates were US$12.2 million, up US$0.3 million compared to 2012. The Group's share of net financing charges from associates was US$3.5 million, US$0.9 million lower than 2012 due to lower interest costs at the New York hotel following the part repayment and refinancing of the hotel's bank loan on more attractive terms in March 2012. The 2013 share of the tax charge for associates was US$3.7 million, down US$1.1 million from the prior year, largely due to a tax credit arising from an asset write off.

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, which compares to a US$1.5 million writeback in 2012 of a provision for asset impairment made against a managed hotel.

Net financing charges

Net financing charges for the Group's subsidiaries increased to US$15.8 million in 2013 from US$11.1 million in 2012. This increase is principally due to the additional interest cost associated with the US$201 million of new debt facilities for the purchase of the Paris property.

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 2013 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 10.8 times compared with 11.2 times in 2012.

Tax

The tax charge for 2013 was US$19.8 million compared to US$17.3 million in 2012, reflecting improved profitability of the Group. The underlying effective tax rate for the year was 21%, broadly in line with the 2012 rate of 22%.

Cash flow

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

	2013 US$m	2012 US$m restated
Operating activities	**157**	126
Investing activities:		
• Capital expenditure on existing properties	**(36)**	(51)
• Purchase of intangible assets	**(3)**	(5)
• Acquisition of Paris freehold interest	**(382)**	(13)
• Investments in and loans to associate	**–**	(19)
• Other	**(1)**	1
Financing activities:		
• Issue of shares	**3**	3
• Net drawdown of borrowings	**200**	3
• Dividends paid	**(70)**	(60)
• Other	**(5)**	(1)
Net decrease in cash and cash equivalents	**(137)**	(16)
Cash and cash equivalents at 1st January	**453**	469
Cash and cash equivalents at 31st December	**316**	453

The Group's cash flows from operating activities were US$157 million in 2013, an increase of US$31 million from 2012, primarily due to the improved operating performance of the Group's hotels.

Financial Review *Continued*

Cash flow continued

Under investing activities, capital expenditure on existing properties was US$36 million in 2013, compared to US$51 million in 2012. During the year, the London hotel spent US$12 million completing the construction of a swimming pool and new fitness facilities which opened in February 2014. The Geneva hotel spent US$5 million finishing a phased rooms renovation. The US$19 million balance of expenditure incurred related to ongoing asset improvements across the portfolio.

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

In February 2013, the Group completed the acquisition of the freehold rights of the building housing Mandarin Oriental, Paris and two prime street-front retail units. Total consideration paid in relation to the acquisition was US$395 million, with a US$13 million deposit paid in late 2012, and the remaining US$382 million paid in 2013.

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 (2012: US¢7.00 per share). No scrip alternative is being offered in respect of the dividend. The final dividend is payable on 14th May 2014 to shareholders on the register of members at the close of business on 21st March 2014.

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:

	2013		2012	
	US$m	Per share US$	US$m	Per share US$
Shareholders' funds/net assets at amortized cost	**989**	**0.99**	946	0.95
Add surplus for fair market value of freehold and leasehold land and buildings	**2,072**	**2.06**	1,930	1.93
Adjusted shareholders' funds/net assets	**3,061**	**3.05**	2,876	2.88

On IFRS basis, the Group's consolidated net debt of US$479 million at 31st December 2013 was 48% of shareholders' funds, compared with consolidated net debt of US$137 million at 31st December 2012 which was 14% of shareholders' funds. Taking into account the fair market value of the Group's interests in freehold and leasehold land, gearing was 16% of adjusted shareholders' funds at 31st December 2013, compared with 5% at 31st December 2012.

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 41% 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 2013, the Group's net assets were denominated in the following currencies:

	Net assets		Adjusted net assets*	
	US$m	%	US$m	%
Hong Kong dollar	19	2	1,678	55
Euro	307	31	370	12
United States dollar	306	31	352	11
United Kingdom sterling	128	13	205	7
Singapore dollar	49	5	173	6
Thai baht	28	3	97	3
Swiss franc	89	9	89	3
Others	63	6	97	3
	989	100	3,061	100

* see supplementary information section on page 22.

Included on the Group's consolidated balance sheet is cash at bank of US$316.4 million (2012: US$453.7 million) which, after the deduction of US$0.7 million (2012: US$0.3 million) of bank overdraft facilities, is shown in the Group's consolidated cash flow as cash and cash equivalents of US$315.7 million (2012: US$453.4 million).

The Group, excluding associates, had committed borrowing facilities totalling US$882 million, of which US$795 million was drawn at 31st December 2013. The principal amounts due for repayment are as follows:

	Facilities committed US$m	Facilities drawn US$m	Unused facilities US$m
Within one year	643	556	87
Between one and two years	233	233	–
Between two and three years	2	2	–
Between three and four years	2	2	–
Between four and five years	–	–	–
Beyond five years	2	2	–
	882	795	87

At 31st December 2013, the Group had US$87 million of committed, undrawn facilities in addition to its net cash balances of US$316 million. The average tenor of the Group's borrowings was 1.1 years (2012: 2.1 years), with US$643 million of committed facilities due to mature before the end of 2014. The Group is in advanced discussions with its key relationship banks regarding refinancing US$584 million of the committed facilities due to mature within the year, comprising a US$132 million facility in London, and US$452 million of syndicated facilities in Hong Kong. Both the London and Hong Kong facilities are secured against hotels in prime city centre locations. Based on the Group's history of its ability to obtain external financing, its operating performance and strong balance sheet, the Group is confident that it will complete the refinancing of these bank facilities before their expiry.

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 93 and 94.

Stuart Dickie
Chief Financial Officer
6th March 2014

Directors' Profiles

Ben Keswick* *Chairman and Managing Director*
Mr Ben Keswick joined the Board as Managing Director in 2012 and became Chairman in May 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.

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 May 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 and merchant banking.

* Executive Director

Dr Richard Lee
Dr Lee joined the Board in 1987. Dr Lee's principal business interests are in the manufacturing of textiles and apparel in Southeast Asia, and he is 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 deputy 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 acts as an adviser for certain companies outside the Group and 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 an Honorary Professor of the School of Business of the Hong Kong Baptist University.

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 and Textron Corporation. He is co-chairman of the UK Government's Asia Task Force and a British Business Ambassador. He was previously president of the China-Britain Business Council and chairman of the Singapore-British Business Council. He is an independent member of the House of Lords.

Lord Sassoon, Kt
Lord Sassoon joined the Board in January 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 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 2013

	Note	2013 Underlying US$m	2013 Non-trading items US$m	2013 Total US$m	2012 Underlying US$m restated	2012 Non-trading items US$m	2012 Total US$m restated
Revenue	1	**668.6**	**–**	**668.6**	648.3	–	648.3
Cost of sales		**(408.4)**	**–**	**(408.4)**	(415.2)	–	(415.2)
Gross profit		**260.2**	**–**	**260.2**	233.1	–	233.1
Selling and distribution costs		**(45.2)**	**–**	**(45.2)**	(44.0)	–	(44.0)
Administration expenses		**(103.2)**	**–**	**(103.2)**	(106.7)	1.5	(105.2)
Operating profit	2	**111.8**	**–**	**111.8**	82.4	1.5	83.9
Financing charges		**(17.5)**	**–**	**(17.5)**	(14.6)	–	(14.6)
Interest income		**1.7**	**–**	**1.7**	3.5	–	3.5
Net financing charges	3	**(15.8)**	**–**	**(15.8)**	(11.1)	–	(11.1)
Share of results of associates	4	**17.5**	**3.1**	**20.6**	15.5	–	15.5
Profit before tax		**113.5**	**3.1**	**116.6**	86.8	1.5	88.3
Tax	5	**(19.8)**	**–**	**(19.8)**	(17.3)	–	(17.3)
Profit after tax		**93.7**	**3.1**	**96.8**	69.5	1.5	71.0
Attributable to:							
Shareholders of the Company	6&7	**93.2**	**3.1**	**96.3**	69.2	1.5	70.7
Non-controlling interests		**0.5**	**–**	**0.5**	0.3	–	0.3
		93.7	**3.1**	**96.8**	69.5	1.5	71.0
		US¢		**US¢**	US¢		US¢
Earnings per share	6						
– basic		**9.30**		**9.61**	6.93		7.08
– diluted		**9.28**		**9.59**	6.91		7.06

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2013

	Note	2013 US$m	2012 US$m restated
Profit for the year		**96.8**	71.0
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans		**5.5**	(0.3)
Tax on items that will not be reclassified	5	**(0.9)**	–
		4.6	(0.3)
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net gain arising during the year		**4.9**	11.6
Fair value gains on other investments		**0.4**	–
Fair value gains on cash flow hedges		**8.5**	4.0
Tax relating to items that may be reclassified	5	**(1.6)**	(0.8)
Share of other comprehensive (expense)/income of associates		**(5.4)**	4.8
		6.8	19.6
Other comprehensive income for the year, net of tax		**11.4**	19.3
Total comprehensive income for the year		**108.2**	90.3
Attributable to:			
Shareholders of the Company		**107.8**	89.9
Non-controlling interests		**0.4**	0.4
		108.2	90.3

Consolidated Balance Sheet

as at 31st December 2013

	Note	2013 US$m	2012 US$m
Net assets			
Intangible assets	8	**42.6**	42.1
Tangible assets	9	**1,440.5**	1,055.5
Associates	10	**110.8**	108.6
Other investments		**9.3**	7.2
Loans receivable	11	**–**	–
Pension assets	12	**14.4**	11.2
Deferred tax assets	13	**3.1**	4.7
Non-current assets		**1,620.7**	1,229.3
Stocks		**6.5**	6.3
Debtors and prepayments	14	**73.7**	78.2
Current tax assets		**1.0**	0.7
Cash at bank	15	**316.4**	453.7
Current assets		**397.6**	538.9
Creditors and accruals	16	**(147.0)**	(135.8)
Current borrowings	17	**(556.2)**	(9.7)
Current tax liabilities		**(12.1)**	(10.6)
Current liabilities		**(715.3)**	(156.1)
Net current (liabilities)/assets		**(317.7)**	382.8
Long-term borrowings	17	**(238.7)**	(580.5)
Deferred tax liabilities	13	**(65.5)**	(64.3)
Pension liabilities	12	**(0.6)**	(0.6)
Other non-current liabilities	25	**(3.5)**	(15.5)
		994.7	951.2
Total equity			
Share capital	20	**50.2**	50.0
Share premium	21	**186.6**	182.1
Revenue and other reserves		**752.2**	713.8
Shareholders' funds		**989.0**	945.9
Non-controlling interests		**5.7**	5.3
		994.7	951.2

