

To: Business Editor

1st August 2019
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 HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2019

Highlights

- Underlying profit impacted by closure of The Excelsior and renovation in Bangkok
- Mandarin Oriental Hyde Park, London fully reopened
- Four new hotels opened
- Two new management contracts signed

“The closure of The Excelsior and the renovation in Bangkok have led to reduced earnings in the first half of the year, while overall results for the rest of the Group were broadly flat. Elsewhere, Mandarin Oriental will benefit from its reopened hotel in London as well as the growing pipeline of new developments.”

Ben Keswick
Chairman

	(unaudited) Six months ended 30th June		Change %
	2019 US\$m	2018 US\$m restated ⁽⁷⁾	
Combined total revenue of hotels under management ⁽¹⁾	641.0	700.2	-8
Underlying EBITDA (Earnings before interest, tax, depreciation and amortisation) ⁽²⁾	69.1	84.0	-18
Underlying profit attributable to shareholders ⁽³⁾	10.7	22.2	-52
(Loss)/profit attributable to shareholders	(12.1)	22.2	N/A
	US¢	US¢	%
Underlying earnings per share ⁽³⁾	0.85	1.76	-52
(Loss)/earnings per share	(0.96)	1.76	N/A
Interim dividend per share	1.50	1.50	-
	US\$	US\$	%
Net asset value per share ⁽⁴⁾⁽⁵⁾	3.29	0.98	+236
Adjusted net asset value per share ⁽⁴⁾⁽⁶⁾	4.61	4.62	-
Net debt/shareholders' funds ⁽⁴⁾⁽⁵⁾	8%	23%	
Net debt/adjusted shareholders' funds ⁽⁴⁾⁽⁶⁾	6%	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 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 2019 and 31st December 2018, respectively.
(5) The net asset value per share and net debt/shareholders' funds at 30th June 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 on 31st March 2019.
(6) The Group's investment properties under development are carried at fair value on the basis of valuations carried out by independent valuers at 30th June 2019. The 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 2019 and 31st December 2018 have included the market value of the Group's freehold and leasehold interests which were appraised as at 31st December 2018.
(7) 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 condensed financial statements.

The interim dividend of US\$1.50 per share will be payable on 17th October 2019 to shareholders on the register of members at the close of business on 23rd August 2019.

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MANDARIN ORIENTAL INTERNATIONAL LIMITED
HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2019

OVERVIEW

Underlying profit was lower during the first half of the year, primarily due to the closure of The Excelsior and reduced earnings from the Bangkok hotel, which largely closed in March 2019 for a major renovation. Across the rest of the Group's properties, overall results were broadly flat.

FINANCIAL PERFORMANCE

Underlying earnings before interest, tax, depreciation and amortisation for the first six months of 2019 were US\$69 million, down from US\$84 million in the first half of 2018. In the first half of 2018, results included the receipt of a one-off early termination fee in respect of the cessation of the Group's management of the Las Vegas hotel from the end of August 2018.

Underlying profit for the period was US\$11 million, compared with US\$22 million in the equivalent period in 2018. Underlying earnings per share were US¢0.85, down from US¢1.76 in 2018. The Group recognised US\$23 million of net non-trading losses in the period, primarily in connection with the closure of The Excelsior.

An interim dividend of US¢1.50 per share has been declared, unchanged from last year.

At 30th June 2019, the Group's net debt was US\$336 million and gearing as a percentage of adjusted shareholders' funds was 6%.

HOTEL PERFORMANCE

Performances were mixed across the Group's owned properties. In Asia, a slow-down in corporate business reduced earnings at the Group's flagship Hong Kong hotel. Results in Tokyo were notably better, while in the rest of the region performances were broadly flat, except for Bangkok which was lower due to the renovation. In Europe, earnings were higher at the London hotel, which continued to include insurance coverage for loss of profits due to the fire in June 2018. In the same period last year, the hotel was only partially open whilst undergoing a

renovation programme. In Paris, results were lower as city-wide demand was impacted by demonstrations in the city. In America, Boston performed well but results were weaker in Washington D.C.

