

announcement

Mandarin Oriental International Limited

Jardine House, 33-35 Reid Street
Hamilton HM EX, Bermuda



29th July 2021

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 2021

HIGHLIGHTS

- Underlying losses reduced by 34% compared to the same period last year
- Business levels increased in the second quarter
- Robust hotel development pipeline
- Strong liquidity and funding position

“While trading conditions remain difficult, business volumes have begun to improve in markets where vaccination programmes are being implemented effectively, particularly in the second quarter, leading to a reduction in underlying losses. The Group’s development pipeline remains robust, and the restored Mandarin Oriental Ritz, Madrid, opened to critical acclaim. A return to profitability by the Group will be dependent on the removal of barriers to international travel, particularly in Asia.”

Ben Keswick
Chairman

RESULTS

	(unaudited)		
	Six months ended 30th June		Change %
	2021 US\$m	2020 US\$m	
Combined total revenue of hotels under management ⁽¹⁾	381.8	276.4	+38
Revenue	101.8	95.5	+7
Underlying EBITDA (Earnings before interest, tax, depreciation and amortisation) ⁽²⁾	(17.0)	(50.1)	+66
Underlying loss attributable to shareholders ⁽³⁾	(66.8)	(101.8)	+34
Revaluation loss on investment property under development	(89.1)	(333.7)	+73
Loss attributable to shareholders	(155.9)	(435.5)	+64
	US¢	US¢	%
Underlying loss per share ⁽³⁾	(5.29)	(8.06)	+34
Loss per share	(12.34)	(34.48)	+64
	US\$	US\$	%
Net asset value per share ⁽⁴⁾	2.63	2.78	-5
Adjusted net asset value per share ⁽⁴⁾⁽⁵⁾	3.95	4.09	-3
Net debt/shareholders’ funds ⁽⁴⁾	18%	14%	
Net debt/adjusted shareholders’ funds ⁽⁴⁾⁽⁵⁾	12%	10%	

(1) Combined revenue includes turnover of the Group’s subsidiary hotels in addition to 100% of revenue from associate, joint venture and managed hotels.
(2) EBITDA of subsidiaries plus the Group’s share of EBITDA of associates and joint ventures.
(3) The Group uses ‘underlying profit’ 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 2021 and 31st December 2020, respectively.
(5) The Group’s investment property under development is carried at fair value on the basis of valuations carried out by independent valuers at 30th June 2021 and 31st December 2020. The other freehold and leasehold interests are carried at amortised cost in the consolidated balance sheet. Both the adjusted net asset value per share and net debt/adjusted shareholders’ funds for 30th June 2021 and 31st December 2020 have included the market value of the Group’s freehold and leasehold interests which were appraised as at 31st December 2020.

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MANDARIN ORIENTAL INTERNATIONAL LIMITED
HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2021

OVERVIEW

Operating conditions generally improved towards the end of the first half, with all hotels under operation open in the second quarter. During the same period in the prior year, almost all hotels were effectively closed. Performance did, however, vary by market, depending mostly upon vaccination roll-out progress and the impact of government actions to curtail the spread of the virus. In most markets, the customer base was largely domestic and leisure-orientated.

Combined total revenue of hotels under management increased by 38% in the first half of 2021 compared to the equivalent period in 2020.

Government financial support in some markets and the Group's ongoing cost containment measures continued to benefit results.

FINANCIAL PERFORMANCE

Underlying losses before interest, tax, depreciation and amortisation ('EBITDA') for the first half of 2021 were US\$17 million, a 66% improvement compared to EBITDA losses of US\$50 million in the first half of 2020. Results benefited from an increase in business levels in certain markets, continued cost control measures and government financial support.

The Group's losses were entirely attributable to its portfolio of owned hotels. The management business was broadly breakeven in the period, due to increased management fees and lower operating costs.

Underlying losses for the period were US\$67 million, compared to US\$102 million for the first half of 2020.

