announcement

Mandarin Oriental International Limited

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MANDARIN ORIENTAL
THE HOTEL GROUP

3rd March 2022

The following announcement was issued today to a Regulatory Information Service approved by the Financial Conduct Authority in the United Kingdom.

MANDARIN ORIENTAL INTERNATIONAL LIMITED
2021 PRELIMINARY ANNOUNCEMENT OF RESULTS

HIGHLIGHTS

- Much improved performance
- Pandemic continues to impact results
- Strong liquidity and funding position
- Four hotels opened and five new projects announced

"2021 was a challenging year, as the impact and uncertainties of COVID-19 continued to restrict global travel. However, performance improved in the second half as barriers to travel were gradually reduced in most parts of the world. This, together with government and other pandemic-related support enabled the Group to significantly reduce underlying losses. Trading conditions, however, remain difficult, particularly in East Asia, and an underlying loss is expected for the first half of 2022. The outlook for the full year is dependent on the level of travel restrictions implemented by governments. With its strong, globally recognised brand, loyal customer base and robust development pipeline, Mandarin Oriental remains well positioned for long-term growth."

Ben Keswick
Chairman

RESULTS

	Year ended 31st December		
	2021	2020	Change
	US$m	US$m	%
Combined total revenue of hotels under management(1)	**1,053.5**	593.0	+78
Revenue	**316.9**	183.7	+73
Underlying EBITDA (Earnings before interest, tax, depreciation and amortisation)(2)	**40.7**	(74.2)	n/a
Underlying loss attributable to shareholders(3)	**(68.1)**	(205.9)	+67
Revaluation loss on investment property under development	**(73.9)**	(474.9)	+84
Loss attributable to shareholders	**(141.4)**	(680.1)	+79
	US¢	US¢	%
Underlying loss per share(3)	**(5.39)**	(16.30)	+67
Loss per share	**(11.19)**	(53.84)	+79
Dividends per share(4)	**-**	-	-
	US$	US$	%
Net asset value per share	**2.62**	2.78	–6
Adjusted net asset value per share(5)	**3.93**	4.09	–4
Net debt/shareholders' funds	**16%**	14%	
Net debt/adjusted shareholders' funds(5)	**10%**	10%	

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

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

(3) The Group uses 'underlying profit/loss' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 34 to the financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance.

(4) In light of the substantially reduced levels of business due to the impact of COVID-19 pandemic, no interim and final dividends in respect of the 2021 and 2020 financial years have been declared or proposed by the Board.

(5) The Group's investment property under development is carried at fair value on the basis of a valuation carried out by independent valuers at 31st December 2021. The other freehold and leasehold interests are carried at amortised cost in the consolidated balance sheet. Both the adjusted net asset value per share and net debt/adjusted shareholders' funds have included the market value of the Group's freehold and leasehold interests.

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MANDARIN ORIENTAL INTERNATIONAL LIMITED

PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

OVERVIEW

The Group's financial performance in 2021 improved significantly compared with 2020, although results remained materially below pre-pandemic levels, with underlying losses of US$68 million. Combined total revenue of hotels under management increased by 78% in 2021 compared to the prior year, benefitting from the relaxation of travel restrictions in most parts of the world in the second half of 2021. Travel restrictions, however, in most of East Asia remained in place throughout the year.

Results were boosted by COVID-19-related receipts that included government support, primarily in Europe, rent concessions in Tokyo, and business interruption insurance proceeds for hotels in the United States. At 31st December 2021, the Group's liquidity position remained robust.

2021 FINANCIAL PERFORMANCE

Underlying earnings before interest, tax, depreciation and amortisation ('EBITDA') were US$41 million, compared to EBITDA losses of US$74 million in 2020. The Group's underlying losses were reduced to US$68 million for the year, from US$206 million in 2020. The 2020 result included a US$31 million post-tax impairment of the carrying value of the leasehold interest in the Geneva hotel.

There was a non-trading loss of US$74 million (US$475 million in 2020), due to a 3% decrease in the fair valuation of the Causeway Bay site, which is being developed into a new office and retail complex (compared with a decrease of 15% in 2020). Accordingly, losses attributable to shareholders were US$141 million, compared to losses of US$680 million in 2020.

The adjusted net asset value per share, which reflects both the independent valuation of the Group's owned hotel properties and of the Causeway Bay site, was US$3.93 at 31st December 2021, a 4% decrease compared with US$4.09 per share at the end of 2020.

At 31st December 2021, net debt was US$517 million, compared to US$506 million at the end of 2020. Gearing as a percentage of adjusted shareholders' funds was 10%, unchanged from 2020. The Group remains well funded with a robust liquidity position that was strengthened with the addition of new committed facilities in 2021.

No dividend will be paid in respect of 2021.

YEAR IN REVIEW

Performance in 2021 was better than 2020, as restrictions on travel and hospitality operations were gradually relaxed in most countries. Performance varied by region, however, as demand remained heavily influenced by the extent and pace with which these restrictions were lessened.

In East Asia, restraints on international travel remained in place throughout the year, limiting most hotels to domestic demand. In Europe and the United States, a relaxation of travel restrictions in the second half of the year allowed business levels to improve.

EBITDA for most of the Group's owned hotels improved, driven by both better trading conditions and government support in some countries. Results were notably better in Hong Kong, London, Munich, Geneva, Paris, Boston and New York. The EBITDA from the Group's property interests in 2021 was US$24 million, compared to a loss of US$62 million in 2020. After depreciation and interest charges, there was an underlying loss from the Group's property interests of U$71 million in 2021, compared to a loss of US$174 million in the prior year.

Performance of the management business improved substantially, producing an EBITDA of US$17 million compared to a loss of US$12 million in 2020. Particularly strong management fees were earned in resort destinations such as Bodrum and Dubai. There was an underlying profit of US$5 million in 2021, compared to a loss of US$30 million in 2020.

Whilst the Group continues to maintain cost control and to seek permanent savings, its main focus is now on rebuilding revenues and business activity levels. Capital expenditure continues to be closely scrutinised.

DEVELOPMENT

The Group's total number of hotels under operation has increased to 36, following the opening of its latest property in Shenzhen in January 2022. In 2021, the Group took over the management of the Al Faisaliah Hotel in Riyadh and opened a new hotel on the Bosphorus in Istanbul, both under management contracts. The Group also reopened Mandarin Oriental Ritz, Madrid, in which it owns a 50% interest, after an extensive programme of restoration and refurbishment.

The Group's development pipeline remains robust, with 24 projects expected to open in the next five years. In 2021, new management contracts were announced in Da Nang, Vietnam and Hangzhou, China, in addition to a standalone residences project in Beverly Hills. Two new deals in Costa Navarino and the Maldives have recently been announced since the start of 2022.

Two hotels and three standalone residences projects are scheduled for opening in 2022, while the Group also expects to rebrand the Al Faisaliah Hotel in Riyadh, as well as the Emirates Palace in Abu Dhabi.

In Hong Kong, the Causeway Bay site under development remains on track to complete in 2025.

GOVERNANCE ENHANCEMENTS

The Group has an ongoing focus on enhancing its governance, and in the past year it has made changes to the composition of its Board, to reduce its size and to increase its diversity and bring greater sector expertise through the appointment of new independent non-executive directors. The Group has also established formal Audit, Remuneration and Nominations Committees.