NEW DEVELOPMENTS

The Group opened four new hotels in the first six months of the year in Beijing, Doha, Dubai and Lake Como.

In addition, the Group signed management contracts for two new properties: a second hotel and residences in Istanbul and standalone residences in New York.

OUTLOOK

The closure of The Excelsior and the renovation in Bangkok have led to reduced earnings in the first half of the year, while overall results for the rest of the Group were broadly flat. Elsewhere, Mandarin Oriental will benefit from its reopened hotel in London as well as the growing pipeline of new developments.

Ben Keswick

Chairman

Mandarin Oriental International Limited
Consolidated Profit and Loss Account

	(unaudited)								
	2019			2018			2018		
	Six months ended 30th June			Six months ended 30th June			Year ended 31st December		
Underlying business performance US\$m	Non-trading Items (note 7) US\$m	Total US\$m	Underlying business performance US\$m restated	Non-trading Items (note 7) US\$m restated	Total US\$m restated	Underlying business performance US\$m restated	Non-trading Items (note 7) US\$m restated	Total US\$m restated	
Revenue (note 2)	279.6	-	279.6	307.9	-	307.9	613.7	-	613.7
Cost of sales	(185.8)	-	(185.8)	(195.4)	-	(195.4)	(388.2)	-	(388.2)
Gross profit	93.8	-	93.8	112.5	-	112.5	225.5	-	225.5
Selling and distribution costs	(21.2)	-	(21.2)	(19.9)	-	(19.9)	(42.3)	-	(42.3)
Administration expenses	(58.8)	-	(58.8)	(60.1)	-	(60.1)	(122.1)	-	(122.1)
Other operating (expense)/income	11.8	(23.5)	(11.7)	3.3	-	3.3	30.6	(21.0)	9.6
Operating profit (note 3)	25.6	(23.5)	2.1	35.8	-	35.8	91.7	(21.0)	70.7
Financing charges	(9.4)	-	(9.4)	(7.3)	-	(7.3)	(16.4)	-	(16.4)
Interest income	1.8	-	1.8	0.8	-	0.8	2.2	-	2.2
Net financing charges	(7.6)	-	(7.6)	(6.5)	-	(6.5)	(14.2)	-	(14.2)
Share of results of associates and joint ventures (note 4)	(1.6)	-	(1.6)	1.3	-	1.3	5.7	-	5.7
(Loss)/profit before tax	16.4	(23.5)	(7.1)	30.6	-	30.6	83.2	(21.0)	62.2
Tax (note 5)	(5.8)	0.7	(5.1)	(8.4)	-	(8.4)	(18.5)	(0.5)	(19.0)
(Loss)/profit after tax	10.6	(22.8)	(12.2)	22.2	-	22.2	64.7	(21.5)	43.2
Attributable to:									
Shareholders of the Company	10.7	(22.8)	(12.1)	22.2	-	22.2	64.9	(21.5)	43.4
Non-controlling interests	(0.1)	-	(0.1)	-	-	-	(0.2)	-	(0.2)
	10.6	(22.8)	(12.2)	22.2	-	22.2	64.7	(21.5)	43.2
	US¢		US¢	US¢		US¢	US¢		US¢
(Loss)/earnings per share (note 6)									
- basic	0.85		(0.96)	1.76		1.76	5.15		3.44
- diluted	0.85		(0.96)	1.76		1.76	5.14		3.43

Mandarin Oriental International Limited
Consolidated Statement of Comprehensive Income