Non-trading items comprised a 3%, or US\$89 million, decrease in the valuation of the Causeway Bay site under development as a result of market reductions in property values. Total losses attributable to shareholders were US\$156 million in the first half, compared to US\$436 million in the same period in 2020.

At 30th June 2021, net debt was US\$590 million compared to US\$506 million at the end of 2020, with the increase primarily due to investments made to develop the Causeway Bay site and increase the size of the Munich hotel. The Group remains well funded, with headroom of US\$441 million in its available cash and committed facilities. The average tenor of the Group's debt facilities at 30th June 2021 was 2.6 years and gearing as a percentage of adjusted shareholders' funds was 12%, taking into account the market value of the Group's properties.

No interim dividend will be paid in respect of 2021 first half results.

HOTEL PERFORMANCE

Occupancy levels varied significantly between hotels. In Asia, Mandarin Oriental, Hong Kong delivered positive EBITDA in the first half of 2021, albeit still well below 2019 levels, compared to a loss in the first half of 2020. Demand in the Chinese mainland remained strong. Trading conditions in Southeast Asia were exceedingly difficult, with borders remaining effectively closed and tight lockdown restrictions in some cities preventing food and beverage and spa facilities from operating. In much of Europe, the Middle East and America, COVID-19 restrictions slowly eased, allowing occupancy levels to start to recover.

NEW DEVELOPMENTS

Mandarin Oriental Ritz, Madrid opened in April after an extensive restoration and is expected to become a flagship property for the brand.

The Group also assumed management of the Al Faisaliah hotel in Riyadh with effect from March and this property will be rebranded as Mandarin Oriental Al Faisaliah, Riyadh in 2022 following its renovation. Two new management contracts were announced in the first half of the year: a resort on the beach in Da Nang, Vietnam and a city property in Hangzhou, China. Mandarin Oriental Bosphorus, Istanbul will open in August 2021 and Mandarin Oriental, Shenzhen is expected to open towards the end of the year.

PEOPLE

The last six months have continued to be a difficult period for the hospitality industry and I would like to thank all Mandarin Oriental colleagues for their continued dedication and loyalty.

James Watkins retired from the Board following today's Board meeting. On 20th May 2021, it was announced that Craig Beattie would step down from the Board on 31st August 2021. The Board would like to record its gratitude to both of them for their significant contribution to the Group. As announced on 20th May 2021, Matthew Bishop will be appointed as a Director and Chief Financial Officer of the Company with effect from 1st September 2021.

OUTLOOK

While trading conditions remain difficult, business volumes have begun to improve in markets where vaccination programmes are being implemented effectively, particularly in the second quarter, leading to a reduction in underlying losses. The Group's development pipeline remains robust, and the restored Mandarin Oriental Ritz, Madrid, opened to critical acclaim. A return to profitability by the Group will be dependent on the removal of barriers to international travel, particularly in Asia.

