Mandarin Oriental International Limited

Annual Report 2020

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$5.2 billion as at 31st December 2020.

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.

Jardines
A member of the Jardine Matheson Group

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Corporate Information

Directors

Ben Keswick *Chairman*
(stepped down as Managing Director on 15th June 2020)
John Witt *Managing Director*
(joined the Board on 15th June 2020)
James Riley *Group Chief Executive*
Craig Beattie
Jack Yilun Chen
Edouard Ettedgui
(stepped down on 6th May 2020)
Mark Greenberg
(stepped down on 31st December 2020)
Julian Hui
Adam Keswick
Archie Keswick
Simon Keswick
(stepped down on 1st January 2020)
Lincoln K.K. Leong
Anthony Nightingale
Y.K. Pang
Jeremy Parr
(stepped down on 3rd December 2020)
Lord Sassoon, Kt
(stepped down on 9th April 2020)
James Watkins
Percy Weatherall

Company Secretary

Jonathan Lloyd

Registered Office

Jardine House
33-35 Reid Street
Hamilton
Bermuda

Mandarin Oriental Hotel Group International Limited

Directors

John Witt *Chairman*
(appointed as chairman on 15th June 2020)
Ben Keswick
(stepped down as chairman and director on 15th June 2020)
James Riley *Group Chief Executive*
Craig Beattie *Chief Financial Officer*
Graham Baker
(joined the board on 15th June 2020)
Richard Baker
(stepped down on 24th April 2020)
Kieren Barry
Paul Clark
Mark Greenberg
(stepped down on 31st December 2020)
Jill Kluge
Christoph Mares
Vincent Marot
Paul Massot
Anne O'Riordan
Y.K. Pang
Jeremy Parr

Corporate Secretary

Jonathan Lloyd

Highlights

Mandarin Oriental International Limited

- Underlying loss of US$206 million
- COVID-19 travel restrictions dramatically reduced demand
- Extensive cost reduction measures implemented across the business
- Robust liquidity and funding position
- Development pipeline remains solid and four new management contracts signed
- No dividend proposed for 2020

Results

	Year ended 31st December 2020 US$m	2019 US$m	Change %
Combined total revenue of hotels under management[1]	**593.0**	1,325.1	(55)
Revenue	**183.7**	566.5	(68)
Underlying EBITDA (Earnings before interest, tax, depreciation and amortisation)[2]	**(74.2)**	154.5	n/a
Underlying (loss)/profit attributable to shareholders[3]	**(205.9)**	41.2	n/a
Revaluation loss on investment property under development	**(474.9)**	(67.3)	n/a
Loss attributable to shareholders	**(680.1)**	(55.5)	n/a
	US¢	US¢	%
Underlying (loss)/earnings per share[3]	**(16.30)**	3.26	n/a
Loss per share	**(53.84)**	(4.39)	n/a
Dividends per share[4]	**–**	1.50	(100)
	US$	US$	%
Net asset value per share	**2.78**	3.26	(15)
Adjusted net asset value per share[5]	**4.09**	4.70	(13)
Net debt/shareholders' funds	**14%**	7%	
Net debt/adjusted shareholders' funds[5]	**10%**	5%	

[1] Combined revenue includes turnover of the Group's subsidiary hotels in addition to 100% of revenue from associate, joint venture and managed hotels.

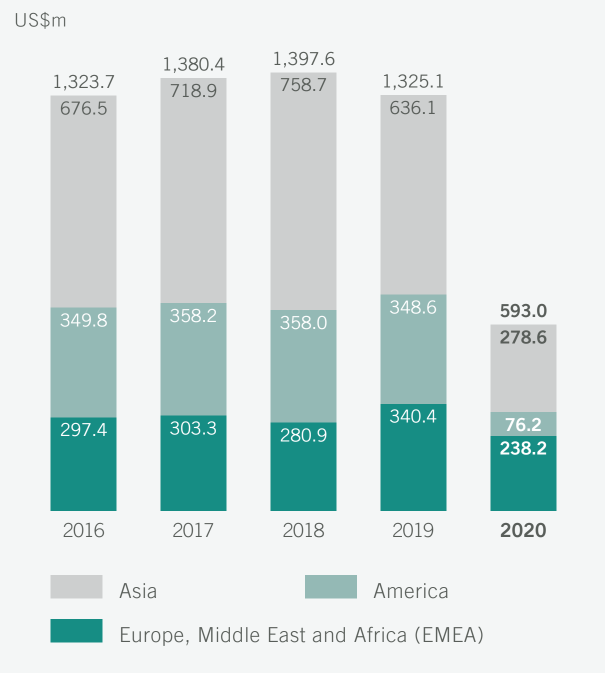
[2] EBITDA of subsidiaries plus the Group's share of EBITDA of associates and joint ventures.

[3] The Group uses 'underlying profit' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 34 to the financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance.

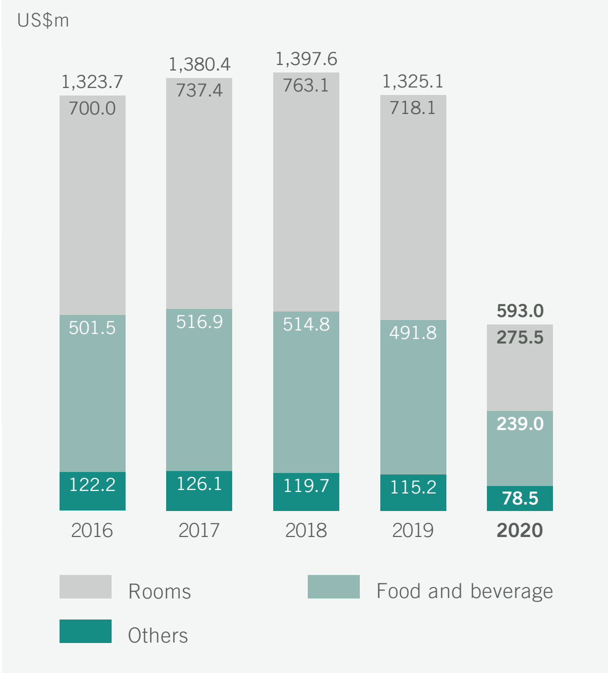
[4] In light of the substantially reduced levels of business due to the impact of COVID-19 pandemic, the Directors withdrew their recommendation of a final dividend in respect of the 2019 financial year. No dividend in respect of the 2020 financial year has been declared or proposed by the Board.

[5] The Group's investment property under development is carried at fair value on the basis of a valuation carried out by independent valuers at 31st December 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 have included the market value of the Group's freehold and leasehold interests.

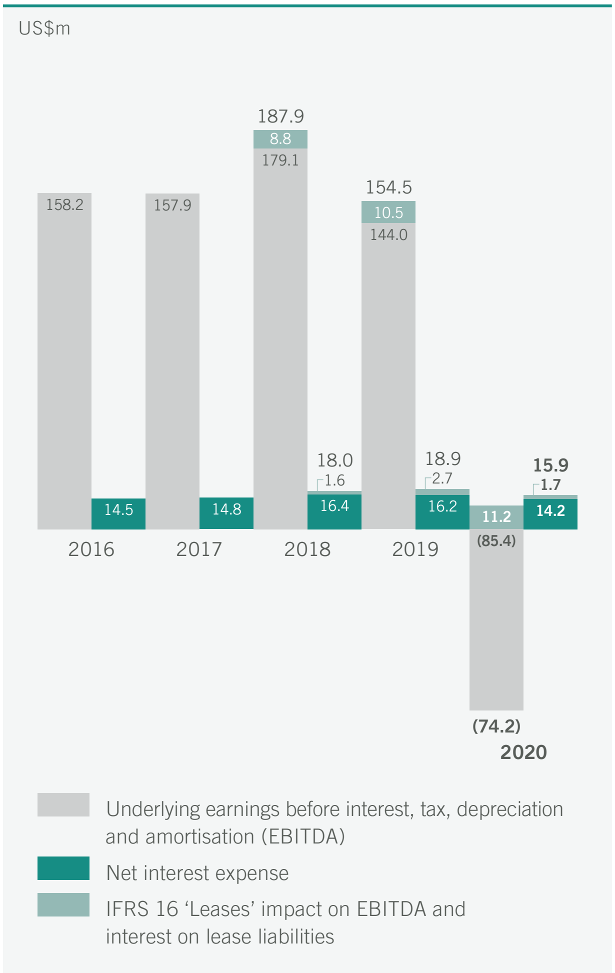
Combined total revenue
by geographical area



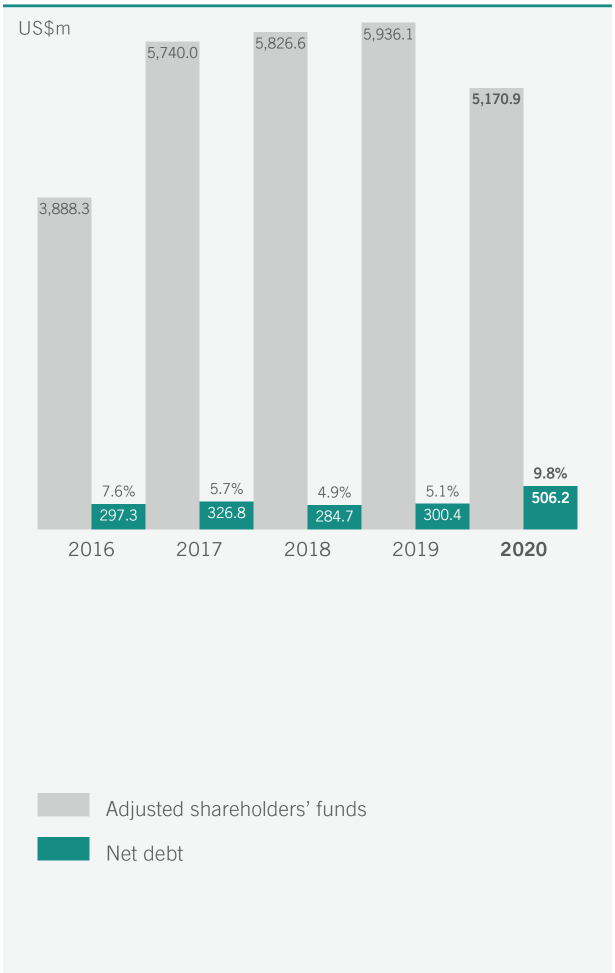
Combined total revenue
by type of business



Underlying EBITDA and net interest expense



Net debt/adjusted shareholders' funds



Chairman's Statement

Overview

Government actions to curtail the COVID-19 pandemic drastically reduced both international and domestic travel in 2020. Many countries imposed significant restrictions on people's freedom of movement and on hospitality operations. Against this background, combined total revenue of hotels under management fell by 55% in 2020 compared to 2019, and the Group's profitability was severely impacted.

Extensive cost reductions were implemented from early in the year. Results also benefited from government financial support in some markets. At 31st December 2020, the Group's liquidity position remained robust and was further strengthened with the addition of new committed facilities in early 2021.

2020 Financial performance

Underlying losses before interest, tax, depreciation and amortisation ('EBITDA') were US$74 million, compared to positive EBITDA of US$155 million in 2019. Underlying losses were US$206 million, comprising US$175 million of losses from operations and a US$31 million post-tax impairment of the carrying value of the Geneva hotel following a significant decrease in the market value of the leasehold interest. In 2019, underlying earnings were US$41 million.

Non-trading items almost entirely comprised a 15% decrease in the valuation of the Causeway Bay site under development (previously the site of The Excelsior hotel in Hong Kong), in line with the overall market trend in respect of reductions in property values. The site under development was valued at some US$2.5 billion, net of future construction costs, a decrease of US$475 million during the year. In 2019, US$97 million of non-trading losses were recognised, again mostly related to the Causeway Bay site under development. Accordingly, losses attributable to shareholders were US$680 million, compared to losses of US$56 million in 2019.

At 31st December 2020, the Group's adjusted net asset value per share was US$4.09, a decrease of 13% compared to the end of 2019, reflecting the losses incurred during the year. Net debt was US$506 million versus US$300 million at the end of 2019 and the Group remains well funded with headroom in its available cash and committed facilities of US$328 million. In addition, US$260 million of new facilities were secured in February 2021. The average tenor of the Group's debt facilities was 3.2 years, excluding the new facilities, compared with 4.2 years at the end of 2019. Gearing as a percentage of adjusted shareholders' funds was 10%, taking into account the market value of the Group's properties.

No dividend will be paid in respect of 2020. The Group will consider a resumption of dividend payments when business performance improves.

Year in review

The Group's operations and financial performance were severely impacted by the unprecedented decline in global travel. Many hotels were closed for several months and, when they opened, hotel performance varied depending on the extent and duration of government restrictions on travel. Management took significant measures to reduce costs both in hotels and in the Group's corporate organisation. The Group's share of payroll across owned hotels and the corporate organisation, the major component of costs in the business, was reduced by some 40% through a combination of measures, including furlough, unpaid leave, reduced pay and redundancies. Substantial reductions in non-payroll costs were also achieved. Many of these measures are continuing.

In Asia, most hotels were able to remain operational, albeit with sharply reduced occupancy due to constraints on travel. There was, however, a recovery in the second half for the Group's managed hotels in the Chinese mainland. In Europe and America, hotels closed for much of the second quarter, with most reopening thereafter. The relaxation of travel restrictions allowed some recovery in business levels. A resurgence in COVID-19 cases towards the end of the year though brought back many, even stricter, restrictions. The Group's managed hotels in resort locations, such as Dubai and Bodrum, performed well when travel conditions permitted.

Non-essential capital expenditure was suspended; however the Group did complete renovations in Boston, Bangkok and Munich. Renovations at the Group's Hong Kong hotel to create new facilities were also completed in early 2021. Restoration work at the 50% owned Mandarin Oriental Ritz, Madrid continued, and the hotel is expected to re-open in the second quarter of 2021. The Causeway Bay site under development remains on track to complete in 2025.

The Group's development pipeline remains strong, with many projects at an advanced stage. The Group took over the management of the Emirates Palace in Abu Dhabi at the beginning of 2020 and the Al Faisaliah Hotel in Riyadh in March 2021, increasing the total number of hotels under operation to 34. New management contracts were signed and announced in 2020 in respect of Zurich and Vienna. In 2021, a new resort was announced in Da Nang, Vietnam. The recently restored Mandarin Oriental Ritz, Madrid, and Mandarin Oriental Bosphorus, Istanbul are expected to open in the first half of 2021.

People

2020 has been extremely challenging for colleagues. It has been inspiring to see their continuing resilience and dedication to delivering exceptional service whilst finding new ways to innovate and delight customers in difficult circumstances. On behalf of the Directors, I would like to express my sincere appreciation for the exemplary level of teamwork, commitment and passion that colleagues have shown and to recognise the contribution of colleagues who have left the Group.

John Witt succeeded me as Managing Director on 15th June 2020. I will continue as Chairman. Jeremy Parr and Mark Greenberg stepped down as Directors of the Company on 3rd December 2020 and 31st December 2020 respectively. We would like to thank them for their contribution to the Board during their tenure.

Outlook

2020 was an extremely difficult year with a significant reduction in global travel. Management actions, together with financial support by governments in some markets, led to lower losses in the second half of the year. Trading conditions remain extremely challenging, and an underlying loss is expected for the first half of 2021. The outlook for the full year remains highly uncertain, and will be dependent on the removal of barriers to travel and continuation of government support measures. Mandarin Oriental remains in a strong competitive position, however, with robust liquidity and a powerful brand that customers will return to when travel restrictions allow.

Ben Keswick
Chairman
11th March 2021

Group Chief Executive's Review

Market conditions

The COVID-19 pandemic and government actions to control its spread had an unprecedented impact on global travel in 2020. Policy responses varied by territory and changed during the year, with the introduction of new requirements for entering countries and in some instances, almost complete border closures. Social distancing measures also impacted food and beverage and spa operations.

In Asia, border controls started at the end of January 2020 and were generally tightened through the year, reducing international travel to near zero. The ability to travel domestically varied depending on the extent of restrictions, making it extremely difficult for hospitality businesses to operate. In Europe and America, restrictive measures began in March with governments requiring people to stay at home and many businesses required to close. A lot of these restrictions were relaxed over the summer months, allowing some recovery in travel. A resurgence in COVID-19 cases towards the end of the year led to their reinstatement, this time with further border controls, extended quarantine times and blanket travel bans between certain areas. Government financial support was available in many territories to soften the substantial financial impact on businesses.

At the end of 2020, most parts of the world had extensive restrictions on travel and on food and beverage operations. These restrictions remain in place and look likely to continue for some time. It is however, unclear to what degree government financial support will continue. As a result, the travel and hospitality sectors remain largely depressed. There have been instances where more normal levels of travel have been possible, notably within the Chinese mainland and certain resort locations which have benefited from a continued appetite for leisure travel to warmer destinations.

Response to the pandemic

We faced extremely challenging operating conditions throughout 2020. During the year, we took steps to mitigate the substantial operational and financial impact on our business. Key actions taken include:

1) **Containing costs:** We conducted an extensive review of costs across hotels and the corporate organisation, considering location-specific business levels, anti-pandemic restrictions and available government financial support. The Group's share of payroll, the largest component of costs, was reduced by around 40% across owned hotels and the corporate organisation compared to 2019. Colleagues experienced reduced pay, unpaid leave and furlough measures for much of the year. At the end of 2020, over 40% of colleagues remained on some form of payroll measure.

   While the Group drew upon government financial support where available, some reductions in the workforce were necessary to contain costs. During the year, headcount across hotels and the corporate organisation was reduced from around 13,920 to 10,770 through redundancies and natural attrition. Our colleagues and the service that they deliver are the core of our business and the Group will continue to ensure that actions taken are balanced with maintaining Mandarin Oriental service standards.

   Every possible avenue to reduce costs was proactively pursued. Non-payroll costs including advertising and marketing expenses were significantly reduced or suspended, except for selective digital marketing. Hotel capital expenditure was curtailed and all non-essential projects were postponed or cancelled.

2) **Rethinking revenue:** The vast majority of our operating income in a typical year is generated from our rooms as opposed to our food and beverage or spa operations. Rooms demand is almost entirely related to international travel, except within the Chinese mainland and the United States, where domestic demand is substantial. In 2020, this was reversed, as most hotels were primarily limited to domestic demand. As a result, we had to pivot our offering toward domestic customers. This involved familiarising them with the concept of 'staycations' (i.e. a short holiday or break spent in one's home country rather than abroad). As customers gradually adapted to the new circumstances and some governments started to encourage domestic spending, we were often able to capture a solid share of domestic demand through competitive room pricing and by incorporating food and beverage and spa promotions into our offers. Where regulations allowed, our food and beverage operations continued to generate reasonably strong traffic and innovated to meet demand for food delivery outside of our properties.

3) **Maintaining health and safety standards:** The comfort, health and safety of our customers and colleagues has always been our primary concern. Mandarin Oriental was one of the first hotel groups to initiate enhanced health and safety protocols, publicised as our 'We Care' programme to ensure customers and colleagues felt safe when they were with us. 'We Care' is a set of measures comprising individual consultations prior to arrival, to cater to personal hygiene preferences and interaction levels, as well as heightened disinfection protocols. We continue to closely monitor and adapt measures to meet changing local and global requirements.

Group performance in 2020

In 2020, border controls and restrictions on mobility and hospitality operations constrained the ability of our hotels to generate revenues and impacted Group profitability. In April, the lowest point of the year, the Group's global portfolio averaged only 468 paying room guests per day, compared with over 7,155 per day during the same period in 2019. Moreover, through 2020 only one million paying room guests stayed at our hotels, compared to 2.5 million in 2019. The combined total revenue from hotels under management fell by 55% and underlying EBITDA losses of US$74 million were incurred.

In Hong Kong and the Chinese mainland, the impact started to be felt as occupancy levels fell to single-digits in February and in the rest of Asia, reached low double-digits in March. In Europe, the Middle East and America, the impact started several weeks later.

During the second quarter, most hotels in Europe and America were either fully or practically closed. We put extensive measures in place to reduce costs. In Asia, most hotels remained operational but at single-digit occupancy levels. The Chinese mainland was the sole exception, where operating conditions improved driven by a recovery in domestic demand.

In the third quarter, domestic and some short-haul international demand in specific locations started to return. Most hotels were reopened but operated at very modest levels of occupancy.

In the fourth quarter, many of the hotels in Asia and America saw some further improvement in occupancy driven by staycation business. Notably, the 494-key Mandarin Oriental, Hong Kong, was able to improve average occupancy to 29% in the fourth quarter. In the Chinese mainland, our hotels in Sanya, Beijing and Guangzhou reached December occupancy levels in line with 2019. Dubai also benefited from more relaxed regulations and reported average occupancy of 71% in the fourth quarter. In Europe however, business activity worsened as mobility restrictions were tightened due to a resurgence in COVID-19 cases.

Near-term priorities

It is difficult to accurately predict when business levels will recover as trading conditions remain highly uncertain. We are focused on managing costs during periods of fluctuating demand and on being prepared for when travel and operations are able to resume in full. Our near-term priorities are:

1) **Driving revenue:** We expect that demand will remain significantly below normal levels in the first half of 2021. Performance in the second half will depend on the relaxation of travel restrictions and the degree of pent up customer demand. Where tight border controls remain in place, growing our share of domestic demand will require price flexibility and creativity to keep customers coming back. At the same time, travel between some destinations is likely to resume faster than others and we will be closely monitoring this to ensure that our hotels are well-positioned. We must also be alert to new revenue opportunities.

2) **Controlling costs:** Extensive cost measures remain in place. Costs in each hotel are actively reviewed on an individual basis, considering the local demand outlook and availability of government financial support. While containing financial losses is a key priority, this must be balanced with the need to maintain motivation and morale among colleagues who have been loyal to Mandarin Oriental for many years. We will be dependent upon them to deliver exceptional experiences when demand returns.

3) **Maintaining a strong funding position:** We have taken appropriate measures to maintain a robust liquidity position to absorb financial losses until such time as there is a recovery in business levels.

4) **Growing the pipeline:** The Group operates 34 hotels today and our strategy for expansion is based on the opening of new managed hotels and residences. For this to be fulfilled, we must maintain and continue to grow the pipeline of development projects. While there have been some delays in the scheduled opening dates of new properties, our pipeline remains robust with 20 announced hotel projects and two standalone residences expected to open in the next five years. The Group will receive significant branding fees when individual units are sold. Continued interest from owners and developers in Mandarin Oriental is a signal of our underlying growth momentum, putting the Group in a strong position once market conditions improve.

Strategic priorities

Whilst our primary focus has been on crisis management through the pandemic, we also are continuing to progress our strategic priorities to drive future growth. Key achievements during the year include:

1) **Brand:** Despite the effective suspension of our brand and advertising expenditure, there were over 180,000 sign-ups to our *Fans of M.O.* customer recognition programme. We also evolved the programme to offer new benefits and recognition to our most loyal Fans.

2) **People:** In the face of enormous personal and professional challenges faced by colleagues, there was a considerable effort by all to sustain ongoing engagement. Through our virtual engagement activities, we were able to give our colleagues access to personal growth opportunities and to connect colleagues across the world. I am enormously grateful to all of our colleagues who contributed to these engagement activities, which strengthen our culture. We also launched our *Forever Fans* alumni programme which will enable past, present and future colleagues to connect and maintain a long-lasting relationship with Mandarin Oriental.

3) **Customers:** Our colleagues always put the customer first and when I speak with guests, this is consistently the reason that they return to us. Customer expectations are reaching a level where data will play a central role in enabling colleagues to deliver exceptional experiences. In the future, we will strengthen colleague intuition with insights drawn from data so that we are able to deliver the personalisation that customers expect. We have made significant progress this year connecting our data sources across the Group into a single platform.

