To: Business Editor

5th March 2020
For immediate release

*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
# 2019 PRELIMINARY ANNOUNCEMENT OF RESULTS

## Highlights

- Lower earnings in Hong Kong
- London hotel fully re-opened
- Commenced redevelopment of The Excelsior site
- Four new hotels opened and seven new management contracts signed

"The Group's performance is being significantly impacted by the ongoing coronavirus, particularly in Hong Kong. Results for the remainder of the year will depend on the duration, geographic extent and impact of the coronavirus and the measures taken to control it. The Group's results should, however, benefit from the newly renovated London and Bangkok hotels and the Group looks forward to the re-opening of the iconic Mandarin Oriental Ritz, Madrid in late summer."

Ben Keswick
*Chairman*

## Results

| | Year ended 31st December | | |
|---|---|---|---|
| | **2019** | 2018 | Change |
| | **US$m** | US$m restated(6) | % |
| Combined total revenue of hotels under management(1) | **1,325.1** | 1,397.6 | –5 |
| Underlying EBITDA (Earnings before interest, tax, depreciation and amortisation)(2) | **154.5** | 187.9 | –18 |
| Underlying profit attributable to shareholders(3) | **41.2** | 64.9 | –37 |
| (Loss)/profit attributable to shareholders | **(55.5)** | 43.4 | N/A |
| | **US¢** | US¢ | % |
| Underlying earnings per share(3) | **3.26** | 5.15 | –37 |
| (Loss)/earnings per share | **(4.39)** | 3.44 | N/A |
| Dividends per share | **3.00** | 3.00 | - |
| | **US$** | US$ | % |
| Net asset value per share(4) | **3.26** | 0.98 | +233 |
| Adjusted net asset value per share(5) | **4.70** | 4.62 | +2 |
| Net debt/shareholders' funds(4) | **7%** | 23% | |
| Net debt/adjusted shareholders' funds(5) | **5%** | 5% | |

(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' 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) The net asset value per share and net debt/shareholders' funds at 31st December 2019 included a US$2.9 billion one-time asset revaluation gain through reserves following the reclassification of The Excelsior site as an investment property under development on 31st March 2019.
(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 2019. 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.
(6) The comparative figures in 2018 have been restated due to changes in accounting policies upon adoption of IFRS 16 'Leases', as set out in note 1 to the financial statements.

The final dividend of US¢1.50 per share will be payable on 13th May 2020, subject to approval at the Annual General Meeting to be held on 6th May 2020, to shareholders on the register of members at the close of business on 20th March 2020.

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**MANDARIN ORIENTAL INTERNATIONAL LIMITED**

**PRELIMINARY ANNOUNCEMENT OF RESULTS**
**FOR THE YEAR ENDED 31ST DECEMBER 2019**

**OVERVIEW**

The Group's underlying profit significantly decreased in 2019, primarily due to the closure of The Excelsior in Hong Kong. While results were also impacted by the social unrest in Hong Kong and the major renovation at the Bangkok hotel, earnings did benefit from the re-opening of the London hotel following the fire in 2018 and the receipt of related insurance proceeds.

**PERFORMANCE**

Underlying earnings before interest, tax, depreciation and amortisation ('EBITDA') were US$155 million, compared to US$188 million in the prior year. Excluding earnings from The Excelsior, underlying EBITDA were US$146 million compared to US$153 million in 2018.

Underlying profit for the year was US$41 million compared with US$65 million in 2018. In addition, several non-trading items were recognised, primarily in relation to the redevelopment of The Excelsior as a commercial building and its reclassification as a commercial investment property following the hotel's closure in March 2019. These items included a US$67 million (1%) decrease in the valuation of The Excelsior site at the end of the year and US$29 million of accelerated depreciation of hotel assets and closure costs. These items resulted in a loss attributable to shareholders of US$56 million in the year compared to a profit attributable to shareholders of US$43 million in 2018.

The adjusted net asset value per share, which reflects an independent valuation of the Group's owned hotel properties and the valuation of The Excelsior site as a commercial development, was US$4.70 at 31st December 2019, compared with US$4.62 per share at the end of 2018.

The Directors recommend a final dividend of US¢1.50 per share, resulting in a total annual dividend of US¢3.00 per share, unchanged from 2018.

The Group's net debt at 31st December 2019 was US$300 million, slightly higher than the US$285 million at the end of 2018. Gearing as a percentage of adjusted shareholders' funds at

31st December 2019, after taking into account the market value of all of the Group's property interests, was 5%.

**YEAR IN REVIEW**

Several of the Group's owned or partially owned properties reported better earnings in 2019 although overall results were impacted by the redevelopment of The Excelsior site, the social unrest in Hong Kong and the renovation in Bangkok. The Group's London Hyde Park hotel fully re-opened in April 2019 and the hotel is quickly re-establishing its position at the top of the London market. Results at the London property benefited from settlement of the insurance claim relating to the fire in 2018, which included proceeds for business interruption in respect of both 2018 and 2019. The restoration of Mandarin Oriental Ritz, Madrid is on track and the Group is looking forward to the opening of this historic property in late summer of 2020.

The redevelopment of The Excelsior site is progressing well, and the demolition phase commenced in September 2019. The Group expects the redevelopment to take around six years to complete and to cost some US$650 million.

The Group opened four new hotels in 2019 in Dubai, Doha, Beijing and Lake Como. The Group also continues to build its development pipeline with seven new management contracts signed and announced in 2019, including six new hotels and one standalone *Residences* project. New Mandarin Oriental hotels were announced in Istanbul, Nanjing, Lake Lucerne, Dallas and Tel Aviv and the Group took over management of Emirates Palace in Abu Dhabi at the beginning of 2020.

**PEOPLE**

Each and every day our colleagues work tirelessly to provide the legendary service and experiences for which Mandarin Oriental is recognised. On behalf of the Directors, I would like to thank colleagues throughout the Group for their continuing dedication, loyalty and commitment and for how they have performed and responded to, and shown great resilience in the face of, the ongoing challenging conditions for the Group.

Simon Keswick stepped down as a Director with effect from 1st January 2020. On 20th January 2020, it was announced that Lord Sassoon will retire from the Board on 9th April 2020. Edouard Ettedgui will retire from the Board following the Company's AGM on 6th May 2020. The Board would like to record its gratitude to all of them for their significant contributions to the Group over many years. Archie Keswick was appointed as a Director on 5th December 2019 and the Board was pleased to welcome him to the Board.

As separately announced on 5th March 2020, with effect from 15th June 2020 the roles of Chairman and Managing Director, which are currently held on a combined basis by Ben Keswick, will be separated. Ben Keswick will remain as Chairman and John Witt will join the Board and take on the role of Managing Director of the Company.

**OUTLOOK**

The Group's performance is being significantly impacted by the ongoing coronavirus, particularly in Hong Kong. Results for the remainder of the year will depend on the duration, geographic extent and impact of the coronavirus and the measures taken to control it. The Group's results should, however, benefit from the newly renovated London and Bangkok hotels and the Group looks forward to the re-opening of the iconic Mandarin Oriental Ritz, Madrid in late summer.