Ben Keswick

Chairman

Mandarin Oriental International Limited
Consolidated Profit and Loss Account

	(unaudited)						Year ended 31st December		
	2021			2020			2020		
	Underlying business performance US\$m	Non-trading Items US\$m	Total US\$m	Underlying business performance US\$m	Non-trading Items US\$m	Total US\$m	Underlying business performance US\$m	Non-trading Items US\$m	Total US\$m
	Six months ended 30th June								
Revenue (note 2)	101.8	-	101.8	95.5	-	95.5	183.7	-	183.7
Cost of sales	(114.7)	-	(114.7)	(122.1)	-	(122.1)	(233.0)	-	(233.0)
Gross loss	(12.9)	-	(12.9)	(26.6)	-	(26.6)	(49.3)	-	(49.3)
Selling and distribution costs	(9.8)	-	(9.8)	(16.2)	-	(16.2)	(31.4)	-	(31.4)
Administration expenses	(44.8)	-	(44.8)	(52.7)	-	(52.7)	(97.5)	-	(97.5)
Other operating income/(expense)	22.1	-	22.1	14.4	-	14.4	(7.6)	0.7	(6.9)
Change in fair value of investment property under development	-	(89.1)	(89.1)	-	(333.7)	(333.7)	-	(474.9)	(474.9)
Operating loss (note 3)	(45.4)	(89.1)	(134.5)	(81.1)	(333.7)	(414.8)	(185.8)	(474.2)	(660.0)
Financing charges	(6.9)	-	(6.9)	(8.0)	-	(8.0)	(14.2)	-	(14.2)
Interest income	0.5	-	0.5	1.1	-	1.1	1.6	-	1.6
Net financing charges	(6.4)	-	(6.4)	(6.9)	-	(6.9)	(12.6)	-	(12.6)
Share of results of associates and joint ventures (note 4)	(15.0)	-	(15.0)	(13.5)	-	(13.5)	(26.8)	-	(26.8)
Loss before tax	(66.8)	(89.1)	(155.9)	(101.5)	(333.7)	(435.2)	(225.2)	(474.2)	(699.4)
Tax (note 5)	-	-	-	(0.3)	-	(0.3)	19.4	-	19.4
Loss after tax	(66.8)	(89.1)	(155.9)	(101.8)	(333.7)	(435.5)	(205.8)	(474.2)	(680.0)
Attributable to:									
Shareholders of the Company (note 6 & 7)	(66.8)	(89.1)	(155.9)	(101.8)	(333.7)	(435.5)	(205.9)	(474.2)	(680.1)
Non-controlling interests	-	-	-	-	-	-	0.1	-	0.1
	(66.8)	(89.1)	(155.9)	(101.8)	(333.7)	(435.5)	(205.8)	(474.2)	(680.0)
	US¢		US¢	US¢		US¢	US¢		US¢
Loss per share (note 6)									
- basic	(5.29)		(12.34)	(8.06)		(34.48)	(16.30)		(53.84)
- diluted	(5.29)		(12.34)	(8.06)		(34.48)	(16.30)		(53.84)

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Mandarin Oriental International Limited
Consolidated Statement of Comprehensive Income

	(unaudited) Six months ended 30th June 2021 US\$m	2020 US\$m	Year ended 31st December 2020 US\$m
Loss for the period	(155.9)	(435.5)	(680.0)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	-	-	5.2
Tax on items that will not be reclassified	-	-	(0.9)
	-	-	4.3
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
- net (losses)/gains arising during the period	(25.7)	1.3	80.0
Cash flow hedges			
- net gains/(losses) arising during the period	2.7	(9.9)	(11.4)
Tax relating to items that may be reclassified	(0.5)	1.6	1.9
Share of other comprehensive (expense)/income of associates and joint ventures	(1.9)	(4.1)	1.8
	(25.4)	(11.1)	72.3
Other comprehensive (expense)/income for the period, net of tax	(25.4)	(11.1)	76.6
Total comprehensive expense for the period	(181.3)	(446.6)	(603.4)
Attributable to:			
Shareholders of the Company	(181.1)	(446.5)	(603.9)
Non-controlling interests	(0.2)	(0.1)	0.5
	(181.3)	(446.6)	(603.4)

