

announcement

Mandarin Oriental International Limited

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Hamilton HM EX, Bermuda



28th July 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 HALF-YEAR RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2022

HIGHLIGHTS

- Improved EBITDA profitability in the first half of 2022, with underlying losses reducing significantly
- Business performance continued to improve in the second quarter in most markets with strong room rates and increasing occupancy
- Four new management contracts announced in the first half

“Business activity in most parts of the world has improved as COVID-19 restrictions have been relaxed, leading to improved operating profitability and a reduction in underlying losses. Challenges remain, however, in China, particularly Hong Kong, and Japan, where restrictions continue to hamper our operations. The Group continues to add management contracts for brand-enhancing properties to grow the portfolio further.”

Ben Keswick
Chairman

RESULTS

	(Unaudited)		
	Six months ended 30th June		Change %
	2022 US\$m	2021 US\$m	
Combined total revenue of hotels under management ⁽¹⁾	679.4	381.8	+78
Revenue	198.4	101.8	+95
Underlying EBITDA (Earnings before interest, tax, depreciation and amortisation) ⁽²⁾	28.4	(17.0)	n/a
Underlying loss attributable to shareholders ⁽³⁾	(21.0)	(66.8)	+69
Revaluation gain/(loss) on investment property under development	2.7	(89.1)	n/a
Loss attributable to shareholders	(18.3)	(155.9)	+88
	US¢	US¢	%
Underlying loss per share ⁽³⁾	(1.66)	(5.29)	+69
Loss per share	(1.45)	(12.34)	+88
	US\$	US\$	%
Net asset value per share ⁽⁴⁾	2.55	2.62	-3
Adjusted net asset value per share ⁽⁴⁾⁽⁵⁾	3.86	3.93	-2
Net debt/shareholders' funds ⁽⁴⁾	16%	16%	
Net debt/adjusted shareholders' funds ⁽⁴⁾⁽⁵⁾	11%	10%	

(1) Combined revenue includes turnover of the Group's subsidiary hotels in addition to 100% of revenue from associates, joint ventures 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 7 to the condensed 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) At 30th June 2022 and 31st December 2021, respectively.
(5) The Group's investment property under development is carried at fair value on the basis of valuations carried out by independent valuers at 30th June 2022 and 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 for 30th June 2022 and 31st December 2021 have included the market value of the Group's freehold and leasehold interests which were appraised as at 31st December 2021.

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MANDARIN ORIENTAL INTERNATIONAL LIMITED
HALF-YEAR RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2022

OVERVIEW

In 2022, the business returned to EBITDA profitability in the first half, with underlying losses reducing significantly. The business benefitted from increased leisure travel in most parts of the world, and the management business in particular continued its strong progress with increased revenues. The Group continues to add management contracts for brand-enhancing properties to grow the portfolio further.

HOTEL PERFORMANCE

In Europe, the Middle East and Africa ('EMEA') and America, where pandemic restrictions have largely relaxed, the Group benefitted from strong leisure demand, with rates at or above pre-pandemic levels and improving occupancy levels. In Asia, demand in China remained impacted by government restrictions to contain outbreaks of COVID-19. In other Asian markets however, pandemic restrictions have slowly eased, allowing a gradual recovery in occupancy levels.

The combined total revenue of hotels under management increased by 78% in the first half of 2022, compared to the equivalent period in 2021.

FINANCIAL PERFORMANCE

Earnings before interest, tax, depreciation and amortisation ('EBITDA') for the first half of 2022 were US\$28 million, a significant improvement compared to EBITDA losses of US\$17 million in the first half of 2021. Results benefitted from increased business levels in EMEA and America, where travel restrictions have been lifted. In addition, the management business showed improved profitability in the period, due to increased management fees in line with higher total revenues, as well as cost control.

Underlying losses for the period were US\$21 million, a 69% improvement compared to US\$67 million for the first half of 2021. The valuation of the Causeway Bay site under development remained broadly in line with the valuation at 31st December 2021, resulting in a non-trading gain of US\$3 million. Total losses attributable to shareholders were US\$18 million in the first half, compared to US\$156 million in the same period in 2021.