	(unaudited) Six months ended 30th June 2019 US\$m	2018 US\$m restated	Year ended 31st December 2018 US\$m restated
(Loss)/profit for the period	(12.2)	22.2	43.2
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	(0.6)	0.2	(3.0)
Revaluation surplus of right-of-use assets before transfer to investment properties under development (<i>note 8</i>)	2,943.4	-	-
Tax on items that will not be reclassified	0.1	-	0.5
	2,942.9	0.2	(2.5)
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
- net gains/(losses) arising during the period	12.8	(28.8)	(39.7)
Cash flow hedges			
- net (losses)/gains arising during the period	(2.4)	1.6	0.6
Tax relating to items that may be reclassified	0.4	(0.3)	(0.1)
Share of other comprehensive income/(expense) of associates and joint ventures	2.0	(1.6)	(1.8)
	12.8	(29.1)	(41.0)
Other comprehensive income/(expense) for the period, net of tax	2,955.7	(28.9)	(43.5)
Total comprehensive income/(expense) for the period	2,943.5	(6.7)	(0.3)
Attributable to:			
Shareholders of the Company	2,943.5	(6.5)	-
Non-controlling interests	-	(0.2)	(0.3)
	2,943.5	(6.7)	(0.3)

Mandarin Oriental International Limited
Consolidated Balance Sheet

	(unaudited)	At 31st	
	At 30th June	December	
2019	2018	2018	
US\$m	US\$m	US\$m	
	restated	restated	
Net assets			
Intangible assets	50.4	44.0	49.3
Tangible assets	1,179.6	1,228.8	1,205.9
Right-of-use assets	305.5	279.9	342.9
Investment properties under development (<i>note 8</i>)	3,020.3	-	-
Associates and joint ventures	208.6	193.8	196.1
Other investments	16.2	11.1	15.2
Deferred tax assets	12.0	10.7	11.5
Pension assets	-	4.2	0.2
Non-current debtors	4.9	1.7	5.1
Non-current assets	<u>4,797.5</u>	<u>1,774.2</u>	<u>1,826.2</u>
Stocks	5.8	6.2	6.6
Current debtors	99.2	112.8	95.9
Current tax assets	2.0	3.2	3.5
Bank and cash balances	211.1	204.4	246.8
Current assets	<u>318.1</u>	<u>326.6</u>	<u>352.8</u>
Current creditors	(147.7)	(137.1)	(168.3)
Current borrowings (<i>note 9</i>)	(2.5)	(2.6)	(524.2)
Current lease liabilities	(6.9)	(6.6)	(6.9)
Current tax liabilities	(17.5)	(23.6)	(14.0)
Current liabilities	<u>(174.6)</u>	<u>(169.9)</u>	<u>(713.4)</u>
Net current assets/(liabilities)	143.5	156.7	(360.6)
Long-term borrowings (<i>note 9</i>)	(544.3)	(527.0)	(7.3)
Non-current lease liabilities	(173.3)	(97.3)	(160.1)
Deferred tax liabilities	(58.1)	(57.7)	(61.6)
Pension liabilities	(2.6)	(0.4)	(0.4)
Non-current creditors	(1.5)	-	-
	<u>4,161.2</u>	<u>1,248.5</u>	<u>1,236.2</u>
Total equity			
Share capital	63.1	63.0	63.1
Share premium	499.7	497.6	497.8
Revenue and other reserves	3,594.8	682.0	671.5
Shareholders' funds	<u>4,157.6</u>	<u>1,242.6</u>	<u>1,232.4</u>
Non-controlling interests	3.6	5.9	3.8
	<u>4,161.2</u>	<u>1,248.5</u>	<u>1,236.2</u>

Mandarin Oriental International Limited
Consolidated Statement of Changes in Equity