PEOPLE

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to all our colleagues for their continuing commitment and dedication during these very challenging times. The contributions of our colleagues are central to the Mandarin Oriental guest experience and we will remain focused on ensuring Mandarin Oriental is an employer of choice.

Jack Chen, Julian Hui, Lincoln K.K. Leong, Anthony Nightingale and Percy Weatherall retired from the Board in December 2021. We thank each of them for their valuable contributions over many years. With effect from 1st December 2021, Jinqing Cai and Richard Solomons have joined the Board as Independent Non-Executive Directors and bring a wealth of relevant experience.

Craig Beattie stepped down as Chief Financial Officer at the end of August and was succeeded by Matthew Bishop. We would like to thank Craig for his contribution to Mandarin Oriental.

OUTLOOK

2021 was a challenging year, as the impact and uncertainties of COVID-19 continued to restrict global travel. However, performance improved in the second half as barriers to travel were gradually reduced in most parts of the world. This, together with government and other pandemic-related support enabled the Group to significantly reduce underlying losses. Trading conditions, however, remain difficult, particularly in East Asia, and an underlying loss is expected for the first half of 2022. The outlook for the full year is dependent on the level of travel restrictions implemented by governments. With its strong, globally recognised brand, loyal customer base and robust development pipeline, Mandarin Oriental remains well positioned for long-term growth.

Ben Keswick
Chairman

GROUP CHIEF EXECUTIVE'S REVIEW

KEY HIGHLIGHTS

In a year that has seen continuing disruption and uncertainty as a result of the pandemic, we are pleased that the Group has made good progress in a number of areas and was able to deliver an improved operational and financial performance, although results remained materially behind pre-pandemic levels.

All of our hotels were open at the end of 2021, after numerous closures and interruptions to their business during the two preceding years. Mandarin Oriental Ritz, Madrid reopened in April to great acclaim after an extensive restoration, a property that is sure to be a landmark European destination for many years to come. We also took over management of the Al Faisaliah Hotel in Riyadh, opened a hotel on the Bosphorus in Istanbul and, at the start of 2022, opened a hotel in Shenzhen. Three new deals were announced in 2021, including a standalone branded residences project in Beverly Hills, and a further two deals have already been announced so far in 2022, adding to the strong pipeline that we have diligently built over the last few years.

We made significant investments in the period in our digital platforms, including the re-design of mandarinoriental.com, and through our renewed marketing efforts were able to pass the milestone of one million *Fans of M.O.,* underlining the success of a programme that was first launched in 2018. We also strengthened our leadership team by bringing on board Joanna Flint as Chief Commercial Officer, a new role which oversees the development and execution of the Group's commercial strategy while also taking executive responsibility for all aspects of Mandarin Oriental's customer experience. We are also delighted by the substantial progress we have made in effectively eliminating single-use non reusable plastics from the operations of the Group.

Our operating performance was much improved, and our hotels continue to hold market-leading positions. Financially, while performance remains well below pre-COVID-19 levels, we were able to produce significantly improved results, moving from an EBITDA loss of US$74 million in 2020 to an EBITDA profit of US$41 million in 2021. As a consequence of our property interest in many of our hotels and the associated depreciation, we remain in an underlying loss position, although we were able to reduce this loss by over 60%, from US$206 million to US$68 million.

2021 PERFORMANCE

2021 saw a significant improvement in the financial performance of the Group. It was, however, well below pre-pandemic levels due to the continued disruption caused by COVID-19. The Group reported EBITDA of US$41 million and an underlying loss of US$68 million, a marked improvement from 2020, albeit still significantly below 2019 levels. The Group recorded positive EBITDA in the third and fourth quarters, the first such positive performances since the fourth quarter of 2019. Revenue generation and innovation, as well as cost control, remained as key areas of focus. Capital expenditure was tightly controlled. The combined total revenue from hotels under management was US$1,054 million, an increase of 78% over 2020, but behind the US$1,325 million recorded in 2019.

In East Asia, border controls and restrictions on mobility and hospitality operations were in place throughout the year. The ability to travel domestically varied depending on the extent of restrictions and hotels remained reliant on domestic demand. As a consequence, some hotels, such as Bangkok, Kuala Lumpur and Taipei, operated at very low levels of occupancy. The best performances were achieved in the Chinese mainland, supported by steady domestic demand, and occupancy in Hong Kong, Singapore and Jakarta was also commendable given the stringent restrictions imposed by governments. Despite the challenging environment, occupancy for the region increased to 35%, from 27% in 2020, while average daily rates (‘ADR’) were broadly unchanged from 2020.

In the rest of the world, whilst border controls and restrictions were in place during the first half of the year, these started to lessen towards the end of the second quarter as vaccination programmes accelerated. This led to increased travel and an improvement in trading conditions. The Group's hotels benefitted from pent-up leisure demand and the relative strength of suite bookings. Several hotels in Europe also received government support, boosting financial performance. In Europe, Middle East and Africa ('EMEA'), the Group recorded occupancy of 48% in the second half of the year and RevPAR for EMEA was up 78% for the full year, driven by a strong increase in ADR, which rose to US$983, ahead of 2019 levels. Similarly, in America, RevPAR and ADR for the region were up 55% and 24% compared to 2020, with ADR at US$593, also ahead of 2019 levels.

Owned Hotels Performance

The Group's financial performance is heavily dependent on the performance of its owned and partially-owned properties. These hotels recorded a positive EBITDA of US$24 million, but an underlying loss of US$71 million, due to the substantial amount of depreciation attributable to the properties.

Several of the Group's owned or partially-owned hotels are in East Asia and continued to be significantly impacted by stringent government restrictions on travel and movement. In particular, Hong Kong effectively remained closed to travel in 2021 and while our flagship hotel there was able to deliver positive EBITDA by competing effectively with attractive staycation rates, the hotel posted an underlying loss. The opening of both Hong Kong's border with the Chinese mainland and its international border are critical for this important hotel to substantially improve its financial performance. The Group's hotels in Tokyo, Jakarta, Bangkok and Kuala Lumpur all incurred EBITDA losses, while the hotel in Singapore was EBITDA positive.

In Europe, as restrictions eased, our hotels were able to perform better. London, Munich, Geneva and Paris achieved positive EBITDA, driven by significantly improved demand in the second half of the year, as well as government financial support totalling US$36 million. Most of the Group's owned hotels in Europe were able to achieve underlying profit, with the exception of Madrid and London, both of which carry substantial depreciation charges following major recent renovations.

In America, there were mixed performances at individual hotels. Miami benefitted from pent-up leisure demand and was able to achieve a positive EBITDA and record an underlying profit. New York and Boston both improved significantly from 2020 and almost achieved positive EBITDA. Performance in Washington D.C. was more challenging given the hotel's size and historic reliance on corporate and group demand, which remained weak. The Group also received some US$3 million in insurance proceeds for business interruption at its hotels in America.

Management Business Performance

The Group's management business reported a positive EBITDA of US$17 million and an underlying profit of US$5 million, a marked improvement from the prior year when an EBITDA loss of US$12 million and underlying losses of US$30 million were incurred.