4) **Digital:** Over the last two years we have replaced property management systems, the technology infrastructure at the heart of a hotel, across the Group. Replacing core systems is critical to streamlining operations, enabling colleagues to spend more time with customers and less time with administrative tasks. We will continue to target infrastructure transformations to modernise our core business systems. We also intend to push ahead with investments in our digital platforms.

Having started our journey from a single hotel in 1963, our vision was to be widely recognised as the best luxury hotel group in the world. Our focus has always been to provide exceptional hospitality within our hotels but in future, we will also need to create meaningful relationships with our customers beyond the four walls of a hotel.

In 2020, we set out a new vision for the Group: *A World of Fans*. This celebrates the global recognition that our brand has achieved, while also setting a new purpose and challenge for the Group to look for new ways to engage more broadly with customers everywhere and to use every customer interaction, within or outside our hotels, physical or digital, to convert a customer into a Fan of Mandarin Oriental.

We recently announced a couple of initiatives that signalled this redefined intent. Firstly, by forming the *O&MO Alliance*, we found an ideal partner in the Oberoi Group whose hotel portfolio will provide Mandarin Oriental customers with access to the most luxurious destinations in India, a market where we do not currently have any hotels. Through collaborating with Oberoi, we will have an opportunity to grow our Indian customer base. Secondly, we made a small investment in a peer-to-peer luxury home rental platform, Stay One Degree. Working with the founders, our objective is for Mandarin Oriental customers to be able to choose between both homes and hotels, to greatly increase the number and type of destinations that we offer.

Business developments

As I outlined previously, maintaining the momentum of our development pipeline and new hotel and residence openings is critical. In 2020, we took over management of the Emirates Palace, Abu Dhabi and announced the takeover of the Al Faisaliah Hotel in Riyadh effective in March 2021. We also announced two management contracts, the first for a new hotel in Vienna and the second for the re-flagging of an existing property in Zurich, whose management we will take on following a full renovation. In 2021, we signed a new resort location in Da Nang, Vietnam.

Our development pipeline remains robust, with 20 hotels and two standalone residences under development. All of these are management agreements for which we receive annual fees with no equity participation. While the pandemic has and will continue to impact construction timelines and there is always a risk that some projects may not complete, many of the projects in the Group's pipeline are at an advanced stage.

During the year, despite the challenging financial environment, we completed renovations that were already underway at our hotels in Bangkok and Boston. A significant restoration of the Mandarin Oriental Ritz, Madrid is expected to complete in the second quarter of 2021. We also felt it was timely to commence renovations in Hong Kong and Munich, which will position both hotels well to benefit when demand returns.

Good progress was made with the redevelopment of the site in Causeway Bay, Hong Kong which used to house The Excelsior hotel. In 2019, the Group announced its intent to redevelop the site into a mixed-use commercial building for a cost of some US$650 million, to be financed using a combination of existing and new debt facilities. Demolition was completed in 2020 and approvals to maximise the gross floor area of the site were obtained. Completion of the building remains on schedule for 2025. As previously indicated, it is not the Group's intention to be the long-term owner of commercial property. Opportunities for the monetisation of this asset will continue to be reviewed.

Core values

As our business grows and our customer base becomes ever more diverse, evolving our colleague culture remains a priority. We foster a culture of inclusivity and empowerment, where colleagues feel comfortable in being themselves and in voicing their ideas. We encourage our colleagues to believe in, and deliver, our core values of doing the right thing for customers, communities and the planet. Sustainability and innovation form the foundation of our culture.

Our approach to sustainability focuses on combining the power of grass-roots action with global, Group-wide initiatives. One such example is our commitment to completely eliminate single-use plastic across all hotels. This encompasses items in our rooms, restaurants, spas and lobbies as well as in back of house areas unseen by the customer such as kitchens. We set ourselves an ambitious completion date of the end of March 2021. This has hugely accelerated efforts across hotels to find sustainable alternatives to single-use plastic. Whilst we will not fully meet this target and the pandemic has certainly played a part in this, we hope that, by the end of June, we will have reduced the single use plastic usage in our properties by over 95% in a normalised year. By setting an aggressive timeline, we have ensured that actions are taken now and that a meaningful reduction in plastic usage has been achieved in very short order.

The Group is committed to four broader sustainability objectives: reducing our environmental footprint, increasing our social impact, responsible procurement and diversity and inclusion. Specific targets within these areas will be included in our Sustainability Report that will be published in May 2021. In 2021, we will be focused on increasing responsible procurement for agricultural commodities, seafood and paper, progressing towards our new five and ten year environmental goals and identifying new social inclusion and waste management initiatives.

In the area of innovation, we are focused on removing the barriers to creativity and thinking differently. This means flattening hierarchies, removing bureaucracy and eliminating the fear of failure. Our colleagues innovate every day as they constantly delight and surprise our customers. We must continue to support and reward these behaviours to proactively evolve our culture over time.

Colleagues

I would like to express my deepest thanks for the dedication of our colleagues in the face of the toughest conditions that our industry has faced. Despite the challenges that the year presented, they continued delivering exceptional service to our customers. At the same time, we asked many colleagues to accept a variety of pay reductions, unpaid leave and furlough to help our business through this period. Our people are the heart of everything that we do and their passionate commitment to delight customers, no matter what the circumstances, underpins Mandarin Oriental.

It was with sadness that we said goodbye to some of our colleagues who left the Group. I would like to thank them for their dedication over many years and wish them the best for the future.

Looking to the future

Trading conditions continue to be difficult. While this is likely to persist in the short-term, I remain confident about the positive long-term future of our industry and Mandarin Oriental's growth prospects.

The pandemic has accelerated trends in consumer behaviour that have been prevalent in the travel industry for some time. For example, the shift to digital channels, the increasing demand for leisure-oriented experiences and the reduction in corporate travel. When I look back at the pockets of demand during 2020, I am encouraged that people's underlying appetite for travel and their desire for aspirational, luxury experiences will grow.

The Group's balance sheet has been conservatively geared to sustain business downturns and today remains well-positioned to finance us through this crisis. I am also confident that we have taken the right steps to reduce losses and we will continue to monitor our business levels actively. When travel does return, the strength and reputation of Mandarin Oriental, and the extraordinary service delivered by our colleagues, will draw our customers back to us and welcome new Fans to Mandarin Oriental.

James Riley
Group Chief Executive
11th March 2021

Operating Summary

Total portfolio RevPAR

US dollar

	2020 US$	2019 US$	% Change
Asia	**63**	192	(67)
Europe, Middle East and Africa	**290**	569	(49)
America	**142**	314	(55)
Total	**105**	280	(63)

Constant currency

	2020 US$	2019 US$	% Change
Asia	**63**	192	(67)
Europe, Middle East and Africa	**313**	569	(45)
America	**143**	314	(54)
Total	**108**	280	(61)

The like-for-like RevPAR presented in the table above includes all hotels that were in the Group's portfolio and operating for the entire year of both 2019 and 2020. As Mandarin Oriental Ritz, Madrid, remains closed for restoration, it has been excluded along with any new openings or closures during the period. The figures have also been adjusted to exclude the periods in 2020 when hotels were closed due to COVID-19 restrictions.

Group's subsidiary hotels key statistics

ASIA

Mandarin Oriental, Hong Kong 100% ownership

	2020	2019	% Change
Available rooms	**494**	499	(1)
Average occupancy (%)	**15.8**	61.5	(74)
Average room rate (US$)	**345**	467	(26)
RevPAR (US$)	**54**	287	(81)

Mandarin Oriental, Hong Kong remained open throughout 2020.

Mandarin Oriental, Tokyo 100% leasehold

	2020	2019	% Change
Available rooms	**179**	179	0
Average occupancy (%)	**36.1**	76.8	(53)
Average room rate (US$)	**594**	732	(19)
RevPAR (US$)	**214**	562	(62)

Mandarin Oriental, Tokyo was closed from 9th April 2020 to 6th July 2020.

Mandarin Oriental, Jakarta 96.9% ownership

	2020	2019	% Change
Available rooms	**272**	272	0
Average occupancy (%)	**26.0**	47.5	(45)
Average room rate (US$)	**82**	135	(39)
RevPAR (US$)	**21**	64	(67)

Mandarin Oriental, Jakarta remained open throughout 2020.

EUROPE, MIDDLE EAST AND AFRICA

Mandarin Oriental Hyde Park, London 100% ownership

	2020	2019	% Change
Available rooms	**181**	181	0
Average occupancy (%)	**29.9**	65.6	n/a
Average room rate (US$)	**1,002**	1,194	n/a
RevPAR (US$)	**300**	784	n/a

Mandarin Oriental Hyde Park, London was closed for repairs following a fire on 6th June 2018 and fully re-opened on 15th April 2019. The hotel was closed from 31st March 2020 to 22nd July 2020. A year-on-year comparison is therefore not meaningful.

Mandarin Oriental, Munich 100% ownership

	2020	2019	% Change
Available rooms	**73**	73	0
Average occupancy (%)	**35.8**	78.0	(54)
Average room rate (US$)	**882**	886	(1)
RevPAR (US$)	**316**	691	(54)

Mandarin Oriental, Munich was closed from 27th March 2020 to 29th September 2020.

Mandarin Oriental, Paris 100% ownership

	2020	2019	% Change
Available rooms	**135**	135	0
Average occupancy (%)	**20.4**	58.0	(65)
Average room rate (US$)	**1,013**	989	2
RevPAR (US$)	**207**	574	(64)

Mandarin Oriental, Paris was closed from 27th March 2020 to 26th September 2020.

Mandarin Oriental, Geneva 100% ownership

	2020	2019	% Change
Available rooms	**181**	181	0
Average occupancy (%)	**20.0**	62.7	(68)
Average room rate (US$)	**542**	605	(10)
RevPAR (US$)	**108**	379	(72)

Mandarin Oriental, Geneva was closed from 27th March 2020 to 14th June 2020.

AMERICA

Mandarin Oriental, Boston 100% ownership

	2020	2019	% Change
Available rooms	**148**	148	0
Average occupancy (%)	**18.7**	67.3	(72)
Average room rate (US$)	**612**	635	(4)
RevPAR (US$)	**115**	427	(73)

Mandarin Oriental, Boston was closed from 26th March 2020 to 9th September 2020.

Mandarin Oriental, Washington D.C. 100% ownership

	2020	2019	% Change
Available rooms	**373**	373	0
Average occupancy (%)	**25.1**	68.7	(63)
Average room rate (US$)	**284**	332	(15)
RevPAR (US$)	**71**	228	(69)

Mandarin Oriental, Washington D.C. was closed from 26th March 2020 to 23rd August 2020.

Development Portfolio

The following 20 hotels and 13 *Residences at Mandarin Oriental* are expected to open in the next five years.

Asia

Mandarin Oriental Qianmen, Beijing
72 courtyard suites located in a traditional hutong quarter, providing a rare opportunity to experience living in an authentic Beijing residential district, close to Tiananmen Square.

Mandarin Oriental, Da Nang
A luxury waterfront resort comprising 69 villas and 18 *Residences at Mandarin Oriental*, ideally located on a spectacular beach in one of Vietnam's most popular leisure destinations.

Mandarin Oriental, Makati
A 275-room hotel located within the Ayala Triangle in Manila's central business district of Makati.

Mandarin Oriental, Nanjing
A 106-room hotel located in a premier mixed-use development on the Qinhuai River, in close proximity to historic landmarks including the Gate of China, which forms part of one of the longest ancient city walls in the world.

Mandarin Oriental, Phuket
A 105-room beachfront resort located on the island's west coast in picturesque Laem Singh Bay on Millionaire's Mile, with panoramic views of the Andaman Sea.

Mandarin Oriental, Saigon
A 228-room hotel located in a mixed-use development in the heart of Ho Chi Minh City, close to key landmarks.

Mandarin Oriental, Shenzhen
A 178-room hotel situated on the top of an impressive 400-metre tower, with outstanding views of the city skyline and surrounding city parks.

Europe, Middle East and Africa

***The Residences by Mandarin Oriental*, Barcelona**
34 luxury residences housed in a 20-storey tower, in a prime location a short walk from Mandarin Oriental, Barcelona.

Mandarin Oriental Downtown, Dubai
A 259-room hotel and 266 *Residences at Mandarin Oriental*, located on Sheikh Zayed Road, with views over downtown Dubai and direct access to the area's business and leisure attractions.

Mandarin Oriental Bosphorus, Istanbul
A 106-room hotel prominently located on the banks of the Bosphorus, with panoramic vistas of the famed strait, surrounding hills and the city's historical sites.

Mandarin Oriental Etiler, Istanbul
A 158-room hotel and 251 luxurious *Residences at Mandarin Oriental*, located within three standalone towers in the prestigious Etiler district of Istanbul.

Mandarin Oriental Mayfair, London
A 50-room boutique hotel and 80 *Residences at Mandarin Oriental*, located on Hanover Square in the heart of London's Mayfair district.

Mandarin Oriental Palace, Luzern
A re-branding of the iconic Hotel Palace Luzern, currently closed for renovation. This 136-room hotel is located on the shores of Lake Lucerne, with excellent lake and mountain views.

Mandarin Oriental, Moscow
A 65-room hotel and 137 *Residences at Mandarin Oriental*, in a prime riverfront location on the Sofiyskaya embankment in the heart of the city, directly facing the Kremlin.

Mandarin Oriental, Muscat
A 150-room resort and 150 *Residences at Mandarin Oriental*, located on the beach in a prime city location, with views over the Arabian Sea.

Mandarin Oriental, Tel Aviv
A 225-room hotel and 231 *Residences at Mandarin Oriental*, in an unrivalled waterfront location overlooking one of the city's pristine beaches.

Mandarin Oriental, Vienna
A 151-room hotel and 17 *Residences at Mandarin Oriental*, housed in a heritage building within the Ringstrasse in District One of Vienna, within easy walking distance of the city's major attractions.

Mandarin Oriental Savoy, Zurich
A re-branding of the historic Savoy Baur en Ville, which will undergo a two-year closure for renovation. This 80-room hotel is situated within the main business centre, close to the city's leisure attractions and a short walk from Lake Zurich.

America

Mandarin Oriental, Boca Raton

A 163-room hotel and 88 *Residences at Mandarin Oriental*, as part of a mixed-use complex, surrounded by Boca Raton's most affluent, residential neighbourhoods and a short walk from miles of pristine beaches.

Mandarin Oriental, Grand Cayman

A 100-room beachfront resort and 89 branded *Residences at Mandarin Oriental*, situated on 67 acres at St James Point, on the southern shore of the island.

Mandarin Oriental, Honolulu

A luxury 125-room hotel and 99 *Residences at Mandarin Oriental*, located on the Hawaiian island of Oahu, in the heart of the Ala Moana District.

Mandarin Oriental Residences at 685 Fifth Avenue, New York

69 luxurious residences located on Fifth Avenue New York, housed in an elegant 1920's building on the corner of Fifth Avenue and 54th Street.

Opening dates are determined by each project's owner/developer. All of the above projects will be managed by Mandarin Oriental Hotel Group with no equity investment from the Group.

Room numbers reflect the latest estimate from each project's owner/developer, and may therefore differ from the original announcements and the final number once the project is completed.

International Brand Recognition

The recognition of Mandarin Oriental as one of the world's best luxury hotels continued to be reflected in the awards and accolades received from respected travel associations, publications and platforms across the globe. Highlights in 2020 included the Group being recognized as one of the 'Best Hotel Brands' by *Travel + Leisure*, and 11 of the Group's hotels listed in *Condé Nast Traveller's* 'Readers' Choice Awards', including London and Doha ranked No. 1 in their categories.

In the 2020 *Michelin* guides, a total of 16 restaurants were honoured, with 25 stars granted across the Group, with seven of the 16 restaurants receiving two stars. The Group's Spas were also acknowledged for their commitment to excellence, with 13 hotels being awarded *Forbes* 'Five Star Spa' status.

Mandarin Oriental Hotel Group

When it comes to the hospitality industry, few hotel groups have had more success than Mandarin Oriental Hotel Group…these five-star hotels are synonymous with luxury, providing a luxury experience wherever they are in the world. Guest experience is at the centre of the business, with the Group working hard to ensure guests have the most flawless experience possible.

A&E UAE

The brand that invented the modern Asian luxury hotel.

Condé Nast Traveller, UK

Mandarin Oriental, Bangkok

The unimpeachable Mandarin Oriental, Bangkok is fully open again, after a complete redesign. From the white-wainscoted walls in the suites and cinemascope views to the legendary surf-and-turf temple Lord Jim's and the sleek teak decking and chic rattan all along the Verandah, it's pretty much perfection.

Financial Times, How To Spend It

None can really compete with The Oriental, a historic institution that's as much a symbol of this city as tuk-tuks and temples.

Escape (Herald Sun)

The stay also made me understand why the 144-year-old hotel has been lauded across the globe as one of the very best. …Over time, it has been the people at Mandarin Oriental, Bangkok that have made the hotel retain its highly esteemed reputation. If there was only one word to describe my experience there, it would be flawless.

Bangkok Post

Mandarin Oriental, Bangkok is your Best Ever experience. Not only does it have impeccable and caring service, but also gloriously comfortable, elegant rooms and suites, an astounding number of world-class restaurants and an unbeatable location on the edge of the Chao Phraya River; its legendary Spa and Rim Nam Terrace just a boat ride away from the main hotel. Long may it flourish.

The Gallivanter's Guide, UK

Mandarin Oriental Wangfujing, Beijing

Mandarin Oriental Wangfujing, Beijing shines elegantly with its oriental charm. Art, Forbidden City, cocktails, food and meticulous service have become the key words of this luxury hotel since opening a year ago.

Esquire

Mandarin Oriental, Hong Kong

As the hotel group's first property to open, it's clear where the luxury hospitality ethos comes from. The Mandarin Oriental continues to exude charm and legacy through its service and facilities. Whether you're a guest staying overnight or simply visiting the five-star spa and restaurants, everyone is welcome to indulge in the impeccable qualities of the hotel.

LUX Nomade

With its mix of cool, contemporary luxury and Eastern heritage, Mandarin Oriental, Hong Kong has rightly been an icon since opening 57 years ago. With an enviable location in the heart of the city, be sure to seek out rooms or suites with magnificent views of Victoria Harbour and the city skyline.
Channel News Asia

There's no better place to end your day in this city than the legendary Mandarin Oriental, Hong Kong…As the very first Mandarin Oriental and the brand's flagship, you'll discover that the hotel is a treasure trove of history, in addition to being a five-star luxury sanctuary away from the city's hustle and bustle. With a sleek exterior and spacious, modern rooms and common spaces that feature beautiful Chinese antiques, you'll have a hard time pulling yourself out of your plush king-sized bed.
Departures

The Landmark Mandarin Oriental, Hong Kong

Hong Kong hotels are generally known for their impeccable service, but the experience at The Landmark Mandarin Oriental is in a league of its own. Setting the bar extremely high, the attentiveness of staff goes above and beyond with thoughtful arrangements and personalised care that usually go unnoticed. Perfect for: a modern sense of luxury paired with exceedingly exceptional service and thoughtfulness.
Prestige

Mandarin Oriental, Kuala Lumpur

Set in the heart of KL's city centre among the lush greenery of KLCC Park with stunning vistas of the Petronas Twin Towers, Mandarin Oriental, Kuala Lumpur is a world-class luxury hotel that prides itself on impeccable service, an array of sumptuous dining options and an award-winning spa and wellness centre.
Robb Report

There's something about a luxury five-star hotel that provides you with service and amenity that a boutique hotel just can't. If it's upscale you want, then look no further than the Mandarin Oriental, Kuala Lumpur. With its prime location, spacious rooms, and upscale amenities, you can't go wrong with a staycation here.
Lifestyle Asia

Mandarin Oriental, Singapore

Boasting an iconic fan-shaped architecture that nods towards Mandarin Oriental's logo, Mandarin Oriental, Singapore offers panoramic views of the city skyline through the floor-to-ceiling windows of its luxurious rooms. What's best about the property is its close proximity to shopping districts and attractions.
Tatler

Luxury and tranquillity in the heart of the city are what the Mandarin Oriental, Singapore is about. Service is flawless and, more importantly, warm.
The Straits Times

Mandarin Oriental, Taipei

Mandarin Oriental, Taipei is a luxe urban retreat for the discerning traveller. This five-star hotel not only boasts the largest hotel spa in Taiwan, but it also has a dazzling 20m outdoor pool where swimmers can enjoy stunning views of the city.
Tatler

Mandarin Oriental, Tokyo

A perfect fusion of modern-meets-traditional. Like many of Tokyo's luxury hotels, it inhabits the upper levels of a skyscraper – in this instance, the César Pelli-designed Nihonbashi Mitsui Tower. Walls of glass in the 37th floor lobby frame spectacular vistas across the capital (you can see as far as Mount Fuji on a clear day) – a fitting introduction to a hotel whose contemporary Japanese design was inspired by the concept of a 'living tree'.
The Daily Telegraph

Mandarin Oriental, Barcelona

One of the city's best loved hotels. Getting to paradise is easier said than done! This place is truly wonderful – service, quality and location. Bathed in sun and swimming in style, Barcelona forever inhabits the hearts of its visitors. And, Mandarin Oriental, Barcelona is the perfect hub from which to experience it all.

@lifetailored

Mandarin Oriental, Bodrum

Bodrum has for many years specialized in its own unique style of pretty persuasion, sparkling on its peninsula in Mugla province – where the 19th century Crusader castle admires its own reflection in the sea's calm surface and a host of luxury resorts discreetly adorn the shore on its periphery. One of them is the delightfully luxe Mandarin Oriental.

The Daily Telegraph

Mandarin Oriental, Doha

Mandarin Oriental, Doha was created to serve as an anchor of Doha's revitalized downtown. Renowned design firm David Collins Studio has created spaces that have a sense of place, but also reflect both the "new Doha" and Mandarin Oriental's often playful style. So while it's all impeccable and polished, it's also got a soul. Doha is not wanting for luxury hotels, but this one puts you at the heart of a vibrant arts and retail district and cares for you with that signature Mandarin Oriental service.

Condé Nast Traveler, US

Doha is not wanting for luxury hotels, but this one puts you at the heart of a vibrant arts and retail district and cares for you with that signature Mandarin Oriental service.

Condé Nast Traveler, US

Mandarin Oriental Jumeira, Dubai

A seamless blend of luxury and relaxation, Mandarin Oriental Jumeira, Dubai has caught our eye for its glittering views and inviting décor. Luxury designs, a spa-inspired ambience, delectable cuisine and warm hospitality. I think we've found the ideal hotel to unwind when looking to escape the daily hustle and bustle of city life.

Harper's Bazaar

The 259-room monolith houses six dining concepts as well as a famed spa, mega pool and beachfront access, granting travellers a guilt-free pass to never even leave the premises. It's no easy feat to combine intimacy with scale and variety, and yet this Mandarin Oriental pulls it off expertly.

QG Middle East

You can't go wrong; all 178 rooms, most with private balconies, are as spacious and comfortable as they are current and modish. My ocean-view suite, complete with floor-to-ceiling windows and lovely local book collection, had me feeling like a model in a design catalogue.

Forbes

Mandarin Oriental, Lago di Como

Twinning one of the world's best hotel groups with Italy's most famous and magical lake makes for a match made in minibreak heaven. Recently opened on the eastern shores of Lake Como, the new Mandarin Oriental is the old 18th century Villa Roccabruna, a stunning neo-classical villa with legendary musical links – it was once the residence of Guidiitta Pasta, the muse of Vincenzo Bellini. The romance remains, whether in the vast bedrooms, the sun-drenched terrace or the pottering about on the water exploring tiny villages, hidden waterfalls and ancient palazzos.