At 30th June 2022, net debt was US\$519 million, broadly in line with US\$517 million at the end of 2021. The Group remains well funded, with headroom of US\$488 million in its available cash and committed facilities. The Group's gearing as a percentage of adjusted shareholders' funds was 11%, taking into account the market value of the Group's properties.

No interim dividend will be paid in respect of 2022 first-half results.

BUSINESS DEVELOPMENTS

Four new management contracts were announced in the first half of the year: Mandarin Oriental, Costa Navarino – the Group's first property in Greece; Mandarin Oriental Sheppard, Cairo – a comprehensive renovation of the historic Sheppard Hotel in Egypt; Mandarin Oriental, Cristallo, Cortina – the Group's first alpine resort; and a new resort on a private island in the Maldives.

Our pipeline remains robust, with 25 projects to open in the next five years, comprising 11 standalone hotel projects, 11 projects with hotel and residences components and three standalone residences projects.

In the second half of 2022, we expect to open a new hotel in Lucerne and two standalone residences projects in Barcelona and Beverly Hills.

On 19th July 2022, the Group announced the sale of Mandarin Oriental, Washington D.C. for US\$139 million, and the hotel will cease to be operated by Mandarin Oriental on 8th September 2022. The Group's portfolio has developed significantly over recent years, with many new, unique properties across the world that are more in line with our long-term vision for the brand than this property. With strong interest from investors, the time was right to sell this property.

OUTLOOK

Luxury hospitality trading conditions continue to improve in most markets and, despite continuing constraints on travel in China and Japan, the Group expects to see improved results in the second half and will continue to benefit from its robust pipeline and opening of new properties and residences. The Board remains confident that the strength of the Mandarin Oriental brand will underpin the long-term success of the Group in the future.

Ben Keswick

Chairman

Mandarin Oriental International Limited
Consolidated Profit and Loss Account
for the six months ended 30th June 2022

	(unaudited)						Year ended 31st December		
	2022			2021			2021		
	Underlying business performance US\$m	Non-trading Items US\$m	Total US\$m	Underlying business performance US\$m	Non-trading Items US\$m	Total US\$m	Underlying business performance US\$m	Non-trading Items US\$m	Total US\$m
Revenue (note 2)	198.4	-	198.4	101.8	-	101.8	316.9	-	316.9
Cost of sales	(150.0)	-	(150.0)	(114.7)	-	(114.7)	(261.3)	-	(261.3)
Gross profit/(loss)	48.4	-	48.4	(12.9)	-	(12.9)	55.6	-	55.6
Selling and distribution costs	(11.7)	-	(11.7)	(9.8)	-	(9.8)	(20.7)	-	(20.7)
Administration expenses	(52.5)	-	(52.5)	(44.8)	-	(44.8)	(104.1)	-	(104.1)
Other operating income	3.5	-	3.5	22.1	-	22.1	43.2	0.6	43.8
Change in fair value of investment property under development	-	2.7	2.7	-	(89.1)	(89.1)	-	(73.9)	(73.9)
Operating loss (note 3)	(12.3)	2.7	(9.6)	(45.4)	(89.1)	(134.5)	(26.0)	(73.3)	(99.3)
Financing charges	(6.7)	-	(6.7)	(6.9)	-	(6.9)	(13.8)	-	(13.8)
Interest income	0.6	-	0.6	0.5	-	0.5	1.1	-	1.1
Net financing charges	(6.1)	-	(6.1)	(6.4)	-	(6.4)	(12.7)	-	(12.7)
Share of results of associates and joint ventures (note 4)	(1.0)	-	(1.0)	(15.0)	-	(15.0)	(21.8)	-	(21.8)
Loss before tax	(19.4)	2.7	(16.7)	(66.8)	(89.1)	(155.9)	(60.5)	(73.3)	(133.8)
Tax (note 5)	(1.6)	-	(1.6)	-	-	-	(7.6)	-	(7.6)
Loss after tax	(21.0)	2.7	(18.3)	(66.8)	(89.1)	(155.9)	(68.1)	(73.3)	(141.4)
Attributable to:									
Shareholders of the Company (notes 6 & 7)	(21.0)	2.7	(18.3)	(66.8)	(89.1)	(155.9)	(68.1)	(73.3)	(141.4)
Non-controlling interests	-	-	-	-	-	-	-	-	-
	(21.0)	2.7	(18.3)	(66.8)	(89.1)	(155.9)	(68.1)	(73.3)	(141.4)
	US¢		US¢	US¢		US¢	US¢		US¢
Loss per share (note 6)									
- basic	(1.66)		(1.45)	(5.29)		(12.34)	(5.39)		(11.19)
- diluted	(1.66)		(1.45)	(5.29)		(12.34)	(5.39)		(11.19)