Particularly strong management fees were earned in several hotels. In East Asia, The Landmark Mandarin Oriental, Hong Kong served as a quarantine hotel and benefitted from strong demand, achieving occupancy of over 60%. Hotels on the Chinese mainland, including Shanghai and Sanya, also delivered good performances. In EMEA, several leisure and resort destinations experienced pent-up demand, especially in destinations where restrictions on travel were limited. Dubai and Bodrum achieved occupancies and ADR that exceeded 2019 levels, delivering record management fees.

NEAR-TERM PRIORITIES

Over the last two years or so, we have operated with highly uncertain market conditions and this seems likely to continue for a while. We have, however, adapted our strategy, operating models and ways of working and we believe we are now a far more flexible and agile business than previously.

In the near term, our priorities are to rebuild business levels and win new business, enhance our "*Colleague Experience*", uphold the brand's reputation for quality, and maintain our agile approach to operations to improve profitability.

1) *Rebuilding business*: we must ensure that, as demand returns, our hotels are winning market share. As we have seen, demand can fluctuate quickly, and it is therefore critical that we are proactive and flexible in how we reach and respond to customers. Consumer behaviour is changing: direct and omni-channel bookings have increased substantially,

corporate travel remains muted and demand for leisure-oriented experiences has rebounded strongly. We have reorganised ourselves to adapt to customer behaviour more quickly yet also need to be ready to adjust further as trends evolve.

2) *Enhancing our "Colleague Experience"*: our colleagues have faced enormous pressure over the last two years. Throughout the pandemic, they have continued to serve customers with passion and pride, delivering the exceptional experiences Mandarin Oriental is renowned for. It is critical that we recognise their contribution, by improving compensation and benefits, driving engagement and providing attractive learning and career development opportunities. Hospitality talent is in high demand, across both hotels and other industries, and we must focus on the attraction and retention of colleagues as a strategic priority.

3) *Upholding exceptional quality*: long periods of low demand have sometimes made it difficult to maintain quality standards. Exceptional quality in service standards underpins the Mandarin Oriental brand and we must ensure that we maintain our reputation as a leader in luxury hospitality.

4) *Maintaining operational agility*: we continue to refine our operating model in hotels in response to fluctuating demand. This has included a review of organisation structures and the introduction of labour management and productivity tools. Whilst these developments will help to rebuild profitability, we will balance their use with the need to maintain our exceptional service standards and colleague morale.

STRATEGY– *A WORLD OF FANS*

Last year, we launched our new vision – *A World of Fans* – and we remain confident that this vision, underpinned by our strategic priorities, will advance both the value of the brand and the profitability of the Group. Through *A World of Fans*, we see an opportunity to build meaningful and long-lasting relationships with a global community of Fans. Every customer interaction, physical or digital, is an opportunity to create a Fan – someone who spends with us, works with us, advocates for us or aspires to experience life exceptionally with Mandarin Oriental luxury. We believe the priorities outlined below remain the right foundation to drive long-term business performance and growth.

- *Elevating our brand* – the brand is the Group's most powerful asset. We will grow our brand by continuing to drive the momentum of our hotel and residences pipeline, expanding the global footprint of Mandarin Oriental. In addition, we are starting to establish a presence beyond the four walls of our hotels, both through local hotel activities as well as continued investments in innovative partnerships that extend the reach and value of our brand, such as our investment in *StayOne*, a peer-to-peer luxury holiday home rental platform, *Shop M.O.*, our online retail store and the *O&MO Alliance*, our strategic alliance with The Oberoi Group.
- *Powering our core* – we would like to have market-leading positions in all our hotels. To achieve this, our commercial organisation has recently been optimised to ensure we leverage the full potential of the brand's extensive network, and to ensure that customers receive personalised access to our full range of bespoke luxury experiences across our portfolio. Through *Fans of M.O.*, our industry unique customer recognition programme, we have over one million loyal Fans allowing us to create relevant, long-lasting and mutually beneficial relationships with our customers. We are continuing to invest heavily in our digital capabilities, and we expect further significant improvements in our digital experience through 2022. At our hotels, we are progressing well with our roadmap to modernise core business systems and integrate insights drawn from data into our service delivery to continually elevate customer experiences to even higher levels.
- *Lifting our people* – our people underpin the unique luxury experience that defines Mandarin Oriental's service proposition. The pandemic has brought new challenges, and we must respond to the increased pressures on our colleagues by providing work environments that are attractive, engaging and flexible. At the same time, with a robust pipeline on the horizon, our Group will experience substantial growth over the next five years and it is essential that we retain our cultural DNA as we welcome new colleagues into Mandarin Oriental. Our Mandarin Oriental colleagues are extremely loyal, and in turn we are determined to reward that loyalty by a continued commitment to maintaining an exceptional colleague workplace experience.

- *Exceptional quality* – our unwavering focus on delivering the highest standards of luxury hospitality and experiences is at the heart of the brand's reputation and is a pivotal competitive differentiator. This must remain evident from the way we design our hotels, known for creating a unique sense of place, through to the delivery of warm, personalised and exceptional service consistently throughout our portfolio. Reinforcing our product and service standards is ever more critical as we plan for 21 hotels and 15 residences opening in the next five years.

CORE VALUES

Our core values of customer focus and sustainability are central to the culture of Mandarin Oriental. These cut across all facets of our strategy and are deeply engrained in Mandarin Oriental's culture.

Customer focus

As we extend the reach of our brand, serving an increasingly diverse customer base, we embed customer focus throughout the organisation by removing the barriers to innovation, such as unnecessary hierarchies and bureaucracy, and encouraging risk taking and entrepreneurialism. We foster and promote collaboration, to ensure that we enable our colleagues to constantly focus on proactively delighting our customers.

Sustainability

Our culture extends to how we serve as stewards of our communities. The Group drives sustainability commitments that align with the United Nations Sustainable Development Goals and we are focused on four areas: the planet, community and customers. We have integrated sustainability throughout our operations and processes, from sustainable development discussions with owners, to environmental management systems that ensure continuous environmental performance improvements, daily procurement decisions that embed ethical and sustainability considerations and the empowerment of our colleagues and guests to make a difference to our planet and communities We were delighted that, with the support of our colleagues, we were largely able to substantially reduce single-use plastics from the operation of our hotels in 2021, and are on track to eliminate them in 2022, in spite of the increased pressure to return to relying on single-used plastics due to COVID-19.

DEVELOPMENT STRATEGY AND BUSINESS DEVELOPMENT

The Group operates 36 hotels today. In 2021, three new projects were announced in Hangzhou, Da Nang and a standalone branded residences project in Beverly Hills and two further deals in Costa Navarino and the Maldives have been announced since the start of 2022. Whilst there have been some delays in the progression of project developments due to the pandemic, our pipeline remains robust with 24 announced projects to open in the next five years, comprising nine standalone hotel projects, 12 projects with hotel and residences components and three standalone residences projects.

Historically, as the Group was starting out and expanding its brand into key gateway cities, it was sometimes necessary to invest equity into the ownership of an asset to secure projects. Today, with the strength of the brand, and our track record in creating market leading hotels, this is not usually necessary. Our strategy for portfolio expansion is therefore focused on growing through management contracts. We are seeking to diversify into resort destinations, broaden our reach in key cities where the brand is currently absent and consolidate the brand’s position by adding second or third hotels in certain destinations. Our projects in the Maldives and Grand Cayman (resort destinations), Zurich (a strategically important city) and Mayfair and Dubai (second hotels in these destinations) are examples that illustrate this. Over many years, we have successfully built a portfolio of iconic hotels and are now seeing the benefits this can bring in terms of momentum for signing new projects. We expect this momentum to build as we seek to secure more brand defining projects and new growth opportunities.