Country & Town House

The greatest compliment one can pay this hotel is that it feels as if it has always been here. In an alternate universe, this suave waterfront nest north of Blevio might have taken its first guests towards the end of the 19th century, as the European sister of the Oriental in Bangkok. But in those years, the original villa on the lake's forested eastern shore was still a private residence. …Meanwhile, buoyed by the standing ovation given to its first Italian property, the Mandarin Oriental, Milan…the Hong Kong-based group was planning an encore. …With this fashion-capital-worthy opening, the Como scene finally throws off its musty image.

Condé Nast Traveller, UK

Mandarin Oriental Hyde Park, London

Gracious and unstuffy, it's still the best-situated hotel in London. Perched on the edge of Hyde Park, the Mandarin Oriental, a turreted red-brick Edwardian confection is the closest you'll get to staying in an actual palace. If you can afford a grande dame, this one is faultless.

Condé Nast Traveler, US

Mandarin Oriental Hyde Park, London exemplifies timeless heritage coupled with contemporary flair and impeccable service for today's sophisticated travellers. Mandarin Oriental Hyde Park, London is the place where the quintessential spirit of London offers guests the perfect home-away-from-home, a bespoke experience incomparable to none.

Town and Country

Mandarin Oriental, Munich

Mandarin Oriental, Munich is the best address in town – oh, what am I saying, at least the best address in the Bavaria. The service is a revelation. Every interaction is a declaration of love to the guest and to the industry.

Tophotel

Mandarin Oriental, Paris

The crème de la crème of new super-suites in the world right now are all in France. Impressive enough to wow even Marie Antoinette, these truly take the cake-and, yes, let you eat it too. The travel returns, there are the most luxe spaces to know…The Parisian Apartment at Mandarin Oriental, Paris.

Robb Report

Mandarin Oriental, Boston

Located on Boylston Street in the centre of Back Bay, Mandarin Oriental, Boston offers an elegant, refined respite in the heart of it all. As soon as you step into the grand marble lobby, you feel transported from the city's hustle and bustle. This outpost offers all the things you'd expect from a Mandarin Oriental: a killer urban location, grandiosity and fabulosity, elegant rooms and a top-notch spa. …There is an elegant minimalism here that has long made this Back Bay hotel a Boston favorite.

Condé Nast Traveler, US

Mandarin Oriental, Canouan

Perched on the shores of Godahl Beach, Mandarin Oriental, Canouan's 26 suites, 13 villas and expansive grounds make it the ultimate getaway for those looking for a nearly private island getaway.

Forbes

Mandarin Oriental, Canouan commands the perfect location on Canouan: a quiet curve of hillside that looks out over Godahl Beach. In contrast to the extraordinary emerald-blue ocean, the décor of the hotel's suites and villas is an intriguing mix of cool grey marble, pale ceilings and walls and hot pink accents.

Indagare

Mandarin Oriental, Miami

Surrounded by stunning water and city views, Mandarin Oriental, Miami offers a private infinity-edge pool, high energy bayside dining and a luxurious day spa along Biscayne bay.

Forbes

Corporate Responsibility and Sustainability Roadmap

Corporate responsibility values form the foundation of Mandarin Oriental's culture, and sustainability implications are carefully considered with every decision across the Group. The Group has implemented a strong governance structure with an executive advisory panel, which champions our initiatives and incorporates sustainability into all our policies and procedures. The U.N. Sustainable Development Goals (SDGs) serve as an important reference to this panel when deciding how best to tackle the pressing issues of energy, water, waste and carbon emissions, and as we grow our brand around the world, we place great importance on operating our properties responsibly and sustainably over the long term.

In 2019, we set ourselves an ambitious goal to completely eliminate all single-use plastic across all hotels by the end of March 2021. This is a considerable challenge and hotels have made a huge amount of progress in a short period of time. While our relatively small footprint limits our contribution to the world's plastic reduction, we are in a strong position to lead and drive important changes in the industry.

The dedication and hard work of all colleagues, who are encouraged to act responsibly in everything that they do, can positively impact their local communities. We regularly engage colleagues by conducting sustainability training and awareness activities across hotels. These activities not only inspire greater colleague passion but also help us to better understand how best to support and drive local efforts. Mandarin Oriental's initiatives, achievements and best practices are outlined in the Group's annual Sustainability Report, which highlights our annual progress and ongoing commitment to initiatives. The 2020 Sustainability Report will be distributed in May 2021. Also in 2020, Mandarin Oriental launched the 'Naturally Better' campaign designed to highlight to our customers, the Group's efforts to support the wellbeing of the planet, of communities and of individuals. The adjacent table outlines some of the highlights as well as the corresponding U.N. SDGs.

FOR THE PLANET

As we grow our portfolio of hotels and residences around the world, we place great importance on operating our hotels sustainably over the long term. In addition to our commitment towards being 'single-use plastic free', another notable goal has been to establish a programme for responsible procurement. Our respect for nature and for the people who work in the supply chain has been an important factor in driving this initiative.

FOR GUESTS AND COLLEAGUES

As our business grows and our customer base becomes ever more diverse, evolving our colleague culture remains a priority. We foster a culture of inclusivity and empowerment, where colleagues feel comfortable in being themselves and in voicing their ideas. We are also well known for our wellness philosophy and the holistic care of the body, mind and spirit. We offer sustainably sourced in-room and spa amenities across our portfolio, complimentary fitness classes, in-room wellness videos and signature spa treatments for strong healthy bodies and to promote mindfulness.

FOR COMMUNITIES

We contribute positively to the local communities we belong to. That means supporting on-the-ground initiatives that enhance and benefit our immediate society. Each and every one of our colleagues are committed to identifying impactful ways to support their local communities and actively engage in initiatives.

a) Achieved 81% progress[1] toward eliminating single-use plastic

b) Roll out of responsible procurement and modern slavery awareness training to colleagues

c) Broadened responsible sourcing commitments include coffee, tea, cocoa, vanilla, paper and seafood

d) Adopted 38 new beehives at our hotels, in support of the fuzzy pollinators and beekeeping

e) 20 hotels implemented waste reduction initiatives with circular economy thinking in mind

a) Implemented We Care programme of enhanced health and safety protocols across all hotels

b) Distribution of We Care packages, including quality fabric masks, to ensure customers and colleagues felt safe when they were with us

c) Over 500 creative ideas sparked from Engaging Better Together initiative to keep colleagues engaged and motivated

d) Launched Inner Strength-Outer Strength Course to boost colleagues' physical health and mental resilience

e) Conducted dialogue sessions and workshops with senior management on unconscious bias and inclusive leadership as a start to a multi-phased plan for Diversity and Inclusion

a) US-based FANtastic Match donated over US$68,000 to US colleague charities

b) 15 years of support for Asian Cultural Council's Mandarin Oriental Fellowship for Cultural Heritage Preservation

c) 22 hotels implemented social inclusion initiatives with the objective to enable disadvantaged groups to fulfil their potential in life

i) Mandarin Oriental, Marrakech tailor-made reusable fabric masks for local hospitals and brought healthcare workers bouquets of roses to show their support and appreciation.

ii) Mandarin Oriental, Hong Kong, in partnership with Oxfam Hong Kong, packed 16,680 masks and 11,500 bottles of hand sanitisers that were given to over 250 underprivileged families and 1,300 street cleaners.

iii) The Landmark Mandarin Oriental, Hong Kong raised HK$85,000 for MINDSET Hong Kong, a charity programme by Jardine Matheson dedicated to raising awareness of mental health issues through its LMO Bespoke Christmas Stockings donation drive. The hotel also recruited two colleagues from MINDSET Hong Kong and Hong Chi Association, in support of job opportunities for mental health service users.

iv) Putting colleagues to a '3RC Challenge', Mandarin Oriental Hyde Park, London 'Reimagined', 'Reinvented' and 'Connected' to their community creatively. A total of GBP10,000 was raised by colleagues as they clocked up wellness hours while fundraising for the Felix Project, a charity that redistributes surplus food to the most vulnerable in society.

v) Mandarin Oriental, Miami's 'WOW Center' offers support, guidance and encouragement to adults with intellectual and developmental disabilities in order for them to lead meaningful and productive lives, explore their potential, develop a sense of community and pursue independence and jobs if able. Virtual lessons were conducted in 2020 to engage the students meaningfully and safely during the pandemic.

1 Average elimination success across 32 operating hotels (excludes Mandarin Oriental Ritz, Madrid) for 57 Group-wide standard items (excludes three supplies packaging-related items) as at 31st December 2020.

Financial Review

Response to the pandemic

During the year, the Group implemented extensive cost measures in response to the unprecedented decline in global travel. All cost categories were actively reviewed. Government financial support also helped to reduce costs in countries where it was available. The Group's primary focus was to reduce its cash losses from operations, best measured using earnings before interest, tax, depreciation and amortisation ('EBITDA').

Combined total revenue from all hotels under management declined to a low of US$48 million in the second quarter (compared to US$333 million in 2019) as the pandemic led to the temporary closure of many hotels. In the third and fourth quarter, anti-pandemic restrictions were gradually lifted, allowing hotels to reopen and cater to mostly domestic demand for both rooms and food and beverage services. As a result of increased demand through the year, cost measures and available government support, EBITDA losses reduced from US$37 million in the second quarter to US$21 million in the third quarter and US$3 million in the fourth quarter. Overall, full year EBITDA losses were US$74 million.

Controlling costs and maintaining a robust liquidity position were two key priorities for the Group. Actions taken include:

1) **Owned hotels:** The Group has an equity interest in 15 hotel properties, which represents the majority of the Group's EBITDA in a given year. Payroll, the largest cost component of operating hotels, was significantly reduced in 2020 through a combination of temporary pay cuts, unpaid leave, furlough, government support and redundancies where needed. The Group's effective share of owned hotel payroll was reduced by 46%[1] in 2020 compared to 2019, equivalent to savings of some US$110 million[1]. At 31st December 2020, total headcount across the owned hotels was 22% lower than at the beginning of the year. Reduced pay, including government schemes, are temporary in nature and unlikely to be sustainable over the long-term while redundancies represent ongoing savings.

   Notably, although payroll and variable costs were significantly reduced, there are certain, often material costs, associated with owning property that are fixed in nature and cannot be substantially reduced or eliminated, for example, property taxes, insurance, and utilities.

2) **Management business:** Costs incurred in operating the Group's global hotel management business are primarily payroll-related, representing some 70% of total overhead costs. Payroll across the corporate organisation was reduced by 17% or US$10 million compared to 2019, following the introduction of temporary pay cuts and furlough measures. This saving also included the net cost impact of redundancies which were implemented midway through the year. The redundancies, which reduced headcount by 21%, will provide ongoing payroll savings of US$12 million per annum.

3) **Other non-payroll areas:** Non-essential costs across hotels and the corporate organisation were significantly reduced or completely suspended. This includes sales and marketing expenses, global advertising, and administrative expenses such as travel and consultancy fees. Selective investments were made however, to advance the Group's strategic priorities, for example, in digital platforms.

4) **Capital expenditure:** Non-essential projects were delayed or suspended, and capital expenditure was 26% lower than originally budgeted in 2020. Renovation work in Bangkok, Boston, Hong Kong, Madrid and Munich was completed, much of which was already underway pre-pandemic.

5) **Balance sheet:** To further strengthen the Group's liquidity, US$260 million of new committed facilities were secured in February 2021. These facilities add to, and significantly bolster, the available cash and committed facilities of US$328 million at 31st December 2020.

[1] Representing the Group's effective share of payroll savings based on its hotel ownership interests, including the Group's share of subsidies from the US furlough scheme which were paid directly to employees. One-off redundancy payments are included.

Results

Overall

The Group uses underlying[2] EBITDA to analyse operating performance. Total underlying EBITDA including the Group's share of underlying EBITDA from associates and joint ventures is shown below:

	2020 US$m	2019 US$m
Subsidiaries	(62)	138
Associates and joint ventures	(12)	17
Underlying EBITDA	(74)	155

Subsidiaries

	2020 US$m	2019 US$m
Underlying EBITDA from subsidiaries	(62)	138
Less: depreciation and amortisation	(79)	(67)
Less: impairment of Mandarin Oriental, Geneva	(45)	–
Underlying operating (loss)/profit	(186)	71

In 2020, the Group incurred an EBITDA loss from subsidiaries of US$62 million compared to positive EBITDA of US$138 million in 2019, due to the collapse in global travel demand. Most of this loss was incurred in hotels that the Group owns, with the balance coming from the management business.

Typically, the Group's subsidiary hotels in Hong Kong, London and Tokyo generate the majority of subsidiary EBITDA. While the Hong Kong hotel managed to achieve positive EBITDA, all other subsidiary hotels generated EBITDA losses in 2020, reflecting the dramatic decline in international travel and hence occupancy levels. The Hong Kong hotel's positive EBITDA performance, although 91% lower than the previous year, was possible because the hotel was able to remain open for business throughout the year. In addition, the hotel benefited from lease income from its shop units and government financial support. The largest absolute losses in individual subsidiary hotels were in Washington D.C. and Boston, as revenues fell by some 80% in those two cities compared to an average 68% decline in revenues for subsidiaries as a whole.

In 2020, US$30 million of government subsidies were recognised in EBITDA across subsidiary hotels.

Owned hotels depreciation and amortisation, which is a non-cash item, was broadly in line with 2019. These charges reflect the depreciation of investments in hotel lease properties and fixed assets.

Impairment of Mandarin Oriental, Geneva

In 2020, the Group impaired its investment in the Geneva hotel following a review of future business levels over the remaining 19 years of the leasehold interest. This resulted in US$45 million of accelerated depreciation and amortisation charges, although the net impact of this was partially offset by an associated deferred tax write-back of US$14 million (total net impact of US$31 million).

Management business

The management business, which comprises income from management fees earned on all hotels and residences branding fees, less a deduction for corporate overheads, incurred an underlying EBITDA loss of US$12 million, compared to positive EBITDA of US$30 million in 2019. In 2020, US$2 million of government subsidies were recognised in EBITDA of the management business.

Total management fees were 64% lower than the prior year. In some resort locations, hotels were able to perform better than 2019, generating higher fees for the Group. Residences branding fees earned during the year were lower than 2019, reflecting the completion status of various projects under development (fees are generally earned when individual residences are sold or certain development milestones are achieved). The majority of branding fees received in 2020 related to the Group's standalone residences project in Bangkok.

[2] The Group uses 'underlying profit' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 34 to the financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance.

Included in the management business is the net cost of the Group's central sales and marketing and brand activities. These activities are funded by marketing and advertising contributions from hotels based on a percentage of hotel revenues. In 2020, contributions received from hotels fell significantly and despite cost reductions, sales and marketing activities resulted in an EBITDA loss of US$5 million.

Depreciation costs in the management business increased by US$11 million compared to 2019 following the write-off of capitalised development project and digital platform costs.

Associates and joint ventures

The Group's share of results from associates and joint ventures was as follows:

	2020 US$m	2019 US$m
Underlying EBITDA from associates and joint ventures	(12)	17
Less: depreciation and amortisation	(14)	(14)
Underlying operating (loss)/profit	(26)	3
Less: net financing charges	(3)	(4)
tax	2	(1)
Share of results of associates and joint ventures	(27)	(2)

EBITDA losses from associates and joint ventures were US$12 million compared to positive EBITDA of US$17 million in 2019. Losses at the New York hotel, of which the Group has a 25% share, were the primary contributor to losses from associates and joint ventures in 2020. Despite the hotel being closed since the second quarter, there were significant property-related costs that continued to be incurred. While hotels in Kuala Lumpur and Miami were near breakeven. EBITDA losses in Madrid were in line with 2019 as the hotel was under renovation in both years.

The Bangkok hotel was partially closed for much of 2019 due to renovation work which was completed in 2020, however the impact of COVID-19 resulted in EBITDA losses. The Singapore hotel was the only associate hotel to produce positive EBITDA, though this was down 73% compared to the prior year.

In 2020, US$4 million of government subsidies were recognised in EBITDA from associates and joint ventures.

The Group's share of depreciation, amortisation and net financing charges of associates and joint ventures were broadly in line with 2019. Deferred tax movements associated with losses incurred resulted in a net credit of US$2 million.

Net financing charges and Interest Cover

Net financing charges for the Group's subsidiaries slightly decreased to US$13 million in 2020, from US$15 million in 2019, despite higher debt, due to a substantial reduction in base interest rates. EBITDA is used as an indicator of the Group's ability to service debt and finance its future capital expenditure, although there are no cash-based covenants in the Group's debt facilities. Due to an EBITDA loss in 2020, interest cover was not meaningful. Interest cover[3] was 8.6 times in 2019.

Tax

There was a tax credit of US$20 million during the year. This primarily reflected a deferred tax write-back of US$14 million relating to the impairment of the Geneva hotel as well as a combined US$5 million of deferred tax credits in the Hong Kong and London hotels. In 2019, the underlying tax charge was US$13 million.

[3] Interest cover is calculated as underlying EBITDA (including the Group's share of underlying EBITDA from associates and joint ventures) before the deduction of amortisation/depreciation of right-of-use assets and net of actual lease payments, divided by net financing charges (including the Group's share of net financing charges from associates and joint ventures) before the deduction of capitalised interest and excluding interest on lease liabilities.

Underlying earnings attributable to shareholders

The underlying loss/profit attributable to shareholders is as follows:

	2020 US$m	2019 US$m
Underlying operating (loss)/profit from subsidiaries	**(186)**	71
Share of results of associates and joint ventures	**(27)**	(2)
	(213)	69
Less: net financing charges	**(13)**	(15)
tax	**20**	(13)
Underlying (loss)/profit attributable to shareholders	**(206)**	41

In 2020, the Group incurred an underlying loss of US$206 million, including the Group's ownership share of subsidiaries, associates and joint ventures. Underlying earnings were US$41 million in 2019.

Non-trading items

	2020 US$m	2019 US$m
Net insurance recovery from fire at Mandarin Oriental Hyde Park, London	–	1
Closure of The Excelsior, Hong Kong – accelerated depreciation and amortisation and other costs	–	(29)
Change in fair value of investment property under development	**(475)**	(67)
Change in fair value of other investments	**1**	(2)
Total	**(474)**	(97)

Net non-trading losses of US$474 million were recorded in 2020, almost all related to a 15% decrease in the fair market value of the Causeway Bay site under development (previously the site of The Excelsior hotel in Hong Kong) from US$3.0 billion at the end of 2019 to some US$2.5 billion at the end of 2020. In 2019, non-trading losses of US$97 million were recognised also primarily in relation to the Causeway Bay site under development.

Losses attributable to shareholders

While losses attributable to shareholders were US$680 million, these were primarily non-cash in nature with some US$475 million relating to a decrease in the fair market value of the Causeway Bay site under development, a US$31 million post-tax impairment of the carrying value of the Geneva hotel and US$79 million of fixed asset depreciation charges.

Cash flow

The Group's consolidated cash flows are summarised as follows:

	2020 US$m	2019 US$m
Operating activities	**(84)**	113
Investing activities Capital expenditure on existing properties	**(39)**	(42)
Redevelopment of the Causeway Bay site	**(22)**	(15)
Restoration of the Madrid hotel	**(31)**	(15)
Net (advances to)/repayments from other associates and joint ventures	**(9)**	2
Purchase of intangible assets	**(5)**	(8)
Other	**(2)**	(2)
Financing activities Net drawdown of borrowings	**88**	34
Dividends paid	–	(38)
Other	**(6)**	(7)
Net (decrease)/increase in cash	**(110)**	22
Cash and cash equivalents at 1st January	**271**	247
Effect of exchange rate changes	**4**	2
Cash and cash equivalents at 31st December	**165**	271
Gross debt at 31st December	**(671)**	(571)
Closing net debt at 31st December	**(506)**	(300)

The Group's cash outflows from operating activities were US$84 million in 2020 compared to a cash inflow of US$113 million in 2019 primarily due to operating losses across owned hotels as well as tax and net interest payments.

Under investing activities, capital expenditure on existing properties was US$39 million in 2020, a slight decrease compared to 2019. While most capital expenditure projects were deferred or cancelled, selective renovation projects already planned or underway before the pandemic continued to proceed. In 2020, these projects included rooms renovations in the Boston and Munich hotels, and the creation of new facilities in the Hong Kong hotel. In 2019, major capital expenditure related to the completion of the restoration of the London hotel, a rooms renovation in the Tokyo hotel and the creation of new premium suites in the Geneva and Paris hotels. US$22 million and US$15 million was invested into the Causeway Bay site under development, in 2020 and 2019 respectively. US$31 million and US$15 million was the Group's 50% share of funding for the restoration of the Madrid hotel, in 2020 and 2019 respectively. Net advances to associates and joint ventures were to fund operating losses incurred in the New York hotel in 2020 and in 2019, related to a repayment received from the Miami hotel.

In 2020 in order to preserve cash, the Directors withdrew their recommendation to pay a dividend in respect of 2019 final results and an interim dividend for 2020 was not declared. Compared to 2019, cash outflows were US$38 million better as a result.

Significant capital commitments, as previously announced
Looking ahead, the Group is committed to investing US$708 million into previously announced significant capital projects:

	US$m	Timing
Munich expansion	139	2021-25
The Causeway Bay site under development	569	2021-25
Total	708	

These projects will be funded through an appropriate mixture of external debt and existing cash reserves, including new debt facilities entered into in early 2021.

Dividends

No dividends are being recommended in light of the significant losses incurred in 2020. The Group will consider the resumption of dividend payments once business levels improve.

Supplementary information

Although the Group's accounting policy in respect of its freehold land and buildings and the building component of owner-occupied leasehold properties is based on the cost model, the Directors continue to review the fair market values in conjunction with independent appraisers on an annual basis. The fair market value of both freehold and leasehold land and buildings is used by the Group to calculate adjusted net assets, which the Directors believe gives important supplementary information regarding net asset value per share and gearing as shown in the table below.

Following the closure of The Excelsior hotel in 2019, the site was revalued and transferred from a right-of-use asset to an investment property under development subject to regular valuation review. The initial revaluation gain of some US$2.9 billion was recognised in the asset revaluation reserves through other comprehensive income in 2019 and the gain was classified from adjusted shareholders' funds to shareholders' funds at the same time.

The decrease in 2020 adjusted shareholders' funds was primarily due to the total loss attributable to shareholders of US$680 million, a large portion of which was related to the 15% decrease in valuation of the Causeway Bay site under development. In 2020, the fair market value of the Group's freehold and leasehold land and buildings fell by some 4%.

	2020		2019	
	US$m	**Per share US$**	US$m	Per share US$
Shareholders' funds/ net assets	**3,510**	**2.78**	4,113	3.26
Add: surplus for fair market value of freehold and leasehold land and buildings	**1,661**	**1.31**	1,823	1.44
Adjusted shareholders' funds/net assets	**5,171**	**4.09**	5,936	4.70

Treasury activities

The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objective is to manage exchange and interest rate risks and to provide a degree of certainty in respect of costs. The Group has fixed or capped interest rates on 41% of its gross borrowings.

In respect of specific hotel financing, borrowings are normally taken in local currency to hedge partially the investment and the projected income. At 31st December 2020, the Group's net assets were denominated in the following currencies:

	Net assets		Adjusted net assets*	
	US$m	%	US$m	%
Hong Kong dollar	2,271	64	3,282	63
Euro	551	15	732	14
United Kingdom sterling	217	6	401	8
United States dollar	280	8	324	6
Singapore dollar	67	2	225	4
Thai baht	16	1	80	2
Swiss franc	63	2	63	1
Indonesian rupiah	13	1	30	1
Others	32	1	34	1
	3,510	100	5,171	100

* See supplementary information section above.