Mandarin Oriental International Limited
Consolidated Balance Sheet

	(unaudited)	At 31st	
	At 30th June	December	
	2021	2020	
	US\$m	US\$m	
	US\$m	US\$m	
Net assets			
Intangible assets	44.0	49.5	45.4
Tangible assets	1,147.2	1,147.3	1,181.5
Right-of-use assets	283.6	297.9	297.4
Investment property under development (<i>note 8</i>)	2,447.1	2,657.9	2,528.3
Associates and joint ventures	216.3	208.9	231.6
Other investments	15.5	15.3	16.1
Deferred tax assets	17.7	11.5	17.8
Pension assets	5.0	0.8	5.5
Non-current debtors	4.8	4.8	5.1
Non-current assets	4,181.2	4,393.9	4,328.7
Stocks	5.5	5.9	6.0
Current debtors	99.2	62.3	71.7
Current tax assets	3.0	2.2	3.1
Bank and cash balances	137.7	187.1	164.6
Current assets	245.4	257.5	245.4
Current creditors	(138.7)	(130.1)	(144.6)
Current borrowings	(2.6)	(41.9)	(64.2)
Current lease liabilities	(6.7)	(7.0)	(7.0)
Current tax liabilities	(9.5)	(11.7)	(10.1)
Current liabilities	(157.5)	(190.7)	(225.9)
Net current assets	87.9	66.8	19.5
Long-term borrowings	(725.1)	(557.2)	(606.6)
Non-current lease liabilities	(156.7)	(166.2)	(170.1)
Deferred tax liabilities	(47.7)	(58.0)	(47.1)
Pension liabilities	(0.3)	-	(0.3)
Non-current creditors	(7.4)	(9.3)	(10.9)
	3,331.9	3,670.0	3,513.2
Total equity			
Share capital	63.2	63.2	63.2
Share premium	499.9	499.7	499.7
Revenue and other reserves	2,765.3	3,103.9	2,946.6
Shareholders' funds	3,328.4	3,666.8	3,509.5
Non-controlling interests	3.5	3.2	3.7
	3,331.9	3,670.0	3,513.2

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 2021 (unaudited)</i>										
At 1st January 2021	63.2	499.7	260.3	(240.3)	2,943.4	(9.7)	(7.1)	3,509.5	3.7	3,513.2
Total comprehensive income	-	-	-	(155.9)	-	2.1	(27.3)	(181.1)	(0.2)	(181.3)
Transfer	-	0.2	(0.5)	0.3	-	-	-	-	-	-
At 30th June 2021	63.2	499.9	259.8	(395.9)	2,943.4	(7.6)	(34.4)	3,328.4	3.5	3,331.9
<i>Six months ended 30th June 2020 (unaudited)</i>										
At 1st January 2020	63.2	499.7	260.3	434.8	2,943.4	-	(88.4)	4,113.0	3.6	4,116.6
Total comprehensive income	-	-	-	(435.5)	-	(8.7)	(2.3)	(446.5)	(0.1)	(446.6)
Change in interest in a subsidiary	-	-	-	0.3	-	-	-	0.3	(0.3)	-
At 30th June 2020	63.2	499.7	260.3	(0.4)	2,943.4	(8.7)	(90.7)	3,666.8	3.2	3,670.0
<i>Year ended 31st December 2020</i>										
At 1st January 2020	63.2	499.7	260.3	434.8	2,943.4	-	(88.4)	4,113.0	3.6	4,116.6
Total comprehensive income	-	-	-	(675.5)	-	(9.7)	81.3	(603.9)	0.5	(603.4)
Change in interest in a subsidiary	-	-	-	0.4	-	-	-	0.4	(0.4)	-
At 31st December 2020	63.2	499.7	260.3	(240.3)	2,943.4	(9.7)	(7.1)	3,509.5	3.7	3,513.2

Revenue reserves as at 30th June 2021 included cumulative fair value loss on the investment property under development of US\$631.3 million (US\$401.0 million as at 30th June 2020 and US\$542.2 million as at 31st December 2020).