By focusing on the management business, the Group is seeking to accelerate its pace of growth and its scale, transitioning the business away from a reliance on property and towards hotel and brand management. Property ownership is still a strategic option for the Group, where it can play a key role in securing projects, but this will be done sparingly and only where alternatives are scarce. Our current portfolio of owned hotels is continuously reviewed and, provided we are able to retain long-term management contracts, we would consider opportunities for value realisation. This will strengthen the Group’s balance sheet and enable us to accelerate the growth of our management business.

During the year we completed an extensive restoration of Mandarin Oriental Ritz, Madrid. Good progress was made with the redevelopment of the site in Causeway Bay, Hong Kong which used to house The Excelsior hotel. Completion of a new Grade A office and retail complex remains on schedule for 2025. There has been no change to the Group's strategy for this site, which is a valuable non-core asset.

Looking ahead, we expect 2022 to be an extremely busy year. We plan to open two new hotels in Mayfair and Luzern, three standalone residences projects in New York, Beverly Hills and Barcelona, and rebrand the Al Faisaliah Hotel and the Emirates Palace. In addition to the two recently announced projects, I would also expect a number of further projects to be signed during the year.

OUR PEOPLE

I would like to take this opportunity to express my appreciation to each and every one of my colleagues for the tireless effort and dedication they have demonstrated through the enormous challenges we have faced during the upheavals of the last two years. The commitment shown by our colleagues to delivering exceptional service to our customers underpins Mandarin Oriental's brand promise and is central to achieving *A World of Fans*.

LOOKING AHEAD

There continue to be numerous uncertainties associated with the pandemic. We have adapted well to these conditions and taken important steps to keep up with trends in consumer behaviours that have been accelerated by the pandemic. We see great opportunities ahead for the Group to grow rapidly on the foundations which have been laid over the last few years. We are extremely well positioned to grow and achieve scale as a hotel management and brand management company, by delivering on our pipeline, continuing to build deep relationships with our Fans, investing in our digital reach and presence, reinforcing a strong "*Colleague Experience*", and sustaining the exceptional quality standards that the brand is known for.

We are confident in the recovery of luxury travel, and the ability of Mandarin Oriental to deliver meaningful long-term growth. We at Mandarin Oriental look forward to delivering exceptional experiences to *A World of Fans* as barriers to travel are gradually removed.

James Riley
Group Chief Executive

Mandarin Oriental International Limited
Consolidated Profit and Loss Account
for the year ended 31st December 2021

	2021 Underlying business performance **US$m**	Non-trading Items **US$m**	Total **US$m**	2020 Underlying business performance US$m	Non-trading Items US$m	Total US$m
Revenue *(note 2)*	**316.9**	**-**	**316.9**	183.7	-	183.7
Cost of sales	**(261.3)**	**-**	**(261.3)**	(233.0)	-	(233.0)
Gross profit/(loss)	**55.6**	**-**	**55.6**	(49.3)	-	(49.3)
Selling and distribution costs	**(20.7)**	**-**	**(20.7)**	(31.4)	-	(31.4)
Administration expenses	**(104.1)**	**-**	**(104.1)**	(97.5)	-	(97.5)
Other operating income/(expense)	**43.2**	**0.6**	**43.8**	(7.6)	0.7	(6.9)
Change in fair value of investment property under development	**-**	**(73.9)**	**(73.9)**	-	(474.9)	(474.9)
Operating loss *(note 3)*	**(26.0)**	**(73.3)**	**(99.3)**	(185.8)	(474.2)	(660.0)
Financing charges	**(13.8)**	**-**	**(13.8)**	(14.2)	-	(14.2)
Interest income	**1.1**	**-**	**1.1**	1.6	-	1.6
Net financing charges	**(12.7)**	**-**	**(12.7)**	(12.6)	-	(12.6)
Share of results of associates and joint ventures *(note 4)*	**(21.8)**	**-**	**(21.8)**	(26.8)	-	(26.8)
Loss before tax	**(60.5)**	**(73.3)**	**(133.8)**	(225.2)	(474.2)	(699.4)
Tax *(note 5)*	**(7.6)**	**-**	**(7.6)**	19.4	-	19.4
Loss after tax	**(68.1)**	**(73.3)**	**(141.4)**	(205.8)	(474.2)	(680.0)
Attributable to:						
Shareholders of the Company *(notes 6 & 7)*	**(68.1)**	**(73.3)**	**(141.4)**	(205.9)	(474.2)	(680.1)
Non-controlling interests	**-**	**-**	**-**	0.1	-	0.1
	(68.1)	**(73.3)**	**(141.4)**	(205.8)	(474.2)	(680.0)
	US¢		**US¢**	US¢		US¢
Loss per share (*note 6)*						
- basic	**(5.39)**		**(11.19)**	(16.30)		(53.84)
- diluted	**(5.39)**		**(11.19)**	(16.30)		(53.84)

Mandarin Oriental International Limited
Consolidated Statement of Comprehensive Income
for the year ended 31st December 2021

	2021 **US$m**	2020 US$m
Loss for the year	**(141.4)**	(680.0)
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	**3.5**	5.2
Tax on items that will not be reclassified	**(0.6)**	(0.9)
	2.9	4.3
Items that may be reclassified subsequently to profit or loss:		
Net exchange translation differences		
- net (losses)/gains arising during the year	**(70.7)**	80.0
Cash flow hedges		
- net gains/(losses) arising during the year	**11.6**	(11.4)
Tax relating to items that may be reclassified	**(1.3)**	1.9
Share of other comprehensive (expense)/income of associates and joint ventures	**(2.0)**	1.8
	(62.4)	72.3
Other comprehensive (expense)/income for the year, net of tax	**(59.5)**	76.6
Total comprehensive expense for the year	**(200.9)**	(603.4)
Attributable to:		
Shareholders of the Company	**(200.7)**	(603.9)
Non-controlling interests	**(0.2)**	0.5
	(200.9)	(603.4)

Mandarin Oriental International Limited
Consolidated Balance Sheet
at 31st December 2021

	2021 US$m	2020 US$m
Net assets		
Intangible assets	**46.7**	45.4
Tangible assets *(note 8)*	**1,098.2**	1,181.5
Right-of-use assets	**273.3**	297.4
Investment property under development *(note 9)*	**2,462.0**	2,528.3
Associates and joint ventures	**201.5**	231.6
Other investments	**16.5**	16.1
Deferred tax assets	**13.7**	17.8
Pension assets	**7.1**	5.5
Non-current debtors	**8.9**	5.1
Non-current assets	**4,127.9**	4,328.7
Stocks	**5.3**	6.0
Current debtors	**68.8**	71.7
Current tax assets	**2.2**	3.1
Bank and cash balances	**212.8**	164.6
Current assets	**289.1**	245.4
Current creditors	**(157.2)**	(144.6)
Current borrowings *(note 10)*	**(2.5)**	(64.2)
Current lease liabilities	**(6.3)**	(7.0)
Current tax liabilities	**(9.9)**	(10.1)
Current liabilities	**(175.9)**	(225.9)
Net current assets	**113.2**	19.5
Long-term borrowings *(note 10)*	**(727.8)**	(606.6)
Non-current lease liabilities	**(147.4)**	(170.1)
Deferred tax liabilities	**(50.1)**	(47.1)
Pension liabilities	**(0.3)**	(0.3)
Non-current creditors	**(3.2)**	(10.9)
Non-current liabilities	**(928.8)**	(835.0)
	3,312.3	3,513.2
Total equity		
Share capital	**63.2**	63.2
Share premium	**500.5**	499.7
Revenue and other reserves	**2,745.1**	2,946.6
Shareholders' funds	**3,308.8**	3,509.5
Non-controlling interests	**3.5**	3.7
	3,312.3	3,513.2