Ben Keswick
*Chairman*

## GROUP CHIEF EXECUTIVE'S REVIEW

### KEY HIGHLIGHTS

2019 was an extremely busy year for the Group and I am pleased with the progress we have made on several fronts. We opened four new hotels this year in Dubai, Doha, Beijing and Lake Como, opened a new *Residences* in Bangkok, and announced seven new development projects, including the takeover of the iconic Emirates Palace in Abu Dhabi. Having started 2019 without a presence in the Middle East, we now have three operating hotels in a region which is an important outbound market for many of our properties globally. This is also the first time the Group has opened four hotels in a single year, and I hope signals a new era of growth for the Group – over the last four years we have diligently built a pipeline that currently includes 20 new projects which are scheduled to open in the next five years, in addition to the properties whose management we have already taken over during the period.

Other events of note included the re-opening of our flagship Hyde Park hotel in London after a comprehensive refurbishment, the re-opening of the River Wing at the historic Bangkok hotel following renovation, a completed rooms renovation in Tokyo, and good progress on the renovation of the Madrid hotel which is on track to open in late summer 2020. The redevelopment of The Excelsior site into a commercial building commenced in May and is currently in the demolition phase. The new commercial building is expected to be completed in 2025.

Our guest recognition programme, *Fans of M.O.*, surpassed half a million members in 2019, less than 18 months after launch. We designed *Fans of M.O.* as a unique recognition-based programme to fit the needs of our customers and I am delighted with the response and continued take-up. Further enhancements to the programme are coming in 2020 and I am confident these innovations will continue to differentiate us in the industry.

*Fans of M.O.* is a key customer-facing element of our digital strategy, but there are also significant investments being made to modernise our core information technology systems that will support our digital and data ambitions. This is a significant endeavour but one which we have been working on for a number of years. We started to replace all our core hotel property management systems in 2018 and we expect this to be complete for all hotels in the first half of 2020. This is a major step as we look to consolidate and to better utilise the rich data available across our business in order to elevate customer luxury experiences to even higher levels.

Sustainability is a central part of our culture and we focus on motivating our colleagues to act responsibly in everything that they do, with a particular emphasis on how they can impact their local communities. In 2019, we set ourselves an ambitious, yet achievable goal of eliminating all single-use plastic from our premises by the end of March 2021. This is a significant challenge but one in which we can provide valuable leadership to industry and more broadly. I am delighted at how our colleagues have wholly embraced this challenge as part of our joint commitment to deliver on the Group's sustainability responsibilities.

The Group's overall performance in 2019 was good considering the difficult trading conditions in Hong Kong. Excluding the Group's hotels in Hong Kong from the second half onwards, when they were impacted by social unrest, overall Revenue Per Available Room[1] ('RevPAR') for the Group was broadly flat in US dollar terms on a like-for-like basis and many of the Group's hotels maintained or improved their competitive positions. Including the Hong Kong hotels, overall RevPAR decreased by 4% compared to 2018.

Financial performance was significantly affected by three factors: (i) the closure of The Excelsior hotel at the end of March 2019; (ii) the social unrest in Hong Kong; and (iii) the partial closure of the Bangkok hotel for renovation. On the positive side, the Group's financial results benefited from the receipt of business interruption insurance proceeds relating to the fire at the London hotel in 2018, as the Group's claim was settled in 2019.

On an overall basis, underlying EBITDA[2] fell by 18% compared to the prior year, as better results at several of the Group's properties could not offset the impact of the three factors I referred to earlier. Excluding the results of The Excelsior in both 2018 and 2019, underlying EBITDA fell 5%.

[1] The like-for-like comparison includes all hotels that were operational for the entire year for both 2018 and 2019. Mandarin Oriental, Bangkok is included up until the closure of the River Wing, comprising 338 of the hotel's 368 keys, for a major renovation at the beginning of March 2019.
[2] The Group uses earnings before interest, tax, depreciation and amortisation ('EBITDA') to analyse operating performance.

**2019 PERFORMANCE**

RevPAR Performance

The Group's overall RevPAR decreased 4% compared to the prior year, primarily due to the impact of the social unrest on the Group's two hotels in Hong Kong which were both also coming off a strong base having performed well in 2018.

In **Asia**, excluding the two Hong Kong hotels from the third quarter onwards, RevPAR was slightly lower. Including the two Hong Kong hotels for the whole of 2019, RevPAR for the region decreased by 8%. For the full year, Mandarin Oriental, Hong Kong just slipped below its 2018 average daily rate, while occupancy fell 20 percentage points compared to the prior year. Overall, this was a good performance in the context of what the broader market experienced. The Landmark Mandarin Oriental, which is managed under a long-term contract, experienced a steeper 33% decline in RevPAR for the full year, because of the hotel's higher leisure segment mix. Tokyo delivered an extremely strong performance, buoyed by the Rugby World Cup, with higher average daily rates driving RevPAR up by 15%. Our hotels in Singapore and Kuala Lumpur also performed well against the backdrop of strong performances in 2018. Despite Jakarta's promising results in 2018, weak demand from corporate accounts and continued oversupply in that market led to an 11% decrease in RevPAR.

In **EMEA**[3], most hotels improved their RevPAR performance although the strength of the US dollar weighed on results. On a constant currency basis, RevPAR for the region was up 6%, while it was broadly flat in US dollar terms[4]. On a local currency basis, there were notably improved RevPAR performances in Munich, Milan, Marrakech and Bodrum while Paris held on well despite the impact of the ongoing protests there. We were delighted that the Group's London flagship hotel fully re-opened in April 2019 and, as we had hoped, the hotel quickly established a leading position in the city and performed well. The hotel experienced strong demand across all segments at city-leading average daily rates.

RevPAR performances in **America** were mixed and overall the region was slightly up. Miami benefited from increased demand in the leisure and group segments and while market conditions helped Washington D.C. improve, the hotel's competitive position remains sub-par.

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[3] Europe, Middle East and Africa.

[4] Because Mandarin Oriental Hyde Park, London was partially closed during periods of both 2018 and 2019, its performance has been excluded from the regional year-on-year RevPAR comparison.

The Group's hotels in Boston and New York ended the year as market leaders, although RevPAR performance at both was slightly lower.

Financial Performance

The Group's financial performance is primarily driven by its owned and partially owned properties. Underlying EBITDA was lower at US$155 million, compared to US$188 million in the prior year. Underlying profit was US$41 million, compared to US$65 million in 2018.

Most of the Group's properties maintained or improved their earnings in 2019 and the lower result was due to a few specific events. The closure of The Excelsior, which contributed underlying EBITDA of US$9 million in 2019 compared to US$35 million in 2018, had a material impact. Lower earnings in Bangkok were also expected due to the major renovation there. Taken together with the impact of the ongoing social unrest in Hong Kong on Mandarin Oriental, Hong Kong – the Group's most important hotel from an earnings perspective, these three factors led earnings lower and could not be compensated for by better results at many of the Group's other, albeit smaller, properties. Tokyo produced a notably improved contribution due to a strong top-line performance and cost controls.

Earnings benefited from settlement of the insurance claim in London relating to the fire on 6th June 2018. In addition to business interruption proceeds received for 2019, the hotel's results also included additional compensation for the loss of profits in 2018.

Separately, earnings from the Group's management business were lower compared to the prior year, which had benefited from the one-off termination fees received as the Group ceased to manage the hotels in Las Vegas and Atlanta in 2018.

**STRATEGY**

The Group's vision remains unchanged – to be recognised as the world's best luxury hotel group.

