

news release

Mandarin Oriental International Limited

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To: Business Editor



3rd August 2017
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 2017

Highlights

- Lower earnings due to renovation of London property
- Strategic review of The Excelsior, Hong Kong announced
- Four new management contracts signed

“While earnings will continue to be impacted into 2018 by the renovation of the London property, the Group’s strong brand, healthy balance sheet and portfolio growth will support its future performance.”

Ben Keswick
Chairman

Results

	(unaudited) Six months ended 30th June		Change
	2017	2016	%
	US\$m	US\$m	
Combined total revenue of hotels under management ⁽¹⁾	644.8	643.8	-
Underlying EBITDA (Earnings before interest, tax, depreciation and amortization) ⁽²⁾	61.5	70.8	-13
Underlying profit attributable to shareholders ⁽³⁾	15.0	24.7	-39
Profit attributable to shareholders	15.0	22.9	-34
	US¢	US¢	%
Underlying earnings per share ⁽³⁾	1.19	1.97	-40
Earnings per share	1.19	1.82	-35
Interim dividend per share	1.50	1.50	-
	US\$	US\$	%
Net asset value per share ⁽⁴⁾	0.97	0.93	+4
Adjusted net asset value per share ⁽⁴⁾⁽⁵⁾	3.13	3.10	+1
Net debt/shareholders’ funds ⁽⁴⁾	26%	25%	
Net debt/adjusted shareholders’ funds ⁽⁴⁾⁽⁵⁾	8%	8%	

(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 2017 and 31st December 2016, respectively.

(5) The Group’s freehold and leasehold interests are carried in the consolidated balance sheet at amortized cost. Both the adjusted net asset value per share and net debt/adjusted shareholders’ funds for 30th June 2017 and 31st December 2016 have been adjusted to include the market value of the Group’s freehold and leasehold interests which were appraised as at 31st December 2016.

The interim dividend of US¢1.50 per share will be payable on 19th October 2017 to shareholders on the register of members at the close of business on 25th August 2017.

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MANDARIN ORIENTAL INTERNATIONAL LIMITED
HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2017

OVERVIEW

Group earnings were lower during the first half of the year primarily due to the impact of the ongoing renovation of the London property. The collective results of the Group's other hotels were largely in line with the first half of 2016.

In June, the Group announced it was undertaking a review of its long-term strategic options with regard to The Excelsior, Hong Kong, including testing market interest in a possible sale of the property for redevelopment.

PERFORMANCE

Underlying earnings before interest, tax, depreciation and amortization for the first six months of 2017 were US\$62 million, down from US\$71 million in the first half of 2016.

Underlying profit for the period was US\$15 million, compared with US\$25 million in 2016, and underlying earnings per share were US¢1.19, compared with US¢1.97 in 2016. With no non-trading items during the period, profit attributable to shareholders was also US\$15 million. This compares to US\$23 million in 2016, after deducting US\$2 million of transaction costs related to the acquisition of Mandarin Oriental, Boston.

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

At 30th June 2017, the Group's net debt was US\$321 million, compared to US\$297 million at the end of 2016.

GROUP REVIEW

Overall Group earnings were lower during the first half of the year mainly due to the impact of the ongoing phased renovation in London. The Group's results were also negatively impacted by inclusion for the first time of the traditionally weak first quarter of the Boston hotel, which was acquired at the end of April 2016. Elsewhere, weaker results in Jakarta and New York were more than offset by improved performances in Paris, Munich and Washington. Results across the rest of the portfolio, including Hong Kong, were broadly stable.

The renovation of Mandarin Oriental Hyde Park, London remains on schedule, with the first phase due to complete in August. The second phase, which will commence in September, is expected to complete in the second quarter of 2018.

STRATEGIC REVIEW OF THE EXCELSIOR, HONG KONG

Following an announcement in June, the Group is pursuing strategic options for The Excelsior, Hong Kong, which include the possible sale of the property for redevelopment. The wholly-owned property, which is the Group's only four star hotel, is situated on a prime commercial site that has approval for the development of a commercial building. The process is continuing and a further announcement will be made once a decision is reached on the preferred course of action.

NEW DEVELOPMENTS

The Group announced four management contracts during the first half of 2017. New hotels, each with branded residences, are scheduled to open in Dubai and Honolulu in 2020, and in Melbourne in 2022. The Group has also taken over the management of a hotel in Santiago, Chile, which will be rebranded as Mandarin Oriental, Santiago once an extensive guestroom and public area renovation has been completed.