Mandarin Oriental International Limited
Consolidated Statement of Changes in Equity
for the year ended 31st December 2021

	Share capital **US$m**	Share premium **US$m**	Capital reserves **US$m**	Revenue reserves **US$m**	Asset revaluation reserves **US$m**	Hedging reserves **US$m**	Exchange reserves **US$m**	Attributable to shareholders of the Company **US$m**	Attributable to non-controlling interests **US$m**	Total equity **US$m**
2021										
At 1st January	**63.2**	**499.7**	**260.3**	**(240.3)**	**2,943.4**	**(9.7)**	**(7.1)**	**3,509.5**	**3.7**	**3,513.2**
Total comprehensive income	**-**	**-**	**-**	**(137.8)**	**-**	**10.6**	**(73.5)**	**(200.7)**	**(0.2)**	**(200.9)**
Transfer	**-**	**0.8**	**(1.2)**	**0.4**	**-**	**-**	**-**	**-**	**-**	**-**
At 31st December	**63.2**	**500.5**	**259.1**	**(377.7)**	**2,943.4**	**0.9**	**(80.6)**	**3,308.8**	**3.5**	**3,312.3**
2020										
At 1st January	63.2	499.7	260.3	434.8	2,943.4	-	(88.4)	4,113.0	3.6	4,116.6
Total comprehensive income	-	-	-	(675.5)	-	(9.7)	81.3	(603.9)	0.5	(603.4)
Change in interest in a subsidiary	-	-	-	0.4	-	-	-	0.4	(0.4)	-
At 31st December	63.2	499.7	260.3	(240.3)	2,943.4	(9.7)	(7.1)	3,509.5	3.7	3,513.2

Revenue reserves as at 31st December 2021 included cumulative fair value loss on the investment property under development of US$616.1 million (2020: US$542.2 million).

Mandarin Oriental International Limited
Consolidated Cash Flow Statement
for the year ended 31st December 2021

	2021 US$m	2020 US$m
Operating activities		
Operating loss *(note 3)*	**(99.3)**	(660.0)
Depreciation, amortisation and impairment	**68.5**	124.2
Other non-cash items	**71.2**	472.8
Movements in working capital	**0.9**	1.4
Interest received	**0.4**	1.8
Interest and other financing charges paid	**(13.5)**	(14.1)
Tax paid	**(1.8)**	(9.6)
Cash flows from operating activities	**26.4**	(83.5)
Investing activities		
Purchase of tangible assets	**(15.3)**	(38.9)
Additions to investment property under development	**(19.7)**	(21.6)
Purchase of intangible assets	**(6.1)**	(5.3)
Refund on Munich expansion *(note 13)*	**13.0**	-
Purchase of other investments	**(0.3)**	(0.6)
Purchase of an associate	**-**	(2.0)
Advance to associates and joint ventures	**(7.1)**	(40.5)
Repayment of loans to associates and joint ventures	**3.0**	0.4
Cash flows from investing activities	**(32.5)**	(108.5)
Financing activities		
Drawdown of borrowings	**130.6**	88.4
Repayment of borrowings	**(66.4)**	(0.1)
Principal elements of lease payments	**(3.3)**	(6.0)
Cash flows from financing activities	**60.9**	82.3
Net increase/(decrease) in cash and cash equivalents	**54.8**	(109.7)
Cash and cash equivalents at 1st January	**164.6**	270.7
Effect of exchange rate changes	**(6.6)**	3.6
Cash and cash equivalents at 31st December	**212.8**	164.6

Mandarin Oriental International Limited
Notes

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

(a) Going concern

The Group's operations and financial performance were severely impacted by the unprecedented decline in both international and domestic travel since the COVID-19 pandemic began. Prior to the pandemic the Group had significant headroom in its committed debt facilities and cash balances available to finance operating losses, which was increased with new debt facilities in February 2021.

Operating conditions generally improved towards the end of 2021, with 34 hotels open in the second quarter and additions of two new hotels in Bosphorus, Istanbul and Shenzhen in August 2021 and January 2022 respectively. In 2021, the Group recorded a total cash inflow from operating activities of US$26 million, a significant improvement from a total cash outflow from operating activities of US$84 million in 2020.

A return of profitability by the Group will be dependent on the level of travel restrictions that are maintained by governments.

The Group's balance sheet is underpinned by equity interests in a number of prime hotel properties which are carried on the Group's balance sheet at historical cost less depreciation. Taking into account the market value of the Group's property interests, the adjusted shareholders' funds were US$5.0 billion at 31st December 2021.

At 31st December 2021, the Group had total liquidity of US$507 million, comprising US$294 million of undrawn committed facilities and US$213 million of cash balances. The Group's facilities are not subject to any cash flow covenants and had an average remaining tenor of 2.1 years. This robust liquidity position enables the Group to sustain a prolonged downturn in the hospitality industry should that eventuate as well as meet its capital commitments. Overall, the Group's balance sheet position remains strong.

In adopting the going concern basis for preparing the financial statements, the Directors have considered a stress-test cash flow forecast which assumes the majority of the Group's hotels operate at substantially reduced levels of business as a consequence of travel restrictions maintained by governments for a period of 12 months from the date of approval of the financial statements.

Having considered the outcome of the stress-test cash flow forecast, the Directors are of the opinion that the Group has sufficient financial resources to continue operating for a period of at least 12 months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION *(CONITNUED)*

(b) Basis of preparation

The financial information contained in this announcement has been based on the audited results for the year ended 31st December 2021 which have been prepared in conformity with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations adopted by the International Accounting Standards Board.

The Group has adopted the following amendments for the annual reporting period commencing 1st January 2021.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *(effective 1st January 2021)*

The amendments provide practical expedient from certain requirements under the IFRSs as a result of the reform which affect the measurement of financial assets, financial liabilities and lease liabilities, and a number of reliefs for hedging relationships. The Group applied the amendments from 1st January 2021 and there is no significant impact on the Group's consolidated financial statements.

COVID-19 Related Rent Concessions beyond 30th June 2021: Amendment to IFRS 16 Leases *(effective 1st April 2021)*

The Group adopted and applied the practical expedient of the COVID-19 Related Rent Concessions: Amendment to IFRS 16 Leases, published in June 2020 ('2020 amendment'), in the 2020 annual financial statements. The 2021 amendment extends the practical expedient in the 2020 amendment to eligible lease payments due on or before 30th June 2022. By using the 2021 amendment, the Group continues to apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances, and does not assess these concessions as lease modifications.