We want our guests to recognise us as nothing short of the world's best in our field. With our 13,000 colleagues globally, we want to evolve and innovate our luxury standards to anticipate guest needs. And finally, we want to expand our footprint to offer our guests a truly global portfolio of destinations.

Our vision is underpinned by four key strategic priorities that are at the forefront of our agenda:

- **The Mandarin Oriental brand is the Group's most powerful asset**. Its global reach, despite the relatively modest size of our portfolio, provides us with a strong growth platform as the brand continues to draw interest from owners, developers and guests alike. The growth opportunity is illustrated by the pipeline the Group has today and I expect the pipeline to grow further in the next two to three years.
- **Our people underpin the unique luxury experience that defines Mandarin Oriental**. Meaningful and memorable luxury experiences that keep guests coming back are curated by our colleagues, who must be motivated to co-create and evolve our luxury standards. We empower colleagues by constantly reinforcing our cultural values.
- **Personalisation is the key for competitive differentiation**. Guests now demand completely tailored experiences, which are only possible if we truly understand our guests and their needs. *Fans of M.O.* will greatly enhance our ability to personalise.
- **Implementing the right digital technologies is a major opportunity**. Developments in technology continue to accelerate and the Group must adopt the relevant technologies that will support our portfolio growth and enable better delivery of luxury experiences. Several of the Group's core systems will be replaced in the coming years and we are investing in a range of new digital platforms that will help our colleagues to enhance guest experiences.

Expanding the Mandarin Oriental portfolio, and maintaining our luxury standards, remains a key focus over the coming years. The Group holds equity interests in around half of its 33 hotels, while the remainder are managed on behalf of third-party owners. Our planned future expansion is largely expected to come from new management agreements, although the Group's strong balance sheet remains well-placed to fund selective investment opportunities in strategic destinations that have long-term asset value growth potential. Our target is to consistently grow the overall Mandarin Oriental portfolio by an average of three new properties each year.

The Group's current pipeline of 20 properties, in addition to our demonstrated desire and willingness to rebrand existing hotels, gives me confidence that we are on a sustainable growth trajectory. In addition to new management fees, earnings growth will also come from the branding and management of residential developments. As 12 of the Group's pipeline projects incorporate a residential component, the Group expects to receive significant branding fees. Residences are attractive to guests and developers and are complementary to hotels, so will continue to play an important role in the Group's growth.

Nonetheless, owned assets remain at the heart of our portfolio and will continue to generate the majority of the Group's earnings for the foreseeable future, so it is crucial that we continue to re-invest and drive profitability in these properties. Renovations in Bangkok and Madrid are ongoing, and several more renovations, some major and some minor in nature, are expected in the coming years. These continued investments are crucial to sustain our market leading position.

There are two further areas that cut across all facets of our strategy: sustainability and innovation.

Corporate responsibility values are deeply engrained in Mandarin Oriental's heritage. As the Group grows, its responsibilities to support local communities and drive sustainability in the way that its hotels operate become even more important. Responsible procurement and waste management are two specific issues I expect us to be very active in over the next 12 months, in addition to progressing towards our goal of eliminating all single-use plastic by the end of March 2021.

Staying relevant in the pace of today's world necessitates an environment that fosters a culture of innovation, one that encourages new and different behaviours and ideas. By its nature and for good reasons historically, the hotel industry was built on organisational hierarchies which in today's world can inhibit agility and innovation. Building a culture of innovation means we must strive to reduce hierarchies, limit bureaucracy and eliminate the fear of speaking up or making mistakes. On one level, I know that our colleagues innovate every day in order to exceed guest expectations and constantly deliver new moments of surprise and delight. On the other hand, I also know that we must continue to actively support and encourage these behaviours to truly enable a sustained shift in mindset and culture.

**BUSINESS DEVELOPMENTS**

The Group has 20 announced projects under development which are expected to open in the next five years, comprising eight standalone hotel projects, 10 projects with hotel and residence components and two standalone residence projects.

Over the past four years, we have announced 16 new projects and taken over management of four hotels. This momentum illustrates the continued interest in the brand and highlights the growth opportunity at hand. While I would like this rate of announcements to continue, it is more realistic to expect a slower pace as we reach a pipeline of 20-25 projects, which is optimal. An ongoing pipeline of 20-25 hotels that are expected to open within five years, recognising that some may be delayed or fall away due to circumstances out of our control, will stand us in good stead to open at least three new hotels a year without compromising quality standards.

All of our announced projects are management agreements with no equity participation. We remain flexible to investment in properties of strategic interest, but we also balance this against the need to deploy capital at our owned assets as I have outlined above.

Our expansion is focused on building a presence in major global city-centre and resort locations where the brand is currently absent, while also reinforcing our position in existing markets by opening additional properties as we are doing for example in London.

Seven new management contracts were announced in 2019:

- Standalone residences on Fifth Avenue in New York;
- Hotel and residences in Istanbul, Turkey;
- A hotel in Nanjing, China;
- A hotel re-branding on Lake Lucerne, Switzerland;
- Hotel and residences in Dallas;
- Hotel and residences in Tel Aviv, Israel; and
- Future re-branding of the Emirates Palace, Abu Dhabi, having taken over management of the hotel at the start of 2020.

I am hopeful of several more project announcements this year. While the potential for further reflags is possible, I expect 2020 to be a quieter year for new hotel openings as we gear up for a host of planned openings in 2021 and 2022.

**OUR PEOPLE**

What differentiates Mandarin Oriental is and always will be our people, their dedication to guests and to delivering exceptional, personalised service with moments of delight and surprise. To be recognised as the world's best luxury hotel group, we rely on the world's best people which means we must provide an environment and culture where they are encouraged to express themselves. I am impressed by the dedication of our colleagues to this vision, the pride with which they carry the Mandarin Oriental brand, and the continuing desire to deliver unique and memorable experiences. As always, I would like to personally thank each and every one of our 13,000 colleagues for their work in keeping Mandarin Oriental as one of the very best brands in luxury hospitality.

**THE YEAR AHEAD**

Looking ahead to 2020, I am cautious as there continues to be economic and political uncertainties in many of the markets in which we operate. Results for the remainder of the year will depend on the duration, geographic extent and impact of the coronavirus and the measures taken to control it. At this stage, it is difficult to tell how long the situation will persist and whether the impact experienced in East Asia will extend to other parts of the world. Results should benefit however, from re-openings in Bangkok and Madrid, as well as a full year of operations in London.

This is a year where we need to focus on sustaining our performance despite these uncertainties, while also progressing several strategic initiatives relating to digital, our core information technology infrastructure and *Fans of M.O*. The re-opening of Mandarin Oriental Ritz, Madrid will be a significant milestone for the brand and continuing to build our development pipeline remains a key priority. We are also on the lookout for new business opportunities and partnerships and I am hopeful of announcing some of these innovative projects too. So, while there are fewer planned new hotel openings in 2020, there is plenty to look forward to as well as the possibility of some reflagging projects.

Over the last few years we have made significant capital investments in our owned assets, together with a successful effort to rebuild a credible development pipeline that will grow the portfolio. This I believe has set the Group up with a strong platform for growth. The future looks very exciting for Mandarin Oriental.