Mandarin Oriental International Limited
Consolidated Statement of Comprehensive Income
for the six months ended 30th June 2022

	(unaudited) Six months ended 30th June 2022 US\$m	(unaudited) Six months ended 30th June 2021 US\$m	Year ended 31st December 2021 US\$m
Loss for the period	(18.3)	(155.9)	(141.4)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	-	-	3.5
Tax on items that will not be reclassified	-	-	(0.6)
	-	-	2.9
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
- net losses arising during the period	(82.4)	(25.7)	(70.7)
Cash flow hedges			
- net gains arising during the period	12.2	2.7	11.6
Tax relating to items that may be reclassified	(1.5)	(0.5)	(1.3)
Share of other comprehensive expense of associates and joint ventures	(1.0)	(1.9)	(2.0)
	(72.7)	(25.4)	(62.4)
Other comprehensive expense for the period, net of tax	(72.7)	(25.4)	(59.5)
Total comprehensive expense for the period	(91.0)	(181.3)	(200.9)
Attributable to:			
Shareholders of the Company	(90.8)	(181.1)	(200.7)
Non-controlling interests	(0.2)	(0.2)	(0.2)
	(91.0)	(181.3)	(200.9)

Mandarin Oriental International Limited
Consolidated Balance Sheet
at 30th June 2022

	(unaudited) At 30th June 2022 US\$m	2021 US\$m	At 31st December 2021 US\$m
Net assets			
Intangible assets	46.4	44.0	46.7
Tangible assets	1,011.4	1,147.2	1,098.2
Right-of-use assets	248.3	283.6	273.3
Investment property under development (<i>note 8</i>)	2,459.5	2,447.1	2,462.0
Associates and joint ventures	188.2	216.3	201.5
Other investments	14.1	15.5	16.5
Deferred tax assets	12.9	17.7	13.7
Pension assets	6.7	5.0	7.1
Non-current debtors	17.1	4.8	8.9
Non-current assets	4,004.6	4,181.2	4,127.9
Stocks	4.7	5.5	5.3
Current debtors	64.5	99.2	68.8
Current tax assets	1.9	3.0	2.2
Bank and cash balances	179.0	137.7	212.8
Current assets	250.1	245.4	289.1
Current creditors	(147.9)	(138.7)	(157.2)
Current borrowings	(65.3)	(2.6)	(2.5)
Current lease liabilities	(5.4)	(6.7)	(6.3)
Current tax liabilities	(8.9)	(9.5)	(9.9)
Current liabilities	(227.5)	(157.5)	(175.9)
Net current assets	22.6	87.9	113.2
Long-term borrowings	(632.8)	(725.1)	(727.8)
Non-current lease liabilities	(123.0)	(156.7)	(147.4)
Deferred tax liabilities	(49.8)	(47.7)	(50.1)
Pension liabilities	(0.3)	(0.3)	(0.3)
Non-current creditors	-	(7.4)	(3.2)
	3,221.3	3,331.9	3,312.3
Total equity			
Share capital	63.2	63.2	63.2
Share premium	500.7	499.9	500.5
Revenue and other reserves	2,654.1	2,765.3	2,745.1
Shareholders' funds	3,218.0	3,328.4	3,308.8
Non-controlling interests	3.3	3.5	3.5
	3,221.3	3,331.9	3,312.3

Mandarin Oriental International Limited
Consolidated Statement of Changes in Equity
for the six months ended 30th June 2022