	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 2019 (unaudited)</i>										
At 1st January 2019										
- 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 (<i>note 1</i>)	-	-	-	(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	-	-	-	(12.6)	2,943.4	(2.1)	14.8	2,943.5	-	2,943.5
Dividends paid by the Company	-	-	-	(18.9)	-	-	-	(18.9)	-	(18.9)
Issue of shares	-	0.1	-	-	-	-	-	0.1	-	0.1
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	(1.8)	-	-	-	-	-	-	-
At 30th June 2019	63.1	499.7	261.0	493.7	2,943.4	(1.5)	(101.8)	4,157.6	3.6	4,161.2
<i>Six months ended 30th June 2018 (unaudited)</i>										
At 1st January 2018										
- 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 (<i>note 1</i>)	-	-	-	(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	-	-	-	22.4	-	1.4	(30.3)	(6.5)	(0.2)	(6.7)
Dividends paid by the Company	-	-	-	(18.9)	-	-	-	(18.9)	-	(18.9)
Issue of shares	0.1	0.1	-	-	-	-	-	0.2	-	0.2
Share-based long-term incentive plans	-	-	0.4	-	-	-	-	0.4	-	0.4
Transfer	-	3.6	(3.6)	-	-	-	-	-	-	-
At 30th June 2018	63.0	497.6	262.7	523.4	-	1.5	(105.6)	1,242.6	5.9	1,248.5

Total comprehensive income for the six months ended 30th June 2019 included in revenue reserves comprised loss attributable to shareholders of the Company of US\$12.1 million (2018: profit of US\$22.2 million) and net actuarial loss on employee defined benefit plans of US\$0.5 million (2018: net actuarial gain of US\$0.2 million).

(Consolidated Statement of Changes in Equity continued on page 8)

Mandarin Oriental International Limited
Consolidated Statement of Changes in Equity (continued)

	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>Year ended 31st December 2018</i>										
At 1st January 2018										
- 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

Total comprehensive income for the year ended 31st December 2018 included in revenue reserves comprised profit attributable to shareholders of the Company of US\$43.4 million and net actuarial loss on employee defined benefit plans of US\$2.6 million.

Mandarin Oriental International Limited
Consolidated Cash Flow Statement

	(unaudited) Six months ended 30th June 2019 US\$m	2018 US\$m restated	Year ended 31st December 2018 US\$m restated
Operating activities			
Operating profit	2.1	35.8	70.7
Depreciation and amortisation	59.7	35.3	93.2
Other non-cash items	(8.0)	20.5	(4.0)
Movements in working capital	(22.0)	(24.1)	17.5
Interest received	1.7	0.7	1.9
Interest and other financing charges paid	(10.4)	(7.1)	(15.7)
Tax paid	(3.7)	(1.9)	(18.8)
	19.4	59.2	144.8
Dividends and interest from associates and joint ventures	3.2	3.2	7.8
Cash flows from operating activities	22.6	62.4	152.6
Investing activities			
Purchase of tangible assets	(27.9)	(34.0)	(61.2)
Additions to investment properties	(4.0)	-	-
Purchase of intangible assets	(2.8)	(2.2)	(7.4)
Payment on Munich expansion	(0.7)	-	-
Purchase of other investments	(0.9)	(0.8)	(1.1)
Advance to associates and joint ventures	(15.8)	(4.9)	(9.1)
Repayment of loans to associates and joint ventures	0.4	0.4	1.2
Repayment of intangible assets	-	-	0.8
Insurance recovery received for purchase of tangible assets (<i>note 10</i>)	-	-	7.8
Cash flows from investing activities	(51.7)	(41.5)	(69.0)
Financing activities			
Issue of shares	0.1	0.1	0.1
Drawdown of borrowings	537.7	24.1	27.6
Repayment of borrowings	(523.3)	(0.1)	(0.2)
Principal elements of lease payments	(3.2)	(3.3)	(6.5)
Dividends paid by the Company (<i>note 11</i>)	(18.9)	(18.9)	(37.8)
Cash flows from financing activities	(7.6)	1.9	(16.8)
Net (decrease)/increase in cash and cash equivalents	(36.7)	22.8	66.8
Cash and cash equivalents at beginning of period	246.8	183.9	183.9
Effect of exchange rate changes	1.0	(2.3)	(3.9)
Cash and cash equivalents at end of period	211.1	204.4	246.8

Mandarin Oriental International Limited
Notes to Condensed Financial Statements

1. ACCOUNTING POLICIES AND 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 2018 annual financial statements except for the adoption of IFRS 16 'Leases' from 1st January 2019 and the application of 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 accounting policies are set out below.