James Riley
*Group Chief Executive*

**Mandarin Oriental International Limited**
**Consolidated Profit and Loss Account**
**for the year ended 31st December 2019**

| | **2019** Underlying business performance **US$m** | Non-trading items *(note 7)* **US$m** | Total **US$m** | 2018 Underlying business performance US$m restated | Non-trading items *(note 7)* US$m restated | Total US$m restated |
|---|---|---|---|---|---|---|
| Revenue *(note 2)* | **566.5** | **-** | **566.5** | 613.7 | - | 613.7 |
| Cost of sales | **(364.7)** | **-** | **(364.7)** | (388.2) | - | (388.2) |
| Gross profit | **201.8** | **-** | **201.8** | 225.5 | - | 225.5 |
| Selling and distribution costs | **(38.8)** | **-** | **(38.8)** | (42.3) | - | (42.3) |
| Administration expenses | **(117.2)** | **-** | **(117.2)** | (122.1) | - | (122.1) |
| Other operating (expense)/income | **25.2** | **(32.7)** | **(7.5)** | 30.6 | (21.0) | 9.6 |
| Change in fair value of investment property under development | **-** | **(67.3)** | **(67.3)** | - | - | - |
| Operating (loss)/profit *(note 3)* | **71.0** | **(100.0)** | **(29.0)** | 91.7 | (21.0) | 70.7 |
| Financing charges | **(18.1)** | **-** | **(18.1)** | (16.4) | - | (16.4) |
| Interest income | **3.4** | **-** | **3.4** | 2.2 | - | 2.2 |
| Net financing charges | **(14.7)** | **-** | **(14.7)** | (14.2) | - | (14.2) |
| Share of results of associates and joint ventures *(note 4)* | **(1.7)** | **-** | **(1.7)** | 5.7 | - | 5.7 |
| (Loss)/profit before tax | **54.6** | **(100.0)** | **(45.4)** | 83.2 | (21.0) | 62.2 |
| Tax *(note 5)* | **(13.5)** | **3.3** | **(10.2)** | (18.5) | (0.5) | (19.0) |
| (Loss)/profit after tax | **41.1** | **(96.7)** | **(55.6)** | 64.7 | (21.5) | 43.2 |
| Attributable to: | | | | | | |
| Shareholders of the Company | **41.2** | **(96.7)** | **(55.5)** | 64.9 | (21.5) | 43.4 |
| Non-controlling interests | **(0.1)** | **-** | **(0.1)** | (0.2) | - | (0.2) |
| | **41.1** | **(96.7)** | **(55.6)** | 64.7 | (21.5) | 43.2 |
| | **US¢** | | **US¢** | US¢ | | US¢ |
| (Loss)/earnings per share (*note 6*) | | | | | | |
| - basic | **3.26** | | **(4.39)** | 5.15 | | 3.44 |
| - diluted | **3.26** | | **(4.39)** | 5.14 | | 3.43 |

**Mandarin Oriental International Limited**
**Consolidated Statement of Comprehensive Income**
**for the year ended 31st December 2019**

| | **2019** **US$m** | 2018 US$m restated |
|---|---|---|
| (Loss)/profit for the year | **(55.6)** | 43.2 |
| Other comprehensive income/(expense) | | |
| Items that will not be reclassified to profit or loss: | | |
| Remeasurements of defined benefit plans | **3.4** | (3.0) |
| Revaluation surplus of right-of-use assets before transfer to investment property under development *(note 9)* | **2,943.4** | - |
| Tax on items that will not be reclassified | **(0.6)** | 0.5 |
| | **2,946.2** | (2.5) |
| Items that may be reclassified subsequently to profit or loss: | | |
| Net exchange translation differences | | |
| - net gains/(losses) arising during the year | **25.0** | (39.7) |
| Cash flow hedges | | |
| - net (losses)/gains arising during the year | **(0.4)** | 0.6 |
| Tax relating to items that may be reclassified | **0.1** | (0.1) |
| Share of other comprehensive income/(expense) of associates and joint ventures | **3.1** | (1.8) |
| | **27.8** | (41.0) |
| Other comprehensive income/(expense) for the year, net of tax | **2,974.0** | (43.5) |
| Total comprehensive income/(expense) for the year | **2,918.4** | (0.3) |
| Attributable to: | | |
| Shareholders of the Company | **2,918.4** | - |
| Non-controlling interests | **-** | (0.3) |
| | **2,918.4** | (0.3) |

**Mandarin Oriental International Limited**
**Consolidated Balance Sheet**
**at 31st December 2019**

| | At 31st December **2019** **US$m** | 2018 US$m restated | At 1st January 2018 US$m restated |
|---|---|---|---|
| **Net assets** | | | |
| Intangible assets | **53.0** | 49.3 | 43.8 |
| Tangible assets *(note 8)* | **1,174.6** | 1,205.9 | 1,272.0 |
| Right-of-use assets | **300.3** | 342.9 | 284.2 |
| Investment property under development *(note 9)* | **2,967.7** | - | - |
| Associates and joint ventures | **203.1** | 196.1 | 195.7 |
| Other investments | **15.9** | 15.2 | 11.0 |
| Deferred tax assets | **10.6** | 11.5 | 11.0 |
| Pension assets | **1.3** | 0.2 | 4.9 |
| Non-current debtors | **6.2** | 5.1 | 0.5 |
| Non-current assets | **4,732.7** | 1,826.2 | 1,823.1 |
| Stocks | **6.2** | 6.6 | 6.4 |
| Current debtors | **97.2** | 95.9 | 100.2 |
| Current tax assets | **1.9** | 3.5 | 4.0 |
| Bank and cash balances | **270.7** | 246.8 | 183.9 |
| Current assets | **376.0** | 352.8 | 294.5 |
| Current creditors | **(166.0)** | (168.3) | (149.1) |
| Current borrowings *(note 10)* | **(2.5)** | (524.2) | (2.6) |
| Current lease liabilities | **(7.0)** | (5.7) | (6.5) |
| Current tax liabilities | **(19.1)** | (14.0) | (17.8) |
| Current liabilities | **(194.6)** | (712.2) | (176.0) |
| Net current assets/(liabilities) | **181.4** | (359.4) | 118.5 |
| Long-term borrowings *(note 10)* | **(568.6)** | (7.3) | (508.1) |
| Non-current lease liabilities | **(168.4)** | (161.3) | (100.6) |
| Deferred tax liabilities | **(59.4)** | (61.6) | (58.6) |
| Pension liabilities | **(0.2)** | (0.4) | (0.6) |
| Non-current creditors | **(0.9)** | - | (0.2) |
| | **4,116.6** | 1,236.2 | 1,273.5 |
| **Total equity** | | | |
| Share capital | **63.2** | 63.1 | 62.9 |
| Share premium | **499.7** | 497.8 | 493.9 |
| Revenue and other reserves | **3,550.1** | 671.5 | 710.6 |
| Shareholders' funds | **4,113.0** | 1,232.4 | 1,267.4 |
| Non-controlling interests | **3.6** | 3.8 | 6.1 |
| | **4,116.6** | 1,236.2 | 1,273.5 |