Mandarin Oriental International Limited
Consolidated Cash Flow Statement

	(unaudited) Six months ended 30th June 2021 US\$m	2020 US\$m	Year ended 31st December 2020 US\$m
Operating activities			
Operating loss	(134.5)	(414.8)	(660.0)
Depreciation, amortisation and impairment	35.4	37.4	124.2
Other non-cash items	88.1	335.6	472.8
Movements in working capital	(4.3)	(0.9)	1.4
Interest received	0.3	1.3	1.8
Interest and other financing charges paid	(6.9)	(8.1)	(14.1)
Tax paid	(0.6)	(8.3)	(9.6)
Cash flows from operating activities	(22.5)	(57.8)	(83.5)
Investing activities			
Purchase of tangible assets	(10.0)	(14.3)	(38.9)
Additions to investment property under development	(11.8)	(11.1)	(21.6)
Purchase of intangible assets	(0.8)	(3.2)	(5.3)
Payment on Munich expansion	(28.6)	-	-
Purchase of other investments	(0.2)	(0.4)	(0.6)
Purchase of an associate	-	-	(2.0)
Advance to associates and joint ventures	(7.0)	(23.1)	(40.5)
Repayment of loans to associates and joint ventures	0.5	0.4	0.4
Cash flows from investing activities	(57.9)	(51.7)	(108.5)
Financing activities			
Drawdown of borrowings	117.8	32.4	88.4
Repayment of borrowings	(61.3)	-	(0.1)
Principal elements of lease payments	(1.3)	(3.6)	(6.0)
Cash flows from financing activities	55.2	28.8	82.3
Net decrease in cash and cash equivalents	(25.2)	(80.7)	(109.7)
Cash and cash equivalents at beginning of period	164.6	270.7	270.7
Effect of exchange rate changes	(1.7)	(2.9)	3.6
Cash and cash equivalents at end of period	137.7	187.1	164.6

Mandarin Oriental International Limited
Notes to Condensed Financial Statements

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

(a) Going Concern

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

Operating conditions generally improved towards the end of the first half of 2021, with all 34 hotels open in the second quarter. In the first half of 2021, the Group incurred total cash outflow from operating activities of US\$23 million, a significant improvement from the same period in 2020.

A return of profitability by the Group will be dependent on the continued successful roll-out of vaccination programmes and removal of barriers to travel.

The Group's balance sheet is underpinned by equity interests in a number of prime hotel properties which are carried on the Group's balance sheet at historical cost less depreciation. Taking into account the market value of the Group's property interests, the adjusted shareholders' funds were US\$5.0 billion at 30th June 2021.

At 30th June 2021, the Group had total liquidity of US\$441 million, comprising US\$303 million of undrawn committed facilities and US\$138 million of cash balances. The Group's facilities are not subject to any cash flow covenants and had an average remaining tenor of 2.6 years. This robust liquidity position enables the Group to sustain a prolonged downturn in the hospitality industry should that eventuate as well as meet its capital commitments. Overall, the Group's balance sheet position remains strong.

In adopting the going concern basis for preparing the condensed financial statements, the Directors have considered a stress-test cash flow forecast which assumes the majority of the Group's hotels are closed as a consequence of government restrictions for a period of 12 months from the date of approval of the condensed financial statements.

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

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

(b) Basis of preparation

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

There are no changes to the accounting policies as described in the 2020 annual financial statements and the Group has not early adopted any standard or amendments that have been issued but not yet effective, except as mentioned below:

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

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

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

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

2. REVENUE

	Six months ended 30th June	
	2021	2020
	US\$m	US\$m
	<u> </u>	<u> </u>
<i>By geographical area:</i>		
Asia	54.1	43.7
Europe, Middle East and Africa ('EMEA')	33.9	37.2
America	13.8	14.6
	<u>101.8</u>	<u>95.5</u>
<i>Revenue from contracts with customers:</i>		
Recognised at a point in time	37.4	37.8
Recognised over time	54.6	49.7
	<u>92.0</u>	<u>87.5</u>
<i>Revenue from other sources:</i>		
Rental income	9.8	8.0
	<u>101.8</u>	<u>95.5</u>

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

	Six months ended 30th June	
	2021	2020
	US\$m	US\$m
	<u> </u>	<u> </u>
<i>By geographical area:</i>		
Asia	(7.0)	(15.5)
EMEA	5.9	(10.0)
America	(8.9)	(18.2)
Underlying EBITDA from subsidiaries	(10.0)	(43.7)
Non-trading items (<i>note 7</i>)		
Change in fair value of investment property under development	(89.1)	(333.7)
EBITDA from subsidiaries	(99.1)	(377.4)
Underlying depreciation and amortisation from subsidiaries	(35.4)	(37.4)
Operating loss	<u>(134.5)</u>	<u>(414.8)</u>