	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
<i>Six months ended 30th June 2022 (unaudited)</i>										
At 1st January 2022	63.2	500.5	259.1	(377.7)	2,943.4	0.9	(80.6)	3,308.8	3.5	3,312.3
Total comprehensive income	-	-	-	(18.3)	-	11.0	(83.5)	(90.8)	(0.2)	(91.0)
Transfer	-	0.2	(0.2)	-	-	-	-	-	-	-
At 30th June 2022	63.2	500.7	258.9	(396.0)	2,943.4	11.9	(164.1)	3,218.0	3.3	3,221.3
<i>Six months ended 30th June 2021 (unaudited)</i>										
At 1st January 2021	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	-	-	-	(155.9)	-	2.1	(27.3)	(181.1)	(0.2)	(181.3)
Transfer	-	0.2	(0.5)	0.3	-	-	-	-	-	-
At 30th June 2021	63.2	499.9	259.8	(395.9)	2,943.4	(7.6)	(34.4)	3,328.4	3.5	3,331.9
<i>Year ended 31st December 2021</i>										
At 1st January 2021	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 2021	63.2	500.5	259.1	(377.7)	2,943.4	0.9	(80.6)	3,308.8	3.5	3,312.3

Revenue reserves as at 30th June 2022 included cumulative fair value loss on the investment property under development of US\$613.4 million (US\$631.3 million as at 30th June 2021 and US\$616.1 million as at 31st December 2021).

Mandarin Oriental International Limited
Consolidated Cash Flow Statement
for the six months ended 30th June 2022

	(unaudited) Six months ended 30th June 2022 US\$m	2021 US\$m	Year ended 31st December 2021 US\$m
Operating activities			
Operating loss	(9.6)	(134.5)	(99.3)
Depreciation, amortisation and impairment	31.4	35.4	68.5
Other non-cash items	(3.0)	88.1	71.2
Movements in working capital	(0.9)	(4.3)	0.9
Interest received	1.2	0.3	0.4
Interest and other financing charges paid	(6.5)	(6.9)	(13.5)
Tax paid	(2.3)	(0.6)	(1.8)
Cash flows from operating activities	10.3	(22.5)	26.4
Investing activities			
Purchase of tangible assets	(3.4)	(10.0)	(15.3)
Additions to investment property under development	(13.7)	(11.8)	(19.7)
Purchase of intangible assets	(2.4)	(0.8)	(6.1)
Refund/(payment) on Munich expansion	4.0	(28.6)	13.0
Purchase of other investments	(0.2)	(0.2)	(0.3)
Purchase of an associate	(1.0)	-	-
Advance to associates and joint ventures	(0.4)	(7.0)	(7.1)
Repayment of loans to associates and joint ventures	1.9	0.5	3.0
Cash flows from investing activities	(15.2)	(57.9)	(32.5)
Financing activities			
Drawdown of borrowings	6.4	117.8	130.6
Repayment of borrowings	(24.1)	(61.3)	(66.4)
Principal elements of lease payments	(3.2)	(1.3)	(3.3)
Cash flows from financing activities	(20.9)	55.2	60.9
Net (decrease)/increase in cash and cash equivalents	(25.8)	(25.2)	54.8
Cash and cash equivalents at beginning of period	212.8	164.6	164.6
Effect of exchange rate changes	(8.0)	(1.7)	(6.6)
Cash and cash equivalents at end of period	179.0	137.7	212.8

Mandarin Oriental International Limited
Notes to Condensed Financial Statements

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

(a) Going Concern

The Group's operations and financial performance have been 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. This has increased with new debt facilities in February 2021.

Operating conditions continued to improve in most markets in the first half of 2022 as COVID-19 restrictions have been relaxed, leading to improved operating profitability and a reduction in underlying losses. Challenges remain, however, in China, particularly Hong Kong, and Japan, where restrictions continue to hamper our operations. A return of profitability to pre-pandemic levels by the Group will be dependent on the extent of travel restrictions that are maintained by governments.

In the first half of 2022, the Group recorded a total cash inflow from operating activities of US\$10 million, a significant improvement from a total cash outflow from operating activities of US\$23 million in the first half of 2021.

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\$4.9 billion at 30th June 2022.