Apart from the above, there are no other amendments which are effective in 2021 and relevant to the Group's operations, that have a significant impact on the Group's results, financial position and accounting policies.

The Group has not early adopted any standard, interpretation or amendments that have been issued but not yet effective.

2. REVENUE

	2021 US$m	2020 US$m
By business activity:		
Hotel ownership	**278.9**	161.4
Hotel & Residences branding and management	**48.5**	27.1
Less: intra-segment revenue	**(10.5)**	(4.8)
	316.9	183.7
By geographical area:		
Asia	**132.4**	96.9
Europe, Middle East and Africa (‘EMEA’)	**137.8**	66.1
America	**46.7**	20.7
	316.9	183.7
From contracts with customers:		
Recognised at a point in time	**111.5**	72.5
Recognised over time	**185.6**	94.8
	297.1	167.3
From other sources:		
Rental income	**19.8**	16.4
	316.9	183.7

3. EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION) AND OPERATING LOSS FROM SUBSIDIARIES

	2021 US$m	2020 US$m
By business activity:		
Hotel ownership	**25.9**	(49.2)
Hotel & Residences branding and management	**16.6**	(12.4)
Underlying EBITDA from subsidiaries	**42.5**	(61.6)
Non-trading items *(note 7)*		
Change in fair value of investment property under development	**(73.9)**	(474.9)
Change in fair value of other investments	**0.6**	0.7
	(73.3)	(474.2)
EBITDA from subsidiaries	**(30.8)**	(535.8)
Underlying depreciation, amortisation and impairment from subsidiaries	**(68.5)**	(124.2)
Operating loss	**(99.3)**	(660.0)
By geographical area:		
Asia	**(8.6)**	(18.6)
EMEA	**59.7**	(10.5)
America	**(8.6)**	(32.5)
Underlying EBITDA from subsidiaries	**42.5**	(61.6)

In relation to the COVID-19 pandemic, the Group received government grants and rent concessions of US$35.8 million (2020: US$31.9 million) and US$3.4 million (2020: US$2.3 million) respectively for the year ended 31st December 2021. These subsidies were accounted for as other operating income.

Mandarin Oriental, Geneva was impaired in 2020. This included an accelerated depreciation for the leasehold property of US$41.9 million and an accelerated amortisation for the leasehold land of US$3.4 million. Taking into account a deferred tax credit of US$14.4 million *(note 5)*, the net impact of the impairment was US$30.9 million, which was reflected in the underlying loss of 2020.

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	EBITDA **US$m**	Depreciation and amortisation **US$m**	Operating (loss)/ profit **US$m**	Net financing charges **US$m**	Tax **US$m**	Net loss **US$m**
2021						
By business activity:						
Hotel ownership	**(1.7)**	**(14.5)**	**(16.2)**	**(4.5)**	**(0.4)**	**(21.1)**
Other	**(0.1)**	**(0.6)**	**(0.7)**	**-**	**-**	**(0.7)**
	(1.8)	**(15.1)**	**(16.9)**	**(4.5)**	**(0.4)**	**(21.8)**
By geographical area:						
Asia	**(2.2)**	**(10.0)**	**(12.2)**	**(2.3)**	**1.5**	**(13.0)**
EMEA	**(2.5)**	**(2.8)**	**(5.3)**	**(0.7)**	**(1.9)**	**(7.9)**
America	**2.9**	**(2.3)**	**0.6**	**(1.5)**	**-**	**(0.9)**
	(1.8)	**(15.1)**	**(16.9)**	**(4.5)**	**(0.4)**	**(21.8)**
2020						
By business activity:						
Hotel ownership	(12.9)	(12.7)	(25.6)	(3.2)	2.4	(26.4)
Other	0.3	(0.6)	(0.3)	(0.1)	-	(0.4)
	(12.6)	(13.3)	(25.9)	(3.3)	2.4	(26.8)
By geographical area:						
Asia	0.7	(10.2)	(9.5)	(1.6)	2.4	(8.7)
EMEA	(4.4)	(0.4)	(4.8)	(0.1)	-	(4.9)
America	(8.9)	(2.7)	(11.6)	(1.6)	-	(13.2)
	(12.6)	(13.3)	(25.9)	(3.3)	2.4	(26.8)

In relation to the COVID-19 pandemic, the results of associates and joint ventures included the Group's share of government grants and rent concessions of US$1.4 million (2020: US$3.7 million) and US$0.1 million (2020: US$0.1 million) respectively for the year ended 31st December 2021.

5. TAX

	2021 US$m	2020 US$m
Tax (charged)/credited to profit and loss is analysed as follows:		
Current tax	**(2.5)**	0.6
Deferred tax	**(5.1)**	18.8
	(7.6)	19.4
By business activity:		
Hotel ownership	**(5.8)**	19.5
Hotel & Residences branding and management	**(1.8)**	(0.1)
	(7.6)	19.4
By geographical area:		
Asia	**(2.0)**	0.5
EMEA	**(4.8)**	20.6
America	**(0.8)**	(1.7)
	(7.6)	19.4

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

Remeasurements of defined benefit plans	**(0.6)**	(0.9)
Cash flow hedges	**(1.3)**	1.9
	(1.9)	1.0

Tax on profits has been calculated at rates of taxation prevailing in the territories in which the Group operates.

Deferred tax in 2020 included a credit of US$14.4 million in relation to the impairment of Mandarin Oriental, Geneva *(note 3)*.

The results of associates and joint ventures included the Group's share of tax charges of US$0.4 million (2020: tax credits of US$2.4 million) *(note 4)*.

6. LOSS PER SHARE

Basic loss per share is calculated using loss attributable to shareholders of US$141.4 million (2020: US$680.1 million) and the weighted average number of US$1,263.4 million (2020: 1,263.2 million) shares in issue during the year.

Diluted loss per share is calculated using loss attributable to shareholders of US$141.4 million (2020: US$680.1 million) and the weighted average number of 1,263.8 million (2020: 1,263.2 million) shares in issue after adjusting for the number of shares which are deemed to be issued for no consideration under the share-based long-term incentive plans based on the average share price during the year.

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

	Ordinary shares in millions	
	2021	2020
Weighted average number of shares for basic loss per share calculation	**1,263.4**	1,263.2
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	**0.4**	-
Weighted average number of shares for diluted loss per share calculation	**1,263.8**	1,263.2

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

	2021			2020		
	US$m	**Basic loss per share US¢**	**Diluted loss per share US¢**	US$m	Basic loss per share US¢	Diluted loss per share US¢
Loss attributable to shareholders	**(141.4)**	**(11.19)**	**(11.19)**	(680.1)	(53.84)	(53.84)
Non-trading items *(note 7)*	**73.3**			474.2		
Underlying loss attributable to shareholders	**(68.1)**	**(5.39)**	**(5.39)**	(205.9)	(16.30)	(16.30)

7. NON-TRADING ITEMS

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of investment property under development and investments which are measured at fair value through profit and loss; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets, associates and joint ventures and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

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

	2021 US$m	2020 US$m
Change in fair value of investment property under development *(note 9)*	**(73.9)**	(474.9)
Change in fair value of other investments	**0.6**	0.7
	(73.3)	(474.2)

8. TANGIBLE ASSETS

	2021 US$m	2020 US$m
Opening net book value	**1,181.5**	1,174.6
Exchange differences	**(42.3)**	64.4
Additions	**14.0**	40.4
Disposals	**-**	(0.3)
Depreciation and impairment charge	**(55.0)**	(97.6)
Closing net book value	**1,098.2**	1,181.5

Freehold properties include a property of US$93.5 million (2020: US$98.1 million), which is stated net of tax increment financing of US$18.0 million (2020: US$18.8 million) *(note 11)*.