Approved by the Board of Directors

Ben Keswick
Edouard Ettedgui
Directors
6th March 2014

Consolidated Statement of Changes in Equity

for the year ended 31st December 2013

	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
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**
2012									
At 1st January	49.8	179.7	278.7	432.1	(16.1)	(13.5)	910.7	4.9	915.6
Total comprehensive income	–	–	–	70.4	3.2	16.3	89.9	0.4	90.3
Dividends paid by the Company	–	–	–	(59.9)	–	–	(59.9)	–	(59.9)
Issue of shares	0.2	2.4	–	–	–	–	2.6	–	2.6
Employee share option schemes	–	–	2.6	–	–	–	2.6	–	2.6
At 31st December	50.0	182.1	281.3	442.6	(12.9)	2.8	945.9	5.3	951.2

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US$96.3 million (2012: US$70.7 million), net fair value gain on other investments of US$0.2 million (2012: nil) and net actuarial gain on employee benefit plans of US$4.7 million (2012: loss of US$0.3 million). Cumulative net actuarial gain on employee benefit plans amounted to US$10.9 million (2012: US$6.2 million).

Consolidated Cash Flow Statement

for the year ended 31st December 2013

	Note	2013 US$m	2012 US$m restated
Operating activities			
Operating profit	2	**111.8**	83.9
Depreciation	9	**57.4**	50.7
Amortization of intangible assets	8	**2.6**	2.9
Other non-cash items	24a	**(2.7)**	0.7
Movements in working capital	24b	**9.6**	5.1
Interest received		**1.7**	3.7
Interest and other financing charges paid		**(17.9)**	(14.4)
Tax paid		**(18.6)**	(16.0)
		143.9	116.6
Dividends and interest from associates		**13.0**	9.4
Cash flows from operating activities		**156.9**	126.0
Investing activities			
Purchase of tangible assets		**(35.9)**	(50.5)
Purchase of intangible assets		**(2.9)**	(4.5)
Acquisition of Paris freehold interest	28	**(381.7)**	(13.1)
Investment in and loan to associate	24c	**–**	(19.3)
Repayment of mezzanine loans		**–**	1.5
Purchase of other investments		**(1.8)**	(1.1)
Cash flows from investing activities		**(422.3)**	(87.0)
Financing activities			
Issue of shares		**2.8**	2.6
Drawdown of borrowings		**202.5**	7.0
Repayment of borrowings		**(3.1)**	(4.1)
Dividends paid by the Company	23	**(70.2)**	(59.9)
Cash flows from financing activities		**132.0**	(54.4)
Net decrease in cash and cash equivalents		**(133.4)**	(15.4)
Cash and cash equivalents at 1st January		**453.4**	469.1
Effect of exchange rate changes		**(4.3)**	(0.3)
Cash and cash equivalents at 31st December	24d	**315.7**	453.4

Principal Accounting Policies

A Basis of preparation

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

Standards, amendments and interpretations effective in 2013 which are relevant to the Group's operations:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (amended 2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures
Annual Improvements to IFRSs	2009 – 2011 Cycle

As set out on page 33, the only standard adopted that impacts the consolidated profit and loss account and balance sheet is IAS 19 (amended 2011).

IFRS 10 'Consolidated Financial Statements' replaces SIC Interpretation 12 'Consolidation – Special Purpose Entities' and most of IAS 27 'Consolidated and Separate Financial Statements'. It contains a new single consolidation model that identifies control as the basis for consolidation for all types of entities. It provides a definition of control that comprises the elements of power over an investee; exposure of rights to variable returns from an investee; and ability to use power to affect the reporting entity's returns.

IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly Controlled Entities – Non Monetary Contributions by Venturers'. Under IFRS 11, joint arrangements are classified as either joint operations (whereby the parties that have joint control have rights to the assets and obligations for the liabilities of the joint arrangements) or joint ventures (whereby the parties that have joint control have rights to the net assets of the joint arrangements). Joint operations are accounted for by showing the party's interest in the assets, liabilities, revenue and expenses, and/or its relative share of jointly controlled assets, liabilities, revenue and expenses, if any. Accounting for joint ventures is now covered by IAS 28 (2011) as proportionate consolidation is no longer permitted.

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

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

Principal Accounting Policies *Continued*

A Basis of preparation *continued*

Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' focus on disclosures of quantitative information about recognized financial instruments that are offset in the balance sheet, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

Amendments to IFRSs 10, 11 and 12 on transition guidance provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.

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

IAS 19 (amended 2011) 'Employee Benefits' requires, for defined benefit plans, the assumed return on plan assets recognized in the profit and loss to be the same as the rate used to discount the defined benefit obligation. Previously, the Group determined income on plan assets based on their long-term rate of expected return. It also requires past service costs to be recognized immediately in profit or loss. Additional disclosures are required to present the characteristics of defined benefit plans, the amount recognized in the financial statements, and the risks arising from defined benefit plans and multi-employer plans. The Group has applied the amended standard retrospectively and the comparative financial statements have been restated in accordance with the transition provisions of the standard. Details of the effect of the change are set out on page 33.

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

IAS 28 (2011) 'Investments in Associates and Joint Ventures' supersedes IAS 28 (2008) and prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Annual improvements to IFRS 2009 – 2011 Cycle comprises a number of non-urgent but necessary amendments to IFRSs. The amendments which are relevant to the Group's operations include the following:

Amendment to IAS 1 'Presentation of Financial Statements' clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period – that is, the opening position. No notes are required to support this balance sheet. When management provides additional comparative information voluntarily – for example, profit and loss account, balance sheet – it should present the supporting notes to these additional statements.

Amendment to IAS 16 'Property, Plant and Equipment' clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The previous wording of IAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, this equipment used for more than one period is classified as property, plant and equipment.

A Basis of preparation *continued*

Amendment to IAS 32 'Financial Instruments: Presentation' clarifies that income tax related to profit distributions is recognized in the profit and loss account, and income tax related to the costs of equity transactions is recognized in equity. Prior to the amendment, IAS 32 was ambiguous as to whether the tax effects of distributions and the tax effects of equity transactions should be accounted for in the profit and loss account or in equity.

Amendment to IAS 34 'Interim Financial Reporting' clarifies the disclosure requirements for segment assets and liabilities in interim financial statements. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

The effects of adopting IAS 19 (amended 2011) on the current financial year are not material and those on the comparative financial statements were as follows:

a) On the consolidated profit and loss for the year ended 31st December 2012

	Increase/ (decrease) in profit US$m
Administrative expense	(2.0)
Tax	0.4
Profit after tax	(1.6)
Attributable to:	
Shareholders of the Company	(1.6)
Non-controlling interests	–
	(1.6)
Basic earnings per share (US¢)	(0.16)
Diluted earnings per share (US¢)	(0.16)

b) On the consolidated statement of comprehensive income for the year ended 31st December 2012

	Increase/ (decrease) in total comprehensive income US$m
Profit after tax	(1.6)
Remeasurement of defined benefit plans	2.0
Tax on items that will not be reclassified	(0.4)
Total comprehensive income for the year	–
Attributable to:	
Shareholders of the Company	–
Non-controlling interests	–
	–

There was no impact on the consolidated balance sheet as at 31st December 2012 and 2011.

The adoption does not have any effect on the consolidated cash flows.

Principal Accounting Policies *Continued*

A Basis of preparation *continued*

The following standards and amendments which are effective after 2013, are relevant to the Group's operations and yet to be adopted:

IFRS 9	Financial Instruments
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
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
Annual Improvements to IFRSs	2010 – 2012 Cycle
	2011 – 2013 Cycle

The Group is currently assessing the impact of these new standards and amendments but expects their adoption will not have a material effect on the consolidated profit and loss account and balance sheet, although there will be additional disclosures in respect of Amendments to IAS 36.

IFRS 9 'Financial Instruments' is the first standard issued as part of a wider project to replace IAS 39. It is effective for annual periods beginning on or after 1st January 2015. However, on 24th July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 and that the mandatory effective date should be left open pending the finalization of the impairment and classification and measurement requirements. It is likely that the standard will be effective no earlier than 2017 and the Group will adopt the standard from its effective date.

IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities, to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 'Remeasurement of Embedded Derivatives'.

IFRS 9 (2013) aligns hedge accounting more closely with risk management. It also establishes a more principles-based approach to hedge accounting, particularly in respect of assessing hedge effectiveness and assessing what qualifies as a hedged item.

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. The amendments are effective for periods beginning on or after 1st July 2014 and the Group will adopt the amendments from the effective date.

Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (effective 1st January 2014) 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'. The Group will adopt the amendments from 1st January 2014.

A Basis of preparation *continued*

Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets' (effective 1st January 2014) 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. The Group will adopt the amendments from 1st January 2014.

Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' (effective 1st January 2014) provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Group will adopt the amendments from 1st January 2014.

IFRIC 21 'Levies' (effective 1st January 2014) 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. The Group will apply the interpretation from 1st January 2014.

Annual Improvements to IFRSs 2010 – 2012 Cycle comprise a number of non-urgent but necessary amendments. The amendments, effective for periods beginning on or after 1st July 2014, which are relevant to the Group's operations include the following:

Amendment to IFRS 2 'Share-based Payment' clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

Amendment to IFRS 3 'Business Combinations' clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 'Financial Instruments: Presentation'. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss.

Amendment to IFRS 8 'Operating Segments' requires disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

Amendment to IAS 24 'Related Party Disclosures' includes, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

Annual Improvements to IFRSs 2011 – 2013 Cycle comprise a number of non-urgent but necessary amendments. The amendments, which are largely effective for periods beginning or after 1st July 2014, which are relevant to the Group's operations include the following:

IFRS 3 'Business Combinations' clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

Principal Accounting Policies *Continued*

A Basis of preparation *continued*

IFRS 13 'Fair Value Measurement' clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts within the scope of IAS 39 or IFRS 9.