At 30th June 2022, the Group had total liquidity of US\$488 million, comprising US\$309 million of undrawn committed facilities and US\$179 million of cash balances. The Group's facilities are not subject to any cash flow covenants and had an average remaining tenor of 1.6 years. Overall, the Group's balance sheet position remains strong.

In adopting the going concern basis for preparing the condensed financial statements, the Directors have considered a downside cash flow forecast which assumes the flagship hotel of the Group in Hong Kong continues to operate at substantially reduced levels of business as a consequence of travel restrictions maintained by the government for a period of 12 months from the date of approval of the condensed financial statements.

Having considered the outcome of the downside 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 condensed financial statements. Accordingly, the condensed financial statements have been prepared on a going concern basis.

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

(b) Basis of preparation

The condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and on a going concern basis. The condensed financial statements have not been audited or reviewed by the Group's auditors pursuant to the UK Auditing Practices Board guidance on the review of interim financial information.

There are no changes to the accounting policies as described in the 2021 annual financial statements and the Group has not early adopted any standard or amendments that have been issued but not yet effective.

2. REVENUE

	Six months ended 30th June	
	2022	2021
	US\$m	US\$m
	<u> </u>	<u> </u>
<i>By business activity:</i>		
Hotel ownership	177.2	87.1
Hotel & Residences branding and management	27.3	17.6
Less: intra-segment revenue	<u>(6.1)</u>	<u>(2.9)</u>
	<u>198.4</u>	<u>101.8</u>
 <i>By geographical area:</i>		
Asia	53.8	54.1
Europe, Middle East and Africa ('EMEA')	101.9	33.9
America	<u>42.7</u>	<u>13.8</u>
	<u>198.4</u>	<u>101.8</u>
 <i>Revenue from contracts with customers:</i>		
Recognised at a point in time	62.0	37.4
Recognised over time	<u>127.2</u>	<u>54.6</u>
	189.2	92.0
 <i>Revenue from other sources:</i>		
Rental income	<u>9.2</u>	<u>9.8</u>
	<u>198.4</u>	<u>101.8</u>

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

	Six months ended 30th June	
	2022	2021
	US\$m	US\$m
	<u> </u>	<u> </u>
<i>By business activity:</i>		
Hotel ownership	5.7	(12.7)
Hotel & Residences branding and management	<u>13.4</u>	<u>2.7</u>
Underlying EBITDA from subsidiaries	19.1	(10.0)
Non-trading items <i>(note 7)</i>		
Change in fair value of investment property under development	<u>2.7</u>	<u>(89.1)</u>
EBITDA from subsidiaries	21.8	(99.1)
Underlying depreciation and amortisation from subsidiaries	<u>(31.4)</u>	<u>(35.4)</u>
Operating loss	<u>(9.6)</u>	<u>(134.5)</u>
<i>By geographical area:</i>		
Asia	(13.5)	(7.0)
EMEA	28.4	5.9
America	<u>4.2</u>	<u>(8.9)</u>
Underlying EBITDA from subsidiaries	<u>19.1</u>	<u>(10.0)</u>

The Group had received government grants of US\$3.5 million (2021: US\$18.1 million) and rent concessions of nil (2021: US\$2.1 million) for the six months ended 30th June 2022. These amounts were in relation to the COVID-19 pandemic and were accounted for as other operating income.