OUTLOOK

While earnings will continue to be impacted into 2018 by the renovation of the London property, the Group's strong brand, healthy balance sheet and portfolio growth will support its future performance.

Ben Keswick

Chairman

Mandarin Oriental International Limited
Consolidated Profit and Loss Account

	(unaudited)						Year ended 31st December		
	Six months ended 30th June			2016			2016		
	2017		Total US\$m	2016		Total US\$m	2016		Total US\$m
Underlying business performance US\$m	Non- trading items US\$m	Underlying business performance US\$m		Non- trading items US\$m	Underlying business performance US\$m		Non- trading items US\$m		
Revenue (<i>note 2</i>)	286.7	-	286.7	288.2	-	288.2	597.4	-	597.4
Cost of sales	(189.1)	-	(189.1)	(185.6)	-	(185.6)	(383.4)	-	(383.4)
Gross profit	97.6	-	97.6	102.6	-	102.6	214.0	-	214.0
Selling and distribution costs	(19.8)	-	(19.8)	(20.0)	-	(20.0)	(39.7)	-	(39.7)
Administration expenses	(55.3)	-	(55.3)	(52.3)	(1.8)	(54.1)	(104.5)	(1.8)	(106.3)
Operating profit (<i>note 3</i>)	22.5	-	22.5	30.3	(1.8)	28.5	69.8	(1.8)	68.0
Financing charges	(6.2)	-	(6.2)	(5.9)	-	(5.9)	(12.1)	-	(12.1)
Interest income	0.6	-	0.6	0.7	-	0.7	1.3	-	1.3
Net financing charges	(5.6)	-	(5.6)	(5.2)	-	(5.2)	(10.8)	-	(10.8)
Share of results of associates and joint ventures (<i>note 4</i>)	3.0	-	3.0	5.0	-	5.0	11.2	(0.3)	10.9
Profit before tax	19.9	-	19.9	30.1	(1.8)	28.3	70.2	(2.1)	68.1
Tax (<i>note 5</i>)	(4.7)	-	(4.7)	(5.6)	-	(5.6)	(13.7)	-	(13.7)
Profit after tax	15.2	-	15.2	24.5	(1.8)	22.7	56.5	(2.1)	54.4
Attributable to:									
Shareholders of the Company	15.0	-	15.0	24.7	(1.8)	22.9	57.3	(2.1)	55.2
Non-controlling interests	0.2	-	0.2	(0.2)	-	(0.2)	(0.8)	-	(0.8)
	15.2	-	15.2	24.5	(1.8)	22.7	56.5	(2.1)	54.4
	US¢		US¢	US¢		US¢	US¢		US¢
Earnings per share (<i>note 6</i>)									
- basic	1.19		1.19	1.97		1.82	4.56		4.40
- diluted	1.19		1.19	1.96		1.82	4.54		4.38

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Mandarin Oriental International Limited
Consolidated Statement of Comprehensive Income

	(unaudited) Six months ended 30th June 2017 US\$m	2016 US\$m	Year ended 31st December 2016 US\$m
Profit for the period	15.2	22.7	54.4
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	-	-	(3.1)
Tax on items that will not be reclassified	-	-	0.5
	-	-	(2.6)
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
- net gains/(losses) arising during the period	61.6	(4.3)	(56.1)
Cash flow hedges			
- net (losses)/gains arising during the period	(0.5)	-	2.5
Tax relating to items that may be reclassified	0.1	-	(0.4)
Share of other comprehensive income/(expense) of associates and joint ventures	4.6	4.2	(1.7)
	65.8	(0.1)	(55.7)
Other comprehensive income/(expense) for the period, net of tax	65.8	(0.1)	(58.3)
Total comprehensive income/(expense) for the period	81.0	22.6	(3.9)
Attributable to:			
Shareholders of the Company	80.6	22.8	(3.0)
Non-controlling interests	0.4	(0.2)	(0.9)
	81.0	22.6	(3.9)