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.

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.

Principal Accounting Policies *Continued*

E Intangible assets *continued*

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

iv) Development costs directly attributable to hotel projects under development, including borrowing costs, which are capitalized to the extent that such expenditure is expected to generate future economic benefits and upon completion of the project are included in non-current assets. Capitalized development costs are amortized over the term of the management contracts.

F Tangible fixed assets and depreciation

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

Depreciation of tangible fixed assets is calculated on the straight line basis to allocate the cost or valuation of each asset to its residual value over its estimated useful life. The residual values and useful lives are reviewed at each balance sheet date. The estimated useful lives are as follows:

Freehold and long leasehold buildings	21 years to 150 years
Properties on leases with less than 20 years	over unexpired period of lease
Surfaces, finishes and services 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.

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.

Principal Accounting Policies *Continued*

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

The Group has an equity settled Senior Executive Share Incentive Scheme in order to provide selected executives with options to purchase ordinary shares in the Company.

The fair value of the employee services received in exchange for the grant of the options in respect of options granted after 7th November 2002 is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted as determined on the grant date. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognized in profit and loss.

R Derivative financial instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment (cash flow hedge), or a hedge of a net investment in a foreign entity.

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

Principal Accounting Policies *Continued*

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 Non-trading items

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading include items such as gains on disposals, provisions against asset impairment and other material items which are non-recurring in nature that require disclosure in order to provide additional insight into underlying business performance.

U Earnings per share

Basic earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year. The weighted average number excludes the Company shares held by the Trustee under the Senior Executive Share Incentive Schemes. For the purpose of calculating diluted earnings per share, profit attributable to shareholders is adjusted for the effects of the conversion of dilutive potential ordinary shares 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 Senior Executive Share Incentive Schemes based on the average share price during the year.

V Dividends

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

W Revenue recognition

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

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

X Pre-operating costs

Pre-operating costs are expensed as they are incurred.

Y Segment reporting

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

Financial Risk Management

A Financial risk factors

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

The Group's treasury function co-ordinates, under the directions of the Board of Mandarin Oriental Hotel Group International Limited, financial risk management policies and their implementation. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimize the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps and caps, and forward foreign exchange contracts as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in 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 2013 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 2013 and 2012, the Group's principal foreign exchange exposure was with the Euro (2013) and Hong Kong dollar (2012). At 31st December 2013, 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$0.2 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$0.2 million lower/higher. At 31st December 2012, if the United States dollar had strengthened/weakened by 10% against the Hong Kong dollar with all other variables unchanged, the Group's profit after tax would have been US$0.1 million higher/lower, arising from foreign exchange gains/losses taken on translation. The impact on amounts attributable to shareholders of the Company would have been US$0.1 million higher/lower. 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 2013 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 2013 the Group's interest rate hedge was 41% (2012: 44%), with an average tenor of 1.3 years (2012: 2.2 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 2013, 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$2.4 million lower/higher (2012: US$0.9 million higher/lower), and hedging reserves would have been US$2.2 million (2012: US$4.0 million) higher/lower, as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. There is no significant 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 2013, 96% (2012: 98%) 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 2013, there was no positive fair value of derivative financial instruments (2012: 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 2013, total available borrowing facilities amounted to US$882 million (2012: US$881 million) of which US$795 million (2012: US$590 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities totalled US$87 million (2012: US$288 million), in addition to net cash balances of US$316 million. There was no undrawn uncommitted facilities (2012: US$3 million).

The average tenor of the Group's borrowings was 1.1 years (2012: 2.1 years), with US$643 million of committed facilities due to mature before the end of 2014. The Group is in advanced discussions with its key relationship banks regarding refinancing US$584 million of the committed facilities due to mature within the year, comprising a US$132 million facility in London, and US$452 million of syndicated facilities in Hong Kong. Both the London and Hong Kong facilities are secured against hotels in prime city centre locations. Based on the Group's history of its ability to obtain external financing, its operating performance and strong balance sheet, the Group is confident that it will complete the refinancing of these bank facilities before their expiry.

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 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**
At 31st December 2012							
Borrowings	22.9	552.3	31.5	2.2	2.5	2.9	614.3
Creditors	130.5	–	–	–	–	–	130.5
Net settled derivative financial instruments	7.2	5.2	1.3	1.2	0.5	–	15.4

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 2013 and 2012 based on IFRS balance sheets are as follows:

	2013	2012 restated
Gearing ratio	**48%**	14%
Interest cover	**8.2**	8.8

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 interest rate swaps and caps and forward foreign exchange contracts have been determined using rates quoted by the Group's bankers at the balance sheet date which are calculated by reference to the market interest rates and foreign exchange rates.

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 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
2013				
Assets				
Available-for-sale financial assets – unlisted investments	–	3.1	6.2	**9.3**
Liabilities				
Derivatives used for hedging	–	(7.0)	–	**(7.0)**
2012				
Assets				
Available-for-sale financial assets – unlisted investments	–	2.4	4.8	7.2
Liabilities				
Derivatives used for hedging	–	(15.5)	–	(15.5)

There were no transfers among the three categories during the year ended 31st December 2013.

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 2013 US$m	Available-for-sale financial assets 2012 US$m
At 1st January	**4.8**	3.7
Additions	**1.4**	1.1
At 31st December	**6.2**	4.8

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

	Loans and receivables US$m	Derivatives US$m	Available-for-sale US$m	Other financial liabilities at amortized cost US$m	Total carrying amount US$m	Fair value US$m
2013						
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**
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)**
2012						
Other investments	–	–	7.2	–	7.2	7.2
Debtors	53.0	–	–	–	53.0	53.0
Bank balances and other liquid funds	453.7	–	–	–	453.7	453.7
	506.7	–	7.2	–	513.9	513.9
Other non-current liabilities	–	(15.5)	–	–	(15.5)	(15.5)
Borrowings	–	–	–	(590.2)	(590.2)	(590.2)
Trade and other payables excluding non-financial liabilities	–	–	–	(130.5)	(130.5)	(130.5)
	–	(15.5)	–	(720.7)	(736.2)	(736.2)

Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

A Impairment of assets

The Group tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. Other assets such as development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of its fair value less cost to sell and its value in use, calculated on the basis of management's assumptions and estimates. Changing the key assumptions, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value-in-use calculations.

B Tangible fixed assets and depreciation

Management determines the estimated useful lives and related depreciation charges for the Group's tangible fixed assets. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

C Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilized. The outcome of their actual utilization may be different.

D Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension 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

	2013 US$m	2012 US$m
Analysis by geographical area		
– Hong Kong	**245.9**	238.8
– Other Asia	**131.6**	140.9
– Europe	**226.0**	208.8
– The Americas	**65.1**	59.8
	668.6	648.3
Analysis by activity		
– Hotel ownership	**637.8**	619.6
– Hotel management	**62.7**	59.9
– Less: Intra-segment revenue	**(31.9)**	(31.2)
	668.6	648.3

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 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

	2013 US$m	2012 US$m restated
Analysis by geographical area		
– Hong Kong	**83.0**	84.3
– Other Asia	**30.1**	25.8
– Europe	**54.8**	23.4
– The Americas	**3.9**	2.5
Underlying EBITDA from subsidiaries	**171.8**	136.0
Writeback of provisions against asset impairment (refer note 7)	**–**	1.5
EBITDA from subsidiaries	**171.8**	137.5
Less depreciation and amortization	**(60.0)**	(53.6)
Operating profit	**111.8**	83.9
Analysis by activity		
– Hotel ownership	**150.3**	115.8
– Hotel management	**21.5**	21.7
EBITDA from subsidiaries	**171.8**	137.5
– Hotel ownership	**92.8**	64.9
– Hotel management	**19.0**	19.0
Operating profit	**111.8**	83.9
The following items have been (credited)/charged in arriving at operating profit:		
Rental income (refer note 9)	**(19.3)**	(11.9)
Interest income from mezzanine loans	**–**	(0.7)
Amortization of intangible assets (refer note 8)	**2.6**	2.9
Depreciation of tangible assets (refer note 9)	**57.4**	50.7
Impairment of debtors	**0.4**	(0.7)
Employee benefit expense		
– Salaries and benefits in kind	**245.4**	237.6
– Share options granted	**2.6**	2.6
– Defined benefit pension plans (refer note 12)	**4.8**	3.5
– Defined contribution pension plans	**0.6**	0.8
	253.4	244.5
Net foreign exchange (gains)/losses	**(2.7)**	0.8
Operating leases		
– Minimum lease payments	**6.3**	22.0
– Contingent rents	**6.1**	6.7
– Subleases	**(0.3)**	(0.2)
	12.1	28.5
Auditors' remuneration		
– Audit	**1.5**	1.3
– Non-audit services	**1.1**	1.2
	2.6	2.5
Operating profit included the following non-trading items:		
– Writeback of provisions against asset impairment (refer note 7)	**–**	(1.5)

Notes to the Financial Statements *Continued*

3 Net financing charges

	2013 US$m	2012 US$m
Interest expense		
– Bank loans	**(16.1)**	(13.8)
Commitment and other fees	**(1.4)**	(0.8)
Financing charges	**(17.5)**	(14.6)
Interest income	**1.7**	3.5
Net financing charges	**(15.8)**	(11.1)

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
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**
2012						
Analysis by geographical area						
– Other Asia	32.1	(9.1)	23.0	(1.9)	(4.6)	16.5
– The Americas	4.5	(2.8)	1.7	(2.5)	(0.2)	(1.0)
	36.6	(11.9)	24.7	(4.4)	(4.8)	15.5
Non-trading item						
– Writeback of provisions against asset impairment	–	–	–	–	–	–
	36.6	(11.9)	24.7	(4.4)	(4.8)	15.5
Analysis by activity						
– Hotel ownership	35.3	(11.2)	24.1	(4.2)	(4.7)	15.2
– Other	1.3	(0.7)	0.6	(0.2)	(0.1)	0.3
	36.6	(11.9)	24.7	(4.4)	(4.8)	15.5

5 Tax

	2013 US$m	2012 US$m restated
Tax charged to profit and loss is analyzed as follows:		
– Current tax	**19.7**	15.7
– Deferred tax (refer note 13)	**0.1**	1.6
	19.8	17.3
Analysis by geographical area		
– Hong Kong	**11.7**	11.3
– Other Asia	**1.7**	2.0
– Europe	**6.3**	4.1
– The Americas	**0.1**	(0.1)
	19.8	17.3
Analysis by activity		
– Hotel ownership	**14.8**	12.2
– Hotel management	**5.0**	5.1
	19.8	17.3
Reconciliation between tax expense and tax at the applicable tax rate*:		
Tax at applicable tax rate	**12.5**	6.9
Expenses not deductible for tax purposes	**3.4**	2.9
Tax losses not recognized	**2.1**	6.3
Withholding tax	**1.3**	1.1
Over provision in prior years	**(0.1)**	(0.7)
Other	**0.6**	0.8
	19.8	17.3
Tax relating to components of other comprehensive income is analyzed as follows:		
Remeasurements of employee benefit plans	**(0.9)**	–
Revaluation of other investment	**(0.1)**	–
Cash flow hedges	**(1.5)**	(0.8)
	(2.5)	(0.8)

Share of tax charge of associates of US$3.7 million (2012: US$4.8 million) is included in share of results of associates (refer note 4).

