

# news release

Mandarin Oriental International Limited

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To: Business Editor

2nd March 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 2016 PRELIMINARY ANNOUNCEMENT OF RESULTS

### Highlights

- Weak demand persists in key cities
- Underlying earnings 37% lower
- Phased renovation of London hotel commenced
- New management contract in Hawaii

“Challenging market conditions are expected to continue to impact the Group, and earnings will also be disrupted by the renovation of the London hotel. Nevertheless, the Group’s strong brand position, healthy balance sheet and continued portfolio development will underpin its future performance.”

Ben Keswick  
Chairman

### Results

	Year ended 31st December		
	2016 <sup>(1)</sup>	2015	Change
	US\$m	US\$m	%
Combined total revenue of hotels under management <sup>(2)</sup>	1,323.7	1,335.3	-1
Underlying EBITDA (Earnings before interest, tax, depreciation and amortization) <sup>(3)</sup>	158.2	188.4	-16
Underlying profit attributable to shareholders <sup>(4)</sup>	57.3	90.3	-37
Profit attributable to shareholders	55.2	89.3	-38
	US¢	US¢	%
Underlying earnings per share <sup>(4)</sup>	4.56	7.53	-39
Earnings per share	4.40	7.44	-41
Dividends per share	4.00	5.00	-20
	US\$	US\$	%
Net asset value per share	0.93	0.98	-5
Adjusted net asset value per share <sup>(5)</sup>	3.10	2.84	+9
Net debt/shareholders’ funds	25%	11%	
Net debt/adjusted shareholders’ funds <sup>(5)</sup>	8%	4%	

(1) Per share numbers reflect the Company’s rights issue in March 2015.

(2) Combined revenue includes turnover of the Group’s subsidiary hotels in addition to 100% of revenue from associate, joint venture and managed hotels.

(3) EBITDA of subsidiaries plus the Group’s share of EBITDA of associates and joint ventures.

(4) 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 financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group’s underlying business performance.

(5) The adjusted net asset value per share and net debt/adjusted shareholders’ funds have been adjusted to include the market value of the Group’s freehold and leasehold interests which are carried in the consolidated balance sheet at amortized cost.

The final dividend of US¢2.50 per share will be payable on 11th May 2017, subject to approval at the Annual General Meeting to be held on 3rd May 2017, to shareholders on the register of members at the close of business on 17th March 2017.

- more -

## **MANDARIN ORIENTAL INTERNATIONAL LIMITED**

### **PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2016**

#### **OVERVIEW**

Weak demand in a number of key cities during the year led to a decrease in underlying profit.

#### **PERFORMANCE**

Underlying profit of US\$57 million was US\$33 million lower than the US\$90 million reported in the prior year, and underlying earnings per share were US¢4.56 compared with US¢7.53 in 2015. Profit attributable to shareholders was US\$55 million, compared to US\$89 million in 2015, after deducting non-trading items in each year.

Following an independent valuation of the Group's hotel properties, the net asset value per share was US\$3.10 at 31st December 2016, compared with US\$2.84 per share at the end of 2015.

The Directors recommend a final dividend of US¢2.50 per share. This, together with the interim dividend of US¢1.50 per share, will make a total annual dividend of US¢4.00 per share, compared to US¢5.00 per share in 2015.

#### **GROUP REVIEW**

The Group experienced softer demand in many of its key markets throughout the year, particularly Hong Kong, London and Paris. Mandarin Oriental Hyde Park, London was impacted further by the start in September of its phased renovation programme, which is expected to complete in the second quarter of 2018.

The Group was able to benefit from a positive trading environment in Tokyo, a return to normal operations in Munich following a public area renovation, and a contribution from the newly acquired equity interest in Mandarin Oriental, Boston. This was partly offset by weaker performances in Washington D.C. and Jakarta.

## **BUSINESS DEVELOPMENTS**

In April, the Group completed its US\$140 million acquisition of Mandarin Oriental, Boston, a hotel it has managed since opening in October 2008. In July, the Group announced that it will brand and manage 30 luxury *Residences at Mandarin Oriental* adjacent to Mandarin Oriental, Bali, both of which are due to open in mid-2018. In February 2017, the Group announced a management contract for a 125-room luxury hotel and 107 residences in Honolulu, Hawaii, which are expected to open in 2020.

Mandarin Oriental currently operates 29 hotels and eight residences in 19 countries and territories. The Group has a strong pipeline of hotels and residences under development, with the next hotel opening in Doha expected to be in the second half of this year.

## **PEOPLE**

On behalf of the Directors, I would like to acknowledge the contribution of our colleagues throughout the world for continuing to provide the exceptional service for which the brand is renowned.

James Riley took over as Group Chief Executive on 1st April 2016, replacing Edouard Ettedgui who remains on the Board as a non-executive Director. Y.K. Pang joined the Board on 1st August.

We were saddened by the death in June of Lord Leach. He made a significant contribution to the Group and his wise counsel will be greatly missed.