Mandarin Oriental International Limited
Consolidated Balance Sheet

	(unaudited)	At 31st	
	At 30th June	December	
	2017	2016	
	US\$m	US\$m	
	US\$m	US\$m	
Net assets			
Intangible assets	44.5	43.9	44.3
Tangible assets	1,416.0	1,386.9	1,352.1
Associates and joint ventures	176.6	171.6	163.8
Other investments	10.7	11.1	10.7
Deferred tax assets	2.2	2.5	2.6
Non-current assets	1,650.0	1,616.0	1,573.5
Stocks	6.1	6.3	5.9
Debtors and prepayments	84.6	92.6	94.2
Current tax assets	4.4	1.3	5.2
Bank and cash balances	157.2	181.7	182.6
Current assets	252.3	281.9	287.9
Creditors and accruals	(131.4)	(126.9)	(140.1)
Current borrowings	(0.2)	(3.3)	(2.5)
Current tax liabilities	(9.2)	(7.9)	(8.7)
Current liabilities	(140.8)	(138.1)	(151.3)
Net current assets	111.5	143.8	136.6
Long-term borrowings	(477.8)	(482.0)	(477.4)
Deferred tax liabilities	(55.7)	(57.5)	(56.1)
Pension liabilities	(3.8)	(1.0)	(3.2)
Other non-current liabilities	(1.0)	(1.7)	-
	1,223.2	1,217.6	1,173.4
Total equity			
Share capital	62.9	62.8	62.8
Share premium	492.8	490.3	490.4
Revenue and other reserves	663.1	659.7	616.2
Shareholders' funds	1,218.8	1,212.8	1,169.4
Non-controlling interests	4.4	4.8	4.0
	1,223.2	1,217.6	1,173.4

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	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 2017 (unaudited)</i>									
At 1st January 2017	62.8	490.4	286.2	501.2	(0.6)	(170.6)	1,169.4	4.0	1,173.4
Total comprehensive income	-	-	-	15.0	(0.4)	66.0	80.6	0.4	81.0
Dividends paid by the Company	-	-	-	(31.4)	-	-	(31.4)	-	(31.4)
Issue of shares	0.1	-	-	-	-	-	0.1	-	0.1
Share-based long-term incentive plans	-	-	0.1	-	-	-	0.1	-	0.1
Transfer	-	2.4	(18.9)	16.5	-	-	-	-	-
At 30th June 2017	62.9	492.8	267.4	501.3	(1.0)	(104.6)	1,218.8	4.4	1,223.2
<i>Six months ended 30th June 2016 (unaudited)</i>									
At 1st January 2016	62.8	490.3	284.5	504.7	(2.7)	(112.9)	1,226.7	5.0	1,231.7
Total comprehensive income	-	-	-	22.9	-	(0.1)	22.8	(0.2)	22.6
Dividends paid by the Company	-	-	-	(37.7)	-	-	(37.7)	-	(37.7)
Share-based long-term incentive plans	-	-	1.0	-	-	-	1.0	-	1.0
At 30th June 2016	62.8	490.3	285.5	489.9	(2.7)	(113.0)	1,212.8	4.8	1,217.6

Total comprehensive income for the six months ended 30th June 2017 included in revenue reserves comprised profit attributable to shareholders of the Company of US\$15.0 million (2016: US\$22.9 million). There was no net fair value loss on other investments in 2017 (2016: nil).

(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	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 2016</i>									
At 1st January 2016	62.8	490.3	284.5	504.7	(2.7)	(112.9)	1,226.7	5.0	1,231.7
Total comprehensive income	-	-	-	52.6	2.1	(57.7)	(3.0)	(0.9)	(3.9)
Dividends paid by the Company	-	-	-	(56.5)	-	-	(56.5)	-	(56.5)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(0.1)	(0.1)
Share-based long-term incentive plans	-	-	2.2	-	-	-	2.2	-	2.2
Transfer	-	0.1	(0.5)	0.4	-	-	-	-	-
At 31st December 2016	<u>62.8</u>	<u>490.4</u>	<u>286.2</u>	<u>501.2</u>	<u>(0.6)</u>	<u>(170.6)</u>	<u>1,169.4</u>	<u>4.0</u>	<u>1,173.4</u>

Total comprehensive income for the year ended 31st December 2016 included in revenue reserves comprised profit attributable to shareholders of the Company of US\$55.2 million and net actuarial loss on employee defined benefit plans of US\$2.6 million. There was no net fair value loss on other investments in 2016.