The other amendments or interpretation, which are effective in 2019 and relevant to the Group's operations, do not have a significant effect on the Group's accounting policies.

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

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. From 1st January 2019, 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.

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 life. 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 category of the investment property being valued.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (*CONTINUED*)IAS 40 'Investment Properties' (continued)

The market value of investment properties under development are 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 properties which recently transacted and adjusted to reflect the conditions of the subject properties 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.

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

The effects of adopting IFRS 16 were as follows:

(a) On the consolidated profit and loss account for the six months ended 30th June 2018:

	Increase/(decrease) in profit US\$m
Costs of sales	0.4
Administration expenses	0.1
Net financing charges	<u>(0.6)</u>
Profit attributable to shareholders of the Company*	<u>(0.1)</u>
* Further analysed as:	
Underlying profit attributable to shareholders	(0.1)
Non-trading items	<u>-</u>
Profit attributable to shareholders	<u>(0.1)</u>
Basic underlying earnings per share (US¢)	<u>(0.01)</u>
Diluted underlying earnings per share (US¢)	<u>(0.01)</u>
Basic earnings per share (US¢)	<u>(0.01)</u>
Diluted earnings per share (US¢)	<u>(0.01)</u>

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

- (b) On the consolidated statement of comprehensive income for the six months ended 30th June 2018:

	Increase/(decrease) in profit US\$m
Profit and total comprehensive income for the period	<u>(0.1)</u>

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

	Increase/(decrease) 2019 US\$m	2018 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	<u>157.7</u>	<u>98.2</u>
Equity and liabilities		
Revenue and other reserves	(6.8)	(6.6)
Non-current lease liabilities	160.1	100.6
Current creditors	(2.5)	(2.3)
Current lease liabilities	6.9	6.5
Total equity and liabilities	<u>157.7</u>	<u>98.2</u>

- (d) On the consolidated cash flow statement for the six months ended 30th June 2018:

	Inflows/(outflows) US\$m
Operating activities	
Operating profit	0.5
Depreciation and amortisation	3.4
Interest and other financing charges paid	(0.6)
Financing activities	
Principal elements of lease payments	<u>(3.3)</u>
Net change in cash and cash equivalents	<u>-</u>

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

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

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease, that is the date 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 amount of the initial measurement of lease liabilities recognised, lease payments made at or before the commencement date 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.

Payments associated with short-term lease and leases of low-value assets (i.e. US\$5,000 or less) are recognised on a straight-line basis as an expense in profit and loss. Short-term leases are leases with a lease term of 12 months or less.

Lease liabilities

Lease liabilities are recognised at the commencement of the lease and are measured at the present value of lease payments to be made over the lease term. 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.

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. 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 if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Interest is included as finance costs and charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

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

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

(f) Critical accounting estimates and judgements

(i) Determination of lease term of contracts with renewal options

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.

(ii) Determination of discount rates

The Group uses the incremental borrowing rate at the lease commencement date as the discount rate to measure a lease liability if the interest rate implicit in the lease cannot be readily determinable. 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.