## **OUTLOOK**

Challenging market conditions are expected to continue to impact the Group, and earnings will also be disrupted by the renovation of the London hotel. Nevertheless, the Group's strong brand position, healthy balance sheet and continued portfolio development will underpin its future performance.

Ben Keswick  
*Chairman*

## **GROUP CHIEF EXECUTIVE'S REVIEW**

### **STRATEGY**

Mandarin Oriental Hotel Group is the award-winning owner and operator of some of the world's most luxurious hotels, resorts and residences. Having grown from its Asian roots into a global brand, the Group currently operates 29 hotels and eight residences in 19 countries and territories.

The Group holds equity interests in a number of its hotels, and had adjusted net assets of approximately US\$3.9 billion as at 31st December 2016. Capitalizing on the strength of its brand, Mandarin Oriental also manages hotels on behalf of third party owners that require limited or no equity investment by the Group.

Mandarin Oriental is focused on becoming recognized as the world's best luxury hotel group by expanding its geographical presence and creating hotels that are positioned amongst the leaders in their local markets, delivering contemporary luxury and a unique sense of place, while reflecting the Group's oriental heritage. It will continue to invest in its core brand attributes of creative hotel design and architecture, award winning restaurants, bars and wellness facilities, and legendary service delivery. At the same time, the Group remains alert to new trends and opportunities, ensuring the brand remains relevant to today's multi-generational audience.

Mandarin Oriental's strategy is to operate both managed and owned hotels. The Group is focused on becoming the brand of choice for owners and developers in order to further build its portfolio of managed properties in key city centres and resort destinations around the world. At the same time, the Group's strong balance sheet allows for reinvestment in existing flagship properties as well as selectively investing in opportunities in strategic locations that offer attractive returns.

Expansion of the *Residences at Mandarin Oriental* portfolio also remains a key focus, with the associated branding fees and ongoing management fees from these projects providing a growing return for the Group.

The long-term potential for growth of the Group's portfolio is significant.

## **HOTEL OVERVIEW**

While each hotel focused on maintaining or enhancing its leadership position against primary competitors in its individual market, the Group encountered challenging conditions in many of its destinations in 2016. This resulted in a 3% decline in Revenue Per Available Room (RevPAR) across the Group's 29 hotels in US dollar terms on a like-for-like basis<sup>1</sup>. Highlights of the Group's regional performance, focusing on subsidiary and significantly owned associate hotels are as follows, with all references to RevPAR being in US dollar terms, unless otherwise stated:

### *Asia*

Overall, RevPAR for Asia in 2016 on a like-for-like basis was down 1%, with the region generally experiencing softer demand, particularly in Hong Kong and Jakarta.

Mandarin Oriental, Hong Kong was affected by a decline in visitor arrivals to the city as well as a softening in the corporate sector. As a result, RevPAR was down 7% over the previous year. Food and beverage performance was also impacted, with revenue down 6% year on year.

The Excelsior, the Group's other wholly-owned hotel in Hong Kong, was also impacted by the city-wide decline in leisure demand, particularly from mainland China, combined with an oversupply in its competitive set. As a consequence, RevPAR was down 4%. Similar to Mandarin Oriental, Hong Kong, the hotel's food and beverage revenue declined by 5%.

Mandarin Oriental, Tokyo maintained RevPAR in-line with the previous year in local currency terms. As a result of a stronger yen, however, RevPAR was up 10% in US dollar terms. Food and beverage performed well and the hotel was once again awarded a Michelin star for each of its three restaurants, the only hotel in the city to achieve this accolade.

Mandarin Oriental, Jakarta maintained its competitive position but was negatively impacted by lower demand as a result of ongoing security concerns. Occupancy was down 18% leading to a decline in RevPAR of 23%.

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<sup>1</sup> Like-for-like comparison excludes hotels without a full year of operation in either 2015 or 2016.

Mandarin Oriental, Bangkok performed well, benefiting from the completion in April 2016 of the renovation of the historic Authors' and Garden Wings including *Le Normandie* restaurant.

Despite softer demand in the luxury sector, Mandarin Oriental, Singapore did well to maintain performance in line with the previous year and increase its market share.

### ***Europe***

While the Group's hotels performed well against their respective competition during 2016, weaker demand in London and Paris put pressure on occupancy and rates city-wide, with the Group's overall RevPAR for the region down 15% on a like-for-like basis.

A decline in demand in the London luxury hotel segment in the first half impacted Mandarin Oriental Hyde Park's performance. The hotel was further affected by the renovation which began in September. Consequently, RevPAR was down 29%, or 19% in local currency terms. The renovation of the guestrooms and facilities, which is expected to be completed by the second quarter in 2018, will ensure the property remains one of the best luxury hotels in the city. It will remain open throughout this period with reduced facilities and room inventory.