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	EBITDA US\$m	Depreciation and amortisation US\$m	Operating profit/ (loss) US\$m	Net financing charges US\$m	Tax US\$m	Net (loss)/ profit US\$m
Six months ended 30th June 2022						
<i>By business activity:</i>						
Hotel ownership	9.2	(7.2)	2.0	(2.5)	(0.3)	(0.8)
Other	0.1	(0.2)	(0.1)	(0.1)	-	(0.2)
	<u>9.3</u>	<u>(7.4)</u>	<u>1.9</u>	<u>(2.6)</u>	<u>(0.3)</u>	<u>(1.0)</u>
<i>By geographical area:</i>						
Asia	3.5	(4.5)	(1.0)	(1.3)	(0.3)	(2.6)
EMEA	1.6	(1.8)	(0.2)	(0.5)	-	(0.7)
America	4.2	(1.1)	3.1	(0.8)	-	2.3
	<u>9.3</u>	<u>(7.4)</u>	<u>1.9</u>	<u>(2.6)</u>	<u>(0.3)</u>	<u>(1.0)</u>
Six months ended 30th June 2021						
<i>By business activity:</i>						
Hotel ownership	(6.9)	(7.3)	(14.2)	(1.9)	1.5	(14.6)
Other	(0.1)	(0.3)	(0.4)	-	-	(0.4)
	<u>(7.0)</u>	<u>(7.6)</u>	<u>(14.6)</u>	<u>(1.9)</u>	<u>1.5</u>	<u>(15.0)</u>
<i>By geographical area:</i>						
Asia	(3.0)	(5.2)	(8.2)	(0.9)	1.5	(7.6)
EMEA	(3.5)	(1.2)	(4.7)	(0.2)	-	(4.9)
America	(0.5)	(1.2)	(1.7)	(0.8)	-	(2.5)
	<u>(7.0)</u>	<u>(7.6)</u>	<u>(14.6)</u>	<u>(1.9)</u>	<u>1.5</u>	<u>(15.0)</u>

The results of associates and joint ventures included the Group's share of government grants of US\$0.2 million (2021: US\$0.7 million) and rent concessions of US\$0.2 million (2021: US\$0.1 million) for the six months ended 30th June 2022. These amounts were in relation to the COVID-19 pandemic.

5. TAX

	Six months ended 30th June	
	2022	2021
	US\$m	US\$m
	<u> </u>	<u> </u>
Tax (charged)/credited to profit and loss is analysed as follows:		
Current tax	(1.7)	(0.1)
Deferred tax	0.1	0.1
	<u>(1.6)</u>	<u>-</u>
<i>By business activity:</i>		
Hotel ownership	(0.7)	0.7
Hotel & Residences branding and management	(0.9)	(0.7)
	<u>(1.6)</u>	<u>-</u>
<i>By geographical area:</i>		
Asia	(0.2)	(0.3)
EMEA	(1.3)	0.3
America	(0.1)	-
	<u>(1.6)</u>	<u>-</u>

Tax charge relating to cash flow hedges of US\$1.5 million (2021: US\$0.5 million) is included in other comprehensive income or expense.

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

Share of tax charge of associates and joint ventures of US\$0.3 million (2021: tax credit of US\$1.5 million) is included in share of results of associates and joint ventures (*note 4*).

6. LOSS PER SHARE

Basic loss per share is calculated on loss attributable to shareholders of US\$18.3 million (2021: US\$155.9 million) and the weighted average number of 1,263.7 million (2021: 1,263.2 million) shares in issue during the period.

Diluted loss per share is calculated on loss attributable to shareholders of US\$18.3 million (2021: US\$155.9 million) and the weighted average number of 1,263.8 million (2021: 1,263.6 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 period.

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

	Ordinary shares in millions	
	2022	2021
Weighted average number of shares for basic earnings per share calculation	1,263.7	1,263.2
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	0.1	0.4
Weighted average number of shares for diluted earnings per share calculation	<u>1,263.8</u>	<u>1,263.6</u>

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

	Six months ended 30th June					
	2022			2021		
	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	(18.3)	(1.45)	(1.45)	(155.9)	(12.34)	(12.34)
Non-trading items (note 7)	(2.7)			89.1		
Underlying loss attributable to shareholders	<u>(21.0)</u>	<u>(1.66)</u>	<u>(1.66)</u>	<u>(66.8)</u>	<u>(5.29)</u>	<u>(5.29)</u>

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 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:

	Six months ended 30th June	
	2022 US\$m	2021 US\$m
Change in fair value of investment property under development (<i>note 8</i>)	<u>2.7</u>	<u>(89.1)</u>

8. INVESTMENT PROPERTY UNDER DEVELOPMENT

	Six months ended		Year ended
	2022 US\$m	30th June 2021 US\$m	31st December 2021 US\$m
Fair value at beginning of period	2,462.0	2,528.3	2,528.3
Exchange differences	(15.2)	(3.9)	(15.0)
Additions	10.0	11.8	22.6
Increase/(decrease) in fair value	2.7	(89.1)	(73.9)
Fair value at end of period	<u>2,459.5</u>	<u>2,447.1</u>	<u>2,462.0</u>

9. DIVIDENDS

In light of the substantially reduced levels of business due to the impact of the COVID-19 pandemic, no interim dividend in respect of the six months ended 30th June 2022 has been declared by the Board (2021: nil).