**Mandarin Oriental International Limited**
**Consolidated Statement of Changes in Equity**
**for the year ended 31st December 2019**

| | 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | | |
| At 1st January | | | | | | | | | | |
| - as previously reported | **63.1** | **497.8** | **262.5** | **531.8** | **-** | **0.6** | **(116.6)** | **1,239.2** | **3.8** | **1,243.0** |
| - changes in accounting policies *(note 1)* | **-** | **-** | **-** | **(6.8)** | **-** | **-** | **-** | **(6.8)** | **-** | **(6.8)** |
| - as restated | **63.1** | **497.8** | **262.5** | **525.0** | **-** | **0.6** | **(116.6)** | **1,232.4** | **3.8** | **1,236.2** |
| Total comprehensive income | **-** | **-** | **-** | **(52.6)** | **2,943.4** | **(0.6)** | **28.2** | **2,918.4** | **-** | **2,918.4** |
| Dividends paid by the Company | **-** | **-** | **-** | **(37.9)** | **-** | **-** | **-** | **(37.9)** | **-** | **(37.9)** |
| Issue of shares | **0.1** | **0.1** | **-** | **-** | **-** | **-** | **-** | **0.2** | **-** | **0.2** |
| Share-based long-term incentive plans | **-** | **-** | **(0.3)** | **-** | **-** | **-** | **-** | **(0.3)** | **-** | **(0.3)** |
| Change in interest in a subsidiary | **-** | **-** | **-** | **0.2** | **-** | **-** | **-** | **0.2** | **(0.2)** | **-** |
| Transfer | **-** | **1.8** | **(1.9)** | **0.1** | **-** | **-** | **-** | **-** | **-** | **-** |
| At 31st December 2019 | **63.2** | **499.7** | **260.3** | **434.8** | **2,943.4** | **-** | **(88.4)** | **4,113.0** | **3.6** | **4,116.6** |
| 2018 | | | | | | | | | | |
| At 1st January | | | | | | | | | | |
| - as previously reported | 62.9 | 493.9 | 265.9 | 526.5 | - | 0.1 | (75.3) | 1,274.0 | 6.1 | 1,280.1 |
| - changes in accounting policies *(note 1)* | - | - | - | (6.6) | - | - | - | (6.6) | - | (6.6) |
| - as restated | 62.9 | 493.9 | 265.9 | 519.9 | - | 0.1 | (75.3) | 1,267.4 | 6.1 | 1,273.5 |
| Total comprehensive income | - | - | - | 40.8 | - | 0.5 | (41.3) | - | (0.3) | (0.3) |
| Dividends paid by the Company | - | - | - | (37.8) | - | - | - | (37.8) | - | (37.8) |
| Issue of shares | 0.2 | 0.1 | - | - | - | - | - | 0.3 | - | 0.3 |
| Share-based long-term incentive plans | - | - | 0.5 | - | - | - | - | 0.5 | - | 0.5 |
| Change in interest in a subsidiary | - | - | - | 2.0 | - | - | - | 2.0 | (2.0) | - |
| Transfer | - | 3.8 | (3.9) | 0.1 | - | - | - | - | - | - |
| At 31st December 2018 | 63.1 | 497.8 | 262.5 | 525.0 | - | 0.6 | (116.6) | 1,232.4 | 3.8 | 1,236.2 |

**Mandarin Oriental International Limited**
**Consolidated Cash Flow Statement**
**for the year ended 31st December 2019**

| | **2019 US$m** | 2018 US$m restated |
|---|---|---|
| **Operating activities** | | |
| Operating (loss)/profit *(note 3)* | **(29.0)** | 70.7 |
| Depreciation and amortisation | **91.9** | 93.2 |
| Other non-cash items | **69.0** | (4.0) |
| Movements in working capital | **(3.1)** | 17.5 |
| Interest received | **3.4** | 1.9 |
| Interest and other financing charges paid | **(19.2)** | (15.7) |
| Tax paid | **(6.0)** | (18.8) |
| | **107.0** | 144.8 |
| Dividends and interest from associates and joint ventures | **5.9** | 7.8 |
| Cash flows from operating activities | **112.9** | 152.6 |
| **Investing activities** | | |
| Purchase of tangible assets | **(41.7)** | (61.2) |
| Additions to investment property under development | **(15.1)** | - |
| Purchase of intangible assets | **(8.3)** | (7.4) |
| Payment on Munich expansion | **(1.1)** | - |
| Purchase of other investments | **(1.1)** | (1.1) |
| Advance to associates and joint ventures | **(16.7)** | (9.1) |
| Repayment of loans to associates and joint ventures | **3.6** | 1.2 |
| Repayment of intangible assets | **-** | 0.8 |
| Insurance recovery received for purchase of tangible assets *(note 12)* | **-** | 7.8 |
| Cash flows from investing activities | **(80.4)** | (69.0) |
| **Financing activities** | | |
| Issue of shares | **0.1** | 0.1 |
| Drawdown of borrowings | **555.8** | 27.6 |
| Repayment of borrowings | **(522.3)** | (0.2) |
| Principal elements of lease payments | **(6.4)** | (6.5) |
| Dividends paid by the Company *(note 13)* | **(37.9)** | (37.8) |
| Cash flows from financing activities | **(10.7)** | (16.8) |
| Net increase in cash and cash equivalents | **21.8** | 66.8 |
| Cash and cash equivalents at 1st January | **246.8** | 183.9 |
| Effect of exchange rate changes | **2.1** | (3.9) |
| Cash and cash equivalents at 31st December | **270.7** | 246.8 |

**Mandarin Oriental International Limited**
**Notes**

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information contained in this announcement has been based on the audited results for the year ended 31st December 2019 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 applied IFRS 16 'Leases' for the first time for the Group's annual reporting period commencing 1st January 2019 and IAS 40 'Investment Properties' from 31st March 2019 at the time of the closure of The Excelsior, Hong Kong in order for the site to be redeveloped as a commercial building. Changes to the principal accounting policies are set out below.

There are no other amendments or interpretations relating to existing accounting standards, which are effective in 2019 and relevant to the Group's operations, that have a significant effect on the Group's accounting policies.

The Group has elected to early adopt the 'Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7' (effective 1st January 2020) in relation to hedge accounting for the Group's annual reporting period commencing 1st January 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively with respect to hedging relationships that existed at the start of the reporting period or were designated thereafter. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships which are directly affected by the uncertainty arising from the reforms and replacement of the existing benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBOR reform'). The forthcoming IBOR reform may take effect at different times and may have a different impact on hedged items (the floating rate borrowings) and the hedging instruments (the interest rate swaps used to hedge the borrowings). The reliefs have the effect that the IBOR reform should not generally cause hedge accounting to terminate. The reliefs under the amendments will end when the uncertainty arising from the IBOR reform are no longer present; or the hedging relationship is discontinued. Early adoption of these amendments has no impact to the Group's consolidated financial statements in 2019.

Apart from the above, the Group has not early adopted any standard, interpretation or amendments that have been issued but not yet effective.

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

IFRS 16 'Leases'

The standard replaces IAS 17 'Leases' and related interpretations, and introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. The distinction between operating and finance leases is removed for lessee accounting, and is replaced by a model where a lease liability and a corresponding right-of-use asset have to be recognised on the balance sheet for almost all leases by the lessees. The Group's recognised right-of-use assets primarily relate to property leases, which are entered into for use as hotels or offices. Prior to 2019, payments made under operating leases were charged to profit and loss on a straight-line basis over the period of the lease. Upon the adoption of IFRS 16, each lease payment is allocated between settlement of the lease liability and finance cost. The finance cost is charged to profit and loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In addition, leasehold land which represents payments to third parties to acquire interests in property, previously included in intangible assets and tangible assets, is now presented under right-of-use assets. Leasehold land is amortised over the useful life of the lease, which includes the renewal period if the lease is likely to be renewed by the Group without significant cost.