Mandarin Oriental, Munich saw a 20% increase in RevPAR as the hotel's performance benefited from the completion in May 2016, of a 14-month public area renovation. The hotel remained the undisputed market leader and the new facilities, which include a *Matsuhisa* restaurant by chef Nobu, a bar and a rejuvenated lobby lounge, have reinforced its appeal in the city.

Mandarin Oriental, Paris was impacted by weaker city-wide demand due to ongoing travel security concerns. This, in addition to increased supply in the luxury sector following the completion of renovations by competitor hotels, led to a decline in RevPAR of 22%. The hotel's food and beverage operations, led by chef Thierry Marx, continued to perform well.

In Geneva, the hotel maintained its competitive position, however a drop in average rate led to a 5% decrease in RevPAR over the previous year.

Hotel Ritz, Madrid improved its rates and market share, as a result of increased visitor arrivals. The hotel will undergo a comprehensive renovation, which is currently scheduled to

commence in the first quarter of 2018.

### ***The Americas***

Trading conditions in The Americas were generally positive during 2016, especially at the Group's associate and managed hotels, with overall RevPAR for the region up 3% on a like-for-like basis.

Mandarin Oriental, Boston maintained its position as market leader, however softer city-wide demand led to a drop in RevPAR of 6%.

The performance of Mandarin Oriental, Washington D.C. was impacted by a room renovation programme during the year, leading to a 6% decline in RevPAR.

In New York, the Group's flagship hotel performed well and improved its competitive position.

### **FINANCIAL PERFORMANCE**

Earnings were lower in 2016, mainly as a result of weaker demand in the Group's key cities of Hong Kong, London and Paris.

Underlying earnings before interest, tax, depreciation and amortization for 2016 were US\$158 million, compared with US\$188 million in 2015. Underlying profit of the Group of US\$57 million was US\$33 million down on the US\$90 million achieved in 2015.

Reflecting the lower earnings, cash flow generated from operations during the year was US\$108 million, and total net cash outflow for the Group in 2016 was US\$125 million, after paying dividends of US\$57 million, capital expenditure of US\$77 million across the Group's portfolio, and investing US\$90 million of Group cash reserves to acquire Mandarin Oriental, Boston. In comparison, cash flow generated from operations during 2015 was US\$140 million, whilst total net cash outflow for the Group was US\$16 million, after paying dividends of US\$75 million, hotel capital expenditure of US\$50 million, and using net proceeds received of US\$314 million from a 1 for 4 rights issue to repay US\$262 million of bank debt and invest US\$73 million to acquire the Group's 50% interest in Hotel Ritz, Madrid.

At 31st December 2016, the Group's net debt was US\$297 million, compared to US\$132 million at the end of 2015.

Gearing as a percentage of adjusted shareholders' funds at 31st December 2016, after taking into account the market value of the Group's property interests and the US\$140 million Boston acquisition was 8% compared to 4% at the end of 2015.

## **BRAND AWARENESS**

The recognition of Mandarin Oriental as one of the world's best luxury hotel groups, has steadily grown during the 17-year tenure of Edouard Etedgui, who stepped down as Group Chief Executive on 31st March 2016. During the year, this continued to be reflected in the awards received from respected travel associations and publications worldwide. Highlights include *Condé Nast Traveler, US* 'Readers' Choice Awards' 2016 featuring 13 Mandarin Oriental hotels. In addition, Mandarin Oriental, Hong Kong was voted 'Best Overseas Business Hotel' in the *Condé Nast Traveller, UK* 2016 awards and Mandarin Oriental, Bangkok received the highest accolade in the 2016 *Tatler Travel Guide* for 'Enduring Excellence'.

In China, Mandarin Oriental was listed in the top five 'Best Luxury Hotel Brands' in the *Hurun Report*.

In the 2017 *Michelin* guides, a total of 12 restaurants were honoured with 18 stars being granted across the Group. The Group's spa operations were also acknowledged as being among the best, with a record 12 hotels gaining the prestigious *Forbes* 'Five Star Spa' award.

## **GROWTH**

The Group has 11 hotels under development which are expected to open in the next five years. All are management contracts with no equity interest. The Group continues to review new opportunities around the world and expects to see a steady growth in its portfolio over the coming years.

In April, the Group acquired the equity interest in Mandarin Oriental, Boston for US\$140 million. The Group has managed the 148-room hotel on Boylston Street since its opening in 2008, and also manages 85 privately owned *Residences at Mandarin Oriental*

connected to the hotel.

In July, the Group announced that it will brand and manage 30 luxury *Residences at Mandarin Oriental* adjacent to Mandarin Oriental, Bali, both of which are due to open in mid-2018.

In February 2017, the Group announced a management contract for a 125-room luxury hotel and 107 *Residences at Mandarin Oriental* in Honolulu, Hawaii, which are expected to open in 2020.

In the second half of 2017, Mandarin Oriental expects to open its first hotel in the Middle East, in a new city centre development in the heart of Doha, Qatar.