*The applicable tax rate for the year was 13% (2012: 10%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The increase 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$96.3 million (2012: US$70.7 million) and on the weighted average number of 1,002.0 million (2012: 998.9 million) shares in issue during the year (refer principal accounting policy (U)).

Diluted earnings per share are calculated on profit attributable to shareholders of US$96.3 million (2012: US$70.7 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 1,003.9 million (2012: 1,001.1 million) shares in issue during the year (refer principal accounting policy (U)).

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

	Ordinary shares in millions	
	2013	2012
Weighted average number of shares in issue	**1,002.0**	999.3
Shares held by the Trustee under the Senior Executive Share Incentive Schemes	**–**	(0.4)
Weighted average number of shares for basic earnings per share calculation	**1,002.0**	998.9
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**1.9**	2.2
Weighted average number of shares for diluted earnings per share calculation	**1,003.9**	1,001.1

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

		2013			2012	
	US$m	**Basic earnings per share US¢**	**Diluted earnings per share US¢**	US$m restated	Basic earnings per share US¢ restated	Diluted earnings per share US¢ restated
Profit attributable to shareholders	**96.3**	**9.61**	**9.59**	70.7	7.08	7.06
Non-trading items (refer note 7)	**(3.1)**	**(0.31)**	**(0.31)**	(1.5)	(0.15)	(0.15)
Underlying profit attributable to shareholders	**93.2**	**9.30**	**9.28**	69.2	6.93	6.91

7 Non-trading items

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

	2013 US$m	2012 US$m
Writeback of provisions against asset impairment	**3.1**	1.5

8 Intangible assets

	Goodwill US$m	Leasehold land US$m	Computer software US$m	Development costs US$m	Total US$m
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**
2012					
Cost	23.9	6.5	15.3	9.4	55.1
Amortization and impairment	–	(1.5)	(11.4)	(2.1)	(15.0)
Net book value at 1st January	23.9	5.0	3.9	7.3	40.1
Additions	–	–	2.5	2.4	4.9
Amortization	–	(0.2)	(2.4)	(0.3)	(2.9)
Net book value at 31st December	23.9	4.8	4.0	9.4	42.1
Cost	23.9	6.5	16.7	11.9	59.0
Amortization and impairment	–	(1.7)	(12.7)	(2.5)	(16.9)
	23.9	4.8	4.0	9.4	42.1

Management has performed an impairment review of the carrying amount of goodwill at 31st December 2013. 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 3% to 10% 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
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**
2012					
Cost	354.0	719.9	94.3	263.0	1,431.2
Depreciation and impairment	(51.0)	(130.6)	(54.1)	(157.5)	(393.2)
Net book value at 1st January	303.0	589.3	40.2	105.5	1,038.0
Exchange differences	10.3	7.8	0.4	(0.2)	18.3
Additions	2.0	29.7	4.4	13.9	50.0
Disposals	–	–	–	(0.1)	(0.1)
Depreciation charge	(3.7)	(16.6)	(6.5)	(23.9)	(50.7)
Net book value at 31st December	311.6	610.2	38.5	95.2	1,055.5
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)
	311.6	610.2	38.5	95.2	1,055.5

Freehold properties include a property of US$98.6 million (2012: US$99.8 million), which is stated net of tax increment financing of US$24.7 million (2012: US$25.6 million) (refer note 18).

Net book value of leasehold properties acquired under finance leases amounted to US$184.1 million (2012: US$184.5 million).

Rental income from properties and other tangible assets amounted to US$19.3 million (2012: US$11.9 million) (refer note 2).

During the year, leasehold properties of US$25.1 million have 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:

	2013 US$m	2012 US$m
Within one year	**20.0**	12.5
Between one and two years	**20.4**	10.6
Between two and five years	**55.5**	19.7
	95.9	42.8

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	**10.1**	10.0
– Other Asia	**2.0**	3.5
– Europe	**413.5**	33.7
– The Americas	**3.0**	2.8
	428.6	50.0
Analysis of additions by activity		
– Hotel ownership	**427.3**	49.4
– Hotel management	**1.3**	0.6
	428.6	50.0
Analysis of depreciation by geographical area		
– Hong Kong	**(15.7)**	(15.9)
– Other Asia	**(10.2)**	(10.0)
– Europe	**(27.3)**	(20.9)
– The Americas	**(4.2)**	(3.9)
	(57.4)	(50.7)
Analysis of depreciation by activity		
– Hotel ownership	**(56.4)**	(49.5)
– Hotel management	**(1.0)**	(1.2)
	(57.4)	(50.7)

Notes to the Financial Statements *Continued*

10 Associates

	2013 US$m	2012 US$m
Listed associate – OHTL	**19.6**	20.3
Unlisted associates	**85.7**	88.3
Share of attributable net assets	**105.3**	108.6
Notional goodwill	**5.5**	–
	110.8	108.6
Movements of associates during the year:		
At 1st January	**108.6**	78.4
Share of results after tax and non-controlling interests	**20.6**	15.5
Share of other comprehensive income after tax and non-controlling interests	**(5.4)**	4.8
Dividends received	**(13.0)**	(9.4)
Investment in and loan to associate (refer note 24c)	**–**	19.3
	110.8	108.6

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 2013 and 2012:

Name of entity	Nature of business	Country of incorporation/ principal place of business	% of ownership interest 2013	2012
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 2013, the fair value of the Group's interest in OHTL, which is listed on the Thailand Stock Exchange, was US$77.2 million (2012: US$81.1 million) and the carrying amount of the Group's interest was US$25.1 million (2012: US$20.3 million).

The Group's associates had capital commitments of US$8.6 million as at 31st December 2013 (2012: US$6.8 million). There were no contingent liabilities relating to the Group's interest in associates as at 31st December 2013.

10 Associates *continued*

Summarized financial information for material associates

Summarized balance sheet at 31st December

	OHTL		Marina Bay Hotel		Total	
	2013 US$m	2012 US$m	**2013 US$m**	2012 US$m	**2013 US$m**	2012 US$m
Non-current assets	**60.7**	67.3	**141.0**	153.2	**201.7**	220.5
Current assets						
Cash and cash equivalents	**8.3**	8.3	**8.4**	10.6	**16.7**	18.9
Other current assets	**4.8**	5.7	**3.9**	4.9	**8.7**	10.6
Total current assets	**13.1**	14.0	**12.3**	15.5	**25.4**	29.5
Non-current liabilities						
Financial liabilities	**–**	(14.7)	**(34.8)**	(49.1)	**(34.8)**	(63.8)
Other non-current liabilities	**(4.0)**	(4.3)	**(3.7)**	(4.3)	**(7.7)**	(8.6)
Total non-current liabilities	**(4.0)**	(19.0)	**(38.5)**	(53.4)	**(42.5)**	(72.4)
Current liabilities						
Financial liabilities (excluding trade payables)	**(23.1)**	(10.9)	**(10.8)**	(10.8)	**(33.9)**	(21.7)
Other current liabilities (including trade payables)	**(5.5)**	(6.3)	**(9.2)**	(10.1)	**(14.7)**	(16.4)
Total current liabilities	**(28.6)**	(17.2)	**(20.0)**	(20.9)	**(48.6)**	(38.1)
Non-controlling interests	**–**	–	**–**	–	**–**	–
Net assets	**41.2**	45.1	**94.8**	94.4	**136.0**	139.5

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

	OHTL		Marina Bay Hotel		Total	
	2013 US$m	2012 US$m	**2013 US$m**	2012 US$m	**2013 US$m**	2012 US$m
Revenue	**73.9**	72.3	**85.8**	89.0	**159.7**	161.3
Depreciation and amortization	**(6.3)**	(6.3)	**(7.7)**	(7.5)	**(14.0)**	(13.8)
Interest income	**0.2**	0.1	**–**	–	**0.2**	0.1
Interest expense	**(0.5)**	(0.7)	**(0.9)**	(1.0)	**(1.4)**	(1.7)
Profit from underlying business performance	**17.9**	16.0	**20.3**	22.2	**38.2**	38.2
Income tax expense	**(2.2)**	(3.5)	**(3.7)**	(4.4)	**(5.9)**	(7.9)
Profit after tax from business performance	**15.7**	12.5	**16.6**	17.8	**32.3**	30.3
Profit after tax from non-trading items	**6.8**	–	**–**	–	**6.8**	–
Profit after tax	**22.5**	12.5	**16.6**	17.8	**39.1**	30.3
Other comprehensive income	**(2.8)**	1.4	**(3.7)**	6.3	**(6.5)**	7.7
Total comprehensive income	**19.7**	13.9	**12.9**	24.1	**32.6**	38.0
Dividends received from associates	**9.1**	4.6	**12.5**	14.6	**21.6**	19.2

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.