Mandarin Oriental International Limited
Consolidated Cash Flow Statement

	(unaudited)	Year ended	
	Six months ended	31st	
	30th June	December	
	2017	2016	
	US\$m	US\$m	
	2016	2015	
	US\$m	US\$m	
Operating activities			
Operating profit	22.5	28.5	68.0
Depreciation	26.0	26.2	57.7
Amortization of intangible assets	1.0	1.0	2.1
Other non-cash items	0.3	-	2.7
Movements in working capital	5.7	(15.5)	(3.8)
Interest received	0.7	0.8	1.3
Interest and other financing charges paid	(7.0)	(5.5)	(10.4)
Tax paid	(4.5)	(7.6)	(19.0)
	<u>44.7</u>	<u>27.9</u>	<u>98.6</u>
Dividends and interest from associates and joint ventures	2.0	4.3	9.1
Cash flows from operating activities	46.7	32.2	107.7
Investing activities			
Purchase of tangible assets	(36.2)	(31.2)	(77.0)
Purchase of intangible assets	(0.9)	(0.7)	(2.7)
Payment on Munich expansion (note 8)	(2.9)	-	-
Acquisition of Mandarin Oriental, Boston (note 9)	-	(140.0)	(140.0)
Purchase of other investments	(0.7)	(1.1)	(1.3)
Advance to associates and joint ventures	(1.9)	(1.2)	(2.8)
Repayment of loans to associates and joint ventures	0.8	-	0.9
Sale of tangible assets	-	-	0.1
Cash flows from investing activities	(41.8)	(174.2)	(222.8)
Financing activities			
Drawdown of borrowings	-	51.5	51.5
Repayment of borrowings	(2.4)	(0.8)	(1.6)
Dividends paid by the Company (note 10)	(31.4)	(37.7)	(56.5)
Dividends paid to non-controlling interests	-	(0.1)	(0.1)
Cash flows from financing activities	(33.8)	12.9	(6.7)
Net decrease in cash and cash equivalents	(28.9)	(129.1)	(121.8)
Cash and cash equivalents at beginning of period	182.5	308.6	308.6
Effect of exchange rate changes	3.6	2.0	(4.3)
Cash and cash equivalents at end of period	<u>157.2</u>	<u>181.5</u>	<u>182.5</u>

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'. The condensed financial statements have been prepared on a going concern basis. The condensed financial statements have not been audited or reviewed by the Group's auditor pursuant to the UK Auditing Practices Board guidance on the review of interim financial information.

There are no new standards or amendments, which are effective in the current accounting period and relevant to the Group's operations, that have a significant effect on the Group's accounting policies. There have been no changes to the accounting policies described in the 2016 annual financial statements.

2. REVENUE

	Six months ended 30th June	
	2017	2016
	US\$m	US\$m
	<u> </u>	<u> </u>
<i>By geographical area:</i>		
Hong Kong	109.8	109.3
Other Asia	51.5	51.8
Europe	72.9	87.3
The Americas	52.5	39.8
	<u>286.7</u>	<u>288.2</u>

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

	Six months ended 30th June	
	2017	2016
	US\$m	US\$m
	<u> </u>	<u> </u>
<i>By geographical area:</i>		
Hong Kong	31.4	33.4
Other Asia	13.2	13.4
Europe	1.1	8.1
The Americas	3.8	2.6
Underlying EBITDA from subsidiaries	49.5	57.5
Non-trading items		
- acquisition-related costs (<i>note 7</i>)	-	(1.8)
EBITDA from subsidiaries	49.5	55.7
Less: depreciation and amortization	(27.0)	(27.2)
Operating profit	<u>22.5</u>	<u>28.5</u>

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	EBITDA US\$m	Depreciation and amortization 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 2017						
<i>By geographical area:</i>						
Other Asia	10.2	(4.2)	6.0	(0.7)	(1.1)	4.2
Europe	0.9	(0.4)	0.5	-	-	0.5
The Americas	0.9	(1.5)	(0.6)	(1.1)	-	(1.7)
	12.0	(6.1)	5.9	(1.8)	(1.1)	3.0
Six months ended						
30th June 2016						
<i>By geographical area:</i>						
Other Asia	10.1	(3.8)	6.3	(0.7)	(1.0)	4.6
Europe	0.6	(0.2)	0.4	-	-	0.4
The Americas	2.6	(1.5)	1.1	(1.1)	-	-
	13.3	(5.5)	7.8	(1.8)	(1.0)	5.0