## **THE FUTURE**

Challenging conditions are expected to continue to impact performance in a number of key markets in 2017, and earnings will be disrupted by the renovation of the London property. Looking further ahead however, the Group's results should benefit from the increasing demand of high net worth individuals from both traditional and emerging markets, travelling to our key destinations. The Group's results will also be supported by enhanced contributions from renovated flagship properties and from new hotel openings.

James Riley

*Group Chief Executive*

**Mandarin Oriental International Limited**  
**Consolidated Profit and Loss Account**  
**for the year ended 31st December 2016**

	Underlying business performance US\$m	2016 Non- trading items US\$m	Total US\$m	Underlying business performance US\$m	2015 Non- trading items US\$m	Total US\$m
Revenue ( <i>note 2</i> )	<b>597.4</b>	-	<b>597.4</b>	607.3	-	607.3
Cost of sales	<b>(383.4)</b>	-	<b>(383.4)</b>	(362.1)	-	(362.1)
Gross profit	<b>214.0</b>	-	<b>214.0</b>	245.2	-	245.2
Selling and distribution costs	<b>(39.7)</b>	-	<b>(39.7)</b>	(37.0)	-	(37.0)
Administration expenses	<b>(104.5)</b>	<b>(1.8)</b>	<b>(106.3)</b>	(100.4)	(0.5)	(100.9)
Operating profit ( <i>note 3</i> )	<b>69.8</b>	<b>(1.8)</b>	<b>68.0</b>	107.8	(0.5)	107.3
Financing charges	<b>(12.1)</b>	-	<b>(12.1)</b>	(13.7)	-	(13.7)
Interest income	<b>1.3</b>	-	<b>1.3</b>	1.9	-	1.9
Net financing charges	<b>(10.8)</b>	-	<b>(10.8)</b>	(11.8)	-	(11.8)
Share of results of associates and joint ventures ( <i>note 4</i> )	<b>11.2</b>	<b>(0.3)</b>	<b>10.9</b>	11.0	(0.5)	10.5
Profit before tax	<b>70.2</b>	<b>(2.1)</b>	<b>68.1</b>	107.0	(1.0)	106.0
Tax ( <i>note 5</i> )	<b>(13.7)</b>	-	<b>(13.7)</b>	(16.6)	-	(16.6)
Profit after tax	<b>56.5</b>	<b>(2.1)</b>	<b>54.4</b>	90.4	(1.0)	89.4
Attributable to:						
Shareholders of the Company	<b>57.3</b>	<b>(2.1)</b>	<b>55.2</b>	90.3	(1.0)	89.3
Non-controlling interests	<b>(0.8)</b>	-	<b>(0.8)</b>	0.1	-	0.1
	<b>56.5</b>	<b>(2.1)</b>	<b>54.4</b>	90.4	(1.0)	89.4
	US¢		US¢	US¢		US¢
Earnings per share ( <i>note 6</i> )						
- basic	<b>4.56</b>		<b>4.40</b>	7.53		7.44
- diluted	<b>4.54</b>		<b>4.38</b>	7.50		7.41

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**Mandarin Oriental International Limited**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 31st December 2016**


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	<b>2016</b> <b>US\$m</b>	2015 US\$m
Profit for the year	<b>54.4</b>	89.4
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	<b>(3.1)</b>	(5.4)
Tax on items that will not be reclassified	<b>0.5</b>	0.9
	<b>(2.6)</b>	(4.5)
Items that may be reclassified subsequently to profit or loss:		
Net exchange translation differences		
- net losses arising during the year	<b>(56.1)</b>	(43.3)
Revaluation of other investments		
- transfer to profit and loss	-	(0.6)
Cash flow hedges		
- net gains arising during the year	<b>2.5</b>	-
Tax relating to items that may be reclassified	<b>(0.4)</b>	-
Share of other comprehensive expense of associates and joint ventures	<b>(1.7)</b>	(11.7)
	<b>(55.7)</b>	(55.6)
Other comprehensive expense for the year, net of tax	<b>(58.3)</b>	(60.1)
Total comprehensive (expense)/income for the year	<b>(3.9)</b>	29.3
Attributable to:		
Shareholders of the Company	<b>(3.0)</b>	29.3
Non-controlling interests	<b>(0.9)</b>	-
	<b>(3.9)</b>	29.3

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**Mandarin Oriental International Limited**  
**Consolidated Balance Sheet**  
**at 31st December 2016**