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	
	2013 US$m	2012 US$m	**2013 US$m**	2012 US$m	**2013 US$m**	2012 US$m
Operating net assets at 1st January	**45.1**	35.8	**94.4**	84.9	**139.5**	120.7
Profit for the year	**22.5**	12.5	**16.6**	17.8	**39.1**	30.3
Other comprehensive income	**(2.8)**	1.4	**(3.7)**	6.3	**(6.5)**	7.7
Other movements	**(23.6)**	(4.6)	**(12.5)**	(14.6)	**(36.1)**	(19.2)
Closing net assets	**41.2**	45.1	**94.8**	94.4	**136.0**	139.5
Effective interest in associates (%)*	**47.6**	44.9	**50.0**	50.0		
Group's share of net assets in associates	**19.6**	20.3	**47.4**	47.2	**67.0**	67.5
Notional goodwill*	**5.5**	–	**–**	–	**5.5**	–
Carrying value	**25.1**	20.3	**47.4**	47.2	**72.5**	67.5

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.

	2013 US$m	2012 US$m
Share of profit	**2.0**	1.0
Share of other comprehensive income	**(2.2)**	1.0
Carrying amount of interests in these associates	**38.3**	41.1

*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

	2013 US$m	2012 US$m
At 1st January	–	–
Exchange differences	–	–
Repayment	–	(1.5)
Writeback of provisions against loans receivable	–	1.5
At 31st December	–	–

As at 31st December 2013, 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 increases.

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:

	2013 US$m	2012 US$m
Fair value of plan assets	71.9	68.5
Present value of funded obligations	(58.1)	(57.9)
Net pension assets	13.8	10.6
Analysis of net pension assets		
Pension assets	14.4	11.2
Pension liabilities	(0.6)	(0.6)
	13.8	10.6

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
2013			
At 1st January – as restated	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**
2012			
At 1st January – as restated	62.4	(50.1)	12.3
Current service cost	–	(3.8)	(3.8)
Interest income/(expense)	2.8	(2.2)	0.6
Past service cost and losses on settlements	–	(0.1)	(0.1)
	65.2	(56.2)	9.0
Exchange differences	0.3	(0.2)	0.1
Administration expenses	(0.2)	–	(0.2)
Remeasurements			
– return on plan assets, excluding amounts included in interest income/(expense)	4.7	–	4.7
– change in financial assumptions	–	(3.3)	(3.3)
– experience losses	–	(1.7)	(1.7)
	4.7	(5.0)	(0.3)
Contributions from employers	2.0	–	2.0
Contributions from plan participants	0.8	(0.8)	–
Benefit payments	(4.2)	4.2	–
Transfer (to)/from other plans	(0.1)	0.1	–
At 31st December – as restated	68.5	(57.9)	10.6

12 Pension plans *continued*

The weighted average duration of the defined benefit obligation at 31st December 2013 is 5.6 years.

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

	2013 US$m
Less than a year	5.4
Between one and two years	9.0
Between two and five years	27.7
Beyond five years	92.4
	134.5

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

	Hong Kong	
	2013 %	2012 %
Discount rate	4.4	3.4
Salary growth rate	5.0	5.0

As the participants of the plans relating to employees in Hong Kong usually take one-off lump sum amounts from the plans upon retirement, mortality is not a significant 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%	3.1	(2.9)

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 statement of financial position.

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
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

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
2012					
Quoted investments					
Equity instruments	15.4	–	–	–	15.4
Debt instruments					
– government	–	–	–	–	–
– corporate bonds					
– investment grade	–	–	–	–	–
– non-investment grade	–	–	–	–	–
	–	–	–	–	–
	–	–	–	–	–
Investment funds	1.3	5.9	8.5	1.5	17.2
	16.7	5.9	8.5	1.5	32.6
Unquoted investments					
Equity instruments	–	–	–	–	–
Debt instruments					
– government	2.1	6.4	3.1	0.8	12.4
– corporate bonds					
– investment grade	0.2	1.6	4.6	0.1	6.5
– non-investment grade	–	–	0.2	–	0.2
	0.2	1.6	4.8	0.1	6.7
	2.3	8.0	7.9	0.9	19.1
Investment funds	–	–	–	16.7	16.7
	2.3	8.0	7.9	17.6	35.8
Total investments	19.0	13.9	16.4	19.1	68.4
Cash and cash equivalents					0.1
					68.5

The defined benefit plans in Hong Kong have strategic asset allocation for its closed plans. The closed plans have an equity/debt allocation of 60/40 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 the first quarter of 2013.

12 Pension plans *continued*

As at 31st December 2013, the assets for the Hong Kong plans were invested in 52% developed and 48% emerging economies, a shift from 46% and 54% respectively in 2012. In 2013, 54% and 46% of the investments were in quoted and unquoted instruments respectively. In 2012, the split was 48% and 52% respectively. The high percentage of quoted instruments provides liquidity to the portfolio 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, properties and technology with a combined fair value of US$7.0 million. In 2012 the top three sectors were financials, industrials, and properties with a combined fair value of US$8.1 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 providing 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 first quarter of 2013. As a Group, we 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.

Changes 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 2013 was US$2.5 million and the estimated amount of contributions expected to be paid to all its plans in 2014 is US$2.5 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
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**
2012							
At 1st January	60.6	(3.5)	(4.7)	2.0	1.4	0.6	56.4
Exchange differences	0.8	–	–	(0.1)	0.1	–	0.8
Charged/(credited) to profit and loss	(1.5)	–	3.1	(0.3)	0.2	0.1	1.6
Charged to other comprehensive income	–	0.8	–	–	–	–	0.8
At 31st December	59.9	(2.7)	(1.6)	1.6	1.7	0.7	59.6
Deferred tax assets	–	(2.7)	(1.6)	(0.2)	–	(0.2)	(4.7)
Deferred tax liabilities	59.9	–	–	1.8	1.7	0.9	64.3
	59.9	(2.7)	(1.6)	1.6	1.7	0.7	59.6

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$47.5 million (2012: US$47.6 million) arising from unused tax losses of US$200.0 million (2012: US$207.8 million) have not been recognized in the financial statements.

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

	2013 US$m	2012 US$m
Within one year	**1.5**	2.7
Between one and five years	**9.2**	7.2
Over five years	**6.3**	11.2
With no expiry dates	**30.5**	26.5
	47.5	47.6

Deferred tax assets of US$3.8 million (2012: US$5.2 million) have not been recognized in relation to temporary differences in subsidiaries.

Deferred tax liabilities of US$0.4 million (2012: US$0.4 million) arising on temporary differences associated with investments in subsidiaries of US$3.8 million (2012: US$3.8 million) have 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

	2013 US$m	2012 US$m
Trade debtors		
– third parties	**38.0**	36.8
– associates	**4.2**	4.7
	42.2	41.5
– provision for impairment	**(0.8)**	(1.4)
	41.4	40.1
Other debtors		
– third parties	**33.3**	39.8
– associates	**2.6**	2.2
	35.9	42.0
– provision for impairment	**(3.6)**	(3.9)
	32.3	38.1
	73.7	78.2
Analysis by geographical area of operation		
Hong Kong	**21.7**	20.4
Other Asia	**12.5**	13.5
Europe	**24.1**	30.9
The Americas	**15.4**	13.4
	73.7	78.2

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

	2013 US$m	2012 US$m
Fair value:		
Trade debtors	**41.4**	40.1
Other debtors*	**19.7**	12.9
	61.1	53.0

*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 2013, trade debtors of US$1.0 million (2012: US$1.9 million) and other debtors of US$3.7 million (2012: US$3.9 million) were impaired. The amounts of the provision were US$0.8 million (2012: US$1.4 million) and US$3.6 million (2012: US$3.9 million), respectively. It was assessed that a portion of the debtors is expected to be recovered. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2013 US$m	2012 US$m	**2013 US$m**	2012 US$m
Below 30 days	**–**	0.1	**0.1**	0.2
Between 31 and 60 days	**–**	0.2	**–**	–
Between 61 and 90 days	**–**	0.1	**–**	–
Over 90 days	**1.0**	1.5	**3.6**	3.7
	1.0	1.9	**3.7**	3.9

At 31st December 2013, trade debtors of US$7.0 million (2012: US$6.7 million) and other debtors of US$1.7 million (2012: US$0.9 million), respectively, were past due but not impaired. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2013 US$m	2012 US$m	**2013 US$m**	2012 US$m
Below 30 days	**2.3**	1.6	**0.9**	0.8
Between 31 and 60 days	**2.6**	2.6	**0.2**	0.1
Between 61 and 90 days	**1.2**	1.0	**0.2**	–
Over 90 days	**0.9**	1.5	**0.4**	–
	7.0	6.7	**1.7**	0.9

The risk of trade debtors and other debtors that are neither past due nor impaired at 31st December 2013 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	
	2013 US$m	2012 US$m	**2013 US$m**	2012 US$m
At 1st January	**(1.4)**	(1.8)	**(3.9)**	(4.0)
Additional provisions	**(0.1)**	(0.3)	**(0.5)**	(0.3)
Unused amounts reversed	**0.1**	0.6	**0.1**	0.4
Amounts written off	**0.6**	0.1	**0.7**	–
At 31st December	**(0.8)**	(1.4)	**(3.6)**	(3.9)

Notes to the Financial Statements *Continued*

14 Debtors and prepayments *continued*

Other debtors are further analyzed as follows:

	2013 US$m	2012 US$m
Other amounts due from associates	**2.6**	2.2
Other receivables	**17.1**	10.7
Financial assets	**19.7**	12.9
Prepayments	**7.3**	7.3
Rental and other deposits	**3.9**	17.4
Other	**1.4**	0.5
	32.3	38.1

No debtors and prepayments have been pledged as security.

15 Cash at bank

	2013 US$m	2012 US$m
Deposits with banks and financial institutions	**213.9**	381.4
Bank balances	**101.3**	71.0
Cash balances	**1.2**	1.3
	316.4	453.7
Analysis by currency		
Euro	**24.3**	7.5
Hong Kong dollar	**25.9**	15.9
Indonesian rupiah	**9.5**	7.3
Japanese yen	**12.1**	14.8
Swiss franc	**1.9**	0.7
United Kingdom sterling	**13.1**	9.7
United States dollar	**221.4**	389.5
Other	**8.2**	8.3
	316.4	453.7

The weighted average interest rate on deposits with banks and financial institutions is 0.6% (2012: 0.8%) per annum.