For the six months ended 30th June 2021, the Group had received government grants of US\$18.1 million (2020: US\$10.1 million). In addition, there were rent concessions of US\$2.1 million (2020: US\$0.8 million). Both amounts were in relation to the COVID-19 pandemic. These subsidies were accounted for as other operating income.

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	EBITDA US\$m	Depreciation and amortisation US\$m	Operating loss US\$m	Net financing charges US\$m	Tax US\$m	Net loss US\$m
Six months ended						
30th June 2021						
<i>By geographical area:</i>						
Asia	(3.0)	(5.2)	(8.2)	(0.9)	1.5	(7.6)
EMEA	(3.5)	(1.2)	(4.7)	(0.2)	-	(4.9)
America	(0.5)	(1.2)	(1.7)	(0.8)	-	(2.5)
	<u>(7.0)</u>	<u>(7.6)</u>	<u>(14.6)</u>	<u>(1.9)</u>	<u>1.5</u>	<u>(15.0)</u>
Six months ended						
30th June 2020						
<i>By geographical area:</i>						
Asia	(0.5)	(4.5)	(5.0)	(1.0)	0.9	(5.1)
EMEA	(2.4)	(0.2)	(2.6)	-	-	(2.6)
America	(3.5)	(1.4)	(4.9)	(0.9)	-	(5.8)
	<u>(6.4)</u>	<u>(6.1)</u>	<u>(12.5)</u>	<u>(1.9)</u>	<u>0.9</u>	<u>(13.5)</u>

For the six months ended 30th June 2021, the results of associates and joint ventures included the Group's share of government grants of US\$0.7 million (2020: US\$1.6 million). In addition, there were rent concessions of US\$0.1 million (2020: US\$0.1 million). Both amounts were in relation to the COVID-19 pandemic.

5. TAX

	Six months ended 30th June	
	2021	2020
	US\$m	US\$m
Tax (charged)/credited to profit and loss is analysed as follows:		
Current tax	(0.1)	(0.6)
Deferred tax	0.1	0.3
	<u>-</u>	<u>(0.3)</u>
<i>By geographical area:</i>		
Asia	(0.3)	(0.6)
EMEA	0.3	0.3
	<u>-</u>	<u>(0.3)</u>

Tax charge relating to cash flow hedges of US\$0.5 million (2020: tax credit of US\$1.6 million) is included in other comprehensive income or expense.

5. TAX (CONTINUED)

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

Share of tax credit of associates and joint ventures of US\$1.5 million (2020: US\$0.9 million) is included in share of results of associates and joint ventures (*note 4*).

6. LOSS PER SHARE

Basic loss per share is calculated on loss attributable to shareholders of US\$155.9 million (2020: US\$435.5 million) and on the weighted average number of 1,263.2 million (2020: 1,263.2 million) shares in issue during the period.

Diluted loss per share is calculated on loss attributable to shareholders of US\$155.9 million (2020: US\$435.5 million) and on the weighted average number of 1,263.6 million (2020: 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	
	2021	2020
	<u> </u>	<u> </u>
Weighted average number of shares for basic earnings per share calculation	1,263.2	1,263.2
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	0.4	-
Weighted average number of shares for diluted earnings per share calculation	<u>1,263.6</u>	<u>1,263.2</u>

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

	Six months ended 30th June					
	2021			2020		
	<u>US\$m</u>	Basic loss per share US¢	Diluted loss per share US¢	<u>US\$m</u>	Basic loss per share US¢	Diluted loss per share US¢
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss attributable to shareholders	(155.9)	(12.34)	(12.34)	(435.5)	(34.48)	(34.48)
Non-trading items (<i>note 7</i>)	<u>89.1</u>			<u>333.7</u>		
Underlying loss attributable to shareholders	<u>(66.8)</u>	(5.29)	(5.29)	<u>(101.8)</u>	(8.06)	(8.06)