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	<b>2016</b>	2015
	<b>US\$m</b>	US\$m
<b>Net assets</b>		
Intangible assets	<b>44.3</b>	44.1
Tangible assets ( <i>note 8</i> )	<b>1,352.1</b>	1,255.0
Associates and joint ventures	<b>163.8</b>	164.4
Other investments	<b>10.7</b>	10.2
Loans receivable	-	-
Deferred tax assets	<u><b>2.6</b></u>	<u>2.8</u>
Non-current assets	<b>1,573.5</b>	1,476.5
Stocks	<b>5.9</b>	6.0
Debtors and prepayments	<b>94.2</b>	89.9
Current tax assets	<b>5.2</b>	1.8
Bank and cash balances	<u><b>182.6</b></u>	<u>308.6</u>
Current assets	<u><b>287.9</b></u>	<u>406.3</u>
Creditors and accruals	<b>(140.1)</b>	(138.6)
Current borrowings ( <i>note 9</i> )	<b>(2.5)</b>	(4.2)
Current tax liabilities	<u><b>(8.7)</b></u>	<u>(9.3)</u>
Current liabilities	<u><b>(151.3)</b></u>	<u>(152.1)</u>
Net current assets	<b>136.6</b>	254.2
Long-term borrowings ( <i>note 9</i> )	<b>(477.4)</b>	(436.2)
Deferred tax liabilities	<b>(56.1)</b>	(59.8)
Pension liabilities	<b>(3.2)</b>	-
Other non-current liabilities	<u>-</u>	<u>(3.0)</u>
	<u><b>1,173.4</b></u>	<u>1,231.7</u>
<b>Total equity</b>		
Share capital	<b>62.8</b>	62.8
Share premium	<b>490.4</b>	490.3
Revenue and other reserves	<u><b>616.2</b></u>	<u>673.6</u>
Shareholders' funds	<b>1,169.4</b>	1,226.7
Non-controlling interests	<u><b>4.0</b></u>	<u>5.0</u>
	<u><b>1,173.4</b></u>	<u>1,231.7</u>

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**Mandarin Oriental International Limited**  
**Consolidated Statement of Changes in Equity**  
**for the year ended 31st December 2016**

	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
<b>2016</b>									
At 1st January	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	<b>62.8</b>	<b>490.4</b>	<b>286.2</b>	<b>501.2</b>	<b>(0.6)</b>	<b>(170.6)</b>	<b>1,169.4</b>	<b>4.0</b>	<b>1,173.4</b>
<b>2015</b>									
At 1st January	50.2	188.2	283.1	495.6	(2.7)	(58.0)	956.4	5.0	961.4
Total comprehensive income	-	-	-	84.2	-	(54.9)	29.3	-	29.3
Dividends paid by the Company	-	-	-	(75.3)	-	-	(75.3)	-	(75.3)
Issue of shares	12.6	301.4	-	-	-	-	314.0	-	314.0
Share-based long-term incentive plans	-	-	2.3	-	-	-	2.3	-	2.3
Transfer	-	0.7	(0.9)	0.2	-	-	-	-	-
At 31st December	<b>62.8</b>	<b>490.3</b>	<b>284.5</b>	<b>504.7</b>	<b>(2.7)</b>	<b>(112.9)</b>	<b>1,226.7</b>	<b>5.0</b>	<b>1,231.7</b>

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US\$55.2 million (2015: US\$89.3 million) and net actuarial loss on employee defined benefit plans of US\$2.6 million (2015: US\$4.5 million). In addition, in 2015, total comprehensive income included in revenue reserves was also stated after deducting a US\$0.6 million fair value gain on other investments which was transferred to the profit and loss account.

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**Mandarin Oriental International Limited**  
**Consolidated Cash Flow Statement**  
**for the year ended 31st December 2016**


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	<b>2016</b>	2015
	<b>US\$m</b>	US\$m
<b>Operating activities</b>		
Operating profit ( <i>note 3</i> )	<b>68.0</b>	107.3
Depreciation	<b>57.7</b>	50.6
Amortization of intangible assets	<b>2.1</b>	2.3
Other non-cash items	<b>2.7</b>	2.2
Movements in working capital	<b>(3.8)</b>	(1.6)
Interest received	<b>1.3</b>	2.0
Interest and other financing charges paid	<b>(10.4)</b>	(12.1)
Tax paid	<b>(19.0)</b>	(18.5)
	<b>98.6</b>	132.2
Dividends and interest from associates and joint ventures	<b>9.1</b>	8.0
Cash flows from operating activities	<b>107.7</b>	140.2
<b>Investing activities</b>		
Purchase of tangible assets	<b>(77.0)</b>	(50.0)
Purchase of intangible assets	<b>(2.7)</b>	(1.5)
Acquisition of Mandarin Oriental, Boston ( <i>note 11</i> )	<b>(140.0)</b>	-
Acquisition of Hotel Ritz, Madrid ( <i>note 12</i> )	<b>-</b>	(73.3)
Purchase of other investments	<b>(1.3)</b>	(0.9)
Advance to joint ventures	<b>(2.8)</b>	(0.1)
Repayment of loans to associates	<b>0.9</b>	0.6
Sale of tangible assets	<b>0.1</b>	-
Sale of other investments	<b>-</b>	0.8
Cash flows from investing activities	<b>(222.8)</b>	(124.4)
<b>Financing activities</b>		
Issue of shares ( <i>note 13</i> )	<b>-</b>	314.0
Drawdown of borrowings	<b>51.5</b>	-
Repayment of borrowings	<b>(1.6)</b>	(261.5)
Dividends paid by the Company ( <i>note 14</i> )	<b>(56.5)</b>	(75.3)
Dividends paid to non-controlling interests	<b>(0.1)</b>	-
Cash flows from financing activities	<b>(6.7)</b>	(22.8)
Net decrease in cash and cash equivalents	<b>(121.8)</b>	(7.0)
Cash and cash equivalents at 1st January	<b>308.6</b>	324.3
Effect of exchange rate changes	<b>(4.3)</b>	(8.7)
Cash and cash equivalents at 31st December	<b>182.5</b>	308.6