16 Creditors and accruals

	2013 US$m	2012 US$m
Trade creditors	**33.8**	35.4
Accruals	**75.3**	71.9
Rental and other refundable deposits	**12.1**	11.1
Derivative financial instruments (refer note 25)	**3.5**	–
Other creditors	**15.6**	12.1
Financial liabilities	**140.3**	130.5
Rental income received in advance	**2.2**	1.0
Other income received in advance	**4.5**	4.3
	147.0	135.8
Analysis by currency		
Euro	**17.3**	15.9
Hong Kong dollar	**56.4**	51.5
Japanese yen	**12.0**	15.2
Swiss franc	**8.1**	5.1
United Kingdom sterling	**14.5**	13.7
United States dollar	**32.2**	26.8
Other	**6.5**	7.6
	147.0	135.8

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

17 Borrowings

	2013 Carrying amount US$m	2013 Fair value US$m	2012 Carrying amount US$m	2012 Fair value US$m
Current				
– Bank overdrafts	**0.7**	**0.7**	0.3	0.3
Current portion of long-term borrowings				
– Bank loans	**549.0**	**549.0**	2.9	3.0
– Other borrowings	**6.5**	**6.5**	6.5	6.5
	555.5	**555.5**	9.4	9.5
Current borrowings	**556.2**	**556.2**	9.7	9.8
Long-term borrowings				
– Bank loans	**234.9**	**234.9**	576.6	576.6
– Other borrowings	**2.1**	**2.1**	2.2	2.2
– Tax increment financing (refer note 18)	**1.7**	**1.7**	1.7	1.7
Long-term borrowings	**238.7**	**238.7**	580.5	580.5
	794.9	**794.9**	590.2	590.3

The fair values are estimated using the expected future payments discounted at market interest rate of 0.9% (2012: 0.3%) per annum.

Notes to the Financial Statements *Continued*

17 Borrowings *continued*

	2013 US$m	2012 US$m
Secured	**555.3**	552.7
Unsecured	**239.6**	37.5
	794.9	590.2

Borrowings of US$555.3 million (2012: US$552.7 million) are secured against the tangible fixed assets of certain subsidiaries. The book value of these tangible fixed assets as at 31st December 2013 was US$644.0 million (2012: US$647.2 million).

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
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**
2012					
Euro	5.9	0.7	7.1	–	7.1
Hong Kong dollar	2.3	1.6	183.8	184.3	368.1
Swiss franc	1.5	19.0	2.3	51.4	53.7
United Kingdom sterling	3.0	1.5	32.6	97.9	130.5
United States dollar	6.0	4.3	1.7	–	1.7
Japanese yen	1.2	–	–	29.1	29.1
			227.5	362.7	590.2

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

17 Borrowings *continued*

The 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:

	2013 US$m	2012 US$m
Within one year	**785.2**	369.8
Between one and two years	**–**	216.4
Between two and three years	**–**	–
Between three and four years	**7.5**	–
Between four and five years	**–**	1.7
Beyond five years	**2.2**	2.3
	794.9	590.2

18 Tax increment financing

	2013 US$m	2012 US$m
Netted off against the net book value of the property (refer note 9)	**24.7**	25.6
Loan (refer note 17)	**1.7**	1.7
	26.4	27.3

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 (2012: 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.

	2013 US$m	2012 US$m
Analysis by geographical area		
– Hong Kong	**400.6**	406.3
– Other Asia	**139.4**	156.7
– Europe	**939.6**	527.9
– The Americas	**114.3**	115.3
	1,593.9	1,206.2

Notes to the Financial Statements *Continued*

20 Share capital

	Ordinary shares in millions 2013	Ordinary shares in millions 2012	2013 US$m	2012 US$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	**1,000.4**	997.3	**50.0**	49.9
Issued under share incentive schemes	**2.6**	3.1	**0.2**	0.1
At 31st December	**1,003.0**	1,000.4	**50.2**	50.0
Outstanding under share incentive schemes	**–**	(0.4)	**–**	–
At 31st December	**1,003.0**	1,000.0	**50.2**	50.0

21 Share premium

	2013 US$m	2012 US$m
At 1st January	**182.4**	180.1
Issued under share incentive schemes	**2.4**	2.3
Transfer	**1.8**	–
At 31st December	**186.6**	182.4
Outstanding under share incentive schemes	**–**	(0.3)
At 31st December	**186.6**	182.1

22 Senior Executive Share Incentive Schemes

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

The exercise price of the granted options is based on the average market price for the five trading days immediately preceding the date of grant of the options. Options are vested in tranches over a period of up to five years and are exercisable for up to ten years following the date of grant. Prior to the adoption of the 2005 Plan on 4th May 2005, ordinary shares were issued on the date of grant of the options to the Trustee of the Schemes, Mandarin Oriental Overseas (PTC) Limited, a wholly-owned subsidiary undertaking, which holds the ordinary shares until the options are exercised. Under the 2005 Plan, ordinary shares may be issued upon exercise of the options.

The shares issued under the Schemes held on trust by the wholly-owned subsidiary are, for presentation purposes, netted off the Company's share capital in the consolidated balance sheet (refer note 20) and the premium attached to them is netted off the share premium account (refer note 21).

22 Senior Executive Share Incentive Schemes *continued*

Movements during the year:

	2013 Weighted average exercise price US$	2013 Options in millions	2012 Weighted average exercise price US$	2012 Options in millions
At 1st January	**1.62**	**35.0**	1.51	32.0
Granted	**1.67**	**5.6**	1.71	7.1
Exercised	**1.09**	**(3.9)**	0.79	(3.3)
Repurchased and cancelled	**1.53**	**(0.2)**	1.76	(0.8)
At 31st December	**1.68**	**36.5**	1.62	35.0

The average share price during the year was US$1.65 (2012: US$1.47) per share.

Outstanding at 31st December:

		Ordinary shares in millions	
Expiry date	Exercise price US$	**2013**	2012
2015	0.8	**–**	0.4
2016	1.0-1.4	**1.0**	2.9
2017	1.9	**3.6**	3.5
2018	1.1-1.7	**7.6**	7.7
2019	0.7	**1.7**	2.0
2020	1.4	**4.7**	6.1
2021	2.1	**5.3**	5.3
2022	1.7	**7.1**	7.1
2023	1.7	**5.5**	–
Total outstanding		**36.5**	35.0
of which exercisable		**19.5**	17.3

The fair value of options granted during the year, determined using the Trinomial valuation model, was US$2.4 million (2012: US$2.6 million). The significant inputs into the model, based on the weighted average number of options issued, were share price of US$1.66 (2012: US$1.62) at the grant date, exercise price shown above, expected volatility based on the last seven years of 34% (2012: 30%), dividend yield of 4.3% (2012: 3.4%), option life disclosed above, and annual risk-free interest rate of 2.0% (2012: 2.0%). Options are assumed to be exercised at the end of the seventh year following the date of grant.

Notes to the Financial Statements *Continued*

23 Dividends

	2013 US$m	2012 US$m
Final dividend in respect of 2012 of US¢5.00 (2011: US¢4.00) per share	**50.1**	39.9
Interim dividend in respect of 2013 of US¢2.00 (2012: US¢2.00) per share	**20.1**	20.0
	70.2	59.9

A final dividend in respect of 2013 of US¢5.00 (2012: US¢5.00) per share amounting to a total of US$50.1 million (2012: 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 2014.

24 Notes to consolidated cash flow statement

a) Other non-cash items

	2013 US$m	2012 US$m restated
Writeback of provisions against asset impairment (refer note 2)	**–**	(1.5)
Net foreign exchange losses	**–**	0.8
Share-based payment	**2.6**	2.6
Operating lease adjustments	**(4.2)**	–
Others	**(1.1)**	(1.2)
	(2.7)	0.7

b) Movements in working capital

Increase in stocks	**(0.2)**	(0.4)
Increase in debtors and prepayments	**(6.3)**	(4.2)
Increase in creditors and accruals	**13.8**	8.3
Increase in pension obligations	**2.3**	1.4
	9.6	5.1

c) Investment in and loan to associate included a loan to Mandarin Oriental, New York of US$19.3 million in 2012.

d) Analysis of balances of cash and cash equivalents

Cash at bank (refer note 15)	**316.4**	453.7
Bank overdrafts (refer note 17)	**(0.7)**	(0.3)
	315.7	453.4

25 Derivative financial instruments

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

	2013		2012	
	Positive fair value US$m	Negative fair value US$m	Positive fair value US$m	Negative fair value US$m
Designated as cash flow hedges				
– interest rate swaps and caps	–	7.0	–	15.5
At 31st December	–	7.0	–	15.5
Non-current	–	3.5	–	15.5
Current (refer note 16)	–	3.5	–	–
At 31st December	–	7.0	–	15.5

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2013 were US$318.6 million (2012: US$249.1 million).

At 31st December 2013, the fixed interest rates relating to interest rate swaps and caps vary from 1.0% to 7.0% (2012: 2.9% to 7.0%).

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.2% to 1.1% (2012: 0.2% to 1.0%) per annum.

26 Financial guarantee

	2013 US$m	2012 US$m
Guarantee in respect of facilities made available to an associate	21.3	20.1

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

Notes to the Financial Statements *Continued*

27 Commitments

	2013 US$m	2012 US$m
Capital commitments:		
Authorized not contracted	**9.2**	8.8
Contracted not provided	**11.9**	14.9
	21.1	23.7
Operating lease commitments:		
Total commitments under operating leases		
– due within one year	**8.9**	20.6
– due between one and two years	**7.5**	20.5
– due between two and three years	**6.8**	19.8
– due between three and four years	**6.7**	19.4
– due between four and five years	**6.6**	19.4
– due beyond five years	**112.7**	332.5
	149.2	432.2

No future sublease payments are receivable relating to the above operating leases (2012: nil).