9. INVESTMENT PROPERTY UNDER DEVELOPMENT

	2021 US$m	2020 US$m
Opening fair value	**2,528.3**	2,967.7
Exchange differences	**(15.0)**	12.1
Additions	**22.6**	23.4
Decrease in fair value	**(73.9)**	(474.9)
Closing fair value	**2,462.0**	2,528.3

10. BORROWINGS

	2021 US$m	2020 US$m
Bank loans	**726.5**	666.7
Other borrowings	**3.8**	4.1
	730.3	670.8
Current	**2.5**	64.2
Long-term	**727.8**	606.6
	730.3	670.8

11. TAX INCREMENT FINANCING

	2021 US$m	2020 US$m
Netted off against the net book value of property *(note 8)*	**18.0**	18.8

A development agreement was entered into between one of the Group's subsidiaries and the District of Columbia ('District'), pursuant to which the District agreed to contribute to the subsidiary US$33.0 million 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 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 TIF Bonds are being amortised over 39 years up to February 2043.

12. DIVIDENDS

In light of the substantially reduced levels of business due to the impact of COVID-19 pandemic, no interim and final dividends in respect of the 2021 and 2020 financial years have been declared or proposed by the Board.

13. REFUND ON MUNICH EXPANSION

The Group withdrew from the expansion project of Mandarin Oriental, Munich and received cash refund on the deposits of land and related costs in October 2021.

14. CAPITAL COMMITMENTS

At 31st December 2021, total capital commitments of the Group amounted to US$550.3 million (2020: US$728.7 million). This primarily related to capital commitments for the Causeway Bay site under development, which is expected to complete in 2025.

15. RELATED PARTY TRANSACTIONS

Jardine Strategic Limited ('JSL') became the parent company of the Group following the completion of the simplification of the Group's parent company structure in April 2021. Jardine Strategic Holdings Limited and JMH Bermuda Limited, a wholly-owned subsidiary of the Group's ultimate parent company, Jardine Matheson Holdings Limited ('JMH'), amalgamated under the Bermuda Companies Act to form JSL, a wholly-owned subsidiary of JMH. Both JMH and JSL are incorporated in Bermuda.

In the normal course of business, the Group undertakes a variety of transactions with its associates and joint ventures and with JMH's subsidiaries, associates and joint ventures. The more significant of these transactions are described below:

During 2021, the Group managed six (2020: six) associate and joint venture hotels and received management fees of US$6.6 million (2020: US$4.2 million) based on long-term management agreements on normal commercial terms.

The Group provided hotel management services to Hongkong Land ('HKL'), a subsidiary of JMH. Total management fees received from HKL in 2021 amounted to US$2.3 million (2020: US$1.2 million), based on long-term management agreements on normal commercial terms.

The Group pays a management fee to Jardine Matheson Limited, a subsidiary of JMH, in consideration for certain management consultancy services. The fee is calculated as 0.5% of the Group's net profit. No fee was paid in 2021 and 2020 (due to underlying losses).

During 2021, in respect of the Causeway Bay site under development, the Group paid consultancy fees of US$1.2 million (2020: US$2.1 million) to HKL in consideration for project management consultancy services. In addition, Gammon Construction Limited ('GCL'), a joint venture of JMH, completed value of works of US$17.9 million (2020: US$16.3 million). The HKL agreement and GCL contract were arranged on normal commercial terms.

There were no other related party transactions that might be considered to have a material effect on the financial position or performance of the Group that were entered into or changed during the year.

Amount of outstanding balances with associates and joint ventures are included in debtors as appropriate.

Mandarin Oriental International Limited
Principal Risks and Uncertainties

The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure Guidance 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, Group Chief Executive's Review and other parts of the Company's 2021 Annual Report (the 'Report').

1. Economic Risk

   The Group's business is exposed to the risk of adverse 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 its strategic objectives fully. These developments could also adversely affect travel patterns, impacting demand for the Group's products and services.

   Mitigation Measures

   - Monitor the volatile macroeconomic environment and consider economic factors in strategic and financial planning processes.
   - Make agile adjustments to existing business plans and explore new business streams and new markets.
   - Review pricing strategies.
   - Insurance programme covering property damage and business interruption.

2. Commercial Risk

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

   The Group operates within the highly competitive global hotel industry. Failure to compete effectively in terms of product quality, service levels or price can adversely affect earnings. This may also include failure to adapt to rapidly evolving customer preferences and expectations. Significant competitive pressure or the oversupply of hotel rooms in a specific market can reduce margins. Advances in technology creating new or disruptive competitive pressures might also negatively affect the trading environment.

   The Group competes with other luxury hotel operators for new opportunities in the areas of hotel management, residences management and residences branding. Failure to establish and maintain relationships with hotel owners or developers could adversely affect the Group's business.

2. Commercial Risk *(continued)*

The Group also makes investment decisions regarding acquiring new hotel properties and undertaking significant renovations or redevelopments in its owned properties, exposing it to construction risks. The success of these investments is measured over the longer term and, as a result, is subject to market risk.

Mandarin Oriental's continued growth depends on the opening of new hotels and branded residences. Most of the Group's new developments are controlled by third-party owners and developers. As a result, they 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.

Mitigation Measures

- Utilise market intelligence and deploy strategies for business-to-consumer businesses.
- Establish customer relationship management programme and digital commerce capabilities.
- Engage in longer-term contracts and proactively approach suppliers for contract renewals.
- Re-engineer existing business processes.

3. Financial and Treasury Risk

The Group's activities expose it to a variety of financial risks, comprising market risk, credit risk and liquidity risk.

Market risk facing the Group includes i) 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; ii) interest rate risk through the impact of rate changes on interest bearing liabilities and assets; and iii) securities price risk because of its equity investments and limited partnership investment funds which are measured at fair value through profit and loss, and debt investments which are measured at fair value through other comprehensive income.

The Group's credit risk is primarily attributable to deposits with banks, contractual cash flows of debt investments carried at amortised cost and those measured at fair value through other comprehensive income, credit exposures to customers and derivative financial instruments with a positive fair value.

The Group exercises prudent liquidity risk management which 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.

Mandarin Oriental International Limited
Principal Risks and Uncertainties *(continued)*

3. Financial and Treasury Risk *(continued)*

Mitigation Measures

- Limit foreign exchange and interest rate risks to provide a degree of certainty about costs.
- The investment of the Group's cash resources is managed so as to minimise risk, while seeking to enhance yield.
- Appropriate credit guidelines are in place to manage counterparty risk.
- When economically sensible to do so, borrowings are taken in local currency to hedge foreign exchange exposures on investments.
- A portion of borrowings is denominated in fixed rates. Adequate headroom in committed facilities is maintained to facilitate the Group's capacity to pursue new investment opportunities and to provide some protection against market uncertainties.
- The Group's funding arrangements are designed to keep an appropriate balance between equity and debt from banks and capital markets, both short and long term in tenor, to give flexibility to develop the business.
- The Group's treasury operations are managed as cost centres and are not permitted to undertake speculative transactions unrelated to underlying financial exposures.