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 property under development and investments which are measured at fair value through profit and loss; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

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

	Six months ended 30th June	
	2021 US\$m	2020 US\$m
Change in fair value of investment property under development (<i>note 8</i>)	(89.1)	(333.7)

8. INVESTMENT PROPERTY UNDER DEVELOPMENT

	Six months ended		Year ended
	2021 US\$m	2020 US\$m	31st December 2020 US\$m
Fair value at beginning of period	2,528.3	2,967.7	2,967.7
Exchange differences	(3.9)	12.8	12.1
Additions	11.8	11.1	23.4
Decrease in fair value	(89.1)	(333.7)	(474.9)
Fair value at end of period	2,447.1	2,657.9	2,528.3

9. DIVIDENDS

No interim dividend in respect of the six months ended 30th June 2021 has been declared by the Board (2020: nil).

10. CAPITAL COMMITMENTS

Total capital commitments at 30th June 2021 and 31st December 2020 amounted to US\$700.0 million and US\$728.7 million, respectively.

11. FINANCIAL INSTRUMENTS

Financial instruments by category

The fair values of financial assets and financial liabilities, together with carrying amounts at 30th June 2021 and 31st December 2020 are as follows:

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Financial assets at amortised cost US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
30th June 2021						
<i>Financial assets measured at fair value</i>						
Other investments	-	15.5	-	-	15.5	15.5
<i>Financial assets not measured at fair value</i>						
Debtors	-	-	89.9	-	89.9	89.9
Bank and cash balances	-	-	137.7	-	137.7	137.7
	-	-	227.6	-	227.6	227.6
<i>Financial liabilities measured at fair value</i>						
Derivative financial instruments	(8.2)	-	-	-	(8.2)	(8.2)
<i>Financial liabilities not measured at fair value</i>						
Borrowings	-	-	-	(727.7)	(727.7)	(727.7)
Lease liabilities	-	-	-	(163.4)	(163.4)	(163.4)
Trade and other payable excluding non-financial liabilities	-	-	-	(115.5)	(115.5)	(115.5)
	-	-	-	(1,006.6)	(1,006.6)	(1,006.6)

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

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Financial assets at amortised cost US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
31st December 2020						
<i>Financial assets</i>						
<i>measured at fair value</i>						
Other investments	-	16.1	-	-	16.1	16.1
<i>Financial assets not</i>						
<i>measured at fair value</i>						
Debtors	-	-	60.5	-	60.5	60.5
Bank and cash balances	-	-	164.6	-	164.6	164.6
	-	-	225.1	-	225.1	225.1
<i>Financial liabilities</i>						
<i>measured at fair value</i>						
Derivative financial instruments	(10.9)	-	-	-	(10.9)	(10.9)
<i>Financial liabilities not</i>						
<i>measured at fair value</i>						
Borrowings	-	-	-	(670.8)	(670.8)	(670.8)
Lease liabilities	-	-	-	(177.1)	(177.1)	(177.1)
Trade and other payable excluding non-financial liabilities	-	-	-	(107.7)	(107.7)	(107.7)
	-	-	-	(955.6)	(955.6)	(955.6)

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.

11. FINANCIAL INSTRUMENTS (*CONTINUED*)Fair value estimation (*continued*)(i) Financial instruments that are measured at fair value (*continued*)(b) *Inputs for assets or liabilities that are not based on observable market data ('unobservable inputs')*

The fair values of other unlisted investments are determined using valuation techniques by reference to observable current market transactions (including price-to earnings and price-to book ratios of listed securities of entities engaged in similar industries), or the market prices of the underlying investments with certain degree of entity specific estimates or discounted cash flow by projecting the cash flows from these investments.