10. CAPITAL COMMITMENTS

Total capital commitments at 30th June 2022 and 31st December 2021 amounted to US\$545.6 million and US\$550.3 million, respectively.

11. FINANCIAL INSTRUMENTS

Financial instruments by category

The fair values of financial assets and financial liabilities, together with carrying amounts at 30th June 2022 and 31st December 2021 are as follows:

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Financial assets at amortised cost US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
30th June 2022						
<i>Financial assets</i>						
<i>measured at fair value</i>						
Other investments	-	14.1	-	-	14.1	14.1
Derivative financial instruments	13.1	-	-	-	13.1	13.1
	13.1	14.1	-	-	27.2	27.2
<i>Financial assets not measured at fair value</i>						
Debtors	-	-	53.1	-	53.1	53.1
Bank and cash balances	-	-	179.0	-	179.0	179.0
	-	-	232.1	-	232.1	232.1
<i>Financial liabilities not measured at fair value</i>						
Borrowings	-	-	-	(698.1)	(698.1)	(698.1)
Lease liabilities	-	-	-	(128.4)	(128.4)	(128.4)
Trade and other payable excluding non-financial liabilities	-	-	-	(134.8)	(134.8)	(134.8)
	-	-	-	(961.3)	(961.3)	(961.3)

11. FINANCIAL INSTRUMENTS (*CONTINUED*)Financial instruments by category (*continued*)

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Financial assets at amortised cost US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
31st December 2021						
<i>Financial assets</i>						
<i>measured at fair value</i>						
Other investments	-	16.5	-	-	16.5	16.5
Derivative financial instruments	4.4	-	-	-	4.4	4.4
	<u>4.4</u>	<u>16.5</u>	<u>-</u>	<u>-</u>	<u>20.9</u>	<u>20.9</u>
<i>Financial assets not</i>						
<i>measured at fair value</i>						
Debtors	-	-	58.0	-	58.0	58.0
Bank and cash balances	-	-	212.8	-	212.8	212.8
	<u>-</u>	<u>-</u>	<u>270.8</u>	<u>-</u>	<u>270.8</u>	<u>270.8</u>
<i>Financial liabilities</i>						
<i>measured at fair value</i>						
Derivative financial instruments	(3.6)	-	-	-	(3.6)	(3.6)
<i>Financial liabilities not</i>						
<i>measured at fair value</i>						
Borrowings	-	-	-	(730.3)	(730.3)	(730.3)
Lease liabilities	-	-	-	(153.7)	(153.7)	(153.7)
Trade and other payable excluding non-financial liabilities	-	-	-	(129.9)	(129.9)	(129.9)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,013.9)</u>	<u>(1,013.9)</u>	<u>(1,013.9)</u>

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) *Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions')*

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

The fair values of unlisted investments mainly include club and school debentures, are determined using prices quoted by brokers at the balance sheet date.

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11. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value estimation (continued)

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

(b) *Inputs for assets or liabilities that are not based on observable market data ('unobservable inputs')*

The fair values of other unlisted investments are 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 or discounted cash flow by projecting the cash flows from these investments.

There were no changes in valuation techniques during the six months ended 30th June 2022 and the year ended 31st December 2021.

The table below analyses financial instruments carried at fair value at 30th June 2022 and 31st December 2021, by the levels in the fair value measurement hierarchy:

	Observable market current transactions US\$m	Unobservable inputs US\$m	Total US\$m
30th June 2022			
<i>Assets</i>			
Other investments	6.0	8.1	14.1
Derivative financial instruments at fair value - through other comprehensive income	13.1	-	13.1
	<u>19.1</u>	<u>8.1</u>	<u>27.2</u>
 31st December 2021			
<i>Assets</i>			
Other investments	6.0	10.5	16.5
Derivative financial instruments at fair value - through other comprehensive income	4.4	-	4.4
	<u>10.4</u>	<u>10.5</u>	<u>20.9</u>
 <i>Liabilities</i>			
Derivative financial instruments at fair value - through other comprehensive income	<u>(3.6)</u>	<u>-</u>	<u>(3.6)</u>

There were no transfers among the two categories during the six months ended 30th June 2022 and the year ended 31st December 2021.