The accounting for lessors does not change significantly.

Changes to accounting policies on adoption of IFRS 16 have been applied retrospectively, and the comparative financial statements have been restated.

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

The effects of adopting IFRS 16 were as follows:

(a) On the consolidated profit and loss account for the year ended 31st December 2018:

| | Increase/(decrease) in profit US$m |
|---|---|
| Costs of sales | 0.9 |
| Selling and distribution costs | 0.1 |
| Administration expenses | 0.1 |
| Net financing charges | (1.3) |
| Share of results of associates and joint ventures | (0.1) |
| Tax | 0.1 |
| Underlying profit attributable to shareholders | (0.2) |
| Non-trading items | - |
| Profit attributable to shareholders of the Company | (0.2) |
| Basic underlying earnings per share (US¢) | (0.01) |
| Diluted underlying earnings per share (US¢) | (0.01) |
| Basic earnings per share (US¢) | (0.02) |
| Diluted earnings per share (US¢) | (0.02) |

(b) On the consolidated statement of comprehensive income for the year ended 31st December 2018:

| | Increase/(decrease) in profit US$m |
|---|---|
| Profit and total comprehensive income for the year | (0.2) |

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

(c) On the consolidated balance sheet at 1st January:

| | Increase/(decrease) | |
|---|---|---|
| | **2019** | 2018 |
| | **US$m** | US$m |
| **Assets** | | |
| Intangible assets | **(3.7)** | (3.9) |
| Tangible assets | **(180.6)** | (181.2) |
| Right-of-use assets | **342.9** | 284.2 |
| Associates and joint ventures | **(1.0)** | (0.9) |
| Deferred tax assets | **0.1** | - |
| Total assets | **157.7** | 98.2 |
| **Equity and liabilities** | | |
| Revenue and other reserves | **(6.8)** | (6.6) |
| Non-current lease liabilities | **161.3** | 100.6 |
| Current creditors | **(2.5)** | (2.3) |
| Current lease liabilities | **5.7** | 6.5 |
| Total equity and liabilities | **157.7** | 98.2 |

(d) On the consolidated cash flow statement for the year ended 31st December 2018:

| | Inflows/(outflows) |
|---|---|
| | US$m |
| **Operating activities** | |
| Operating profit | 1.1 |
| Depreciation and amortisation | 6.7 |
| Interest and other financing charges paid | (1.3) |
| **Financing activities** | |
| Principal elements of lease payments | (6.5) |
| Net change in cash and cash equivalents | - |

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

(e) Changes in principal accounting policies on adoption of IFRS 16

**Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease contracts may contain lease and non-lease components. The Group allocates the consideration in the contract to lease and non-lease component based on their relative stand-alone prices. For property leases where the Group is a lessee, it has elected not to separate lease and immaterial non-lease components and accounts for these items as a single lease component.

(i) As a lessee

The Group enters into property leases for use as hotels or offices.

The Group recognises right-of-use assets and lease liabilities at the lease commencement dates, that is the dates the underlying assets are available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes amounts of the initial measurement of lease liabilities recognised, lease payments made at or before the commencement dates less any lease incentives received, initial direct costs incurred and restoration costs. Right-of-use assets are depreciated using the straight-line method over the shorter of their estimated useful lives and the lease terms.

When right-of-use assets meet the definition of investment properties, they are presented in investment properties, and are initially measured at cost and subsequently measured at fair value, in accordance with the Group's accounting policy.

The Group also has interests in leasehold land for use in its operations. Lump sum payments were made upfront to acquire these land interests from their previous registered owners or governments in the jurisdictions where the land is located. There are no ongoing payments to be made under the term of the land leases, other than insignificant lease renewal costs or payments based on rateable value set by the relevant government authorities. These payments are stated at cost and are amortised over the term of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

Lease liabilities are measured at the present value of lease payments to be made over the lease terms. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating a lease, if the lease term reflects the Group exercising that option. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

(e) Changes in principal accounting policies on adoption of IFRS 16 *(continued)*

(i) As a lessee *(continued)*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liabilities are measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased by the interest costs on the lease liabilities and decreased by lease payments made.

The carrying amount of lease liabilities is remeasured when there is a change in the lease term, or there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise an extension or a termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets (i.e. US$5,000 or less) and short-term leases. Low value assets comprised office equipment. Short-term leases are leases with a lease term of 12 months or less. Lease payments associated with these leases are recognised on a straight-line basis as an expense in profit and loss over the lease term.

Lease liabilities are classified as non-current liabilities unless payments are within 12 months from the balance sheet date.

(ii) As a lessor

The Group enters into contracts with lease components as a lessor primarily on its properties. These leases are operating leases as they do not transfer the risk and rewards incidental to the underlying properties. The Group recognises the lease payments received under these operating leases on a straight-line basis over the lease term as part of revenue in the profit and loss.

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

(f) Critical accounting estimates and judgements

**Leases**

Liabilities and the corresponding right-of-use assets arising from leases are initially measured at the present value of the lease payments at the commencement date, discounted using the interest rates implicit in the leases, or if that rate cannot be readily determinable, the Group uses the incremental borrowing rate. The Group generally uses the incremental borrowing rate as the discount rate.

The Group applies the incremental borrowing rate with reference to the rate of interest that the Group would have to pay to borrow, over a similar term as that of the lease, the funds necessary to obtain an asset of a similar value to the right-of-use asset in the country where it is located.

Lease payments to be made during the lease term will be included in the measurement of a lease liability. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. The assessment of whether the Group is reasonably certain to exercise the options impacts the lease terms, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

IAS 40 'Investment Properties'
Properties including those under operating leases which are held for long-term rental yields or capital gains are classified and accounted for as investment properties, but the business model does not necessarily envisage that the properties will be held for their entire useful lives. Investment properties are carried at fair value, representing estimated open market value determined annually by independent qualified valuers who have recent experience in the location and segment of the investment property being valued.

The market value of investment property under development is derived using the direct comparison method, with reference to the residual method where appropriate. The direct comparison method is based on market evidence of transaction prices for similar property which recently transacted and adjusted to reflect the conditions of the subject property including property site and location. The residual method is based on the estimated capital value of the proposed development assuming completion as at the date of valuation, after deducting development costs together with developer's profit and risk. Consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date. Changes in fair value are recognised in profit and loss.