The detailed steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review and a note to the Financial Statements in the Report.

4. Pandemic, Terrorism and Natural Disasters

A global or regional pandemic would impact the Group's business, affecting travel patterns, demand for the Group's products and services, and possibly 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 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.

Management recognise that there is an increased talent management and labour shortage risk, primarily due to the pandemic.

Mitigation Measures

- Flexible work arrangements and compliance with hygiene protocols.
- Supply chain stabilisation includes sourcing backup suppliers and better coordination with logistics partners.
- Engage external consultants for climate risk analysis.
- Business Continuity Plans are tested and audited periodically.
- Insurance programmes that provide robust cover for natural disasters.

5. Key Agreements

The Group's business relies upon joint venture and partnership agreements, property leasehold arrangements, management, license, branding and services agreements or other key contracts. Accordingly, 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 and the wider Group.

Mitigation Measures

- Strengthen existing relationships with partners through complying with partnership agreements, property leasehold arrangements, management, license, branding and services agreements or other key contracts.
- Engage in longer-term contracts and proactively approach suppliers for contract renewals.
- Regular communication with partners and strengthen quality assurance programmes.
- Engage external consultants and legal experts where necessary.

6. Reputational Risk and Value of the Brand

The Group's brand equity and global reputation is fundamental in supporting its ability to offer premium products and services and to achieving acceptable revenues and profit margins. Accordingly, any damage to the Group's brand equity or reputation, including as a result of adverse effects relating to health and safety, acts or omissions by Group personnel, and any allegations of socially irresponsible policies and practices, might adversely impact the attractiveness of the Group's properties or the loyalty of the Group's guests.

Mitigation Measures

- Perform regular cybersecurity and data vulnerability assessment at least annually and/or penetration testing to identify weaknesses.
- Active monitoring and use of social media.
- Engage external consultants and experts where necessary.

7. Regulatory and Political Risk

The nature of the Group's global operations mean that it is subject to numerous laws and regulations, including but not limited to those covering employment, competition, taxation, data privacy, foreign ownership, town planning, anti-bribery, money laundering and exchange controls. Changes to laws and regulations can impact the operations and profitability of the Group's business. Non-compliance with laws and regulations could result in fines and/or penalties. Changes in the political environment, including prolonged civil unrest in the territories in which the Group operates, could adversely affect the Group's business.

- more -

7. Regulatory and Political Risk *(continued)*

Mitigation Measures

- Stay connected and informed of relevant new and draft regulations.
- Engage external consultants and legal experts where necessary.
- Raise awareness via principal's brand conference with an annual update on new regulations that may have been implemented in other markets.

8. Cybersecurity Risk

The Group's business is ever more reliant on technology in its operations and faces increasing cyberattacks from groups targeting both individuals and businesses. As a result, the privacy and security of guests and corporate information are at risk of being compromised through a breach of our or our suppliers' IT systems or the unauthorised or accidental release of information, resulting in brand damage, impaired competitiveness or regulatory action. Cyberattacks may also adversely affect the Group's ability to manage its business operations or operate information technology and business systems, resulting in business interruption, lost revenues, repair, reputation damage or other costs.

Mitigation Measures

- Engage external consultants to perform assessments on the business units with industry benchmarks.
- Define cybersecurity programme and centralised function to provide oversight, manage cybersecurity matters, and strengthen cyber defences and security measures.
- Perform regular vulnerability assessments and/or penetration testing to identify weaknesses.
- Maintain disaster recovery plans and backup for data restoration.
- Arrange security awareness training and phishing testing to raise users' cybersecurity awareness.

9. People Risk

The competitiveness of the Group's businesses depends on the quality of the people that it attracts and retains. Unavailability of needed human resources may impact the ability of the Group's businesses to operate at capacity, implement initiatives and pursue opportunities.

The pandemic has accelerated corporate investments in digital projects and stimulated global consumer demand for e-commerce. This has created heightened demand and competition across industries for various skillsets, particularly in IT and supply chain. Pandemic-related travel restrictions and a more stringent approach to issuing work visas to non-locals in some of the key markets have also disrupted the availability of labour across borders, exacerbating labour shortages as economies rebound.

9. People Risk *(continued)*

Mitigation Measures

- Ensure proactive manpower planning and succession planning are in place.
- Enhance modern employer branding, training for colleagues, compensation and benefits, talent development plan.
- Implement strategy to promote diversity and inclusion across the Group.
- Provide employee retention programmes.

10. Environmental and Climate Risk

Global climate change has led to a trend of increased frequency and intensity of potentially damaging natural events for the Group's assets and operations. With interest in sustainability surging in recent years from investors, governments and other interested parties, expectations by regulators and other stakeholders for accurate corporate sustainability reporting and commitments towards carbon neutrality and other sustainability related goals are also growing. This brings increasing challenges to the Group and its businesses to meet key stakeholders' expectations.

Mitigation Measures

- Executive Advisory Panel, Sustainability Leadership Council and Hotel Sustainability Committees have been in place to mobilise and coordinate sustainability efforts across the Group.
- Renewed environmental targets for 2025 and 2030 have been determined per property through a Group-wide inventory management plan.
- Environmental initiatives span across energy reduction, carbon reduction, renewable energy, water conservation, waste reduction and switching to LED lighting.
- Perform climate risk assessments and adaptation action plans across the Group.
- Identify environmental impact opportunities that address multiple problems and risks and gaps that are generally relevant to all properties and society in general.
- Assess emerging ESG reporting standards and requirements, and align the Group's disclosures to best market practice.

Mandarin Oriental International Limited
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 the Company's 2021 Annual Report, including the Chairman's Statement, Group Chief Executive's Review and the Principal Risks and Uncertainties, which constitute the management report, include a fair review of all information required to be disclosed by the Disclosure Guidance 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

James Riley
Matthew Bishop

Directors

Dividend Information for Shareholders

In light of the substantially reduced levels of business, no final dividend in respect of the 2021 financial year will be paid.

Mandarin Oriental International Limited
About Mandarin Oriental Hotel Group

Mandarin Oriental Hotel Group is an international hotel investment and management group with luxury hotels, resorts and residences in sought-after destinations around the world. Having grown from its Asian roots over 50 years ago into a global brand, the Group now operates 36 hotels and seven residences in 24 countries and territories, with each property reflecting the Group's oriental heritage and unique sense of place. Mandarin Oriental regularly receives international recognition and awards for outstanding service and quality management, and has a strong pipeline of hotels and residences under development. The Group has equity interests in a number of its properties and adjusted net assets worth approximately US$5.0 billion as at 31st December 2021.

Mandarin Oriental continues to drive its reputation as an innovative leader in luxury hospitality, seeking selective opportunities to expand the reach of the brand, with the aim to maximise profitability and long-term shareholder value.

The parent company, Mandarin Oriental International Limited, is incorporated in Bermuda and has a primary 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.

- end -

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Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2021 can be accessed through the internet at 'www.mandarinoriental.com'.