The Group, excluding associates and joint ventures, had committed borrowing facilities totalling US$834 million, of which US$671 million was drawn at 31st December 2020. The principal amounts due for repayment are as follows:

	Facilities committed US$m	Facilities drawn US$m	Unused facilities US$m
Within one year	65	65	–
Between one and two years	–	–	–
Between two and three years	–	–	–
Between three and four years	768	605	163
Between four and five years	–	–	–
Beyond five years	1	1	–
	834	671	163

US$65 million of committed facilities due within one year relate to a loan used to finance the restoration of the Madrid hotel. This will be repaid using existing committed debt facilities.

At 31st December 2020, consolidated net debt was US$506 million and gearing was 14%, compared with consolidated net debt of US$300 million at 31st December 2019 which was 7% of shareholders' funds.

Taking into account the fair market value of the Group's freehold and leasehold interests (which are accounted for at historical cost less depreciation) gearing was 10% of adjusted shareholders' funds at 31st December 2020, compared to 5% in the prior year.

With US$163 million of committed, undrawn facilities in addition to its cash balances of US$165 million, the Group remains well financed. The average tenor of the Group's borrowings was 3.2 years (2019: 4.2 years). In early 2021, the Group increased its committed headroom with four new debt facilities totalling some US$260 million. These new facilities are intended to finance planned investments in the Causeway Bay site under development and expansion of the Munich hotel in the next two years, as well as refinance the Madrid loan.

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 123 and 124.

Accounting policies

The Directors continue to review the developments in International Financial Reporting Standards ('IFRS') and their impact on the Group's accounting policies. The accounting policies adopted are consistent with those of the previous year, except that the Group has early adopted the 'COVID-19 Related Rent Concessions: Amendment to IFRS 16 Leases' in relation to rent concession, where the Group is a lessee. This is more fully detailed in the note 1(b) 'Basis of preparation' in the financial statements. The adoption of the amendment does not have a material effect on the financial statements.

Craig Beattie
Chief Financial Officer
11th March 2021

Directors' Profiles

Ben Keswick *Chairman*
Mr Keswick joined the Board as Managing Director in April 2012 and held the position until June 2020. He has been Chairman since 2013. He was also managing director of Dairy Farm, Jardine Matheson, Jardine Strategic and Hongkong Land from 2012 to 2020. Mr Keswick has held a number of executive positions since joining the Jardine Matheson group in 1998, including finance director and then chief executive officer of Jardine Pacific between 2003 and 2007 and, thereafter, group managing director of Jardine Cycle & Carriage until 2012. He is executive chairman of Jardine Matheson and Jardine Strategic, and chairman of Dairy Farm, Hongkong Land and Jardine Cycle & Carriage. Mr Keswick is also a director of Yonghui Superstores and a commissioner of Astra. He has an MBA from INSEAD.

John Witt* *Managing Director*
Mr Witt rejoined the Board as Managing Director in June 2020, having previously served as the Chief Financial Officer between 2000 and 2010. He has been with the Jardine Matheson group since 1993 and has held a number of senior finance positions, including group finance director of Jardine Matheson from 2016 to 2020 and the chief financial officer of Hongkong Land from 2010 to 2016. Mr Witt is chairman of Jardine Matheson Limited, group managing director of Jardine Matheson and managing director of Dairy Farm, Jardine Strategic and Hongkong Land. He is also a director of Jardine Pacific and Jardine Motors, and a commissioner and chairman of the executive committee of Astra. Mr Witt is a Chartered Accountant and has an MBA from INSEAD.

James Riley* *Group Chief Executive*
Mr Riley joined the Board as Group Chief Executive in 2016. He has previously held a number of senior executive positions in the Jardine Matheson group since joining from Kleinwort Benson in 1993. A Chartered Accountant, he was group finance director of Jardine Matheson from 2005 to 2016. He has been a director of Mandarin Oriental Hotel Group International since 2005. He was a non-executive director of the Hongkong and Shanghai Banking Corporation from 2012 to 2016.

Craig Beattie* *Chief Financial Officer*
Mr Beattie joined the Board as Chief Financial Officer in 2018. He has previously held a number of senior finance positions in the Jardine Matheson group since joining from Ernst & Young in the UK in 2006, including group treasurer of Jardine Matheson from 2016 to 2018. He was director of Corporate Finance of the Group from 2011 to 2013. He is a Chartered Accountant.

Jack Yilun Chen
Mr Chen joined the Board in 2018. He is a senior executive within Taikang Insurance Group and a director of China Guardian Auctions.

Julian Hui
Mr Hui joined the Board in 1994. He is an executive director of Owens Company, and a director of Central Development and Jardine Matheson.

* Executive Director

Adam Keswick
Mr Keswick joined the Board in 2012. Having joined Jardine Matheson in 2001, he was appointed to the Jardine Matheson board in 2007 and was deputy managing director from 2012 to 2016. Mr Keswick is a director of Dairy Farm, Hongkong Land and Jardine Strategic. He is also a director of Ferrari NV and Yabuli China Entrepreneurs Forum and vice chairman of the supervisory board of Rothschild & Co.

Archie Keswick
Mr Keswick joined the Board in December 2019. Having joined the Jardine Matheson group in 2007, he held a number of senior executive positions within the group, including most recently CEO, Pizza Hut Vietnam and the general manager of The Landmark Mandarin Oriental, Hong Kong.

Lincoln K.K. Leong
Mr Leong joined the Board in 2012. He is a Chartered Accountant and has extensive experience in the accountancy and investment banking industries. Mr Leong is a director of Jardine Strategic and Link Asset Management Limited. He was previously the chief executive officer of MTR Corporation.

Anthony Nightingale
Mr Nightingale joined the Board in 2006 and was Managing Director of the Company from 2006 to 2012. He is also a director of Dairy Farm, Hongkong Land, Jardine Cycle & Carriage, Jardine Matheson, Jardine Strategic, Prudential, Shui On Land and Vitasoy, and a commissioner of Astra. He is chairperson of The Sailors Home and Missions to Seafarers in Hong Kong.

Y.K. Pang
Mr Pang joined the Board in 2016. He is deputy managing director and chairman of Hong Kong of Jardine Matheson, and chairman of Jardine Pacific. He previously held a number of senior executive positions in the Jardine Matheson group, which he joined in 1984, including chief executive of Hongkong Land between 2007 and 2016. Mr Pang is also deputy chairman of Jardine Matheson Limited, and a director of Dairy Farm, Gammon, Hongkong Land, Jardine Matheson (China), Jardine Strategic and Greatview. He is chairman of the Hong Kong Tourism Board, deputy chairman of the Hong Kong Management Association, a member of the Council and General Committee of the Hong Kong General Chamber of Commerce and the Employers' Federation of Hong Kong.

James Watkins
Mr Watkins joined the Board in 1997. He was a director and group general counsel of Jardine Matheson from 1997 to 2003. Mr Watkins qualified as a solicitor in 1969 and was formerly a partner of Linklaters. He is also a director of Hongkong Land.

Percy Weatherall
Mr Weatherall joined the Board in 2000 and was Managing Director from 2000 to 2006. He first joined the Jardine Matheson group in 1976 and retired from executive office in 2006. He is also a director of Dairy Farm, Hongkong Land, Jardine Matheson and Jardine Strategic. He is chairman of Corney & Barrow and the Nith District Salmon Fishery Board.

Consolidated Profit and Loss Account

for the year ended 31st December 2020

		2020			2019		
	Note	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
Revenue	2	**183.7**	**–**	**183.7**	566.5	–	566.5
Cost of sales		**(233.0)**	**–**	**(233.0)**	(364.7)	–	(364.7)
Gross (loss)/profit		**(49.3)**	**–**	**(49.3)**	201.8	–	201.8
Selling and distribution costs		**(31.4)**	**–**	**(31.4)**	(38.8)	–	(38.8)
Administration expenses		**(97.5)**	**–**	**(97.5)**	(117.2)	–	(117.2)
Other operating (expense)/income		**(7.6)**	**0.7**	**(6.9)**	25.2	(32.7)	(7.5)
Change in fair value of investment property under development	12	**–**	**(474.9)**	**(474.9)**	–	(67.3)	(67.3)
Operating (loss)/profit	3	**(185.8)**	**(474.2)**	**(660.0)**	71.0	(100.0)	(29.0)
Financing charges		**(14.2)**	**–**	**(14.2)**	(18.1)	–	(18.1)
Interest income		**1.6**	**–**	**1.6**	3.4	–	3.4
Net financing charges	4	**(12.6)**	**–**	**(12.6)**	(14.7)	–	(14.7)
Share of results of associates and joint ventures	5	**(26.8)**	**–**	**(26.8)**	(1.7)	–	(1.7)
(Loss)/profit before tax		**(225.2)**	**(474.2)**	**(699.4)**	54.6	(100.0)	(45.4)
Tax	6	**19.4**	**–**	**19.4**	(13.5)	3.3	(10.2)
(Loss)/profit after tax		**(205.8)**	**(474.2)**	**(680.0)**	41.1	(96.7)	(55.6)
Attributable to:							
Shareholders of the Company	7&8	**(205.9)**	**(474.2)**	**(680.1)**	41.2	(96.7)	(55.5)
Non-controlling interests		**0.1**	**–**	**0.1**	(0.1)	–	(0.1)
		(205.8)	**(474.2)**	**(680.0)**	41.1	(96.7)	(55.6)
		US¢		**US¢**	US¢		US¢
(Loss)/earnings per share	7						
– basic		**(16.30)**		**(53.84)**	3.26		(4.39)
– diluted		**(16.30)**		**(53.84)**	3.26		(4.39)

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2020

	Note	2020 US$m	2019 US$m
Loss for the year		**(680.0)**	(55.6)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	16	**5.2**	3.4
Revaluation surplus of right-of-use assets before transfer to investment property under development	11	**–**	2,943.4
Tax on items that will not be reclassified	6	**(0.9)**	(0.6)
		4.3	2,946.2
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net gains arising during the year		**80.0**	25.0
Cash flow hedges			
– net losses arising during the year		**(11.4)**	(0.4)
Tax relating to items that may be reclassified	6	**1.9**	0.1
Share of other comprehensive income of associates and joint ventures		**1.8**	3.1
		72.3	27.8
Other comprehensive income for the year, net of tax		**76.6**	2,974.0
Total comprehensive (expense)/income for the year		**(603.4)**	2,918.4
Attributable to:			
Shareholders of the Company		**(603.9)**	2,918.4
Non-controlling interests		**0.5**	–
		(603.4)	2,918.4

Consolidated Balance Sheet

at 31st December 2020

	Note	2020 US$m	2019 US$m
Net assets			
Intangible assets	9	**45.4**	53.0
Tangible assets	10	**1,181.5**	1,174.6
Right-of-use assets	11	**297.4**	300.3
Investment property under development	12	**2,528.3**	2,967.7
Associates and joint ventures	13	**231.6**	203.1
Other investments	14	**16.1**	15.9
Deferred tax assets	15	**17.8**	10.6
Pension assets	16	**5.5**	1.3
Non-current debtors	17	**5.1**	6.2
Non-current assets		**4,328.7**	4,732.7
Stocks		**6.0**	6.2
Current debtors	17	**71.7**	97.2
Current tax assets		**3.1**	1.9
Bank and cash balances	18	**164.6**	270.7
Current assets		**245.4**	376.0
Current creditors	19	**(144.6)**	(166.0)
Current borrowings	20	**(64.2)**	(2.5)
Current lease liabilities	21	**(7.0)**	(7.0)
Current tax liabilities		**(10.1)**	(19.1)
Current liabilities		**(225.9)**	(194.6)
Net current assets		**19.5**	181.4
Long-term borrowings	20	**(606.6)**	(568.6)
Non-current lease liabilities	21	**(170.1)**	(168.4)
Deferred tax liabilities	15	**(47.1)**	(59.4)
Pension liabilities	16	**(0.3)**	(0.2)
Non-current creditors	19	**(10.9)**	(0.9)
		3,513.2	4,116.6
Total equity			
Share capital	24	**63.2**	63.2
Share premium	25	**499.7**	499.7
Revenue and other reserves		**2,946.6**	3,550.1
Shareholders' funds		**3,509.5**	4,113.0
Non-controlling interests		**3.7**	3.6
		3,513.2	4,116.6

Approved by the Board of Directors

James Riley
Craig Beattie
Directors
11th March 2021

Consolidated Statement of Changes in Equity

for the year ended 31st December 2020

	Note	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
2020											
At 1st January		**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		**63.2**	**499.7**	**260.3**	**(240.3)**	**2,943.4**	**(9.7)**	**(7.1)**	**3,509.5**	**3.7**	**3,513.2**
2019											
At 1st January		63.1	497.8	262.5	525.0	–	0.6	(116.6)	1,232.4	3.8	1,236.2
Total comprehensive income		–	–	–	(52.6)	2,943.4	(0.6)	28.2	2,918.4	–	2,918.4
Dividends paid by the Company	27	–	–	–	(37.9)	–	–	–	(37.9)	–	(37.9)
Issue of shares		0.1	0.1	–	–	–	–	–	0.2	–	0.2
Share-based long-term incentive plans		–	–	(0.3)	–	–	–	–	(0.3)	–	(0.3)
Change in interest in a subsidiary		–	–	–	0.2	–	–	–	0.2	(0.2)	–
Transfer		–	1.8	(1.9)	0.1	–	–	–	–	–	–
At 31st December		63.2	499.7	260.3	434.8	2,943.4	–	(88.4)	4,113.0	3.6	4,116.6

Revenue reserves as at 31st December 2020 included cumulative fair value loss on the investment property under development of US$542.2 million (2019: US$67.3 million).

Consolidated Cash Flow Statement

for the year ended 31st December 2020

	Note	2020 US$m	2019 US$m
Operating activities			
Operating loss	3	**(660.0)**	(29.0)
Depreciation, amortisation and impairment		**124.2**	91.9
Other non-cash items	28a	**472.8**	69.0
Movements in working capital	28b	**1.4**	(3.1)
Interest received		**1.8**	3.4
Interest and other financing charges paid		**(14.1)**	(19.2)
Tax paid		**(9.6)**	(6.0)
		(83.5)	107.0
Dividends and interest from associates and joint ventures		**–**	5.9
Cash flows from operating activities		**(83.5)**	112.9
Investing activities			
Purchase of tangible assets		**(38.9)**	(41.7)
Additions to investment property under development		**(21.6)**	(15.1)
Purchase of intangible assets		**(5.3)**	(8.3)
Payment on Munich expansion	28c	**–**	(1.1)
Purchase of other investments		**(0.6)**	(1.1)
Purchase of an associate	28d	**(2.0)**	–
Advance to associates and joint ventures	28e	**(40.5)**	(16.7)
Repayment of loans to associates and joint ventures	28f	**0.4**	3.6
Cash flows from investing activities		**(108.5)**	(80.4)
Financing activities			
Issue of shares		**–**	0.1
Drawdown of borrowings	20	**88.4**	555.8
Repayment of borrowings	20	**(0.1)**	(522.3)
Principal elements of lease payments	28g	**(6.0)**	(6.4)
Dividends paid by the Company	27	**–**	(37.9)
Cash flows from financing activities		**82.3**	(10.7)
Net (decrease)/increase in cash and cash equivalents		**(109.7)**	21.8
Cash and cash equivalents at 1st January		**270.7**	246.8
Effect of exchange rate changes		**3.6**	2.1
Cash and cash equivalents at 31st December	28h	**164.6**	270.7

1 Going concern 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 in 2020 due to the COVID-19 pandemic. Most governments introduced measures that impacted people's freedom of movement and led to an overall 68% decline in revenue in 2020. It is unclear how long it will take for the Group's revenues to recover to pre-pandemic levels, although they are expected to substantially improve once government restrictions are lifted.

The Group has taken a number of actions to reduce costs and preserve cash both in the hotels in which it has an ownership interest as well as the corporate organisation. These included the suspension of non-essential capital expenditure and non-payroll expenses, significantly reduced payroll costs through furlough, unpaid leave, reduced pay and redundancies as well as participation in government financial support measures wherever possible. In addition, the Directors withdrew their recommendation of a final dividend in respect of the 2019 financial year and a dividend is not proposed in respect of 2020.

While a significant amount of costs has been reduced, there are certain fixed costs relating to property ownership that continue to be incurred. In 2020, the Group incurred total cash outflow from operating activities of US$84 million (2019: cash inflow of US$113 million). A return to positive operating cash flow is expected once revenues substantially recover.

The Group has 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$5.2 billion at 31st December 2020.

The Group has historically maintained a conservatively financed balance sheet with significant levels of liquidity. While net debt increased during 2020, at 31st December 2020 gearing was 10% of adjusted shareholders' funds *(refer note 36)*. At 31st December 2020, the Group had total liquidity of US$328 million, comprising US$163 million of undrawn committed facilities and US$165 million of cash balances. The Group's facilities are not subject to any cash flow covenants and had an average remaining tenor of 3.2 years. In February 2021, the Group further strengthened its liquidity by securing new committed facilities of US$260 million, with a tenor of two years. This robust liquidity position enables the Group to sustain a prolonged downturn in the hospitality industry should that eventuate. Overall, the Group's balance sheet position remains strong.

Trading conditions in 2021 remain highly uncertain, with limited visibility on the pace and scale of a market recovery. In adopting the going concern basis for preparing the 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 financial statements.

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

1 Going concern and basis of preparation *continued*

b) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations adopted by the International Accounting Standards Board. The financial statements have been prepared on a going concern basis and under the historical cost convention except as disclosed in the accounting policies.

Details of the Group's principal accounting policies are included in note 34.

The Group has elected to early adopt the 'Interest Rate Benchmark Reform – Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7' (effective 1st January 2020) in relation to hedge accounting for the Group's annual reporting period commencing 1st January 2019.

The Group has adopted the following changes in relation to rent concessions for the annual reporting period commencing 1st January 2020.

COVID-19 related rent concessions: amendment to IFRS 16 leases

The Group has early adopted the Amendment, which became effective 1st June 2020. Where the Group is a lessee, the practical expedient is applied to account for the change in lease payments resulting from rent concessions granted as a direct consequence of the COVID-19 pandemic. The Group elects not to assess these concessions as lease modifications when all of the following conditions are met:

i) the revised lease payments are substantially the same as, or less than, the consideration for the lease immediately preceding the change;

ii) reduction in lease payments relates to payment due on or before 30th June 2021; and

iii) there is no substantive change to the other terms and conditions of the lease.

Rent concessions fulfilling the above conditions are recognised in the profit and loss over the period in which they cover.

Apart from the above, there are no other amendments which are effective in 2020 and relevant to the Group's operations, that have a significant impact on the Group's results, financial position and accounting policies.

The Group has not early adopted any standard, interpretation or amendments that have been issued but not yet effective *(refer note 35)*.

The principal operating subsidiaries, associates and joint ventures have different functional currencies in line with the economic environments of the locations in which they operate. The functional currency of the Company is United States dollars. The consolidated financial statements are presented in United States dollars.

The Group's reportable segments are set out in note 2.

2 Revenue

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive Directors of the Company for the purpose of resource allocation and performance assessment. The Group is operated on a worldwide basis in three (2019: three) regions: Asia, Europe, Middle East and Africa ('EMEA'), and America which form the basis of its reportable segments.

In addition, the Group has three (2019: three) distinct business activities: Hotel ownership, Hotel & Residences branding and management, and Property development. The Property development segment represents the redevelopment of The Excelsior site as a commercial building following the closure of The Excelsior, Hong Kong on 31st March 2019 (the 'Causeway Bay site under development'). The redevelopment is expected to complete in 2025. The Group's segmental information for non-current assets is set out in note 23.

	2020 US$m	2019 US$m
Analysis by geographical area		
– Asia	**96.9**	272.2
– EMEA	**66.1**	189.5
– America	**20.7**	104.8
	183.7	566.5
Analysis by activity		
– Hotel ownership	**161.4**	526.9
– Hotel & Residences branding and management	**27.1**	69.0
– Less: intra-segment revenue	**(4.8)**	(29.4)
	183.7	566.5
From contracts with customers		
– Recognised at a point in time	**72.5**	207.3
– Recognised over time	**94.8**	339.4
	167.3	546.7
From other sources		
– Rental income	**16.4**	19.8
	183.7	566.5

Contract balances

Setup costs in order to secure long-term hotel management contracts are capitalised under intangible assets and amortised in profit and loss when the related revenue is recognised. Management reviews the capitalised costs on a regular basis and expects the setup costs to be recoverable.

Contract liabilities primarily relate to the advance consideration received from customers relating to gift cards and advance customer deposits for hotel services, for which revenue is recognised when the goods and services are provided to the customers.

Contract liabilities are further analysed as follows:

	2020 US$m	2019 US$m
Contract liabilities *(refer note 19)*		
– Gift cards	**10.3**	10.9
– Advance customer deposits and other	**20.8**	20.2
	31.1	31.1

2 Revenue *continued*

Revenue recognised in relation to contract liabilities

Revenue recognised in the current year relating to carried-forward contract liabilities:

	2020 US$m	2019 US$m
Gift cards	**10.4**	10.9
Advance customer deposits and other	**5.9**	7.1
	16.3	18.0

Revenue expected to be recognised on unsatisfied contracts with customers

Timing of revenue to be recognised on unsatisfied performance obligations:

	Gift cards **US$m**	Advance customer deposits and other **US$m**	Total **US$m**
2020			
Within one year	**4.0**	**24.2**	**28.2**
Between one and two years	**4.2**	**0.8**	**5.0**
Between two and three years	**1.3**	**–**	**1.3**
Between three and four years	**0.5**	**–**	**0.5**
Between four and five years	**0.3**	**–**	**0.3**
	10.3	**25.0**	**35.3**
2019			
Within one year	4.2	28.4	32.6
Between one and two years	4.5	0.5	5.0
Between two and three years	1.4	–	1.4
Between three and four years	0.5	–	0.5
Between four and five years	0.3	–	0.3
	10.9	28.9	39.8

3 EBITDA (earnings before interest, tax, depreciation and amortisation) and operating loss from subsidiaries

	2020 US$m	2019 US$m
Analysis by geographical area		
– Asia	**(18.6)**	75.1
– EMEA	**(10.5)**	55.6
– America	**(32.5)**	6.8
Underlying EBITDA from subsidiaries	**(61.6)**	137.5
Non-trading items *(refer note 8)*		
Fire at Mandarin Oriental Hyde Park, London		
– repair expenses and write-off of tangible assets and other incidental expenses	**–**	(8.3)
– insurance recovery for replacement of tangible assets and other incidental expenses	**–**	9.0
Closure of The Excelsior, Hong Kong – other costs	**–**	(6.5)
Change in fair value of investment property under development	**(474.9)**	(67.3)
Change in fair value of other investments	**0.7**	(1.5)
	(474.2)	(74.6)
EBITDA from subsidiaries	**(535.8)**	62.9
Underlying depreciation, amortisation and impairment from subsidiaries	**(124.2)**	(66.5)
Non-trading items *(refer note 8)*		
Closure of The Excelsior, Hong Kong		
– accelerated depreciation and amortisation	**–**	(25.4)
Operating loss	**(660.0)**	(29.0)
Analysis by activity		
– Hotel ownership	**(48.5)**	99.7
– Hotel & Residences branding and management	**(12.4)**	30.5
– Property development	**(474.9)**	(67.3)
EBITDA from subsidiaries	**(535.8)**	62.9
– Hotel ownership	**(158.7)**	15.0
– Hotel & Residences branding and management	**(26.4)**	23.3
– Property development	**(474.9)**	(67.3)
Operating loss	**(660.0)**	(29.0)

The impact of the impairment of Mandarin Oriental, Geneva on EBITDA in 2020 included an accelerated depreciation for the leasehold property of US$41.9 million and an accelerated amortisation for the leasehold land of US$3.4 million. Taking into account a deferred tax credit of US$14.4 million *(refer note 6)*, the net impact of the impairment was US$30.9 million, which was reflected in the underlying loss.