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


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**1. ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The financial information contained in this announcement has been based on the preliminary results for the year ended 31st December 2016 which have been prepared in conformity with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations adopted by the International Accounting Standards Board.

*Amendments effective in 2016 which are relevant to the Group's operations:*

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Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative: Presentation of Financial Statements
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Annual Improvements to IFRSs	2012 – 2014 Cycle

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The adoption of these amendments does not have a significant effect on the Group's accounting policies and disclosures.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**2. REVENUE**

	<b>2016</b>	2015
	<b>US\$m</b>	US\$m
<i>By geographical area:</i>		
Hong Kong	<b>224.5</b>	238.6
Other Asia	<b>106.4</b>	100.1
Europe	<b>177.8</b>	204.9
The Americas	<b>88.7</b>	63.7
	<b>597.4</b>	607.3

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

	<b>2016</b>	2015
	<b>US\$m</b>	US\$m
<i>By geographical area:</i>		
Hong Kong	<b>69.3</b>	83.2
Other Asia	<b>29.2</b>	27.8
Europe	<b>25.2</b>	44.5
The Americas	<b>5.9</b>	5.2
Underlying EBITDA from subsidiaries	<b>129.6</b>	160.7
Non-trading items		
- acquisition-related costs ( <i>note 7</i> )	<b>(1.8)</b>	(0.5)
EBITDA from subsidiaries	<b>127.8</b>	160.2
Less: depreciation and amortization	<b>(59.8)</b>	(52.9)
Operating profit	<b>68.0</b>	107.3

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	EBITDA	Depreciation and amortization	Operating profit	Net financing charges	Tax	Net profit/ (loss)
	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>
<b>2016</b>						
<i>By geographical area:</i>						
Other Asia	<b>20.9</b>	<b>(7.8)</b>	<b>13.1</b>	<b>(1.5)</b>	<b>(2.3)</b>	<b>9.3</b>
Europe	<b>1.8</b>	<b>(0.7)</b>	<b>1.1</b>	-	-	<b>1.1</b>
The Americas	<b>5.9</b>	<b>(3.0)</b>	<b>2.9</b>	<b>(2.2)</b>	<b>0.1</b>	<b>0.8</b>
	<b>28.6</b>	<b>(11.5)</b>	<b>17.1</b>	<b>(3.7)</b>	<b>(2.2)</b>	<b>11.2</b>
Non-trading items						
- provision for litigation ( <i>note 7</i> )	<b>(0.3)</b>	-	<b>(0.3)</b>	-	-	<b>(0.3)</b>
	<b>28.3</b>	<b>(11.5)</b>	<b>16.8</b>	<b>(3.7)</b>	<b>(2.2)</b>	<b>10.9</b>
<b>2015</b>						
<i>By geographical area:</i>						
Other Asia	21.1	(7.7)	13.4	(1.4)	(2.2)	9.8
Europe	1.5	(0.3)	1.2	-	(0.3)	0.9
The Americas	5.1	(2.8)	2.3	(2.1)	0.1	0.3
	27.7	(10.8)	16.9	(3.5)	(2.4)	11.0
Non-trading items						
- acquisition-related costs ( <i>note 7</i> )	(0.5)	-	(0.5)	-	-	(0.5)
	27.2	(10.8)	16.4	(3.5)	(2.4)	10.5

## 5. TAX

	<b>2016</b>	2015
	<b>US\$m</b>	US\$m
	<u>          </u>	<u>          </u>
Tax (charged)/credited to profit and loss is analyzed as follows:		
Current tax	<b>(14.9)</b>	(17.9)
Deferred tax	<b>1.2</b>	1.3
	<u><b>(13.7)</b></u>	<u>(16.6)</u>
<i>By geographical area:</i>		
Hong Kong	<b>(8.8)</b>	(10.7)
Other Asia	<b>(3.5)</b>	(1.7)
Europe	<b>(0.9)</b>	(4.1)
The Americas	<b>(0.5)</b>	(0.1)
	<u><b>(13.7)</b></u>	<u>(16.6)</u>

Tax relating to components of other comprehensive income or expense is analyzed as follows:

Remeasurements of defined benefit plans	<b>0.5</b>	0.9
Cash flow hedges	<b>(0.4)</b>	-
	<u><b>0.1</b></u>	<u>0.9</u>

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\$2.2 million (2015: US\$2.4 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 profit attributable to shareholders of US\$55.2 million (2015: US\$89.3 million) and on the weighted average number of 1,255.9 million (2015: 1,199.6 million) shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US\$55.2 million (2015: US\$89.3 million) and on the weighted average number of 1,261.5 million (2015: 1,204.5 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 year.