2. REVENUE

	Six months ended 30th June	
	2019	2018
	US\$m	US\$m
	<u> </u>	<u> </u>
<i>By geographical area:</i>		
Hong Kong	96.5	118.5
Other Asia	53.7	55.5
Europe	77.6	76.3
America	51.8	57.6
	<u>279.6</u>	<u>307.9</u>
<i>Revenue from contracts with customers:</i>		
Recognised at a point in time	104.8	109.5
Recognised over time	164.8	188.0
	<u>269.6</u>	<u>297.5</u>
<i>Revenue from other sources:</i>		
Rental income	10.0	10.4
	<u>279.6</u>	<u>307.9</u>

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

	Six months ended		Year ended
	2019	30th June	31st
	US\$m	2018	December
		US\$m	2018
			US\$m
<i>By geographical area:</i>			
Hong Kong	26.0	34.2	75.4
Other Asia	18.6	19.1	38.4
Europe	13.0	8.1	34.1
America	2.3	9.7	13.4
Underlying EBITDA from subsidiaries	59.9	71.1	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	(7.7)	(20.3)	(28.6)
- insurance recovery for replacement of tangible assets and other incidental expenses	7.7	20.3	29.6
Closure of The Excelsior, Hong Kong			
- other costs	(6.5)	-	(2.8)
Change in fair value of investment properties under development	8.8	-	-
Change in fair value of other investments	(0.4)	-	4.4
	1.9	-	2.6
EBITDA from subsidiaries	61.8	71.1	163.9
Underlying depreciation and amortisation from subsidiaries	(34.3)	(35.3)	(69.6)
Non-trading items (note 7)			
Closure of The Excelsior, Hong Kong			
- accelerated depreciation and amortisation	(25.4)	-	(23.6)
Operating profit	2.1	35.8	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
Six months ended 30th June 2019						
<i>By geographical area:</i>						
Other Asia	9.1	(6.1)	3.0	(0.9)	(1.0)	1.1
Europe	(2.0)	(0.2)	(2.2)	-	-	(2.2)
America	2.1	(1.3)	0.8	(1.2)	(0.1)	(0.5)
	<u>9.2</u>	<u>(7.6)</u>	<u>1.6</u>	<u>(2.1)</u>	<u>(1.1)</u>	<u>(1.6)</u>
Six months ended 30th June 2018						
<i>By geographical area:</i>						
Other Asia	12.8	(4.8)	8.0	(0.7)	(1.5)	5.8
Europe	(1.5)	(2.1)	(3.6)	-	-	(3.6)
America	1.6	(1.4)	0.2	(1.1)	-	(0.9)
	<u>12.9</u>	<u>(8.3)</u>	<u>4.6</u>	<u>(1.8)</u>	<u>(1.5)</u>	<u>1.3</u>

5. TAX

	Six months ended 30th June	
	2019 US\$m	2018 US\$m
Tax (charged)/credited to profit and loss is analysed as follows:		
Current tax	(8.7)	(8.5)
Deferred tax	3.6	0.1
	<u>(5.1)</u>	<u>(8.4)</u>
<i>By geographical area:</i>		
Hong Kong	(2.4)	(5.7)
Other Asia	(0.5)	(1.1)
Europe	(1.9)	(1.5)
America	(0.3)	(0.1)
	<u>(5.1)</u>	<u>(8.4)</u>

Tax credit relating to cash flow hedges of US\$0.4 million (2018: tax charge of US\$0.3 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 of associates and joint ventures of US\$1.1 million (2018: US\$1.5 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\$12.1 million (2018: profit of US\$22.2 million) and on the weighted average number of 1,262.6 million (2018: 1,259.9 million) shares in issue during the period.

Diluted loss/earnings per share are calculated on loss attributable to shareholders of US\$12.1 million (2018: profit of US\$22.2 million) and on the weighted average number of 1,263.2 million (2018: 1,263.2 million) shares 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	
	2019	2018
Weighted average number of shares for basic earnings per share calculation	1,262.6	1,259.9
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	0.6	3.3
Weighted average number of shares for diluted earnings per share calculation	<u>1,263.2</u>	<u>1,263.2</u>

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:

	Six months ended 30th June					
	2019			2018		
	US\$m	Basic earnings per share US¢	Diluted earnings per share US¢	US\$m	Basic earnings per share US¢	Diluted earnings per share US¢
(Loss)/profit attributable to shareholders	(12.1)	(0.96)	(0.96)	22.2	1.76	1.76
Non-trading items (note 7)	<u>22.8</u>			<u>-</u>		
Underlying profit attributable to shareholders	<u>10.7</u>	<u>0.85</u>	<u>0.85</u>	<u>22.2</u>	<u>1.76</u>	<u>1.76</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 investments properties 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 2019 US\$m	Year ended 31st December 2018 US\$m	2018 US\$m
Fire at Mandarin Oriental Hyde Park, London*			
- repair expenses and write-off of tangible assets and other incidental expenses	(7.7)	(20.3)	(28.6)
- insurance recovery for replacement of tangible assets and other incidental expenses	7.7	20.3	29.6
Closure of The Excelsior, Hong Kong [†]			
- accelerated depreciation and amortisation	(25.3)	-	(24.3)
- other costs	(5.9)	-	(2.6)
Change in fair value of investment properties under development (<i>note 8</i>)	8.8	-	-
Change in fair value of other investments	(0.4)	-	4.4
	(22.8)	-	(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 have been recognised as non-trading expenses. The Group received interim cash payments during 2018 and the first half of 2019 from the insurers (*note 10*). The insurance compensations for the replacement of tangible assets and other incidental expenses have been recognised as non-trading income. The insurance compensations for the reimbursement of operating expenditures and loss of profits of US\$31.1 million and US\$11.8 million have been recorded as underlying business performance in 2018 and the first half of 2019 respectively. The total property damage and business interruption claims with the Group's insurers are expected to be concluded in 2019.

[†] 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 8*). 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, have been recognised as non-trading expenses in 2018 and the first half of 2019.

8. INVESTMENT PROPERTIES 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 reserve through other comprehensive income. Subsequent fair value change of the investment property has been recognised as a non-trading item in the profit and loss.

9. BORROWINGS

The Group entered into new committed facilities of US\$754 million in 2019, comprising a US\$114 million facility in London and a US\$640 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 due to mature in 2019.

10. INSURANCE RECOVERY RECEIVED FOR PURCHASE OF TANGIBLE ASSETS

The Group received interim insurance payments of US\$66.3 million and US\$7.8 million in 2018 and the first half of 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\$74.1 million, US\$7.8 million was to cover the remedial capital expenditure of the tangible assets which was recorded under investing activities. The remaining balance was recorded under operating activities.

11. DIVIDENDS

	Six months ended 30th June	
	2019	2018
	US\$m	US\$m
Final dividend in respect of 2018 of US¢1.50 (2017: US¢1.50) per share	<u>18.9</u>	<u>18.9</u>

An interim dividend in respect of 2019 of US¢1.50 (2018: US¢1.50) per share amounting to a total of US\$19.0 million (2018: US\$18.9 million) has been declared by the Board and will be accounted for as an appropriation of revenue reserves in the second half of the year ending 31st December 2019.

12. CAPITAL COMMITMENTS

Total capital commitments at 30th June 2019 and 31st December 2018 amounted to US\$785.0 million and US\$816.5 million respectively.

13. FINANCIAL INSTRUMENTS

Financial instruments by category

The fair values of financial assets and financial liabilities, together with carrying amounts at 30th June 2019 and 31st December 2018 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 at amortised costs US\$m	Total carrying amount US\$m	Fair value US\$m
30th June 2019						
<i>Financial assets</i>						
<i>measured at fair value</i>						
Other investments	-	16.2	-	-	16.2	16.2
<i>Financial assets not</i>						
<i>measured at fair value</i>						
Debtors	-	-	51.5	-	51.5	51.5
Bank and cash balances	-	-	211.1	-	211.1	211.1
	-	-	262.6	-	262.6	262.6
<i>Financial liabilities</i>						
<i>measured at fair value</i>						
Derivative financial instruments	(1.5)	-	-	-	(1.5)	(1.5)
<i>Financial liabilities not</i>						
<i>measured at fair value</i>						
Borrowings	-	-	-	(546.8)	(546.8)	(546.8)
Lease liabilities	-	-	-	(180.2)	(180.2)	(180.2)
Trade and other payable excluding non-financial liabilities	-	-	-	(119.7)	(119.7)	(119.7)
	-	-	-	(846.7)	(846.7)	(846.7)