2. REVENUE

| | **2019 US$m** | 2018 US$m |
|---|---|---|
| *By geographical area:* | | |
| Asia | **272.2** | 357.0 |
| Europe, Middle East and Africa (‘EMEA’) | **189.5** | 143.7 |
| America | **104.8** | 113.0 |
| | **566.5** | 613.7 |
| *From contracts with customers:* | | |
| Recognised at a point in time | **207.3** | 222.5 |
| Recognised over time | **339.4** | 370.1 |
| | **546.7** | 592.6 |
| *From other sources:* | | |
| Rental income | **19.8** | 21.1 |
| | **566.5** | 613.7 |

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

| | **2019 US$m** | 2018 US$m |
|---|---|---|
| *By geographical area:* | | |
| Asia | **75.1** | 113.8 |
| EMEA | **55.6** | 34.1 |
| America | **6.8** | 13.4 |
| Underlying EBITDA from subsidiaries | **137.5** | 161.3 |
| Non-trading items *(note 7)* | | |
| Fire at Mandarin Oriental Hyde Park, London | | |
| - repair expenses and write-off of tangible assets and other incidental expenses | **(8.3)** | (28.6) |
| - insurance recovery for replacement of tangible assets and other incidental expenses | **9.0** | 29.6 |
| Closure of The Excelsior, Hong Kong – other costs | **(6.5)** | (2.8) |
| Change in fair value of investment property under development | **(67.3)** | - |
| Change in fair value of other investments | **(1.5)** | 4.4 |
| | **(74.6)** | 2.6 |
| EBITDA from subsidiaries | **62.9** | 163.9 |
| Underlying depreciation and amortisation from subsidiaries | **(66.5)** | (69.6) |
| Non-trading items *(note 7)* | | |
| Closure of The Excelsior, Hong Kong | | |
| - accelerated depreciation and amortisation | **(25.4)** | (23.6) |
| Operating (loss)/profit | **(29.0)** | 70.7 |

## 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$m | Net profit/ (loss) US$m |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| *By geographical area:* | | | | | | |
| Asia | **16.7** | **(11.1)** | **5.6** | **(1.8)** | **(0.3)** | **3.5** |
| EMEA | **(4.0)** | **(0.4)** | **(4.4)** | **-** | **-** | **(4.4)** |
| America | **4.3** | **(2.7)** | **1.6** | **(2.4)** | **-** | **(0.8)** |
| | **17.0** | **(14.2)** | **2.8** | **(4.2)** | **(0.3)** | **(1.7)** |
| 2018 | | | | | | |
| *By geographical area:* | | | | | | |
| Asia | 26.7 | (9.3) | 17.4 | (1.6) | (3.0) | 12.8 |
| EMEA | (4.2) | (1.9) | (6.1) | - | - | (6.1) |
| America | 4.1 | (2.9) | 1.2 | (2.2) | - | (1.0) |
| | 26.6 | (14.1) | 12.5 | (3.8) | (3.0) | 5.7 |

## 5. TAX

| | **2019 US$m** | 2018 US$m |
|---|---|---|
| Tax (charged)/credited to profit and loss is analysed as follows: | | |
| Current tax | **(12.7)** | (15.4) |
| Deferred tax | **2.5** | (3.6) |
| | **(10.2)** | (19.0) |
| *By geographical area:* | | |
| Asia | **(4.0)** | (14.9) |
| EMEA | **(5.0)** | (2.3) |
| America | **(1.2)** | (1.8) |
| | **(10.2)** | (19.0) |

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

| | | |
|---|---|---|
| Remeasurements of defined benefit plans | **(0.6)** | 0.5 |
| Cash flow hedges | **0.1** | (0.1) |
| | **(0.5)** | 0.4 |

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

Share of tax of associates and joint ventures of US$0.3 million (2018: US$3.0 million) is included in share of results of associates and joint ventures *(note 4)*.

6. EARNINGS PER SHARE

Basic loss/earnings per share are calculated on loss attributable to shareholders of US$55.5 million (2018: profit of US$43.4 million) and on the weighted average number of 1,262.9 million (2018: 1,260.6 million) shares in issue during the year.

Diluted loss/earnings per share are calculated on loss attributable to shareholders of US$55.5 million (2018: profit of US$43.4 million) and on the weighted average number of 1,263.2 million (2018: 1,263.3 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 | |
|---|---|---|
| | **2019** | 2018 |
| Weighted average number of shares for basic earnings per share calculation | **1,262.9** | 1,260.6 |
| Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans | **0.3** | 2.7 |
| Weighted average number of shares for diluted earnings per share calculation | **1,263.2** | 1,263.3 |

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

| | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **US$m** | Basic (loss)/ earnings per share **US¢** | Diluted (loss)/ earnings per share **US¢** | US$m | Basic earnings per share US¢ | Diluted earnings per share US¢ |
| (Loss)/profit attributable to shareholders | **(55.5)** | **(4.39)** | **(4.39)** | 43.4 | 3.44 | 3.43 |
| Non-trading items *(note 7)* | **96.7** | | | 21.5 | | |
| Underlying profit attributable to shareholders | **41.2** | **3.26** | **3.26** | 64.9 | 5.15 | 5.14 |

## 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:

| | **2019 US$m** | 2018 US$m |
|---|---|---|
| Fire at Mandarin Oriental Hyde Park, London* | | |
| - repair expenses and write-off of tangible assets and other incidental expenses | **(8.3)** | (28.6) |
| - insurance recovery for replacement of tangible assets and other incidental expenses | **9.0** | 29.6 |
| Closure of The Excelsior, Hong Kong† | | |
| - accelerated depreciation and amortisation | **(22.8)** | (24.3) |
| - other costs | **(5.8)** | (2.6) |
| Change in fair value of investment property under development *(note 9)* | **(67.3)** | - |
| Change in fair value of other investments | **(1.5)** | 4.4 |
| | **(96.7)** | (21.5) |

* On 15th April 2019, Mandarin Oriental Hyde Park, London fully re-opened following the necessary repairs caused by the fire on 6th June 2018. The repair expenses and write-off of damaged tangible assets, and other incidental expenses were recognised as non-trading expenses. The Group received cash payments from the insurers in 2018 and 2019 *(note 12)*. The insurance compensation for the replacement of tangible assets and other incidental expenses was recognised as non-trading income. The insurance compensation for the reimbursement of operating expenditure and loss of profit of US$31.1 million and US$27.7 million was recorded as underlying business performance in 2018 and 2019 respectively.

† Following an announcement on 9th October 2018, The Excelsior, Hong Kong closed on 31st March 2019 and demolition work has commenced ahead of the planned construction of a commercial building on the site *(note 9)*. An accelerated depreciation and amortisation charge as a result of the revision of the estimated useful lives of the non-leasehold land assets of the hotel, together with additional costs in respect of the hotel closure, were recognised as non-trading expenses in 2018 and 2019.

## 8. TANGIBLE ASSETS

| | **2019 US$m** | 2018 US$m |
|---|---|---|
| Opening net book value | **1,205.9** | 1,272.0 |
| Exchange differences | **6.4** | (38.5) |
| Additions | **42.3** | 62.1 |
| Disposals and write-off | **(0.1)** | (7.0) |
| Transfer to intangible assets | **-** | (1.4) |
| Depreciation charge | **(79.9)** | (81.3) |
| Closing net book value | **1,174.6** | 1,205.9 |

Freehold properties include a property of US$102.1 million (2018: US$105.0 million), which is stated net of tax increment financing of US$19.7 million (2018: US$20.5 million) *(note 11)*.