5. TAX

	Six months ended 30th June	
	2017	2016
	US\$m	US\$m
Tax (charged)/credited to profit and loss is analyzed as follows:		
Current tax	(5.9)	(6.8)
Deferred tax	1.2	1.2
	(4.7)	(5.6)
<i>By geographical area:</i>		
Hong Kong	(4.0)	(3.9)
Other Asia	(0.1)	(0.2)
Europe	(0.6)	(1.1)
The Americas	-	(0.4)
	(4.7)	(5.6)

Tax relating to components of other comprehensive income or expense comprises cash flow hedges of US\$0.1 million (2016: nil).

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 (2016: US\$1.0 million) is included in share of results of associates and joint ventures (*note 4*).

6. EARNINGS PER SHARE

Basic earnings per share are calculated on the profit attributable to shareholders of US\$15.0 million (2016: US\$22.9 million) and on the weighted average number of 1,257.2 million (2016: 1,255.9 million) shares in issue during the period.

Diluted earnings per share are calculated on profit attributable to shareholders of US\$15.0 million (2016: US\$22.9 million) and on the weighted average number of 1,261.0 million (2016: 1,261.2 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	
	2017	2016
Weighted average number of shares for basic earnings per share calculation	1,257.2	1,255.9
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	3.8	5.3
Weighted average number of shares for diluted earnings per share calculation	1,261.0	1,261.2

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					
	2017			2016		
	US\$m	Basic earnings per share US¢	Diluted earnings per share US¢	US\$m	Basic earnings per share US¢	Diluted earnings per share US¢
Profit attributable to shareholders	15.0	1.19	1.19	22.9	1.82	1.82
Non-trading items (note 7)	-			1.8		
Underlying profit attributable to shareholders	15.0	1.19	1.19	24.7	1.97	1.96

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 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; provisions against asset impairment and writebacks; 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	
	2017	2016
	US\$m	US\$m
	<u> </u>	<u> </u>
Acquisition-related costs		
- administration expenses	-	1.8
	<u> </u>	<u> </u>

8. PAYMENT ON MUNICH EXPANSION

The Group paid a further US\$2.9 million instalment in respect of the land purchase price for the expansion of Mandarin Oriental, Munich during the six months ended 30th June 2017. As at 30th June 2017 and 31st December 2016, cumulative costs paid by the Group amounted to US\$19.8 million and US\$16.9 million respectively, the majority of which have been included within Other Debtors pending transfer of title in the underlying land.

9. ACQUISITION OF MANDARIN ORIENTAL, BOSTON

In April 2016, the Group completed its US\$140.0 million acquisition of Mandarin Oriental, Boston, a hotel that the Group had managed since its opening in 2008. The consideration of US\$140.0 million represented the fair value of the tangible assets acquired at the acquisition date. There was no goodwill arising on acquisition.

10. DIVIDENDS

	Six months ended 30th June	
	2017	2016
	US\$m	US\$m
	<u> </u>	<u> </u>
Final dividend in respect of 2016 of US¢2.50 (2015: US¢3.00) per share	31.4	37.7
	<u> </u>	<u> </u>

An interim dividend in respect of 2017 of US¢1.50 (2016: US¢1.50) per share amounting to a total of US\$18.9 million (2016: US\$18.8 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 2017.

11. CAPITAL COMMITMENTS

Total capital commitments at 30th June 2017 and 31st December 2016 amounted to US\$258.8 million and US\$270.9 million respectively.

12. FINANCIAL INSTRUMENTS

Financial instruments by category

The fair values of financial assets and financial liabilities, together with carrying amounts at 30th June 2017 and 31st December 2016 are as follows:

	Loans and receivables US\$m	Derivatives used for hedging US\$m	Available- for-sale US\$m	Other financial instruments at amortized cost US\$m	Total carrying amount US\$m	Fair value US\$m
30th June 2017						
<i>Assets</i>						
Other investments	-	-	10.7	-	10.7	10.7
Debtors	53.3	-	-	-	53.3	53.3
Bank and cash balances	157.2	-	-	-	157.2	157.2
	210.5	-	10.7	-	221.2	221.2
<i>Liabilities</i>						
Other non-current liabilities	-	(1.0)	-	-	(1.0)	(1.0)
Borrowings	-	-	-	(478.0)	(478.0)	(478.0)
Trade and other payables excluding non-financial liabilities	-	-	-	(124.2)	(124.2)	(124.2)
	-	(1.0)	-	(602.2)	(603.2)	(603.2)