13. 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 at amortised costs US\$m	Total carrying amount US\$m	Fair value US\$m
31st December 2018						
<i>Financial assets measured at fair value</i>						
Other investments	-	15.2	-	-	15.2	15.2
Derivative financial instruments	0.9	-	-	-	0.9	0.9
	<u>0.9</u>	<u>15.2</u>	<u>-</u>	<u>-</u>	<u>16.1</u>	<u>16.1</u>
<i>Financial assets not measured at fair value</i>						
Debtors	-	-	61.2	-	61.2	61.2
Bank and cash balances	-	-	246.8	-	246.8	246.8
	<u>-</u>	<u>-</u>	<u>308.0</u>	<u>-</u>	<u>308.0</u>	<u>308.0</u>
<i>Financial liabilities not measured at fair value</i>						
Borrowings	-	-	-	(531.5)	(531.5)	(531.5)
Lease Liabilities	-	-	-	(167.0)	(167.0)	(167.0)
Trade and other payable excluding non-financial liabilities	-	-	-	(136.3)	(136.3)	(136.3)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(834.8)</u>	<u>(834.8)</u>	<u>(834.8)</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.

13. 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 2019 and the year ended 31st December 2018.

The table below analyses financial instruments carried at fair value at 30th June 2019 and 31st December 2018, by the levels in the fair value measurement hierarchy:

	Observable market current transactions US\$m	Unobservable inputs US\$m	Total US\$m
30th June 2019			
<i>Assets</i>			
Other investments	<u>5.7</u>	<u>10.5</u>	<u>16.2</u>
<i>Liabilities</i>			
Derivative financial instruments at fair value - through other comprehensive income	<u>(1.5)</u>	<u>-</u>	<u>(1.5)</u>
31st December 2018			
<i>Assets</i>			
Other investments	6.1	9.1	15.2
Derivative financial instruments at fair value - through other comprehensive income	<u>0.9</u>	<u>-</u>	<u>0.9</u>
	<u>7.0</u>	<u>9.1</u>	<u>16.1</u>

There were no transfers among the two categories during the six months ended 30th June 2019 and the year ended 31st December 2018.

13. 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 2019 and the year ended 31st December 2018 are as follows:

	Unlisted investments US\$m
At 1st January 2019	9.1
Additions	1.4
At 30th June 2019	<u>10.5</u>
At 1st January 2018	9.3
Disposals	(0.2)
At 31st December 2018	<u>9.1</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.

14. 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\$7.3 million (2018: US\$7.3 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 first six months of the current financial year.

Amounts 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 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 and Financial Risk
- Commercial and Market Risk
- Pandemic, Terrorism and Natural Disasters
- Key Agreements
- Reputational Risk and Value of the Brand
- Regulatory and Political Risk

For greater detail, please refer to pages 103 and 104 of the Company's 2018 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
Craig Beattie

Directors

The interim dividend of US¢1.50 per share will be payable on 17th October 2019 to shareholders on the register of members at the close of business on 23rd August 2019. The shares will be quoted ex-dividend on 22nd August 2019, and the share registers will be closed from 26th to 30th August 2019, 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 interim dividend by notifying the United Kingdom transfer agent in writing by 27th September 2019. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 2nd October 2019.

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 23rd August 2019, 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 22nd August 2019.

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 32 hotels and six 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\$5.8 billion as at 30th June 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.

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-Yearly Results announcement to shareholders. The Half-Yearly Results announcement will remain available on the Company's website, www.mandarinoriental.com, together with other Group announcements.