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

	Ordinary shares in millions	
	2016	2015
Weighted average number of shares for basic earnings per share calculation	<b>1,255.9</b>	1,199.6
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	<b>5.6</b>	4.9
Weighted average number of shares for diluted earnings per share calculation	<b>1,261.5</b>	1,204.5

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:

	2016			2015		
	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	<b>55.2</b>	<b>4.40</b>	<b>4.38</b>	89.3	7.44	7.41
Non-trading items (note 7)	<b>2.1</b>			<b>1.0</b>		
Underlying profit attributable to shareholders	<b>57.3</b>	<b>4.56</b>	<b>4.54</b>	<b>90.3</b>	7.53	7.50

## 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:

	<b>2016</b>	2015
	<b>US\$m</b>	US\$m
Acquisition-related costs		
- administration expenses	<b>1.8</b>	0.5
- share of results of associates and joint ventures	<b>-</b>	0.5
	<b>1.8</b>	1.0
Provision for litigation		
- share of results of associates and joint ventures	<b>0.3</b>	-
	<b>2.1</b>	1.0

## 8. TANGIBLE ASSETS

	<b>2016</b>	2015
	<b>US\$m</b>	US\$m
Opening net book value	<b>1,255.0</b>	1,315.1
Exchange differences	<b>(61.5)</b>	(59.1)
Additions	<b>216.9</b>	49.9
Disposals	<b>(0.6)</b>	(0.3)
Depreciation charge	<b>(57.7)</b>	(50.6)
Closing net book value	<b>1,352.1</b>	1,255.0

Freehold properties include a property of US\$111.6 million (2015: US\$104.6 million), which is stated net of tax increment financing of US\$22.2 million (2015: US\$23.0 million) (*note 10*).

## 9. BORROWINGS

	<b>2016</b>	2015
	<b>US\$m</b>	US\$m
Bank overdrafts	<b>0.1</b>	-
Bank loans	<b>473.9</b>	434.1
Other borrowings	<b>4.2</b>	4.6
Tax increment financing ( <i>note 10</i> )	<b>1.7</b>	1.7
	<b>479.9</b>	440.4
Current	<b>2.5</b>	4.2
Long-term	<b>477.4</b>	436.2
	<b>479.9</b>	440.4

## 10. TAX INCREMENT FINANCING

	<b>2016</b>	2015
	<b>US\$m</b>	US\$m
Netted off against the net book value of property ( <i>note 8</i> )	<b>22.2</b>	23.0
Loan ( <i>note 9</i> )	<b>1.7</b>	1.7
	<b>23.9</b>	24.7

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

The District agreed to contribute to the subsidiary US\$33.0 million through the issuance of TIF Bonds in addition to US\$1.7 million issued in the form of a loan, bearing simple interest at an annual rate of 6.0%. The US\$1.7 million loan plus all accrued interest will be due on the earlier of 10th April 2017 or the date of the first sale of the hotel.

The receipt of the TIF Bonds has been treated as a government grant and netted off against the net book value in respect of the property (*note 8*). The loan of US\$1.7 million (2015: US\$1.7 million) is included in current (2015: long-term) borrowings (*note 9*).

## 11. ACQUISITION OF MANDARIN ORIENTAL, BOSTON

On 27th April 2016, the Group completed its US\$140.0 million acquisition of Mandarin Oriental, Boston, a hotel that the Group has managed since its opening in 2008. The consideration of US\$140.0 million represented the fair values of the tangible assets acquired at the acquisition date. There was no goodwill arising on acquisition.

## 12. ACQUISITION OF HOTEL RITZ, MADRID

In May 2015, the Group acquired a 50% interest in the Hotel Ritz, Madrid for €65 million (US\$73.3 million) in a joint venture with The Olayan Group, with Mandarin Oriental managing the hotel under a long-term management agreement. The hotel is to undergo a comprehensive renovation in 2018 and 2019, currently estimated to cost a total of some €90 million, of which the Group's share will be €45 million (US\$47 million).

## 13. ISSUE OF SHARES

In April 2015, the Group completed a 1 for 4 rights issue with 250.9 million new ordinary shares issued at US\$1.26 per share, raising US\$316.2 million of gross proceeds. The proceeds of the issue were used to pay down debt in advance of the refurbishment of Mandarin Oriental Hyde Park, London and to fund the Group's acquisition of a 50% interest in the Hotel Ritz, Madrid. The Group paid expenses of US\$3.6 million in connection with the rights issue in 2015.

The Group issued 1.3 million new ordinary shares under the share-based long-term incentive plans with proceeds of US\$1.4 million in 2015.