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

	Loans and receivables US\$m	Derivatives used for hedging US\$m	Available- for-sale US\$m	Other financial instruments at amortized cost US\$m	Total carrying amount US\$m	Fair value US\$m
31st December 2016						
<i>Assets</i>						
Other investments	-	-	10.7	-	10.7	10.7
Debtors	65.8	-	-	-	65.8	65.8
Bank and cash balances	182.6	-	-	-	182.6	182.6
	<u>248.4</u>	<u>-</u>	<u>10.7</u>	<u>-</u>	<u>259.1</u>	<u>259.1</u>
<i>Liabilities</i>						
Borrowings	-	-	-	(479.9)	(479.9)	(479.9)
Trade and other payables excluding non-financial liabilities	-	(0.6)	-	(134.1)	(134.7)	(134.7)
	<u>-</u>	<u>(0.6)</u>	<u>-</u>	<u>(614.0)</u>	<u>(614.6)</u>	<u>(614.6)</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, which are classified as available-for-sale and mainly include club and school debentures, are determined using prices quoted by brokers at the balance sheet date.

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

The fair values of other unlisted securities, which are classified as available-for-sale, 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.

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

There were no changes in valuation techniques during the six months ended 30th June 2017 and the year ended 31st December 2016.

The table below analyzes financial instruments carried at fair value at 30th June 2017 and 31st December 2016, by the levels in the fair value measurement hierarchy:

	Observable current market transactions US\$m	Unobservable inputs US\$m	Total US\$m
	<u> </u>	<u> </u>	<u> </u>
30th June 2017			
<i>Assets</i>			
Available-for-sale financial assets			
- unlisted investments	2.1	8.6	10.7
	<u> </u>	<u> </u>	<u> </u>
<i>Liabilities</i>			
Derivative designated at fair value			
- through other comprehensive income	(1.0)	-	(1.0)
	<u> </u>	<u> </u>	<u> </u>
31st December 2016			
<i>Assets</i>			
Available-for-sale financial assets			
- unlisted investments	2.1	8.6	10.7
	<u> </u>	<u> </u>	<u> </u>
<i>Liabilities</i>			
Derivative designated at fair value			
- through other comprehensive income	(0.6)	-	(0.6)
	<u> </u>	<u> </u>	<u> </u>

There were no transfers among the two categories during the six months ended 30th June 2017 and the year ended 31st December 2016.

12. 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 2017 and the year ended 31st December 2016 are as follows:

	Available- for-sale financial assets US\$m
At 1st January 2017	8.6
Additions	-
At 30th June 2017	8.6
At 1st January 2016	8.1
Additions	0.5
At 31st December 2016	8.6

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

The fair values of current debtors, bank and cash balances, current creditors and current borrowings 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.

13. 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\$6.2 million (2016: US\$6.5 million) received from the Group's six (2016: 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 and prepayments, 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 89 and 90 of the Company's Annual Report for 2016, 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
Stuart Dickie

Directors

The interim dividend of US\$1.50 per share will be payable on 19th October 2017 to shareholders on the register of members at the close of business on 25th August 2017. The shares will be quoted ex-dividend on the Singapore Exchange and the London Stock Exchange on 23rd and 24th August 2017, respectively. The share registers will be closed from 28th August to 1st September 2017, inclusive.

Shareholders will receive their cash dividends in United States dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2017 interim dividend by notifying the United Kingdom transfer agent in writing by 29th September 2017. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 4th October 2017.

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 25th August 2017, must submit the relevant documents to M & C Services Private Limited, the Singapore branch registrar, no later than 5.00 p.m. (local time) on 24th August 2017.

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 30 hotels and eight residences in 20 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\$3.9 billion as at 30th June 2017.

Mandarin Oriental's aim is to be recognized as the world's best luxury hotel group. This will be achieved by investing in the Group's exceptional facilities and its people, while maximizing 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 strategy of the Group is to open the hotels currently under development, while continuing to seek further selective opportunities for expansion around the world.

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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Brunswick Group Limited

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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.