3 EBITDA (earnings before interest, tax, depreciation and amortisation) and operating loss from subsidiaries *continued*

	2020 US$m	2019 US$m
The following items have been credited/(charged) in arriving at operating loss:		
Rental income *(refer note 10)*	**16.4**	19.8
Amortisation of intangible assets *(refer note 9)*	**(13.7)**	(3.6)
Depreciation and impairment of tangible assets *(refer note 10)*	**(97.6)**	(79.9)
Amortisation/depreciation and impairment of right-of-use assets *(refer note 11)*	**(12.9)**	(8.4)
Employee benefit (expense)/credit		
– salaries and benefits in kind	**(176.2)**	(256.2)
– share options and share awards granted	**–**	0.4
– defined benefit pension plans *(refer note 16)*	**(3.6)**	–
– defined contribution pension plans	**(1.6)**	(1.9)
	(181.4)	(257.7)
Net foreign exchange gains/(losses)	**1.3**	(1.1)
Expenses relating to short-term leases	**(0.5)**	(0.7)
Expenses relating to variable lease payments not included in lease liabilities	**(2.1)**	(6.4)
Subleases income	**0.2**	0.5
Auditors' remuneration		
– audit	**(1.7)**	(1.7)
– non-audit services	**(0.7)**	(0.9)
	(2.4)	(2.6)

For the year ended 31st December 2020, the Group had received government grants, the majority of which were in support of employee retention of US$31.9 million. In addition, there were rent concessions of US$2.3 million. Both amounts related to the impact of the COVID-19 pandemic. These subsidies were accounted for as other operating income.

4 Net financing charges

	2020 US$m	2019 US$m
Interest expense		
– bank loans	**(11.2)**	(13.7)
– interest on lease liabilities	**(1.9)**	(2.4)
Commitment and other fees	**(1.1)**	(2.0)
Financing charges	**(14.2)**	(18.1)
Interest income	**1.6**	3.4
Net financing charges	**(12.6)**	(14.7)

5 Share of results of associates and joint ventures

	EBITDA US$m	Depreciation and amortisation US$m	Operating (loss)/ profit US$m	Net financing charges US$m	Tax US$m	Net (loss)/ profit US$m
2020						
Analysis by geographical area						
– Asia	**0.7**	**(10.2)**	**(9.5)**	**(1.6)**	**2.4**	**(8.7)**
– EMEA	**(4.4)**	**(0.4)**	**(4.8)**	**(0.1)**	**–**	**(4.9)**
– America	**(8.9)**	**(2.7)**	**(11.6)**	**(1.6)**	**–**	**(13.2)**
	(12.6)	**(13.3)**	**(25.9)**	**(3.3)**	**2.4**	**(26.8)**
Analysis by activity						
– Hotel ownership	**(12.9)**	**(12.7)**	**(25.6)**	**(3.2)**	**2.4**	**(26.4)**
– Other	**0.3**	**(0.6)**	**(0.3)**	**(0.1)**	**–**	**(0.4)**
	(12.6)	**(13.3)**	**(25.9)**	**(3.3)**	**2.4**	**(26.8)**
2019						
Analysis by geographical area						
– Asia	16.7	(11.1)	5.6	(1.8)	(0.3)	3.5
– EMEA	(4.0)	(0.4)	(4.4)	–	–	(4.4)
– America	4.3	(2.7)	1.6	(2.4)	–	(0.8)
	17.0	(14.2)	2.8	(4.2)	(0.3)	(1.7)
Analysis by activity						
– Hotel ownership	15.8	(13.5)	2.3	(4.1)	(0.2)	(2.0)
– Other	1.2	(0.7)	0.5	(0.1)	(0.1)	0.3
	17.0	(14.2)	2.8	(4.2)	(0.3)	(1.7)

For the year ended 31st December 2020, the results of associates and joint ventures included the Group's share of government grants, the majority of which were in support of employee retention of US$3.7 million. In addition, there were rent concessions of US$0.1 million. Both amounts were in relation to the COVID-19 pandemic.

6 Tax

	2020 US$m	2019 US$m
Tax credited/(charged) to profit and loss is analysed as follows:		
– current tax	**0.6**	(12.7)
– deferred tax *(refer note 15)*	**18.8**	2.5
	19.4	(10.2)
Analysis by geographical area		
– Asia	**0.5**	(4.0)
– EMEA	**20.6**	(5.0)
– America	**(1.7)**	(1.2)
	19.4	(10.2)
Analysis by activity		
– Hotel ownership	**19.5**	(6.0)
– Hotel & Residences branding and management	**(0.1)**	(4.2)
	19.4	(10.2)
Reconciliation between tax expense and tax at the applicable tax rate*:		
Tax at applicable tax rate	**122.7**	10.6
Income not subject to tax		
– change in fair value of other investments	**0.1**	–
– other items	**0.4**	1.5
Expenses not deductible for tax purposes		
– change in fair value of investment property under development	**(78.3)**	(11.1)
– change in fair value of other investments	**–**	(0.2)
– closure of The Excelsior, Hong Kong	**–**	(1.9)
– impairment of Mandarin Oriental, Geneva	**(6.3)**	–
– other items	**(5.0)**	(3.3)
Tax losses and temporary differences not recognised	**(24.6)**	(7.1)
Utilisation of previously unrecognised tax losses and temporary differences	**0.4**	0.7
Recognition of previously unrecognised tax losses	**–**	0.7
Deferred tax assets written off	**(2.2)**	–
Deferred tax liabilities written back in relation to the impairment of Mandarin Oriental, Geneva	**14.4**	–
Withholding tax	**(2.6)**	(2.9)
Over provision in prior years	**0.4**	2.1
Other	**–**	0.7
	19.4	(10.2)
Tax relating to components of other comprehensive income is analysed as follows:		
Remeasurements of defined benefit plans	**(0.9)**	(0.6)
Cash flow hedges	**1.9**	0.1
	1.0	(0.5)

Deferred tax in 2020 included a credit of US$14.4 million in relation to the impairment of Mandarin Oriental, Geneva *(refer note 3)*.

The results of associates and joint ventures included the Group's share of tax credits of US$2.4 million (2019: tax charges of US$0.3 million) *(refer note 5)*.

* The applicable tax rate for the year was 18% (2019: 24%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates.

7 (Loss)/earnings per share

Basic loss per share is calculated using loss attributable to shareholders of US$680.1 million (2019: US$55.5 million) and the weighted average number of 1,263.2 million (2019: 1,262.9 million) shares in issue during the year.

Diluted loss per share is calculated using loss attributable to shareholders of US$680.1 million (2019: US$55.5 million) and the weighted average number of 1,263.2 million (2019: 1,263.2 million) shares in issue after adjusting for the numbers of shares which are deemed to be issued for no consideration under the share-based long-term incentive plans based on average share price during the year.

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

	Ordinary shares in millions	
	2020	2019
Weighted average number of shares for basic loss/earnings per share calculation	**1,263.2**	1,262.9
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	–	0.3
Weighted average number of shares for diluted loss/earnings per share calculation	**1,263.2**	1,263.2

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

		2020			2019	
	US$m	**Basic loss per share US¢**	**Diluted loss per share US¢**	US$m	Basic (loss)/earnings per share US¢	Diluted (loss)/earnings per share US¢
Loss attributable to shareholders	**(680.1)**	**(53.84)**	**(53.84)**	(55.5)	(4.39)	(4.39)
Non-trading items *(refer note 8)*	**474.2**			96.7		
Underlying (loss)/profit attributable to shareholders	**(205.9)**	**(16.30)**	**(16.30)**	41.2	3.26	3.26

8 Non-trading items

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

	2020 US$m	2019 US$m
Fire at Mandarin Oriental Hyde Park, London		
– repair expenses and write-off of tangible assets and other incidental expenses	–	(8.3)
– insurance recovery for replacement of tangible assets and other incidental expenses	–	9.0
Closure of The Excelsior, Hong Kong		
– accelerated depreciation and amortisation	–	(22.8)
– other costs	–	(5.8)
Change in fair value of investment property under development	**(474.9)**	(67.3)
Change in fair value of other investments	**0.7**	(1.5)
	(474.2)	(96.7)

9 Intangible assets

	Goodwill US$m	Computer software US$m	Development project contract costs US$m	Total US$m
2020				
Cost	**23.9**	**28.0**	**25.7**	**77.6**
Amortisation and impairment	–	**(17.1)**	**(7.5)**	**(24.6)**
Net book value at 1st January	**23.9**	**10.9**	**18.2**	**53.0**
Exchange differences	–	**0.1**	**0.1**	**0.2**
Additions	–	**3.8**	**2.1**	**5.9**
Amortisation charge	–	**(5.8)**	**(7.9)**	**(13.7)**
Net book value at 31st December	**23.9**	**9.0**	**12.5**	**45.4**
Cost	**23.9**	**32.7**	**25.3**	**81.9**
Amortisation and impairment	–	**(23.7)**	**(12.8)**	**(36.5)**
	23.9	**9.0**	**12.5**	**45.4**
2019				
Cost	23.9	28.1	21.8	73.8
Amortisation and impairment	–	(18.7)	(5.8)	(24.5)
Net book value at 1st January	23.9	9.4	16.0	49.3
Exchange differences	–	–	(0.1)	(0.1)
Additions	–	3.3	4.1	7.4
Amortisation charge	–	(1.8)	(1.8)	(3.6)
Net book value at 31st December	23.9	10.9	18.2	53.0
Cost	23.9	28.0	25.7	77.6
Amortisation and impairment	–	(17.1)	(7.5)	(24.6)
	23.9	10.9	18.2	53.0

Management has performed an impairment review of the carrying amount of goodwill at 31st December 2020. For the purpose of impairment review, goodwill acquired has been allocated to the respective hotels and is reviewed for impairment based on individual hotel forecast operating performance and cash flows. Cash flow projections for the impairment reviews are based on value-in-use calculations using updated individual hotel forecasts (including the following year's individual hotel budgets) with assumptions updated for the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations include average annual growth rates of 15% to 20% to forecast cash flows over a five-year period with an assumed recovery of business following the COVID-19 pandemic, after which the growth rate is assumed to be up to 4% in perpetuity. Individual growth assumptions vary across the Group's geographical locations, and are based on management expectations for each market's development. Pre-tax discount rates of 7% to 13% are applied to the cash flow projections. The discount rates used reflect business specific risks relating to the business life-cycle and geographical location. On the basis of these reviews, management concluded that no impairment exists.

The amortisation charges are all recognised in arriving at operating profit and are included in cost of sales, selling and distribution costs, administration expenses and other operating expense.

The amortisation periods for intangible assets are as follows:

Computer software	3 to 5 years
Development project contract costs	20 to 40 years

10 Tangible assets

	Freehold properties US$m	Properties on leasehold land & leasehold improvements US$m	Plant & machinery US$m	Furniture, equipment & motor vehicles US$m	Total US$m
2020					
Cost	**840.6**	**462.7**	**114.1**	**250.5**	**1,667.9**
Depreciation and impairment	**(94.9)**	**(173.8)**	**(60.0)**	**(164.6)**	**(493.3)**
Net book value at 1st January	**745.7**	**288.9**	**54.1**	**85.9**	**1,174.6**
Exchange differences	**44.7**	**12.9**	**3.3**	**3.5**	**64.4**
Additions	**7.2**	**3.3**	**0.4**	**29.5**	**40.4**
Disposals	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Reclassification	**50.6**	**(52.4)**	**0.2**	**1.6**	**–**
Depreciation and impairment charge	**(10.1)**	**(57.3)**	**(7.1)**	**(23.1)**	**(97.6)**
Net book value at 31st December	**838.1**	**195.4**	**50.9**	**97.1**	**1,181.5**
Cost	**950.6**	**428.2**	**135.7**	**317.0**	**1,831.5**
Depreciation and impairment	**(112.5)**	**(232.8)**	**(84.8)**	**(219.9)**	**(650.0)**
	838.1	**195.4**	**50.9**	**97.1**	**1,181.5**
2019					
Cost	837.1	539.4	132.0	273.6	1,782.1
Depreciation and impairment	(87.4)	(229.5)	(71.7)	(187.6)	(576.2)
Net book value at 1st January	749.7	309.9	60.3	86.0	1,205.9
Exchange differences	0.1	5.5	(0.1)	0.9	6.4
Additions	1.6	17.6	1.5	21.6	42.3
Disposals	–	–	–	(0.1)	(0.1)
Reclassification	1.5	(4.0)	0.5	2.0	–
Depreciation and impairment charge	(7.2)	(40.1)	(8.1)	(24.5)	(79.9)
Net book value at 31st December	745.7	288.9	54.1	85.9	1,174.6
Cost	840.6	462.7	114.1	250.5	1,667.9
Depreciation and impairment	(94.9)	(173.8)	(60.0)	(164.6)	(493.3)
	745.7	288.9	54.1	85.9	1,174.6

Management has performed an impairment review of the carrying amount of Mandarin Oriental, Geneva because impairment indicators exist. Cash flow projections for the impairment review are based on value-in-use calculations using updated hotel forecasts (including the following year's hotel budget) with assumptions updated for the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations include average annual growth rates of 22% to forecast cash flows over a five-year period with an assumed recovery of business following the COVID-19 pandemic, after which the growth rate is assumed to be nil until the expiry of the lease in 2040. A pre-tax discount rate of 12%, which reflects the remaining lease term and general business risks is applied to the cash flow projections. On the basis of this review, management concluded that impairment charges of US$45.3 million (2019: nil) were required and recognised in profit and loss in 2020. These reflected in the accelerated depreciation charge for the leasehold property of US$41.9 million and the accelerated amortisation charge for the leasehold land of US$3.4 million *(refer note 11)*.

10 Tangible assets *continued*

Freehold properties include a hotel property of US$98.1 million (2019: US$102.1 million), which is stated net of tax increment financing of US$18.8 million (2019: US$19.7 million) *(refer note 22)*.

Rental income from properties and other tangible assets amounted to US$16.4 million (2019: US$19.8 million) *(refer note 3)*.

The maturity analysis of the undiscounted lease payments to be received after the balance sheet date are as follows:

	2020 US$m	2019 US$m
Within one year	**19.7**	21.0
Between one and two years	**17.0**	18.4
Between two and five years	**31.4**	21.4
Beyond five years	**35.0**	36.8
	103.1	97.6

At 31st December 2020, the carrying amount of hotel properties pledged as security for bank borrowings amounted to US$462.8 million (2019: US$441.2 million) *(refer note 20)*.

11 Right-of-use assets

	Leasehold land US$m	Properties US$m	Total US$m
2020			
Cost	**145.9**	**249.7**	**395.6**
Amortisation/depreciation and impairment	**(9.9)**	**(85.4)**	**(95.3)**
Net book value at 1st January	**136.0**	**164.3**	**300.3**
Exchange differences	**0.7**	**8.1**	**8.8**
Additions	**–**	**1.2**	**1.2**
Amortisation/depreciation and impairment charge	**(4.3)**	**(8.6)**	**(12.9)**
Net book value at 31st December	**132.4**	**165.0**	**297.4**
Cost	**144.6**	**253.1**	**397.7**
Amortisation/depreciation and impairment	**(12.2)**	**(88.1)**	**(100.3)**
	132.4	**165.0**	**297.4**
2019			
Cost	196.6	233.2	429.8
Amortisation/depreciation and impairment	(10.5)	(76.4)	(86.9)
Net book value at 1st January	186.1	156.8	342.9
Exchange differences	0.6	2.6	3.2
Additions	–	12.8	12.8
Revaluation surplus before transfer to investment property under development	2,943.4	–	2,943.4
Transfer to investment property under development	(2,993.6)	–	(2,993.6)
Amortisation/depreciation and impairment charge	(0.5)	(7.9)	(8.4)
Net book value at 31st December	136.0	164.3	300.3
Cost	145.9	249.7	395.6
Amortisation/depreciation and impairment	(9.9)	(85.4)	(95.3)
	136.0	164.3	300.3

The amortisation/depreciation charge in 2020 included an accelerated amortisation of US$3.4 million related to the impairment of the leasehold land of Mandarin Oriental, Geneva *(refer note 10)*.

Upon the closure of The Excelsior, Hong Kong on 31st March 2019, its use was changed from a hotel property to a commercial property for redevelopment (the Causeway Bay site under development). Prior to the change in use, the site was revalued by independent valuers, Jones Lang LaSalle, resulting in a revaluation surplus of US$2,943.4 million, which was recognised in the asset revaluation reserves through other comprehensive income on 31st March 2019. The revalued carrying amount of US$2,993.6 million was transferred to investment property under development *(refer note 12)*.

At 31st December 2020, the carrying amount of leasehold land pledged as security for bank borrowings amounted to US$123.2 million (2019: US$126.3 million) *(refer note 20)*. None of the other right-of-use assets have been pledged at 31st December 2020 and 2019.

The typical lease term associated with the right-of-use assets are as follows:

Leasehold land	20 to 895 years
Properties	2 to 30 years

12 Investment property under development

	Under development leasehold commercial property 2020 US$m	2019 US$m
At 1st January	**2,967.7**	–
Transfer from right-of-use assets on 31st March	**–**	2,993.6
Exchange differences	**12.1**	25.5
Additions	**23.4**	15.9
Change in fair value	**(474.9)**	(67.3)
At 31st December	**2,528.3**	2,967.7

The Group measures its investment property at fair value. The fair value of the Group's investment property under development has been determined on the basis of a valuation carried out by independent valuers who hold a recognised relevant professional qualification and have recent experience in the location and segment of the investment property valued. The Group employed Jones Lang LaSalle to value its commercial investment property in Hong Kong which is held under leases with unexpired lease terms of more than 20 years. The valuation, which conforms to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, was derived using the direct comparison and the residual method. The Report of the Valuers is set out on page 109. The valuation is comprehensively reviewed by the Group.

Fair value measurements of under development leasehold commercial property using significant unobservable inputs

Fair value of investment property under development is derived using the direct comparison method and the residual method. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently sold. The residual method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completion as at the date of valuation. For the direct comparison method and the estimated capital value of the residual method, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Information about fair value measurements of the Group's under development leasehold commercial property using significant unobservable inputs as 31st December 2020:

			Range of significant unobservable inputs	
	Fair value US$m	Valuation method	Average unit price US$	Capitalisation rate %
Hong Kong	**2,528.3**	Direct comparison	4,462.0 per square foot	n/a
		Residual*	3,568.2 to 4,262.7 per square foot	2.4 to 3.8

Average unit prices are estimated based on independent valuers' view of recent transactions of comparable properties. The higher the unit prices, the higher the fair value.

Capitalisation rates are estimated by independent valuers based on the risk profile of the property being valued. The lower the rates, the higher the fair value.

* In using the residual method to make fair value measurements of the under development leasehold commercial property, unobservable inputs relating to the estimated costs to complete the development and the developer's estimated profit and margin for risk have also been used.

13 Associates and joint ventures

	2020 US$m	2019 US$m
Associates		
Listed associate – OHTL	**8.0**	14.4
Unlisted associates	**47.3**	60.0
Share of attributable net assets	**55.3**	74.4
Notional goodwill	**5.5**	5.5
Goodwill on acquisition	**1.5**	–
	62.3	79.9
Amounts due from associates	**42.7**	34.1
	105.0	114.0
Joint ventures		
Share of attributable net assets of unlisted joint ventures	**(18.3)**	(12.3)
Goodwill on acquisition	**6.8**	6.2
	(11.5)	(6.1)
Amounts due from joint ventures	**138.1**	95.2
	126.6	89.1
	231.6	203.1

Amounts due from associates are interest free, unsecured and have no fixed terms of repayment.

Amounts due from joint ventures bear interest at rates ranging from approximately 1.15% to 5.00% (2019: 1.15% to 5.00%) per annum and are repayable within one to six years.

The Group's share of the carrying value of hotel properties (including properties, plant and equipment, and leasehold land) owned by the Group's associates and joint ventures amounted to US$346.4 million (2019: US$312.9 million).

	Associates		Joint ventures	
	2020 US$m	2019 US$m	2020 US$m	2019 US$m
Movements of associates and joint ventures during the year:				
At 1st January	**114.0**	116.5	**89.1**	79.6
Exchange differences	**–**	–	**11.4**	(1.6)
Share of results after tax and non-controlling interests	**(21.9)**	2.7	**(4.9)**	(4.4)
Share of other comprehensive income after tax and non-controlling interests	**1.8**	3.1	**–**	–
Dividends received	**–**	(5.9)	**–**	–
Acquisition of an associate *(refer note 28d)*	**2.0**	–	**–**	–
Advance to associates and joint ventures *(refer note 28e)*	**9.1**	0.8	**31.4**	15.9
Repayment of loans to associates and joint ventures *(refer note 28f)*	**–**	(3.2)	**(0.4)**	(0.4)
At 31st December	**105.0**	114.0	**126.6**	89.1
Fair value of listed associate	**211.9**	214.1	**n/a**	n/a

13 Associates and joint ventures *continued*

a) Investment in associates

The material associates of the Group are listed below. These associates have share capital consisting solely of ordinary shares, which are held directly by the Group.

Nature of investments in material associates in 2020 and 2019:

Name of entity	Nature of business	Country of incorporation and principal place of business/ place of listing	% of ownership interest 2020	2019
OHTL PCL ('OHTL')	Owner of Mandarin Oriental, Bangkok	Thailand/Thailand	**47.6%**	47.6%
Marina Bay Hotel Private Ltd. ('Marina Bay Hotel')	Owner of Mandarin Oriental, Singapore	Singapore/Unlisted	**50.0%**	50.0%

At 31st December 2020, the fair value of the Group's interest in OHTL, which is listed on the Thailand Stock Exchange, was US$211.9 million (2019: US$214.1 million) and the carrying amount of the Group's interest was US$13.4 million (2019: US$19.9 million).

Summarised financial information for material associates

Summarised balance sheet at 31st December

	OHTL		Marina Bay Hotel		Total	
	2020 US$m	2019 US$m	**2020 US$m**	2019 US$m	**2020 US$m**	2019 US$m
Non-current assets	**149.7**	141.9	**117.9**	118.9	**267.6**	260.8
Current assets						
Cash and cash equivalents	**3.6**	3.7	**24.9**	23.1	**28.5**	26.8
Other current assets	**4.6**	5.4	**2.0**	5.1	**6.6**	10.5
Total current assets	**8.2**	9.1	**26.9**	28.2	**35.1**	37.3
Non-current liabilities						
Financial liabilities*	**(72.6)**	(57.9)	**–**	–	**(72.6)**	(57.9)
Other non-current liabilities*	**(29.4)**	(33.6)	**(3.0)**	(3.2)	**(32.4)**	(36.8)
Total non-current liabilities	**(102.0)**	(91.5)	**(3.0)**	(3.2)	**(105.0)**	(94.7)
Current liabilities						
Financial liabilities*	**(34.9)**	(26.9)	**(7.2)**	(11.5)	**(42.1)**	(38.4)
Other current liabilities*	**(4.3)**	(2.4)	**(3.4)**	(6.7)	**(7.7)**	(9.1)
Total current liabilities	**(39.2)**	(29.3)	**(10.6)**	(18.2)	**(49.8)**	(47.5)
Net assets	**16.7**	30.2	**131.2**	125.7	**147.9**	155.9

* Financial liabilities excluding trade and other payables and provisions, which are presented under other current and non-current liabilities.