There were no changes in valuation techniques during the six months ended 30th June 2021 and the year ended 31st December 2020.

The table below analyses financial instruments carried at fair value at 30th June 2021 and 31st December 2020, by the levels in the fair value measurement hierarchy:

	Observable market current transactions US\$m	Unobservable inputs US\$m	Total US\$m
	<u> </u>	<u> </u>	<u> </u>
30th June 2021			
<i>Assets</i>			
Other investments	<u>5.4</u>	<u>10.1</u>	<u>15.5</u>
<i>Liabilities</i>			
Derivative financial instruments at fair value - through other comprehensive income	<u>(8.2)</u>	<u>-</u>	<u>(8.2)</u>
31st December 2020			
<i>Assets</i>			
Other investments	<u>5.4</u>	<u>10.7</u>	<u>16.1</u>
<i>Liabilities</i>			
Derivative financial instruments at fair value - through other comprehensive income	<u>(10.9)</u>	<u>-</u>	<u>(10.9)</u>

There were no transfers among the two categories during the six months ended 30th June 2021 and the year ended 31st December 2020.

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

Movement of financial instruments which are valued based on unobservable inputs during the six months ended 30th June 2021 and the year ended 31st December 2020 are as follows:

	Unlisted investments US\$m
At 1st January 2021	10.7
Additions	0.2
Disposals	(0.8)
At 30th June 2021	10.1
At 1st January 2020	11.3
Additions	0.6
Disposals	(1.2)
At 31st December 2020	10.7

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

The fair values of current debtors, bank and cash balances, current creditors, current borrowings and current lease liabilities are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair values of long-term borrowings are based on market prices or are estimated using the expected future payments discounted at market interest rates. The fair values of non-current lease liabilities are estimated using the expected future payments discounted at market interest rates.

12. RELATED PARTY TRANSACTIONS

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

In the normal course of business, the Group undertakes a variety of transactions with its associates and joint ventures and with JM's subsidiaries, associates and joint ventures. The more significant of these transactions during the six months ended 30th June 2021 are described below:

The Group managed six (2020: six) associate and joint venture hotels and received management fees of US\$2.6 million (2020: US\$2.7 million) based on long-term management agreements on normal commercial terms.

- more -

12. RELATED PARTY TRANSACTIONS (*CONTINUED*)

The Group provided hotel management services to Hongkong Land ('HKL'), a subsidiary of JMH. Total management fees received from HKL amounted to US\$0.6 million (2020: US\$0.5 million), based on long-term management agreements on normal commercial terms.

In respect of the Causeway Bay site under development, the Group paid consultancy fees of US\$0.4 million (2020: US\$0.6 million) to HKL in consideration for project management consultancy services. In addition, Gammon Construction Limited ('GCL'), an associate of JMH, completed value of works of US\$9.8 million (2020: US\$11.1 million). The HKL agreement and GCL contract were arranged on normal commercial terms.

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

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

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. The risk of a global pandemic, such as COVID-19, had been highlighted as a key risk.

- 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
- Cybersecurity Risk

For greater detail, please refer to pages 123 and 124 of the Company's 2020 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

Dividend Information for Shareholders

In light of the substantially reduced levels of business, no interim dividend will be paid in respect of the six months ended 30th June 2021.

About Mandarin Oriental Hotel Group

Mandarin Oriental Hotel Group is an international hotel investment and management group with luxury hotels, resorts and residences in sought-after destinations around the world. Having grown from its Asian roots over 50 years ago into a global brand, the Group now operates 34 hotels and seven residences in 24 countries and territories, with each property reflecting the Group's oriental heritage and unique sense of place. Mandarin Oriental regularly receives international recognition and awards for outstanding service and quality management, and has a strong pipeline of hotels and residences under development. The Group has equity interests in a number of its properties and adjusted net assets worth approximately US\$5.0 billion as at 30th June 2021.

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

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