## 14. DIVIDENDS

	<b>2016</b>	2015
	<b>US\$m</b>	US\$m
	<hr/>	<hr/>
Final dividend in respect of 2015 of US¢3.00 (2014: US¢5.00) per share	<b>37.7</b>	50.2
Interim dividend in respect of 2016 of US¢1.50 (2015: US¢2.00) per share	<b>18.8</b>	25.1
	<hr/> <b>56.5</b> <hr/>	<hr/> 75.3 <hr/>

A final dividend in respect of 2016 of US¢2.50 (2015: US¢3.00) per share amounting to a total of US\$31.4 million (2015: US\$37.7 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2017 Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2017.

## 15. CAPITAL COMMITMENTS

At 31st December 2016, total capital commitments of the Group amounted to US\$270.9 million (2015: US\$321.4 million).

## 16. 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\$13.2 million (2015: US\$13.2 million) received from the Group's six (2015: 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 current financial year.

Amount of outstanding balances with associates and joint ventures are included in debtors and prepayments, as appropriate.

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**Mandarin Oriental International Limited**  
**Principal Risks and Uncertainties**

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The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk will be set out in more detail in the Corporate Governance section of the Company's 2016 Annual Report (the 'Report'). The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Group Chief Executive's Review.

1. Economic and Financial Risk

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

The steps taken by the Group to manage its exposure to financial risk will be set out in the Financial Risk Management section in the Financial Statements in the Report.

2. Commercial and Market Risk

Risks are an integral part of normal commercial practices, and where practicable steps are taken to mitigate such risks.

The Group operates within the global hotel industry which is highly competitive. Failure to compete effectively in terms of quality of product, levels of service or price can have an adverse effect on earnings. Significant competitive pressure or the oversupply of hotel rooms in a specific market can lead to reduced margins. Advances in technology creating new or disruptive competitive pressures might also negatively affect the trading environment.

The Group competes with other luxury hotel operators for new opportunities in the areas of hotel management, residences management and residences branding. Failure to establish and maintain relationships with hotel owners or developers could adversely affect the Group's business. The Group also makes investment decisions in respect of acquiring new hotel properties and undertaking major renovations at hotels in which it has an ownership interest. The success of these investments is measured over the longer term and as a result is subject to market risk.

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**Mandarin Oriental International Limited**  
**Principal Risks and Uncertainties** *(continued)*

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2. Commercial and Market Risk *(continued)*

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

3. Pandemic, Terrorism and Natural Disasters

The Group's business would be impacted by a global or regional pandemic as this would impact travel patterns, demand for the Group's products and services and could also affect the Group's ability to operate effectively. The Group's hotels are also vulnerable to the effects of terrorism, either directly through the impact of an act of terrorism or indirectly through the impact of generally reduced economic activity in response to the threat of or an actual act of terrorism. In addition, a number of the territories in which the Group operates can experience from time to time natural disasters such as typhoons, floods, earthquakes and tsunamis.

4. Key Agreements

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

5. Reputational Risk and Value of the Brand

The Group's brand equity and global reputation is fundamental in supporting its ability to offer premium products and services and to achieving acceptable revenues and profit margins. Any damage to the Group's brand equity or reputation, including as a result of negative effects relating to health and safety, acts or omissions by Group personnel, information system breaches, and any allegations of socially irresponsible policies and practices, might adversely impact the attractiveness of the Group's properties or the loyalty of the Group's guests.

6. Regulatory and Political Risk

The Group's business is subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as employment legislation, tax rules, foreign ownership of assets, planning controls and exchange controls have the potential to impact the operations and profitability of the Group's business. Changes in the political environment, including prolonged civil unrest, could also affect the Group's business.

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**Mandarin Oriental International Limited**  
**Responsibility Statement**

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

- a) the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board; and
- b) the sections of the Company's 2016 Annual Report, including the Chairman's Statement, Group Chief Executive's Review and Principal Risks and Uncertainties, which constitute the management report include a fair review of all information required to be disclosed by the Disclosure Guidance and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Conduct Authority in the United Kingdom.

For and on behalf of the Board

James Riley  
Stuart Dickie

*Directors*

*The final dividend of US\$2.50 per share will be payable on 11th May 2017, subject to approval at the Annual General Meeting to be held on 3rd May 2017, to shareholders on the register of members at the close of business on 17th March 2017. The shares will be quoted ex-dividend on the Singapore Exchange and the London Stock Exchange on 15th and 16th March 2017, respectively. The share registers will be closed from 20th to 24th March 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 2016 final dividend by notifying the United Kingdom transfer agent in writing by 21st April 2017. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 26th April 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 17th March 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 16th March 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 29 hotels and eight residences in 19 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 with the next hotel opening planned in Doha. The Group has equity interests in a number of its properties and adjusted net assets worth approximately US\$3.9 billion as at 31st December 2016.

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.

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For further information, please contact:

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Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2016 can be accessed through the internet at '[www.mandarinoriental.com](http://www.mandarinoriental.com)'.