13 Associates and joint ventures *continued*

a) Investment in associates continued

Summarised financial information for material associates *continued*

Summarised statement of comprehensive income for the year ended 31st December

	OHTL		Marina Bay Hotel		Total	
	2020 US$m	2019 US$m	**2020 US$m**	2019 US$m	**2020 US$m**	2019 US$m
Revenue	**29.2**	42.1	**27.5**	85.0	**56.7**	127.1
Depreciation and amortisation	**(10.7)**	(12.3)	**(5.6)**	(6.7)	**(16.3)**	(19.0)
Interest expense	**(1.6)**	(2.3)	**–**	–	**(1.6)**	(2.3)
(Loss)/profit from underlying business performance	**(16.6)**	(13.9)	**1.8**	20.4	**(14.8)**	6.5
Income tax credit/(expense)	**3.4**	3.3	**0.5**	(3.7)	**3.9**	(0.4)
(Loss)/profit after tax	**(13.2)**	(10.6)	**2.3**	16.7	**(10.9)**	6.1
Other comprehensive (expense)/income	**(0.3)**	3.3	**3.2**	2.1	**2.9**	5.4
Total comprehensive (expense)/income	**(13.5)**	(7.3)	**5.5**	18.8	**(8.0)**	11.5
Dividends received from associates	**–**	4.3	**–**	7.8	**–**	12.1

The information contained in the summarised balance sheet and statement of comprehensive income reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates, and fair value of the associates at the time of acquisition.

13 Associates and joint ventures *continued*

a) Investment in associates continued

Reconciliation of the summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in its material associates for the year ended 31st December:

	OHTL		Marina Bay Hotel		Total	
	2020 US$m	2019 US$m	**2020 US$m**	2019 US$m	**2020 US$m**	2019 US$m
Net assets at 1st January	**30.2**	41.8	**125.7**	114.7	**155.9**	156.5
(Loss)/profit for the year	**(13.2)**	(10.6)	**2.3**	16.7	**(10.9)**	6.1
Other comprehensive (expense)/income	**(0.3)**	3.3	**3.2**	2.1	**2.9**	5.4
Dividends paid	**–**	(4.3)	**–**	(7.8)	**–**	(12.1)
Net assets at 31st December	**16.7**	30.2	**131.2**	125.7	**147.9**	155.9
Effective interest in associates (%)	**47.6**	47.6	**50.0**	50.0		
Group's share of net assets in associates	**7.9**	14.4	**65.6**	62.9	**73.5**	77.3
Notional goodwill*	**5.5**	5.5	**–**	–	**5.5**	5.5
Carrying value	**13.4**	19.9	**65.6**	62.9	**79.0**	82.8
Fair value	**211.9**	214.1	**n/a**	n/a	**211.9**	214.1

The Group has interests in a number of individually immaterial associates. The following table analyses, in aggregate, the share of profit and other comprehensive expense and carrying amount of these associates.

	2020 US$m	2019 US$m
Share of loss	**(16.7)**	(0.5)
Share of other comprehensive income	**0.4**	0.4
Share of total comprehensive expense	**(16.3)**	(0.1)
Carrying amount of interests in these associates	**26.0**	31.2

* OHTL repurchased some of its own shares in 2013 which were subsequently cancelled in 2016. The number of OHTL shares held by the Group remained unchanged. As a result of the share repurchase, notional goodwill of US$5.5 million was recognised and the Group's effective interest increased to 47.6%.

Contingent liabilities relating to the Group's interest in associates

	2020 US$m	2019 US$m
Financial guarantee in respect of facilities made available to an associate	**20.3**	20.3

The guarantee in respect of facilities made available to an associate is stated at its contracted amount. The Directors are of the opinion that it is not probable that this guarantee will be called upon.

13 Associates and joint ventures *continued*

b) Investment in joint ventures

The material joint venture of the Group is listed below. This joint venture has share capital consisting solely of ordinary shares, which are held directly by the Group.

Nature of investment in material joint venture in 2020 and 2019:

Name of entity	Nature of business	Country of incorporation and principal place of business	% of ownership interest 2020	2019
Ritz Madrid, S.A. ('Ritz Madrid')	Owner of Mandarin Oriental Ritz, Madrid	Spain	**50.0%**	50.0%

Summarised financial information for material joint venture

Summarised balance sheet at 31st December

	Ritz Madrid 2020 US$m	2019 US$m
Non-current assets	**286.9**	204.9
Current assets		
Cash and cash equivalents	**20.7**	11.2
Other current assets	**1.9**	1.0
Total current assets	**22.6**	12.2
Non-current liabilities		
Financial liabilities*†	**(276.2)**	(190.4)
Other non-current liabilities*	**(44.8)**	(35.9)
Total non-current liabilities	**(321.0)**	(226.3)
Current liabilities		
Other current liabilities*	**(25.0)**	(15.4)
Net liabilities	**(36.5)**	(24.6)

* Financial liabilities excluding trade and other payables and provisions, which are presented under other current and non-current liabilities.
† Including shareholders' loans from joint venture partners of US$276.2 million (2019: US$190.4 million).

Summarised statement of comprehensive income for the year ended 31st December

	Ritz Madrid 2020 US$m	2019 US$m
Revenue	**0.1**	0.3
Depreciation and amortisation	**(0.9)**	(0.9)
Interest expense	**(0.2)**	–
Loss after tax	**(10.2)**	(8.8)
Other comprehensive (expense)/income	**(1.7)**	0.4
Total comprehensive expense	**(11.9)**	(8.4)

The information contained in the summarised balance sheet and statement of comprehensive income reflects the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the Group and the joint ventures, fair value of the joint ventures at the time of acquisition, and elimination of interest on shareholders' loan.

13 Associates and joint ventures *continued*

b) Investment in joint ventures continued

Reconciliation of the summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in its material joint venture for the year ended 31st December:

	Ritz Madrid	
	2020 US$m	2019 US$m
Net liabilities at 1st January	**(24.6)**	(16.2)
Loss for the year	**(10.2)**	(8.8)
Other comprehensive (expense)/income	**(1.7)**	0.4
Net liabilities at 31st December	**(36.5)**	(24.6)
Effective interest in joint venture (%)	**50.0**	50.0
Group's share of net liabilities in joint venture	**(18.3)**	(12.3)
Goodwill on acquisition	**6.8**	6.2
Shareholders' loans	**138.1**	95.2
Carrying value	**126.6**	89.1

The Group has no other joint ventures other than Ritz Madrid.

Commitments and contingent liabilities in respect of joint venture

The Group has the following commitments relating to its joint venture as at 31st December:

	2020 US$m	2019 US$m
Commitment to provide funding if called	**7.8**	30.3

There were no contingent liabilities relating to the Group's interest in its joint venture at 31st December 2020 and 2019.

14 Other investments

	2020 US$m	2019 US$m
Investment measured at fair value through profit and loss – unlisted investments	**16.1**	15.9

Movements of these investments which were valued based on unobservable inputs during the year are disclosed in note 36.

15 Deferred tax assets/(liabilities)

	Accelerated tax depreciation US$m	Fair value gains/(losses) US$m	Losses US$m	Employee benefits US$m	Unremitted earnings in associates/ joint ventures US$m	Provisions and other temporary differences US$m	Total US$m
2020							
At 1st January	**(55.7)**	**(0.1)**	**8.1**	**(0.3)**	**(0.9)**	**0.1**	**(48.8)**
Exchange differences	**(1.0)**	**–**	**0.8**	**–**	**–**	**(0.1)**	**(0.3)**
Credited/(charged) to profit and loss	**13.2**	**–**	**6.6**	**(0.1)**	**–**	**(0.9)**	**18.8**
Credited/(charged) to other comprehensive income	**–**	**1.9**	**–**	**(0.9)**	**–**	**–**	**1.0**
At 31st December	**(43.5)**	**1.8**	**15.5**	**(1.3)**	**(0.9)**	**(0.9)**	**(29.3)**
Deferred tax assets	**0.3**	**1.8**	**15.5**	**–**	**–**	**0.2**	**17.8**
Deferred tax liabilities	**(43.8)**	**–**	**–**	**(1.3)**	**(0.9)**	**(1.1)**	**(47.1)**
	(43.5)	**1.8**	**15.5**	**(1.3)**	**(0.9)**	**(0.9)**	**(29.3)**
2019							
At 1st January	(57.4)	(0.1)	9.0	(0.1)	(1.6)	0.1	(50.1)
Exchange differences	(0.8)	(0.1)	0.2	0.1	(0.1)	–	(0.7)
Credited/(charged) to profit and loss	2.5	–	(1.1)	0.3	0.8	–	2.5
(Charged)/credited to other comprehensive income	–	0.1	–	(0.6)	–	–	(0.5)
At 31st December	(55.7)	(0.1)	8.1	(0.3)	(0.9)	0.1	(48.8)
Deferred tax assets	0.6	0.1	8.1	0.3	–	1.5	10.6
Deferred tax liabilities	(56.3)	(0.2)	–	(0.6)	(0.9)	(1.4)	(59.4)
	(55.7)	(0.1)	8.1	(0.3)	(0.9)	0.1	(48.8)

Deferred tax balances predominantly comprise non-current items. Deferred tax assets and liabilities are netted when the taxes relate to the same taxation authority and where offsetting is allowed.

Deferred tax assets of US$71.5 million (2019: US$47.1 million) arising from unused tax losses of US$329.6 million (2019: US$224.0 million) have not been recognised in the financial statements. Included in the unused tax losses, US$289.0 million have no expiry date and the balance will expire at various dates up to and including 2037. Following a recoverability review performed in 2020, deferred tax assets of US$2.2 million were derecognised due to hotel losses following the COVID-19 pandemic.

Deferred tax assets of US$2.4 million (2019: US$1.7 million) have not been recognised in relation to temporary differences in subsidiaries.

The Group has no unrecognised deferred tax liabilities arising on temporary differences associated with investments in subsidiaries at 31st December 2020 and 2019.

16 Pension plans

The Group operates defined benefit pension plans in the main territories in which it operates, with the majority of the plans in Hong Kong. Most of the pension plans are final salary defined benefit plans calculated based on a members' length of service and their salaries in the final years leading up to retirement. In Hong Kong, the pension benefits are paid in one lump sum. With the exception of certain plans in Hong Kong, all the defined benefit plans are closed to new members. In addition, although all plans are impacted by the discount rate, liabilities are driven by salary growth.

The Group's defined benefit plans are either funded or unfunded, with the assets of the funded plans held independently of the Group's assets in separate trustee administered funds. Plan assets held in trusts are governed by local regulations and practice in each country. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the Company and the boards of trustees. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

The amounts recognised in the consolidated balance sheet are as follows:

	2020 US$m	2019 US$m
Fair value of plan assets	**52.4**	49.8
Present value of funded obligations	**(46.9)**	(48.5)
	5.5	1.3
Present value of unfunded obligations	**(0.3)**	(0.2)
Net pension assets	**5.2**	1.1
Analysis of net pension assets		
Pension assets	**5.5**	1.3
Pension liabilities	**(0.3)**	(0.2)
	5.2	1.1

16 Pension plans *continued*

The movement in the net pension assets is as follows:

	Fair value of plan assets US$m	Present value of obligation US$m	Total US$m
2020			
At 1st January	**49.8**	**(48.7)**	**1.1**
Current service cost	**–**	**(3.4)**	**(3.4)**
Interest income/(expense)	**1.4**	**(1.3)**	**0.1**
Administration expenses	**(0.3)**	**–**	**(0.3)**
	1.1	**(4.7)**	**(3.6)**
	50.9	**(53.4)**	**(2.5)**
Exchange differences	**0.2**	**(0.2)**	**–**
Remeasurements			
– return on plan assets, excluding amounts included in interest income	**3.3**	**–**	**3.3**
– change in demographic assumption	**–**	**(0.1)**	**(0.1)**
– change in financial assumptions	**–**	**(0.7)**	**(0.7)**
– experience gains	**–**	**2.7**	**2.7**
	3.3	**1.9**	**5.2**
Contributions from employers	**2.5**	**–**	**2.5**
Contributions from plan participants	**0.6**	**(0.6)**	**–**
Benefit payments	**(4.2)**	**4.2**	**–**
Transfer to other plans	**(0.9)**	**0.9**	**–**
At 31st December	**52.4**	**(47.2)**	**5.2**
2019			
At 1st January	62.9	(63.1)	(0.2)
Current service cost	–	(3.7)	(3.7)
Past service income*	–	4.0	4.0
Interest income/(expense)	1.7	(1.6)	0.1
Administration expenses	(0.4)	–	(0.4)
	1.3	(1.3)	–
	64.2	(64.4)	(0.2)
Exchange differences	0.2	(0.3)	(0.1)
Remeasurements			
– return on plan assets, excluding amounts included in interest income	4.0	–	4.0
– change in financial assumptions	–	(1.0)	(1.0)
– experience gains	–	0.4	0.4
	4.0	(0.6)	3.4
Contributions from employers	3.2	–	3.2
Contributions from plan participants	0.6	(0.6)	–
Benefit payments	(17.1)	17.1	–
Transfer from other plans	(0.1)	0.1	–
Surplus distribution to an employer*	(5.2)	–	(5.2)
At 31st December	49.8	(48.7)	1.1

* The surplus from the defined benefit plan of The Excelsior, Hong Kong was distributed to the Group upon its liquidation.

16 Pension plans *continued*

The weighted average duration of the defined benefit obligation at 31st December 2020 is 5.5 years (2019: 5.7 years).

Expected maturity analysis of undiscounted pension benefits at 31st December is as follows:

	2020 US$m	2019 US$m
Within one year	4.8	6.5
Between one and two years	10.0	5.1
Between two and five years	14.9	4.7
Between five and ten years	23.6	25.8
Between ten and fifteen years	15.7	18.3
Between fifteen and twenty years	10.7	15.9
Beyond twenty years	9.3	17.7
	89.0	94.0

The principal actuarial assumptions used for accounting purposes at 31st December are as follows:

	Hong Kong	
	2020 %	2019 %
Discount rate	1.90	3.00
Salary growth rate	3.80	4.75

As participants of the plans relating to Hong Kong usually take lump sum amounts upon retirement, mortality is not a principal assumption for these plans.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Increase/(decrease) on defined benefit obligation	
	Change in assumption %	Increase in assumption US$m	Decrease in assumption US$m
Discount rate	1	(2.7)	3.1
Salary growth rate	1	2.7	(2.5)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

16 Pension plans *continued*

The analysis of the fair value of plan assets at 31st December is as follows:

	2020 US$m	2019 US$m
Equity investments		
– Asia-Pacific	**5.2**	4.0
– Europe	**4.0**	4.0
– North America	**10.2**	8.0
– Global	**0.3**	0.4
	19.7	16.4
Investment funds		
– Asia-Pacific	**8.3**	9.9
– Europe	**6.5**	7.5
– North America	**11.4**	12.7
– Global	**4.8**	4.3
	31.0	34.4
Total investments	**50.7**	50.8
Cash and cash equivalents	**3.8**	0.9
Benefits payable and other	**(2.1)**	(1.9)
	52.4	49.8

As at 31st December 2020, 100% of equity investments and 95% of investment funds were quoted on active markets (2019: 100% and 98% respectively).

The strategic asset allocation is derived from the asset-liability modelling ('ALM') review, done triennially to ensure the plans can meet future funding and solvency requirements. The last ALM review was completed in 2018, with modified strategic asset allocation adopted in 2018. The next ALM review is scheduled for 2021.

As at 31st December 2020, the Hong Kong plans had assets of US$52.4 million (2019: US$49.8 million).

The Group maintains an active and regular contribution schedule across all the plans. The contribution to all its plans in 2020 were US$2.5 million and the estimated amount of contributions expected to be paid to all its plans in 2021 is US$2.3 million.

17 Debtors

	2020 US$m	2019 US$m
Trade debtors		
– third parties	**20.4**	40.6
– associates and joint ventures	**0.3**	3.8
	20.7	44.4
– provision for impairment	**(3.1)**	(3.6)
	17.6	40.8
Other debtors		
– third parties*	**59.7**	61.7
– associates and joint ventures	**1.5**	2.4
	61.2	64.1
– provision for impairment	**(2.0)**	(1.5)
	59.2	62.6
	76.8	103.4
Non-current	**5.1**	6.2
Current	**71.7**	97.2
	76.8	103.4
Analysis by geographical area		
– Asia	**29.5**	34.2
– EMEA	**41.6**	54.1
– America	**5.7**	15.1
	76.8	103.4

* Included deposit of US$18.4 million (2019: US$16.6 million) in respect of the expansion project of Mandarin Oriental, Munich, pending transfer of title in the underlying land.

Derivative financial instruments are stated at fair value. Other debtors are stated at amortised cost. The fair values of short-term debtors approximate their carrying amounts.

	2020 US$m	2019 US$m
Fair value		
– trade debtors	**17.6**	40.8
– other debtors†	**42.9**	43.8
	60.5	84.6

† Excluding prepayments.

17 Debtors *continued*

Trade and other debtors

The average credit period on provision of services varies among Group businesses and is generally not more than 30 days.

Other debtors are further analysed as follows:

	2020 US$m	2019 US$m
Derivatives financial instruments *(refer note 29)*	–	1.5
Other amounts due from associates and joint ventures	**1.5**	2.4
Rental and other deposits	**22.5**	21.7
Other receivables	**18.9**	18.2
Financial assets	**42.9**	43.8
Prepayments	**16.3**	18.7
Other	–	0.1
	59.2	62.6

No debtors and prepayments have been pledged as security.

Impairment of trade debtors

Before accepting any new customer, the individual Group business assesses the potential customer's credit quality and sets credit limits by customer using internal credit scoring systems. These limits and scoring are reviewed periodically.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment are considered indicators that the debtor is impaired. An allowance for impairment of trade debtors is made based on the estimated irrecoverable amount determined by reference to past default experience.

The Group applied the simplified approach to measure expected credit loss, that is a lifetime expected loss allowance for trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Changes in certain macroeconomic information such as GDP and inflation rate, are relevant for determining expected credit loss rates.

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors and industry trends affecting the ability of the customers to settle the receivables.

The loss allowances for trade debtors at 31st December 2020 and 2019 were determined as follows:

	Below 30 days	Between 31 and 60 days	Between 61 and 120 days	More than 120 days	Total
2020					
Expected loss rate	–	–	–	**89%**	**15%**
Gross carrying amount – trade debtors (US$m)	**15.0**	**1.2**	**1.0**	**3.5**	**20.7**
Loss allowance (US$m)	–	–	–	**3.1**	**3.1**
2019					
Expected loss rate	–	–	3%	100%	8%
Gross carrying amount – trade debtors (US$m)	28.2	9.0	3.7	3.5	44.4
Loss allowance (US$m)	–	–	0.1	3.5	3.6

17 Debtors *continued*

Impairment of trade debtors continued

Movements in the provisions for impairment are as follows:

	Trade debtors		Other debtors	
	2020 US$m	2019 US$m	**2020 US$m**	2019 US$m
At 1st January	**(3.6)**	(3.4)	**(1.5)**	(1.4)
Additional provisions	**(0.6)**	(0.7)	**(1.3)**	(0.3)
Unused amounts reversed	**1.0**	0.5	**0.8**	0.2
Amounts written off	**0.1**	–	**–**	–
At 31st December	**(3.1)**	(3.6)	**(2.0)**	(1.5)

Trade debtors and other debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

18 Bank and cash balances

	2020 US$m	2019 US$m
Deposits with banks and financial institutions	**75.3**	146.4
Bank balances	**88.6**	123.3
Cash balances	**0.7**	1.0
	164.6	270.7
Analysis by currency		
– Euro	**24.4**	39.1
– Hong Kong dollar	**15.7**	13.9
– Indonesian rupiah	**7.7**	13.3
– Japanese yen	**9.3**	25.4
– Swiss franc	**2.2**	4.7
– United Kingdom sterling	**22.6**	40.8
– United States dollar	**75.8**	126.2
– Other	**6.9**	7.3
	164.6	270.7

The weighted average interest rate on deposits with banks and financial institutions at 31st December 2020 was 1.0% (2019: 2.3%) per annum.

19 Creditors

	2020 US$m	2019 US$m
Trade creditors	**15.0**	21.6
Accruals	**62.5**	75.5
Rental and other refundable deposits	**6.7**	6.4
Derivative financial instruments *(refer note 29)*	**10.9**	0.9
Other creditors	**23.5**	28.9
Financial liabilities	**118.6**	133.3
Contract liabilities *(refer note 2)*	**31.1**	31.1
Rental income received in advance	**5.8**	2.5
	155.5	166.9
Non-current	**10.9**	0.9
Current	**144.6**	166.0
	155.5	166.9
Analysis by geographical area		
– Asia	**74.2**	75.6
– EMEA	**38.2**	45.9
– America	**43.1**	45.4
	155.5	166.9

Derivative financial instruments are stated at fair value. Other creditors are stated at amortised cost. The fair values of these creditors approximate their carrying amounts.

Provision for reinstatement and restoration costs comprised the estimated costs, to be incurred by the Group as lessees, in dismantling and removing the underlying assets, restoring the sites on which they are located or restoring the underlying assets to the condition required by the terms and conditions of the leases. The costs of US$0.8 million (2019: US$0.8 million) were included in accruals at 31st December 2020.

20 Borrowings

	2020 Carrying amount US$m	2020 Fair value US$m	2019 Carrying amount US$m	2019 Fair value US$m
Current portion of long-term borrowings				
– bank loans	**61.5**	**61.5**	–	–
– other borrowings	**2.7**	**2.7**	2.5	2.5
Current borrowings	**64.2**	**64.2**	2.5	2.5
Long-term borrowings				
– bank loans	**605.2**	**605.2**	567.2	567.2
– other borrowings	**1.4**	**1.4**	1.4	1.4
Long-term borrowings	**606.6**	**606.6**	568.6	568.6
	670.8	**670.8**	571.1	571.1

The fair values are estimated using the expected future payments discounted at market interest rate from 0.3% to 3.5% (2019: 0.3% to 3.5%) per annum. This is in line with the definition of 'observable current market transactions' under the fair value measurement hierarchy. The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

	2020 US$m	2019 US$m
Secured	**606.8**	549.1
Unsecured	**64.0**	22.0
	670.8	571.1

Borrowings of US$606.8 million (2019: US$549.1 million) were secured against the tangible fixed assets and right-of-use assets of certain subsidiaries at 31st December 2020. The book value of these tangible fixed assets and right-of-use assets at 31st December 2020 was US$586.0 million (2019: US$567.5 million).