11. FINANCIAL INSTRUMENTS (*CONTINUED*)Fair value estimation (*continued*)(i) Financial instruments that are measured at fair value (*continued*)

Movement of financial instruments which are valued based on unobservable inputs during the six months ended 30th June 2022 and the year ended 31st December 2021 are as follows:

	Unlisted investments US\$m
At 1st January 2022	<u>10.5</u>
Disposals	<u>(2.4)</u>
At 30th June 2022	<u>8.1</u>
At 1st January 2021	10.7
Disposals	<u>(0.2)</u>
At 31st December 2021	<u>10.5</u>

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

The fair values of current debtors, bank and cash balances, current creditors, current borrowings and current lease liabilities 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. The fair values of non-current lease liabilities are estimated using the expected future payments discounted at market interest rates.

12. RELATED PARTY TRANSACTIONS

The parent company of the Group is Jardine Strategic Limited ('JSL') and the ultimate holding company of the Group is Jardine Matheson Holdings Limited ('JM'). Both JM 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 JM's subsidiaries, associates and joint ventures. The more significant of these transactions during the six months ended 30th June 2022 are described below:

The Group managed six (2021: six) associate and joint venture hotels and received management fees of US\$5.7 million (2021: US\$2.6 million) based on long-term management agreements on normal commercial terms.

12. RELATED PARTY TRANSACTIONS (*CONTINUED*)

The Group provided hotel management services to Hongkong Land ('HKL'), a subsidiary of JMH. Total management fees received from HKL amounted to US\$0.6 million (2021: US\$0.6 million), based on long-term management agreements on normal commercial terms.

In respect of the Causeway Bay site under development, the Group paid consultancy fees of US\$0.7 million (2021: US\$0.4 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\$6.6 million (2021: US\$9.8 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 first six months of the current financial year.

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

13. POST BALANCE SHEET EVENT

On 19th July 2022, the Group announced that it has entered into an agreement to sell Mandarin Oriental, Washington D.C. to Henderson Park, a private equity real estate manager headquartered in London. On completion of the sale, which is scheduled to occur on 8th September 2022, the property will cease to be operated by Mandarin Oriental.

Following the sale, the Group will receive gross proceeds of approximately US\$139 million with a post-tax, non-trading gain of approximately US\$45 million, which will be recognised in the second half of 2022.

Mandarin Oriental International Limited

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The following have been identified previously as the areas of principal risk and uncertainty facing the Company, and they remain relevant in the second half of the year.

- Economic Risk
- Commercial Risk
- Financial and Treasury Risk
- Pandemic, Terrorism and Natural Disasters
- Key Agreements
- Reputational Risk and Value of the Brand
- Regulatory and Political Risk
- Cybersecurity Risk
- People Risk
- Environmental and Climate Risk

For greater detail, please refer to pages 125 to 128 of the Company's 2021 Annual Report, a copy of which is available on the Company's website www.mandarinoriental.com.

Responsibility Statement

The Directors of the Company confirm to the best of their knowledge that:

- (a) the condensed financial statements have been prepared in accordance with IAS 34; and
- (b) the interim management report includes a fair review of all information required to be disclosed by the Disclosure Guidance and Transparency Rules 4.2.7 and 4.2.8 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 interim dividend will be paid in respect of the six months ended 30th June 2022.

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\$4.9 billion as at 30th June 2022.

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.

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For further information, please contact:

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As permitted by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in the United Kingdom, the Company will not be posting a printed version of the Half-Year Results announcement for the six months ended 30th June 2022 to shareholders. This Half-Year Results announcement will be made available on the Company's website, www.mandarinoriental.com, together with other Group announcements.