## 9. INVESTMENT PROPERTY UNDER DEVELOPMENT

Following the closure of The Excelsior, Hong Kong, its use has been changed from a hotel property to a commercial property for redevelopment. The site was revalued and transferred from a right-of-use asset held at historical depreciated cost to an investment property under development subject to regular valuation reviews. The revaluation surplus of US$2.9 billion was recognised to the asset revaluation reserves through other comprehensive income. Subsequent fair value change of the investment property under development has been recognised as a non-trading item in the profit and loss.

| | **2019 US$m** |
|---|---|
| Transfer from right-of-use assets at 31st March 2019 | **2,993.6** |
| Exchange differences | **25.5** |
| Additions | **15.9** |
| Decrease in fair value | **(67.3)** |
| Closing fair value | **2,967.7** |

## 10. BORROWINGS

| | **2019 US$m** | 2018 US$m |
|---|---|---|
| Bank loans | **567.2** | 527.4 |
| Other borrowings | **3.9** | 4.1 |
| | **571.1** | 531.5 |
| Current | **2.5** | 524.2 |
| Long-term | **568.6** | 7.3 |
| | **571.1** | 531.5 |

10. BORROWINGS *(CONTINUED)*

The Group entered into new committed facilities of US$760 million in 2019, comprising a US$118 million facility in London and a US$642 million facility in Hong Kong. Both facilities have a tenor of five-year period and are secured against Mandarin Oriental Hyde Park, London and Mandarin Oriental, Hong Kong respectively. The new facilities were used to refinance bank loans which were matured and fully repaid in 2019.

11. TAX INCREMENT FINANCING

| | **2019 US$m** | 2018 US$m |
|---|---|---|
| Netted off against the net book value of property *(note 8)* | **19.7** | 20.5 |

A development agreement was entered into between one of the Group's subsidiaries and the District of Columbia ('District'), pursuant to which the District agreed to provide certain funds to the subsidiary out of the net proceeds obtained through the issuance and sale of certain tax increment financing bonds ('TIF Bonds') for the development and construction of Mandarin Oriental, Washington D.C.

The District agreed to contribute to the subsidiary US$33.0 million through the issuance of TIF Bonds in addition to US$1.7 million issued in the form of a loan, bearing simple interest at an annual rate of 6.0% which was repaid on maturity on 10th April 2017.

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.

12. INSURANCE RECOVERY RECEIVED FOR PURCHASE OF TANGIBLE ASSETS

The Group received insurance payments of US$66.3 million and US$31.1 million in 2018 and 2019 respectively, covering both property damage and business interruption caused by the fire at Mandarin Oriental Hyde Park, London on 6th June 2018. Of this US$97.4 million, US$7.8 million was to cover the remedial capital expenditure of the tangible assets which was recorded under investing activities in 2018. The remaining balance was recorded under operating activities.

13. DIVIDENDS

| | **2019 US$m** | 2018 US$m |
|---|---|---|
| Final dividend in respect of 2018 of US¢1.50 (2017: US¢1.50) per share | **18.9** | 18.9 |
| Interim dividend in respect of 2019 of US¢1.50 (2018: US¢1.50) per share | **19.0** | 18.9 |
| | **37.9** | 37.8 |

A final dividend in respect of 2019 of US¢1.50 (2018: US¢1.50) per share amounting to a total of US$18.9 million (2018: US$18.9 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2020 Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2020.

14. CAPITAL COMMITMENTS

At 31st December 2019, total capital commitments of the Group amounted to US$765.6 million (2018: US$816.5 million) which primarily included the commitment for the redevelopment of The Excelsior, Hong Kong as a commercial building following the hotel closure on 31st March 2019. The redevelopment is expected to take up to six years to complete.

15. RELATED PARTY TRANSACTIONS

In the normal course of business, the Group undertakes a variety of transactions with certain of its associates and joint ventures.

The most significant of such transactions are management fees of US$14.5 million (2018: US$14.8 million) received from the Group's six (2018: six) associate and joint venture hotels which are based on long-term management agreements 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 Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk will be set out in more detail in the Corporate Governance section of the Company's 2019 Annual Report (the 'Report'). 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 Report.

1. Economic and Financial Risk

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

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

2. Commercial and Market 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 global hotel industry which is highly competitive. Failure to compete effectively in terms of quality of product, levels of service or price can have an adverse effect on earnings. 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 lead to reduced 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.

   The Group also makes investment decisions in respect of acquiring new hotel properties and undertaking major 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 International Limited**
**Principal Risks and Uncertainties** *(continued)*

2. Commercial and Market Risk *(continued)*

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

3. Pandemic, Terrorism and Natural Disasters

   The Group's business would be impacted by a global or regional pandemic as this would affect 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 the impact of generally reduced economic activity in response to the threat of or an actual act of terrorism. In addition, a number of the territories in which the Group operates can experience from time to time natural disasters such as typhoons, floods, earthquakes and tsunamis.

4. Key Agreements

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

5. 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. Any damage to the Group's brand equity or reputation, including as a result of negative effects relating to health and safety, acts or omissions by Group personnel, information system and cybersecurity breaches, loss or misuse of personal data, 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.

6. 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 have the potential to 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 where the Group operates, could adversely affect the Group's business.

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**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 2019 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
Craig Beattie

*Directors*

*The final dividend of US¢1.50 per share will be payable on 13th May 2020, subject to approval at the Annual General Meeting to be held on 6th May 2020, to shareholders on the register of members at the close of business on 20th March 2020. The shares will be quoted ex-dividend on 19th March 2020, and the share registers will be closed from 23rd to 27th March 2020, inclusive.*

*Shareholders will receive their cash dividends in United States Dollars, unless they are registered on the Jersey branch register, in which case they will have the option to elect for their dividends to be paid in Sterling. These shareholders may make new currency elections for the 2019 final dividend by notifying the United Kingdom transfer agent in writing by 24th April 2020. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 29th April 2020.*

*Shareholders holding their shares through CREST in the United Kingdom will receive their cash dividends in Sterling only as calculated above. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive their cash dividends in United States Dollars unless they elect, through CDP, to receive Singapore Dollars.*

*Shareholders on the Singapore branch register who wish to deposit their shares into the CDP system by the dividend record date, being 20th March 2020, must submit the relevant documents to M & C Services Private Limited, the Singapore branch registrar, by no later than 5.00 p.m. (local time) on 19th March 2020.*

**Mandarin Oriental Hotel Group**

Mandarin Oriental Hotel Group is an international hotel investment and management group with deluxe and first class hotels, resorts and residences in sought-after destinations around the world. Having grown from its Asian roots into a global brand, the Group now operates 33 hotels and seven residences in 23 countries and territories, with each property reflecting the Group's oriental heritage and unique sense of place. Mandarin Oriental 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$5.9 billion as at 31st December 2019.

Mandarin Oriental's aim is to be recognised as the world's best luxury hotel group. This will be achieved by investing in the Group's exceptional facilities and its people, and seeking selective opportunities for expansion around the world, while maximising profitability and long-term shareholder value. The Group regularly receives recognition and awards for outstanding service and quality management. The Group is committed to exceeding its guests' expectations through exceptional levels of hospitality, while maintaining its position as an innovative leader in the hotel industry.

The parent company, Mandarin Oriental International Limited, is incorporated in Bermuda and has a standard 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:

Mandarin Oriental Hotel Group International Limited
James Riley / Craig Beattie (852) 2895 9288
Sally de Souza (852) 2895 9167

Brunswick Group Limited
David Ashton (852) 3512 5063

Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2019 can be accessed through the internet at 'www.mandarinoriental.com'.