20 Borrowings *continued*

The borrowings at 31st December are further summarised as follows:

	Fixed rate borrowings				
	Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
2020					
Euro	**0.5**	**–**	**–**	**61.5**	**61.5**
Hong Kong dollar	**1.7**	**2.7**	**216.1**	**279.3**	**495.4**
Swiss franc	**2.3**	**11.0**	**1.6**	**2.5**	**4.1**
United Kingdom sterling	**1.5**	**3.4**	**54.5**	**55.3**	**109.8**
			272.2	**398.6**	**670.8**
2019					
Euro	0.5	–	–	19.5	19.5
Hong Kong dollar	2.9	3.7	215.2	226.8	442.0
Swiss franc	2.4	12.0	1.5	2.4	3.9
United Kingdom sterling	1.9	4.4	52.5	53.2	105.7
			269.2	301.9	571.1

The weighted average interest rates and period of fixed rate borrowings are stated after taking into account hedging transactions *(refer note 29)*.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at 31st December after taking into account hedging transactions are as follows:

	2020 US$m	2019 US$m
Floating rate borrowings	**398.6**	301.9
Fixed rate borrowings		
– Within one year	**–**	–
– Between one and two years	**54.8**	–
– Between two and three years	**–**	54.6
– Between three and four years	**215.8**	–
– Between four and five years	**–**	213.1
– Beyond five years	**1.6**	1.5
	272.2	269.2
	670.8	571.1

20 Borrowings *continued*

The movements in borrowings are as follows:

	Long-term borrowings US$m	Short-term borrowings US$m	Total US$m
2020			
At 1st January	**568.6**	**2.5**	**571.1**
Exchange differences	**11.1**	**0.3**	**11.4**
Transfer	**(61.5)**	**61.5**	**–**
Drawdown of borrowings	**88.4**	**–**	**88.4**
Repayment of borrowings	**–**	**(0.1)**	**(0.1)**
At 31st December	**606.6**	**64.2**	**670.8**
2019			
At 1st January	7.3	524.2	531.5
Exchange differences	5.6	0.5	6.1
Transfer	(0.1)	0.1	–
Drawdown of borrowings	555.8	–	555.8
Repayment of borrowings	–	(522.3)	(522.3)
At 31st December	568.6	2.5	571.1

21 Lease liabilities

	2020 US$m	2019 US$m
At 1st January	**175.4**	167.0
Exchange differences	**8.8**	2.8
Additions	**1.2**	12.0
Lease payments	**(7.9)**	(8.8)
Interest expense	**1.9**	2.4
Modification of lease terms and other	**(2.3)**	–
At 31st December	**177.1**	175.4
Non-current	**170.1**	168.4
Current	**7.0**	7.0
	177.1	175.4

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The Group is not exposed to any residual guarantees in respect of the leases entered into at 31st December 2020 and 2019.

There is no lease contract entered but not commenced at 31st December 2020 and 2019.

22 Tax increment financing

	2020 US$m	2019 US$m
Netted off against the net book value of the property *(refer note 10)*	**18.8**	19.7

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 contribute to the subsidiary US$33.0 million 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 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. The TIF Bonds are being amortised over 39 years up to February 2043.

23 Segment information

Set out below is an analysis of the Group's non-current assets, excluding amounts due from associates and joint ventures, other investments, deferred tax assets, pension assets and derivative financial instruments, by reportable segment.

	2020 US$m	2019 US$m
Analysis by geographical area		
– Asia	**3,060.3**	3,506.7
– EMEA	**839.2**	841.7
– America	**211.4**	227.7
	4,110.9	4,576.1

24 Share capital

	Ordinary shares in millions			
	2020	2019	**2020 US$m**	2019 US$m
Authorised				
Shares of US¢5.00 each	**1,500**	1,500.0	**75.0**	75.0
Issued and fully paid				
At 1st January	**1,263.2**	1,261.4	**63.2**	63.1
Issued under share-based long-term incentive plans	**–**	1.8	**–**	0.1
At 31st December	**1,263.2**	1,263.2	**63.2**	63.2

25 Share premium

	2020 US$m	2019 US$m
At 1st January	**499.7**	497.8
Issued under share-based long-term incentive plans	–	0.1
Transfer from capital reserves	–	1.8
At 31st December	**499.7**	499.7

26 Share-based long-term incentive plans

Share-based long-term incentive plans have been set up to provide incentives for selected executives. Awards can take the form of share options with an exercise price based on the then prevailing market prices or such other price set by the Directors or share awards which will vest free of payment. Awards normally vest on or after the third anniversary of the date of grant and may be subject to the achievement of performance conditions.

i) The Mandarin Oriental Share-based Long-term Incentive Plan (the '2014 Plan') was adopted by the Company on 6th March 2014. Under these awards, the free shares are received by the participants to the extent the award vests. Conditions, if any, are at the discretion of the Directors. No conditional share awards were granted in 2020 and 2019 under the 2014 Plan.

Movements of the outstanding conditional awards during the year:

	Conditional awards in millions	
	2020	2019
At 1st January	–	1.5
Released	–	(1.5)
At 31st December	–	–

26 Share-based long-term incentive plans *continued*

ii) Prior to the adoption of the 2014 Plan, The Mandarin Oriental International Share Option Plan 2005 provided selected executives with options to purchase ordinary shares in the Company. The exercise price of the granted options was based on the average market price for the five trading days immediately preceding the date of grant of the options. Options are vested over a period of up to three years and are exercisable for up to ten years following the date of grant.

Movements of the outstanding options during the year:

	2020 Weighted average exercise price **US$**	**2020** Options **in millions**	2019 Weighted average exercise price US$	2019 Options in millions
At 1st January	**1.72**	**4.2**	1.66	4.7
Exercised	–	–	1.20	(0.5)
At 31st December	**1.72**	**4.2**	1.72	4.2

The average share price during the year was US$1.61 (2019: US$1.77) per share.

Outstanding options at 31st December:

		Ordinary shares in millions	
Expiry date	Exercise price US$	**2020**	2019
2021	1.99	**1.3**	1.3
2022	1.61	**1.9**	1.9
2023	1.57	**1.0**	1.0
Total outstanding		**4.2**	4.2
of which exercisable		**4.2**	4.2

27 Dividends

	2020 US$m	2019 US$m
Final dividend in respect of 2019 of nil (2018: US¢1.50 per share)	–	18.9
Interim dividend in respect of 2020 of nil (2019: US¢1.50 per share)	–	19.0
	–	37.9

In light of the substantially reduced levels of business due to the impact of COVID-19 pandemic, the Directors withdrew their recommendation of a final dividend in respect of the 2019 financial year. No dividend in respect of the 2020 financial year has been declared or proposed by the Board.

28 Notes to consolidated cash flow statement

a) Other non-cash items

	2020 US$m	2019 US$m
Fair value loss on investment property under development	**474.9**	67.3
Fair value (gain)/loss on other investments	**(0.7)**	1.5
Gain on modification of lease terms	**(2.3)**	–
Share-based payment	–	0.9
Other	**0.9**	(0.7)
	472.8	69.0

b) Movements in working capital

	2020 US$m	2019 US$m
Decrease in stocks	**0.5**	0.4
Decrease/(increase) in debtors	**29.1**	(0.7)
Decrease in creditors	**(29.3)**	(4.9)
Increase in pension obligations	**1.1**	2.1
	1.4	(3.1)

28 Notes to consolidated cash flow statement *continued*

c) The Group did not pay any instalment in respect of the land purchase price and related cost for the expansion of Mandarin Oriental, Munich in 2020 (2019: US$1.1 million). As at 31st December 2020, cumulative costs paid by the Group amounted to US$21.1 million (2019: US$21.1 million), the majority of which have been included within Other Debtors *(refer note 17)* pending transfer of title in the underlying land.

d) In December 2020, the Group acquired a 16.7% interest in Stay One Degree Limited ('S1D') for a consideration of US$2.0 million. The principal activity of S1D is developing and operating an online booking service platform for luxury homes. The Group has appointed two of five directors to the board of S1D and has exercised significant influence on the decisions about the operation of S1D.

e) During 2020, the Group provided shareholder loans to Mandarin Oriental, New York of US$8.6 million (2019: US$0.8 million), Mandarin Oriental Ritz, Madrid of US$31.4 million (2019: US$15.9 million) and Mandarin Oriental, Miami of US$0.5 million (2019: nil).

f) During 2020, the Group received repayments on its shareholder loans previously provided to Mandarin Oriental Ritz, Madrid of US$0.4 million. In 2019, the Group received repayment on its shareholders loans previously provided to Mandarin Oriental Ritz, Madrid of US$0.4 million and Mandarin Oriental, Miami of US$3.2 million.

g) Cash outflows for leases

	2020 US$m	2019 US$m
Lease rentals paid	**(10.5)**	(15.9)
The above cash outflows are included in		
– operating activities	**(4.5)**	(9.5)
– financing activities	**(6.0)**	(6.4)
	(10.5)	(15.9)

h) Analysis of balances of cash and cash equivalents

	2020 US$m	2019 US$m
Bank and cash balances *(refer note 18)*	**164.6**	270.7

29 Derivative financial instruments

The fair values of derivative financial instruments at 31st December are as follows:

	2020		2019	
	Positive fair value US$m	Negative fair value US$m	Positive fair value US$m	Negative fair value US$m
Designated as cash flow hedges				
– interest rate swaps and caps	–	(10.9)	1.5	(0.9)

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2020 were US$270.6 million (2019: US$267.7 million).

At 31st December 2020, the fixed interest rates relating to interest rate swaps and caps varied from 1.2% to 1.8% (2019: 1.2% to 1.8%) per annum.

The fair values of interest rate swaps at 31st December 2020 were based on the estimated cash flows discounted at market rates ranging from 0.9% to 1.0% (2019: 0.7% to 2.9%) per annum.

An outstanding interest rate swap contract of a notional principal and contract amount of US$54.6 million at 31st December 2020 is impacted by the IBORs reform and will mature after 2022.

30 Commitments

	2020 US$m	2019 US$m
Capital commitments		
Authorised not contracted		
– other	618.4	713.9
Contracted not provided		
– joint ventures	7.8	30.3
– other	102.5	21.4
	110.3	51.7
	728.7	765.6

This primarily related to capital commitments for the Causeway Bay site under development, which is expected to complete in 2025.

	2020 US$m	2019 US$m
Operating lease commitments for short-term leases		
Total commitments		
– due within one year	–	0.1

No future sublease payments are receivable relating to the above operating leases (2019: nil).

31 Related party transactions

The parent company of the Group is Jardine Strategic Holdings Limited ('JSH') and the ultimate holding company of the Group is Jardine Matheson Holdings Limited ('JMH'). Both companies 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 JMH's subsidiaries, associates and joint ventures. The more significant of these transactions are described below:

During 2020, the Group managed six (2019: six) associate and joint venture hotels and received management fees of US$4.2 million (2019: US$14.5 million) based on long-term management agreements on normal commercial terms.

The Group provided hotel management services to Hongkong Land ('HKL'), a subsidiary of JSH. Total management fees received from HKL in 2020 amounted to US$1.2 million (2019: US$1.9 million), based on long-term management agreements on normal commercial terms.

The Group pays a management fee to Jardine Matheson Limited, a subsidiary of JMH, in consideration for certain management consultancy services. The fee is calculated as 0.5% of the Group's net profit. No fee was paid in 2020 (due to underlying losses). In 2019, the fee was US$0.1 million.

In respect of the Causeway Bay site under development, the Group paid consultancy fees of US$2.1 million (2019: US$2.0 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$16.3 million (2019: US$8.0 million). The HKL agreement and GCL contract were arranged on normal commercial terms.

The outstanding balances with associates and joint ventures are set out in debtors in note 17.

Details of Directors' emoluments (being the key management personnel compensation) are shown on page 120 under the heading of 'Remuneration in 2020'.

32 Summarised balance sheet of the Company

Included below is certain summarised balance sheet information of the Company disclosed in accordance with Bermuda Law.

	2020 US$m	2019 US$m
Subsidiaries	**1,308.3**	982.2
Net current liabilities	**(1.6)**	(2.6)
Net assets	**1,306.7**	979.6
Share capital *(refer note 24)*	**63.2**	63.2
Share premium *(refer note 25)*	**499.7**	499.7
Revenue and other reserves	**743.8**	416.7
Shareholders' funds	**1,306.7**	979.6

Subsidiaries are shown at cost less amount provided, and include amounts due from and due to subsidiaries.

33 Principal subsidiaries, associates, joint ventures and managed hotels

The principal subsidiaries, associates, joint ventures and managed hotels of the Group at 31st December 2020 are set out below.

Principal place of business	Name of entity	Nature of business	Attributable interest % 2020	2019	Proportion of ordinary shares and voting powers at 31st December 2020 held by the Group %	non-controlling interests %	Hotel profile
Subsidiaries							
Hong Kong	Mandarin Oriental Hotel Group International Limited	Management	**100**	100	**100**	–	–
Hong Kong	Mandarin Oriental Hotel Group Limited	Management	**100**	100	**100**	–	–
Hong Kong	Mandarin Oriental, Hong Kong Limited	Owner: Mandarin Oriental, Hong Kong	**100**	100	**100**	–	494 rooms. Lease expiry 2895
Hong Kong	Excelsior Hotel (BVI) Limited	The Causeway Bay site under development	**100**	100	**100**	–	–
Japan	Mandarin Oriental Tokyo KK	Owner: Mandarin Oriental, Tokyo	**100**	100	**100**	–	179 rooms. Lease expiry 2050
Indonesia	P.T. Jaya Mandarin Agung	Owner: Mandarin Oriental, Jakarta	**96.9**	96.9	**96.9**	**3.1**	272 rooms. Lease expiry 2023
United Kingdom	Mandarin Oriental Hyde Park Limited	Owner: Mandarin Oriental Hyde Park, London	**100**	100	**100**	–	181 rooms. Freehold
Switzerland	Société Immobilière de Mandarin Oriental (Genèva) SA	Owner: Mandarin Oriental, Geneva	**85.3**	85.3	**85.3**	**14.7**	Lease expiry 2040
Switzerland	Société pour l' Exploitation de Mandarin Oriental (Genèva) SA		**100**	100	**100**	–	181 rooms
Germany	Dinavest International Holdings B.V.	Owner: Mandarin Oriental, Munich	**100**	100	**100**	–	73 rooms. Freehold
France	MOHG Hotel (Paris) Sarl	Owner: Mandarin Oriental, Paris	**100**	100	**100**	–	135 rooms. Freehold
United States	Boylston Street Hotel LLC	Owner: Mandarin Oriental, Boston	**100**	100	**100**	–	148 rooms. Freehold
United States	Portals Hotel Site LLC	Owner: Mandarin Oriental, Washington D.C.	**100**	94.6	**100**	–	373 rooms. Freehold
Associates and joint ventures							
Singapore	Marina Bay Hotel Private Limited	Owner: Mandarin Oriental, Singapore	**50**	50	**50**	**50**	527 rooms. Lease expiry 2079
Thailand	OHTL PCL	Owner: Mandarin Oriental, Bangkok	**47.6**	47.6	**47.6**	**52.4**	331 rooms. Various freehold/leasehold
Malaysia	Asas Klasik Sdn Bhd	Owner: Mandarin Oriental, Kuala Lumpur	**25**	25	**25**	**75**	629 rooms. Freehold
Thailand	Chaophaya Development Corporation Limited	Owner: River City Shopping Complex	**49**	49	**49**	**51**	–
Spain	Ritz Madrid, S.A.	Owner: Mandarin Oriental Ritz, Madrid	**50**	50	**50**	**50**	153 rooms. Freehold
United States	ICD Columbus Centre Hotel LLC	Owner: Mandarin Oriental, New York	**25**	25	**25**	**75**	244 rooms. Freehold
United States	Swire Brickell Key Hotel Limited	Owner: Mandarin Oriental, Miami	**25**	25	**25**	**75**	326 rooms. Freehold
Hong Kong	Stay One Degree Limited	Online booking service platform for luxury homes	**16.7**	–	**16.7**	**83.3**	–
Managed hotels							
Hong Kong	The Landmark Mandarin Oriental, Hong Kong		–	–	–	–	111 rooms
Macau	Mandarin Oriental, Macau		–	–	–	–	213 rooms
China	Mandarin Oriental, Sanya		–	–	–	–	278 rooms
China	Mandarin Oriental, Guangzhou		–	–	–	–	263 rooms
China	Mandarin Oriental Pudong, Shanghai		–	–	–	–	362 rooms
China	Mandarin Oriental Wangfujing, Beijing		–	–	–	–	73 rooms
Taiwan	Mandarin Oriental, Taipei		–	–	–	–	294 rooms
Czech Republic	Mandarin Oriental, Prague		–	–	–	–	99 rooms
Spain	Mandarin Oriental, Barcelona		–	–	–	–	120 rooms
Turkey	Mandarin Oriental, Bodrum		–	–	–	–	130 rooms
Italy	Mandarin Oriental, Milan		–	–	–	–	104 rooms
Italy	Mandarin Oriental, Lago di Como		–	–	–	–	75 rooms
Morocco	Mandarin Oriental, Marrakech		–	–	–	–	63 rooms
Qatar	Mandarin Oriental, Doha		–	–	–	–	249 rooms
United Arab Emirates	Mandarin Oriental Jumeira, Dubai		–	–	–	–	256 rooms
United Arab Emirates	Emirates Palace, Abu Dhabi		–	–	–	–	394 rooms
Chile	Mandarin Oriental, Santiago		–	–	–	–	310 rooms
Saint Vincent and the Grenadines	Mandarin Oriental, Canouan		–	–	–	–	35 rooms

In March 2021, the Group has taken over the management of the 321-room Al Faisaliah Hotel in Riyadh, Saudi Arabia.

34 Principal accounting policies

Basis of consolidation

i) The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the Group's interests in associates and joint ventures.

ii) A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition includes the fair value at the acquisition date of any contingent consideration. The Group recognises the non-controlling interest's proportionate share of the recognised identifiable net assets of the acquired subsidiary. In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss in profit and loss. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary is lost, any remaining interest in the entity is remeasured at fair value and the resulting gain or loss is recognised in profit and loss.

All material intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. The cost of and related income arising from shares held in the Company by subsidiaries are eliminated from shareholders' funds and non-controlling interests, and profit, respectively.

iii) An associate is an entity, not being a subsidiary or joint venture, over which the Group exercises significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates and joint ventures are included on the equity basis of accounting.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the consolidated financial statements only to the extent of unrelated investor's interests in the associates and joint ventures.

iv) Non-controlling interests represent the proportion of the results and net assets of subsidiaries and their associates and joint ventures not attributable to the Group.

v) The results of subsidiaries, associates and joint ventures are included or excluded from their effective dates of acquisition or disposal, respectively. The results of entities other than subsidiaries, associates and joint ventures are included to the extent of dividends received when the right to receive such dividend is established.

Foreign currencies

Transactions in foreign currencies are accounted for at the exchange rates ruling at the transaction dates.

Assets and liabilities of subsidiaries, associates and joint ventures, together with all other monetary assets and liabilities expressed in foreign currencies, are translated into United States dollars at the rates of exchange ruling at the year end. Results expressed in foreign currencies are translated into United States dollars at the average rates of exchange ruling during the year, which approximate the exchange rates at the dates of the transactions.

34 Principal accounting policies *continued*

Foreign currencies continued

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are recognised in other comprehensive income and accumulated in equity under exchange reserves. On the disposal of these investments, such exchange differences are recognised in profit and loss. Exchange differences on other investments measured at fair value through other comprehensive income are recognised in other comprehensive income as part of the gains and losses arising from changes in their fair value. All other exchange differences are recognised in profit and loss.

Goodwill and fair value adjustments arising on acquisition of a foreign entity after 1st January 2003 are treated as assets and liabilities of the foreign entity and translated into United States dollars at the rate of exchange ruling at the year end.

Impairment of non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested for impairment annually and whenever there is an indication that the assets may be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the units may be impaired. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment annually.

Intangible assets

i) Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the acquisition-date fair value of any previously held equity interest in the acquiree over the acquisition-date fair value of the Group's share of the net identifiable assets acquired. Non-controlling interests are measured at their proportionate share of the net identifiable assets at the acquisition date. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in profit and loss. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investment in associates and joint ventures. Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing and is carried at cost less accumulated impairment loss.

The profit or loss on disposal of subsidiaries, associates and joint ventures is stated after deducting the carrying amount of goodwill relating to the entity sold.

ii) Computer software represents acquired computer software licences which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis to allocate the cost over their estimated useful lives.

iii) Development project contract costs are setup costs in order to secure long-term hotel management contracts and directly attributable to hotel projects under development, which are capitalised to the extent that such expenditure is expected to generate future economic benefits and upon completion of the project. Capitalised development project contract costs are amortised over the term of the management contracts when the related revenue is recognised.

34 Principal accounting policies *continued*

Tangible fixed assets and depreciation

Freehold properties comprised land and buildings. Freehold land is stated at cost less any impairment. No depreciation is provided on freehold land as it is deemed to have an indefinite life. Properties on freehold and leasehold land are stated at cost less any accumulated depreciation and impairment. Grants related to tangible assets are deducted in arriving at the carrying amount of the assets. Other tangible fixed assets are stated at cost less amounts provided for depreciation.

Depreciation of tangible fixed assets is calculated on the straight-line basis to allocate the cost or valuation of each asset to its residual value over its estimated useful life. The residual values and useful lives are reviewed at each balance sheet date. The estimated useful lives are as follows:

Properties on freehold land and under leases more than 20 years	21 years to 150 years
Properties under leases less than 20 years	over unexpired period of lease
Surfaces, finishes and services of hotel properties	20 years to 30 years
Leasehold improvements	shorter of unexpired period of the lease or useful life
Plant and machinery	5 years to 15 years
Furniture, equipment and motor vehicles	3 years to 10 years

Where the carrying amount of a tangible fixed asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The profit or loss on disposal of tangible fixed assets is recognised by reference to their carrying amount.

Leases

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

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

i) As a lessee

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

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

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

34 Principal accounting policies *continued*

Leases continued

i) As a lessee *continued*

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

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

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

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

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

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

ii) As a lessor

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

34 Principal accounting policies *continued*

Investment property under development

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

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

Investments

The Group classifies its investments into the following measurement categories:

i) Those to be measured subsequently at fair value, either through other comprehensive income or through profit and loss; and

ii) Those to be measured at amortised cost.

The classification is based on the management's business model and their contractual cash flows characteristics.

Investments are measured at fair value with fair value gains and losses recognised in profit and loss, unless management has elected to recognise the fair value gains and losses through other comprehensive income. For investments measured at fair value through other comprehensive income, gains or losses realised upon disposal are not reclassified to profit and loss.

At initial recognition, the Group measures an investment at its fair value plus, in the case of the investment not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the investment. Transaction costs of investments carried at fair value through profit and loss are expensed in profit and loss.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments.

Investments are classified as non-current assets.

34 Principal accounting policies *continued*

Stocks

Stocks, which principally comprise beverages and consumables, are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method.

Debtors

Trade debtors are recognised initially at the amount of consideration that is unconditional and measured subsequently at amortised costs using effective interest method. All other debtors, excluding derivative financial instruments, are measured at amortised cost except where the effect of discounting would be immaterial. The impairment measurement is subject to whether there has been a significant increase in credit risk. For trade debtors, the Group applied the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors. Provision for impairment is established by considering potential financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to profit and loss.

Debtors with maturities greater than 12 months after the balance sheet date are classified under non-current assets.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions and bank and cash balances, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current borrowings.

Provisions

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligations can be made.

Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

Borrowing costs relating to major development projects are capitalised until the asset is substantially completed. Capitalised borrowing costs are included as part of the cost of the asset. All other borrowing costs are expensed as incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

34 Principal accounting policies *continued*

Government grants

Grants from governments are recognised at their fair value when there is reasonable assurance that the grant will be received, and the Group will comply with the conditions associated with the grants.

Grants that compensate the Group for expenses incurred are recognised in the profit and loss as other operating income on a systematic basis in the period in which the expenses are recognised. Unconditional grants are recognised in the profit and loss as other income on a systematic basis in the period in which the expenses are recognised. Unconditional grants are recognised in the profit and loss as other operating income when they become receivable.

Grants related to assets are deducted in arriving at the carrying value of the related assets.

Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or direct in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Provision for deferred tax is made on the revaluation of certain non-current assets and, in relation to acquisitions, on the difference between the fair value of the net assets acquired and their tax base. Deferred tax is provided on temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Employee benefits

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in trustee administered funds.

Pension accounting costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the costs of providing pensions are charged to profit and loss spreading the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of major plans every year. The pension obligations are measured as the present value of the estimated future cash outflows by reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Plan assets are measured at fair value.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the year in which they occur.

Past service costs are recognised immediately in profit and loss.

The Group' total contributions relating to the defined contribution plans are charged to profit and loss in the year to which they relate.