Operating lease commitments principally include payments in respect of the Group's hotel in Tokyo (2012: Tokyo and Paris).

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

28 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 February 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 have been recognized in the profit and loss account in February 2013. These include 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.

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 (2012: US$0.4 million) to Jardine Matheson Limited ('JML'), a subsidiary of JMH, being a fee of 0.5% of the Group's net profit in consideration for certain management consultancy services provided by JML. The Group has US$0.2 million payable to JML as at 31st December 2013 (2012: US$0.1 million).

During 2013, the Group managed five (2012: five) associate hotels and received management fees of US$15.2 million (2012: US$14.9 million) based on long-term management agreements on normal commercial terms. The outstanding balances with associates are set out in debtors and prepayment in note 14.

The Group uses Jardine Lloyd Thompson ('JLT'), an associate of JMH, to place certain of its insurance. Brokerage fees and commissions, net of rebates, paid by the Group in 2013 to JLT amounted to US$0.6 million (2012: US$0.6 million). The Group has no outstanding balance with JLT as at 31st December 2013 (2012: nil).

The Group provides hotel management services to Hongkong Land ('HKL'), a subsidiary of JSH. Total management fees received from HKL in 2013 amounted to US$3.0 million (2012: US$3.6 million), based on long-term management agreements on normal commercial terms.

Details of Directors' emoluments (being the key management personnel compensation) are shown on pages 88 and 89 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:

	2013 US$m	2012 US$m
Subsidiaries	794.3	864.2
Net current liabilities	(1.3)	(1.1)
Net operating assets	793.0	863.1
Share capital (refer note 20)	50.2	50.0
Share premium (refer note 21)	186.6	182.4
Revenue and other reserves	556.2	630.7
Shareholders' funds	793.0	863.1

Subsidiaries are shown at cost less amount provided.

Principal Subsidiaries, Associates and Managed Hotels

as at 31st December 2013

Principal country	Company name	Main activities	Attributable interest % 2013	Attributable interest % 2012	Proportion of ordinary shares and voting powers at 31st December 2013 held by the Group %	Proportion of ordinary shares and voting powers at 31st December 2013 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
Philippines	Manila Mandarin Hotel Incorporated	Owner: Mandarin Oriental, Manila	**96.2**	96.2	**96.2**	**3.8**	442 rooms. Lease expiry 2026
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**	197 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**	393 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		**–**	–	**–**	**–**	113 rooms
Macau	Grand Lapa, Macau		**–**	–	**–**	**–**	416 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
Czech Republic	Mandarin Oriental, Prague		**–**	–	**–**	**–**	99 rooms
Spain	Mandarin Oriental, Barcelona		**–**	–	**–**	**–**	98 rooms
United States	Mandarin Oriental, San Francisco		**–**	–	**–**	**–**	158 rooms
United States	Mandarin Oriental, Boston		**–**	–	**–**	**–**	148 rooms
United States	Mandarin Oriental, Las Vegas		**–**	–	**–**	**–**	392 rooms
United States	Mandarin Oriental, Atlanta		**–**	–	**–**	**–**	127 rooms
Bermuda	Elbow Beach, Bermuda		**–**	–	**–**	**–**	98 rooms

Independent Auditors' Report

To the members of Mandarin Oriental International Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements of Mandarin Oriental International Limited (the 'Company') and its subsidiaries (together the 'Group') which comprise the Consolidated Balance Sheet as at 31st December 2013 and the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of Section 90 of the Bermuda Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31st December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bermuda Companies Act.

Report on legal and regulatory requirements

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

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

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
United Kingdom
6th March 2014

Five Year Summary

Consolidated Profit and Loss Account

	2009 US$m	2010 US$m	2011 US$m	2012 US$m	**2013 US$m**
Revenue	438.0	513.2	614.2	648.3	**668.6**
Operating profit	22.8	63.3	87.3	83.9	**111.8**
Net financing charges	(15.2)	(13.1)	(12.0)	(11.1)	**(15.8)**
Share of results of associates and joint ventures	(4.8)	4.3	9.8	15.5	**20.6**
Gains on disposal of associate and joint venture	80.8	–	–	–	**–**
Profit before tax	83.6	54.5	85.1	88.3	**116.6**
Tax	(1.0)	(11.7)	(18.7)	(17.3)	**(19.8)**
Profit after tax	82.6	42.8	66.4	71.0	**96.8**
Profit attributable to shareholders	82.7	43.1	66.0	70.7	**96.3**
Underlying profit attributable to shareholders	11.8	43.1	57.5	69.2	**93.2**
Earnings per share (US¢)	8.40	4.35	6.63	7.08	**9.61**
Underlying earnings per share (US¢)	1.20	4.35	5.77	6.93	**9.30**
Dividends per share (US¢)	7.00	5.00	6.00	7.00	**7.00**

Consolidated Balance Sheet

Intangible assets	46.9	67.4	40.1	42.1	**42.6**
Tangible assets	976.6	985.6	1,038.0	1,055.5	**1,440.5**
Associates and joint ventures	68.4	77.9	78.4	108.6	**110.8**
Other investments	4.3	4.9	6.0	7.2	**9.3**
Loans receivable	3.1	4.7	–	–	**–**
Pension assets	16.5	19.3	12.5	11.2	**14.4**
Deferred tax assets	15.5	15.0	8.5	4.7	**3.1**
Net current assets/(liabilities)	413.5	385.3	394.9	382.8	**(317.7)**
Long-term borrowings	(557.1)	(574.5)	(578.5)	(580.5)	**(238.7)**
Deferred tax liabilities	(58.9)	(64.1)	(64.9)	(64.3)	**(65.5)**
Pension liabilities	(0.5)	(0.1)	(0.2)	(0.6)	**(0.6)**
Other non-current liabilities	(12.7)	(17.5)	(19.2)	(15.5)	**(3.5)**
Net operating assets	915.6	903.9	915.6	951.2	**994.7**
Share capital	49.4	49.8	49.8	50.0	**50.2**
Share premium	171.3	178.3	179.7	182.1	**186.6**
Revenue and other reserves	690.6	671.2	681.2	713.8	**752.2**
Shareholders' funds	911.3	899.3	910.7	945.9	**989.0**
Non-controlling interests	4.3	4.6	4.9	5.3	**5.7**
Total equity	915.6	903.9	915.6	951.2	**994.7**
Net asset value per share (US$)	0.92	0.90	0.91	0.95	**0.99**

Consolidated Cash Flow Statement

Cash flows from operating activities	81.3	114.2	146.3	126.0	**156.9**
Cash flows from investing activities	28.9	(81.4)	(65.0)	(87.0)	**(422.3)**
Net cash flow before financing activities	110.2	32.8	81.3	39.0	**(265.4)**
Cash flow per share from operating activities (US¢)	8.25	11.53	14.69	12.61	**15.66**

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
6th March 2014

Corporate Governance

Mandarin Oriental International Limited is incorporated in Bermuda. The Company was established as an Asian-based hotel group and has since extended its operations to key locations around the world. The Company's equity shares have a premium listing on the London Stock Exchange, and secondary listings in Bermuda and Singapore. A Special General Meeting has been convened for 8th April 2014 to seek shareholder approval for the transfer to a standard listing from a premium listing on the London Stock Exchange. The Company attaches importance to the corporate stability that is fundamental to the Group's ability to pursue its long-term development strategy. It is committed to high standards of governance. Its approach, however, developed over many years, differs from that envisaged by the UK Corporate Governance Code (the 'UK Code'), which was originally introduced as a guide for United Kingdom incorporated companies listed on the London Stock Exchange. As provided in the Listing Rules issued by the Financial Conduct Authority in the United Kingdom (the 'FCA'), the Company's premium listed status requires that this Report address how the main principles of the UK Code have been applied by the Company, and explain the reasons for the different approach adopted by the Company as compared to the UK Code's provisions. The Company's governance differs from that contemplated by provisions of the UK Code on board balance and refreshment, director independence, board evaluation procedures, nomination and remuneration committees and the appointment of a senior independent director.

The Management of the Group

The Company has its dedicated executive management under the Group Chief Executive. The Memorandum of Association of the Company, however, provides for the chairman of Jardine Matheson Holdings Limited ('Jardine Matheson') to be, or to appoint, the Managing Director of the Company. The managing director of Jardine Matheson has been so appointed. Reflecting this, and the 74% interest of the Jardine Matheson group in the Company's share capital, the Group Chief Executive and the Managing Director meet regularly. Similarly, the board of the Hong Kong-based Group management company, Mandarin Oriental Hotel Group International Limited ('MOHG'), and its finance committee are chaired by the Managing Director and include Group executives as well as the deputy managing director, the group finance director, the group strategy director and the group general counsel of Jardine Matheson.

The Board

The Company currently has a Board of 17 Directors: the Group Chief Executive and Chief Financial Officer; eight executives of Jardine Matheson; and seven non-executive Directors. Their names and brief biographies appear on pages 24 and 25 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The composition and operation of the Board reflect the Company's commitment to its long-term strategy, shareholding structure and tiered approach to oversight and management as described in this Report. These factors explain the balance on the Board between executive and non-executive Directors, the stability of the Board, the absence of nomination and remuneration committees and the conduct of Board evaluation procedures. The Board regards relevant business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. Accordingly the Board has not designated a 'senior independent director' as set out in the UK Code. Recommendations and decisions on remuneration result from consultations between the Chairman and other Directors as he considers appropriate.

Among the matters which the Board of the Company decides are the Group's business strategy, its annual budget, dividends and major corporate activities. Responsibility for implementing the Group's strategy is delegated to the Company's executive management, with decision-making authority within designated financial parameters delegated to the MOHG finance committee. In addition, as part of the Company's tiered approach to oversight and management, certain Directors of the Company who do not serve on the board of MOHG and who are based outside Asia make regular visits to Asia and Bermuda where they participate in four annual strategic reviews. All of these reviews precede the Board meetings. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge and close oversight of the Group's affairs reinforces the process by which business is reviewed before consideration by the Board.

The Board is scheduled to hold four meetings in 2014 and ad hoc procedures are adopted to deal with urgent matters. In 2013 one meeting was held in Bermuda and three were held in Asia. All current Directors who held office in 2013 attended all four Board meetings, save that Julian Hui, Simon Keswick, Lord Leach of Fairford, Lincoln K.K. Leong, Anthony Nightingale and Lord Powell of Bayswater attended three meetings. The Board receives high quality, up to date information for each of its meetings, which has previously been considered and approved at meetings of the board of MOHG. This information is also the subject of a strategy review in a cycle of meetings (in Bermuda or Asia, as appropriate) prior to consideration by the Board itself.

The division of responsibilities between the roles of Chairman, Managing Director and Group Chief Executive is well established. 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. The responsibility for running the Group's business and all the executive matters affecting the Group rests with the Group Chief Executive.

Directors' appointment, retirement, remuneration and service contracts

Candidates for appointment as executive Directors of the Company, as executive directors of MOHG or as senior executives elsewhere in the Group may be sourced internally, from the Jardine Matheson group or externally using the services of specialist executive search firms. The aim is to appoint individuals who can apply international best practice within their area of expertise.

Each new Director is appointed by the Board and, in accordance with Bye-law 92 of the Company's Bye-laws, each new Director is subject to retirement at the first Annual General Meeting after appointment. Thereafter, the Director will be subject to retirement by rotation pursuant to Bye-law 85 whereby one-third of the Directors retire at the Annual General Meeting each year. These provisions apply to both executive and non-executive Directors, but the requirement to retire by rotation pursuant to Bye-law 85 does not extend to the Chairman or Managing Director.

Lord Sassoon was appointed as a Director with effect from 23rd January 2013. In accordance with Bye-law 85, Mark Greenberg, Julian Hui, Simon Keswick, Dr Richard Lee and James Watkins retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election has a service contract with the Company or its subsidiaries.

Simon Keswick stepped down as Chairman of the Company on 15th May 2013 and remains as a non-executive Director. He was succeeded as Chairman by Ben Keswick, who retains his position as Managing Director.

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

Directors' fees, which are payable to all Directors other than the Group Chief Executive and the Chief Financial Officer, are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. For the year ended 31st December 2013, the Directors received from the Group US$6.4 million (2012: US$5.7 million) in Directors' fees and employee benefits, being US$0.7 million (2012: US$0.6 million) in Directors' fees, US$5.1 million (2012: US$4.4 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind, US$0.1 million (2012: US$0.1 million) in post-employment benefits and US$0.5 million (2012: US$0.6 million) in share-based payments. The information set out in this paragraph forms part of the audited financial statements.

Senior executive share incentive schemes have also been established to provide longer-term incentives for executive Directors and senior managers. Share awards can be granted by the Company or the scheme trustee after consultation between the Chairman and the Group Chief Executive as well as other Directors as they consider appropriate. 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 will normally vest after the third anniversary of the date of grant and may be subject to the achievement of performance conditions. Grants may be made in a number of instalments. 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.

Directors' responsibilities in respect of the financial statements and annual report

The Directors are required under the Bermuda Companies Act 1981 to prepare financial statements for each financial year and to present them annually to the Company's shareholders at the Annual General Meeting. The financial statements should present fairly in accordance with International Financial Reporting Standards ('IFRS') the financial position of the Group at the end of the year and the results of its operations and its cash flows for the year then ended. The Directors consider that applicable accounting policies under IFRS, applied on a consistent basis and supported by prudent and reasonable judgements and estimates, have been followed in preparing the financial statements. The Board is also responsible for preparing the annual report and financial statements in such a manner that they, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Code of Conduct, inclusion and diversity

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in the Jardine Matheson group Code of Conduct, a set of guidelines to which every employee must adhere. The code requires that all Group companies comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. The code prohibits the giving or receiving of illicit payments, and requires all employees to be treated fairly, impartially and with respect. It also requires that all managers must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their organizations. The Group has in place procedures by which employees can raise, in confidence, matters of serious concern in areas such as financial reporting or compliance.

Inclusion and diversity are encouraged within the Group. As a global hospitality employer, the Group believes in promoting equal opportunities in recruiting, developing and rewarding its people regardless of race, gender, nationality, religion, sexual orientation or background. The high service expectations and overall quality of the Mandarin Oriental brand necessitates that the Group seeks the best people from the communities in which it operates most suited to its needs.

Report of the Audit Committee

The Board has established within MOHG an audit committee (the 'Audit Committee'), the 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. Ben Keswick stepped down from the Audit Committee on 15th May 2013, upon his appointment as Chairman of the Company becoming effective, and was succeeded as chairman of the Audit Committee by Adam Keswick. The Board considers that the members of the Audit Committee have, collectively, the requisite skills, knowledge and experience to enable it to discharge its responsibilities in a proper manner. The two Audit Committee meetings held during the year were attended by all the then current members. 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.

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 Audit Committee also assesses any reports on frauds identified during the period under review. The external auditors also have access to the full Board, in addition to the Group Chief Executive, Chief Financial Officer and other senior executives.

At the request of the Board, the Audit Committee considered whether the annual report and financial statements of the Company for the year ended 31st December 2013, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy. The Audit Committee is satisfied that this is the case.

The significant issues considered in relation to the financial statements, and for which the Audit Committee concluded appropriate and reasonable accounting estimates and judgements were made, are summarized below:

i) The Audit Committee considered whether it was appropriate for the financial statements to be prepared on the basis that the Company and the Group are going concerns. Comprehensive financial forecasts had been prepared and, based on these forecasts, cash resources, existing credit facilities and credit facilities in the course of being renewed, the Audit Committee considered that the Company and the Group have adequate resources to continue in business for the foreseeable future. Based on this review, the Directors continue to adopt the going concern basis in preparing the financial statements.

ii) The Audit Committee received reports on management's assessment of the Group's assets for impairment. The Audit Committee considered and accepted the results of these assessments, including where relevant, the appropriateness of key and judgemental assumptions.

iii) The Audit Committee received an update on developments in accounting standards and their current year impact on the Group, particularly IFRS 10 'Consolidated Financial Statements' and IAS 19 (amended 2011) 'Employee Benefits'. Developments that might impact future financial statements were noted and these will continue to be monitored and assessed.

The Audit Committee considered the external audit function with reviews conducted by the internal audit function and the Chief Financial Officer. The Audit Committee also considered the independence and objectivity of the external auditors, and as part of that process has reviewed and approved the level and nature of non-audit work performed. The Audit Committee found the performance, independence and objectivity of the external auditors to be satisfactory and recommended to the Board the re-appointment of the external auditors, PricewaterhouseCoopers, at the forthcoming Annual General Meeting. PricewaterhouseCoopers have been auditors of the Group since 1990 and the Board believes that their expertise, independence and understanding of the Group's extensive and complex business activities makes them best qualified to continue in their role.

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

The Audit Committee keeps under review the nature, scope and results of the audits conducted by the internal audit function.

Risk management and internal control

The Board has overall responsibility for the Group's system of risk management and internal control. The system of internal control is designed to manage, rather than eliminate, business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss.

The principal risks and uncertainties facing the Company are set out on pages 93 and 94.

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

Executive management is responsible for the implementation of the system of internal control throughout the Group. The internal audit function monitors the effectiveness of the system and the approach taken by the business units to risk. The internal audit function is independent of the operating businesses and reports its findings, and recommendations for any corrective action required, to the Audit Committee. The Audit Committee also reviews the effectiveness of the internal audit function.

The Group has in place an organizational structure with defined lines of responsibility and delegation of authority. There are established policies and procedures for financial planning and budgeting; for information and reporting systems; for assessment of risk; and for monitoring the Group's operations and performance. The information systems in place are designed to ensure that the financial information reported is reliable and up to date.

The Company's policy on commercial conduct underpins the Group's internal control process, particularly in the area of compliance. The policy, as set out in the Code of Conduct, is reinforced and monitored by an annual compliance certification process.

The Audit Committee 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.

Directors' share interests

The Directors of the Company in office on 20th March 2014 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the FCA) 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 options in respect of 9,150,000 ordinary shares and Stuart Dickie held options and share awards in respect of 2,485,000 ordinary shares issued pursuant to the Company's Senior Executive Share Incentive Schemes.

Substantial shareholders

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

The Company has been informed of the following holdings of voting rights of 5% or more attaching to the Company's issued ordinary share capital: (i) Jardine Strategic Holdings Limited ('Jardine Strategic') is directly interested in 737,275,281 ordinary shares carrying 73.50% of the voting rights and, by virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares; and (ii) Neptune Investment Management Limited is directly interested in 50,366,900 ordinary shares carrying 5.02% of the voting rights. Apart from these shareholdings, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 20th March 2014.

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

Relations with shareholders

The 2014 Annual General Meeting will be held at Rosewood Tucker's Point, Bermuda on 7th May 2014. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report. All shareholders are invited to attend the Annual General Meeting and participate in communicating with the Company. The Company holds regular meetings with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at mandarinoriental.com.

Securities purchase arrangements

At the Annual General Meeting held on 15th May 2013, 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.

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 81. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FCA apply.

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on page 91 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 47.

Commercial and market risk

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

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

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

Mandarin Oriental's continued growth depends on the opening of individual hotels. Most of the Group's new hotel developments are controlled by third-party owners and developers and can be subject to delays due to issues attributable to planning and construction, sourcing of finance, and the sale of residential units. In extreme circumstances, such factors might lead to the cancellation of a project.

Pandemic, terrorism and natural disasters

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

Key agreements

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

Intellectual property and value of the brand

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

Regulatory and political risk

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

Shareholder Information

Financial calendar

2013 full-year results announced	6th March 2014
Share registers closed	24th to 28th March 2014
Annual General Meeting to be held	7th May 2014
2013 final dividend payable	14th May 2014
2014 half-year results to be announced	31st July 2014*
Share registers to be closed	25th to 29th August 2014*
2014 interim dividend payable	15th October 2014*

* 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 2013 final dividend by notifying the United Kingdom transfer agent in writing by 25th April 2014. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 29th April 2014. 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 mandarinoriental.com.

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MANDARIN ORIENTAL
THE HOTEL GROUP

Mandarin Oriental International Limited

mandarinoriental.com