34 Principal accounting policies *continued*

Derivative financial instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures and not as speculative investments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment ('cash flow hedge'), or a hedge of a net investment in a foreign entity.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in other comprehensive income and accumulated in equity under hedging reserves. Changes in the fair value relating to the ineffective portion is recognised immediately in profit and loss. Where the hedged item results in the recognition of a non-financial asset or of a non-financial liability, the deferred gains and losses and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in profit and loss as the hedged item affects profit and loss. Otherwise, amounts deferred in hedging reserves are transferred to profit and loss in the same periods during which the hedged firm commitment or forecasted transaction affects profit and loss. The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit and loss within finance cost at the same time as the interest expense on the hedged borrowings. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in hedging reserves at that time remains in the hedging reserves and is recognised when the committed or forecasted transaction ultimately is recognised in profit and loss. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserves is immediately transferred to profit and loss.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IFRS 9. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IFRS 9 are recognised immediately in profit and loss.

Hedges of net investments in foreign entities are accounted for on a similar basis to that used for cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in exchange reserves; the gain or loss relating to the ineffective portion is recognised immediately in profit and loss.

The fair value of derivatives which are designated and qualify as effective hedges are classified as non-current assets or liabilities if the remaining maturities of the hedged assets or liabilities are greater than 12 months after the balance sheet date.

Financial guarantee contracts

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognised when it is probable that the Group has obligations under such guarantees and an outflow of resources embodying economic benefits will be required to settle the obligations.

34 Principal accounting policies *continued*

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Non-trading items

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of investment property under development and investments which are measured at fair value through profit and loss; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets, associates and joint ventures 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.

Earning per share

Basic earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year. For the purpose of calculating diluted earnings per share, the weighted average number of shares is adjusted 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.

Dividends

Dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date.

Revenue recognition

i) Revenue from hotel ownership comprises amounts earned in respect of rental of rooms, food and beverage sales, and other ancillary services and goods supplied by the subsidiary hotels.

Revenue is recognised over the period when rooms are occupied or services are performed.

Revenue from the sale of food and beverages and goods is recognised at the point of sale when the food and beverages and goods are delivered to customers.

Payment is due immediately when the hotel guest occupies the room and receives the services and goods.

ii) Revenue from hotel and residences branding and management comprises gross fees earned from the branding and management of all the hotels and residences operated by the Group.

Branding and management fees are recognised over time as determined by the relevant contract, taking into account the performance of the hotels, and the sales and operating expenses of the residences. Fees charged to the subsidiary hotels are eliminated upon consolidation.

Hotels and residences are invoiced in accordance with the terms of contract and fees are payable when invoiced.

iii) Receipts under operating leases are accounted for on an accrual basis over the lease terms.

Pre-operating costs

Pre-operating costs are expensed as they are incurred.

35 Standards and amendments issued but not yet effective

A number of new standards and amendments effective for accounting periods beginning after 2020 have been published and will be adopted by the Group from their effective dates. The Group is currently assessing the potential impact of these standards and amendments but expects their adoption will not have a significant impact on the Group's consolidated financial statements. The relevant standard and amendments are set out below.

i) Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1st January 2021) provides a number of practical expedients 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 will apply the amendments from 1st January 2021, but it is not expected the adoption will have a significant impact on the Group's consolidated financial statements.

ii) Amendment to IFRS 9: 'Fees in the '10 per cent' Test for Derecognition of Financial Liabilities' (effective from 1st January 2022) clarifies the requirement to derecognise the original financial liability and recognise a new financial liability where there is an exchange between an existing borrower and lender of debt instrument with substantially different terms. The amendments clarifies that the terms are substantially different if the discounted present value of the cash flows under the new terms using the original effective interest rate, including any fees paid net of any fees received, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. The Group will apply the amendment from 1st January 2022, but it is not expected the adoption will have a significant impact on the Group's consolidated financial statements.

iii) Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective from 1st January 2022) clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The Group will apply the amendment from 1st January 2022, but it is not expected the adoption will have a significant impact on the Group's consolidated financial statements.

iv) IFRS 17 'Insurance Contracts' (effective from 1st January 2023) – The Group is assessing the potential impact on the Group's consolidated financial statements.

36 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's treasury function co-ordinates, under the directions of the board of Mandarin Oriental Hotel Group International Limited, financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimise the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps and caps, and forward foreign exchange contracts as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The effective portion of the change in the fair value of the hedging instrument is deferred into the cash flow hedge reserve through other comprehensive income and will be recognised in profit and loss when the hedged item affects profit and loss. In general, the volatility in profit or loss can be reduced by applying hedge accounting.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps and caps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, effective economic relationship existed between the swaps and the loans.

The Group performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness for interest rate swaps may occur due to:

i) The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan;

ii) Differences in critical terms between the interest rate swaps and loans; and

iii) The effects of the forthcoming reforms to IBORs, because these might take effect at a different time and have a different impact on the hedged item (the floating-rate debt) and the hedging instrument (the interest rate swap used to hedge the debt).

The ineffectiveness during 2020 or 2019 in relation to the interest rate swaps was not material.

36 Financial risk management *continued*

Financial risk factors continued

i) **Market risk**

Foreign exchange risk

Entities within the Group are exposed to foreign exchange risk from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

Group entities are required to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions, entities in the Group use forward foreign exchange contracts in a consistent manner to hedge firm and anticipated foreign exchange commitments. The Group does not usually hedge its net investments in foreign operations except in circumstances where there is a material exposure arising from a currency that is anticipated to be volatile and the hedging is cost effective.

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. In 2020 and 2019, the Group's principal foreign exchange exposure was with the Euro. At 31st December 2020, if the United States dollar had strengthened/weakened by 10% against Euro with all other variables unchanged, the Group's loss after tax would have been US$0.2 million (2019: US$1.1 million) higher/lower, arising from foreign exchange losses/gains taken on translation. The impact on amounts attributable to the shareholders of the Company would be US$0.2 million (2019: US$1.1 million) lower/higher. This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no other significant monetary balances held by Group companies at 31st December 2020 that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

36 Financial risk management *continued*

Financial risk factors continued

i) **Market risk** *continued*

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through fixed rate borrowings and the use of derivative financial instruments such as interest rate swaps and caps. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its gross borrowings, in fixed rate instruments. At 31st December 2020, the Group's interest rate hedge was 41% (2019: 47%), with an average tenor of 2.9 years (2019: 3.9 years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 20.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Borrowings at floating rates therefore expose the Group to cash flow interest rate risk. The Group manages this risk by using forward rate agreements to a maturity of one year, and by entering into interest rate swaps and caps for a maturity of up to seven years. Forward rate agreements and interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate, caps provide protection against a rise in floating rates above a pre-determined rate. Details of interest rate swaps and caps are set out in note 29.

At 31st December 2020, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's loss after tax would have been US$2.6 million (2019: US$1.1 million) higher/lower, and hedging reserves would have been US$6.6 million (2019: US$8.4 million) higher/lower, as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. There is no significant sensitivity resulting from interest rate caps. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Hong Kong, United Kingdom and European rates, over the period until the next annual balance sheet date. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit/(loss) after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

36 Financial risk management *continued*

Financial risk factors *continued*

i) **Market risk** *continued*

Price risk

The Group is exposed to price risk from its investments which are measured at fair value through profit and loss. Gains and losses arising from changes in the fair value of these investments are recognised in profit and loss or other comprehensive income according to their classification. The performance of these investments are monitored regularly, together with an assessment of their relevance to the Group's long-term strategic plans. Details of these investments are contained in note 14.

The Group's interest in these investments are unhedged. At 31st December 2020, if the price of these investments had been 25% higher/lower with all other variables held constant, non-trading operating profit and total equity would have been US$4.0 million (2019: US$4.0 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

ii) **Credit risk**

The Group's credit risk is primarily attributable to deposits with banks, credit exposures to customers and derivative financial instruments with a positive fair value. The Group has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilisation of credit limits is regularly monitored. At 31st December 2020, 90% (2019: 96%) of deposits and balances with banks and financial institutions were made to institutions with credit ratings of no less than A- (Fitch). Similarly transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit rating of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

In respect of credit exposures to customers, the Group has policies in place to ensure that sales on credit without collateral are made principally to travel agents and corporate companies with an appropriate credit history. Sales to other customers are made in cash or by major credit cards.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

36 Financial risk management *continued*

Financial risk factors *continued*

iii) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group's ability to fund its existing and prospective debt requirements is managed by maintaining diversified funding sources with adequate committed funding lines from high quality lenders, and by monitoring rolling short-term forecasts of the Group's cash and gross debt on the basis of expected cash flows. In addition, long-term cash flows are projected to assist with the Group's long-term debt financing plans.

At 31st December 2020, total available borrowing facilities amounted to US$834 million (2019: US$820 million) of which US$671 million (2019: US$571 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities totalled US$163 million (2019: US$249 million), in addition to cash balances of US$165 million (2019: US$271 million).

In February 2021, the Group entered into new committed facilities of US$260 million. The facilities have a tenor of two years and are available for general corporate funding.

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at 31st December 2020 and 2019 to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year US$m	Between one and two years US$m	Between two and three years US$m	Between three and four years US$m	Between four and five years US$m	Beyond five years US$m	Total undiscounted cash flows US$m
2020							
Borrowings	**74.6**	**9.8**	**9.6**	**608.6**	**0.2**	**1.2**	**704.0**
Lease liabilities	**9.3**	**9.4**	**9.7**	**9.4**	**9.4**	**160.6**	**207.8**
Creditors	**107.7**	–	–	–	–	–	**107.7**
Net settled derivative financial instruments	**3.7**	**3.6**	**2.8**	**0.8**	–	–	**10.9**
2019							
Borrowings	17.3	34.4	15.0	15.1	554.1	1.3	637.2
Lease liabilities	9.3	8.8	8.8	9.0	8.7	162.6	207.2
Creditors	132.4	–	–	–	–	–	132.4
Net settled derivative financial instruments	0.2	0.2	0.2	0.2	0.1	–	0.9

Included in the total undiscounted borrowings at 31st December 2020, US$115.3 million are impacted by the IBORs reform.

36 Financial risk management *continued*

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst seeking to maximise benefits to shareholders and other stakeholders. Capital is equity as shown in the consolidated balance sheet plus net debt.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, purchase Group shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover before taking into account the impact of IFRS 16 'Leases'. The gearing ratio is calculated as net debt divided by shareholders' funds on an IFRS basis, where the Group's freehold and leasehold interests are carried in the consolidated balance sheet at amortised cost, or alternatively on an adjusted shareholders' funds basis which takes into account the fair market value of the Group's freehold and leasehold interests. Net debt is calculated as total borrowings less bank and cash balances. Interest cover is calculated as underlying operating profit before the deduction of amortisation/depreciation of right-of-use assets, net of actual lease payments, and the Group's share of underlying results of associates and joint ventures, divided by net financing charges before the deduction of capitalised interest and excluding interest on lease liabilities. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2020 and 2019 are as follows:

	2020	2019
Gearing ratio		
– based on shareholders' funds	**14%**	7%
– based on adjusted shareholders' funds	**10%**	5%
Interest cover	**n/a**	5.4 times

36 Financial risk management *continued*

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.

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 inflows from these investments.

There were no changes in valuation techniques during the year.

The table below analyses financial instruments carried at fair value at 31st December 2020 and 2019, by the levels in the fair value measurement hierarchy.

	Observable current market transactions US$m	Unobservable input US$m	Total US$m
2020			
Assets			
Other investments	**5.4**	**10.7**	**16.1**
Liabilities			
Derivative financial instruments at fair value			
– through other comprehensive income	**(10.9)**	**–**	**(10.9)**
2019			
Assets			
Other investments	4.6	11.3	15.9
Derivative financial instruments at fair value			
– through other comprehensive income	1.5	–	1.5
	6.1	11.3	17.4
Liabilities			
Derivative financial instruments at fair value			
– through other comprehensive income	(0.9)	–	(0.9)

There were no transfers among the two categories during the year ended 31st December 2020 and 2019.

36 Financial risk management *continued*

Fair value estimation *continued*

i) **Financial instruments that are measured at fair value** *continued*

Movements of financial instruments which are valued based on unobservable inputs during the year ended 31st December are as follows:

	Unlisted investments	
	2020 US$m	2019 US$m
At 1st January	**11.3**	9.1
Additions	**0.6**	2.2
Disposals	**(1.2)**	–
At 31st December	**10.7**	11.3

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.

36 Financial risk management *continued*

Financial instruments by category

The fair values of financial assets and financial liabilities, together with carrying amounts at 31st December 2020 and 2019 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
2020						
Financial assets measured at fair value						
Other investments	**–**	**16.1**	**–**	**–**	**16.1**	**16.1**
Financial assets not measured at fair value						
Debtors	**–**	**–**	**60.5**	**–**	**60.5**	**60.5**
Bank and cash balances	**–**	**–**	**164.6**	**–**	**164.6**	**164.6**
	–	**–**	**225.1**	**–**	**225.1**	**225.1**
Financial liabilities measured at fair value						
Derivative financial instruments	**(10.9)**	**–**	**–**	**–**	**(10.9)**	**(10.9)**
Financial liabilities not measured at fair value						
Borrowings	**–**	**–**	**–**	**(670.8)**	**(670.8)**	**(670.8)**
Lease liabilities	**–**	**–**	**–**	**(177.1)**	**(177.1)**	**(177.1)**
Trade and other payables excluding non-financial liabilities	**–**	**–**	**–**	**(107.7)**	**(107.7)**	**(107.7)**
	–	**–**	**–**	**(955.6)**	**(955.6)**	**(955.6)**
2019						
Financial assets measured at fair value						
Other investments	–	15.9	–	–	15.9	15.9
Derivative financial instruments	1.5	–	–	–	1.5	1.5
	1.5	15.9	–	–	17.4	17.4
Financial assets not measured at fair value						
Debtors	–	–	83.1	–	83.1	83.1
Bank and cash balances	–	–	270.7	–	270.7	270.7
	–	–	353.8	–	353.8	353.8
Financial liabilities measured at fair value						
Derivative financial instruments	(0.9)	–	–	–	(0.9)	(0.9)
Financial liabilities not measured at fair value						
Borrowings	–	–	–	(571.1)	(571.1)	(571.1)
Lease liabilities	–	–	–	(175.4)	(175.4)	(175.4)
Trade and other payables excluding non-financial liabilities	–	–	–	(132.4)	(132.4)	(132.4)
	–	–	–	(878.9)	(878.9)	(878.9)

37 Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable according to circumstances and conditions available. The existing and potential impacts arising from the COVID-19 pandemic have been considered when applying estimates and assumptions in the preparation of the financial statements, including the Group's assessment of impairment of assets and the independent valuers' valuation of the Group's investment property under development. Given the uncertainty of the impact of COVID-19 pandemic, the actual results may differ from these accounting estimates.

The estimates and assumptions that have a significant effect on the reported amounts of assets and liabilities, and income and expenses are discussed below.

Investment property under development

The fair value of investment property under development is determined by independent valuers on an open market basis using the direct comparison method and the residual method. The direct comparison method and the estimated capital value of the residual method are made by reference to comparable market transactions and adjusted for property-specific qualitative factors. The residual method is also based on assumptions about the estimated costs to complete the development, the developer's estimated profit and margin for risk and capitalisation rates.

Consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date.

Impairment of assets

The Group tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. Other assets such as tangible fixed assets and development project contract costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of its fair value less cost to sell and its value in use, calculated on the basis of management's assumptions and estimates. Changing the key assumptions, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value-in-use calculations.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the balance sheet date *(refer note 17)*.

Tangible fixed asses and depreciation

Management determines the estimated useful lives and related depreciation charges for the Group's tangible fixed assets. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

37 Critical accounting estimates and judgements *continued*

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Provision of deferred tax follows the way management expects to recover or settle the carrying amount of the related assets or liabilities, which the management may expect to recover through use, sale or combination of both. Accordingly, deferred tax will be calculated at income tax rate, capital gains tax rate or combination of both. There is a rebuttable presumption in International Financial Reporting Standards that investment properties measured at fair value are recovered through sale. Thus deferred tax on revaluation of investment property under development held by the Group is calculated at the capital gain tax rate.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions.

37 Critical accounting estimates and judgements *continued*

Leases

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

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

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

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

Non-trading items

The Group uses underlying business performance in its internal financial reporting to distinguish between the underlying profits and non-trading items. The identification of non-trading items requires judgement by management, but follows the consistent methodology as set out in the Group's accounting policies.

37 Critical accounting estimates and judgements *continued*

Interest rate benchmark reform

Following the 2007-2008 financial crisis, the reform and replacement of benchmark interest rates such as US$ LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

To transition existing contracts and agreements that reference IBORs (including US$ LIBOR) to risk free rates ('RFRs') such as US$ LIBOR to Secured Overnight Financing Rate, adjustments for term differences and credit differences might need to be applied to RFRs, to enable the two benchmark rates to be economically equivalent on transition.

The Group's treasury function is managing the Group's IBORs transition plan. The greatest change will be amendments to the contractual terms of the IBORs-referenced floating-rate debt and the associated swap and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

Relief applied

The Group has applied the following reliefs that were introduced by the amendments made to IFRS 9 'Financial Instruments' in September 2019:

i) When considering the 'highly probable' requirement, the Group has assumed that the IBORs interest rate on which the Group's hedged debt is based does not change as a result of IBORs reform.

ii) In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group has assumed that the IBORs interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by IBORs reform.

iii) The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Assumptions made

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Group has made the following assumptions that reflect its current expectations:

i) The IBORs-referenced floating-rate debt will move to RFRs during 2023 and the spread will be similar to the spread included in the interest rate swap used as the hedging instrument.

ii) No other changes to the terms of the floating-rate debt are anticipated.

iii) The Group has incorporated the uncertainty over when the IBORs-referenced floating-rate debt will move to RFRs, the resulting adjustment to the spread, and the other aspects of the reform that have not yet been finalised by adjusting the discount rate used in the calculation.

Independent Auditors' Report

To the members of Mandarin Oriental International Limited

Report on the audit of the Group financial statements

Opinion
In our opinion, Mandarin Oriental International Limited's Group (the 'Group') financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31st December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet as at 31st December 2020; the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies (the 'Principal Accounting Policies').

Certain required disclosures have been presented in the Corporate Governance section of the Annual Report rather than in the Notes to the Financial Statements. These disclosures are cross-referenced from the financial statements and are identified as audited.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the Financial Reporting Council's ('FRC's') Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach
Overview
Materiality

- Overall Group materiality: US$11.4 million (2019: US$2.7 million)
- Based on 5% of underlying loss before tax (2019: 5% of underlying profit before tax)

Audit scope

- A full scope audit of seven of the Mandarin Oriental hotels and two entities engaged in hotel management services and holding the investment property under development was performed. These hotels and entities, together with procedures performed over specific balances and transactions for a further two of the Mandarin Oriental hotels and on central functions and at the Group level, accounted for 87% of the Group's revenue, 93% of the Group's loss before tax, 75% of the Group's underlying loss before tax and 93% of the Group's total assets.

Key audit matters

- Impact of COVID-19
- Valuation of investment property under development
- Recoverability of the carrying amounts of hotel properties

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to, the Companies Act 1981 (Bermuda), the Listing Rules, tax regulations, employment regulation, health and safety regulations and equivalent local laws and regulations applicable to significant reporting component teams, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 1981 (Bermuda).

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and management bias in accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and considering the risk of any acts by the Group which may be contrary to applicable laws and regulations, including fraud;
- Discussions with management, internal audit and Group legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of reporting component auditors' work, including any matters reported by component auditors' relating to non-compliance with laws and regulations or fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain, particularly in relation to the valuation of investment property under development and the impairment assessments related to the carrying value of hotel properties (see related key audit matters below); and
- Incorporating elements of unpredictability in the audit procedures we performed.

We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits we also addressed the risk of management override of internal controls, including testing journals, and evaluated whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The impact of COVID-19 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matters	How our audit addressed the key audit matters
Impact of COVID-19	
The COVID-19 pandemic has had a significant impact on the performance of the Group. The extent of the negative impact of the pandemic on future trading performance is difficult to predict. Therefore, there is inherent uncertainty in determining the impact of the pandemic on certain aspects of the financial statements. The key impact of COVID-19 on the financial statements are: ■ The assumptions supporting the valuation of the investment property under development has been updated to reflect management's best estimate of the impact of COVID-19. ■ Management's assessment of the carrying value of the Group's hotel properties as a result of a reduction to the valuations at the year end, in part due to the impact of COVID-19 on the underlying businesses, as described in the related key audit matter below. The Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis and that no material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. In performing their assessment, the Directors have included their best estimate of the impacts of COVID-19. Management's way of working, including the operation of controls, has been impacted by COVID-19 as a result of a number of staff working remotely. For example, this has meant virtual review meetings replaced in-person meetings.	Our procedures in respect of the valuation of investment property under development and the recoverability of the carrying amounts of hotel properties are covered in the related key audit matters below. We performed additional procedures to assess any control implications arising from the impact of COVID-19, including inquiries with respect to the operation of IT and business process controls, and whether there has been any impact on the Group. We instructed our component teams to perform additional procedures to understand if there were any changes to management's planned operation of controls or monitoring activities. We did not identify any evidence of material deterioration in the control environment. We increased the frequency and extent of our oversight over component audit teams, using video conferencing and remote working paper reviews, to satisfy ourselves as to the appropriateness of audit work performed at significant and material components. We considered the appropriateness of disclosures in the financial statements in respect of the impact of the current environment and the increased uncertainty on certain accounting estimates and consider these to be appropriate. We have examined the Group's liquidity forecasts in light of the impact of COVID-19. Our conclusions in respect of going concern are set out separately within this report.

Key audit matters	How our audit addressed the key audit matters
Valuation of investment property under development Refer to note 34 (Principal accounting policies), note 37 (Critical accounting estimates and judgements) and note 12 (Investment property under development) to the financial statements. The fair value of the Group's investment property under development amounted to US$2,528.3 million at 31st December 2020, with a revaluation loss of US$474.9 million recognised as a non-trading item in the Consolidated Profit and Loss Account for the year. The valuation was carried out by a third-party valuer (the 'valuer'). There is inherent estimation uncertainty in determining a property's valuation as the valuer make assumptions, judgements and estimates in key areas. The valuation was derived using the direct comparison method and residual method. Judgement is required in selecting appropriate land sale comparable transactions for the direct comparison method valuation; and the determination of the gross development value, estimated costs to complete and expected developer's profit margin in the residual method valuation. We focused on the valuation of investment property under development due to the significant judgements and estimates involved in determining the valuations.	We understood management's controls and processes for determining the valuation of investment property under development and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. We assessed the qualification and expertise of the valuer, considering whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon its work. We found no evidence to suggest that the objectivity of the valuers in their performance of the valuation was compromised. We read the valuation report to consider whether the valuation methodology used was appropriate and suitable for use in determining the fair value. The audit team, including our valuation experts, discussed with the valuer the methodology and key assumptions applied in the valuation, including: ■ for the direct comparison method valuation, assessed the appropriateness of the comparable transactions adopted in the valuation; ■ for the residual method valuation: – assessed the appropriateness of the key assumptions adopted in the assessment of the gross development value by comparing them to available market data on yields and unit rentals; – for developer's profit and other ancillary fees, compared the adopted parameters to the market norm in the industry; and – for the construction costs to complete, examined the approved project budget, and evaluated past budget to actual variance to assess the reliability of the project budget. We concluded that the methodology used in preparing the valuation was appropriate and that the key assumptions applied in the valuation were supportable in light of available evidence. We also assessed the adequacy of the disclosures related to the valuation of the investment property under development in the context of IFRS disclosure requirements and were satisfied that appropriate disclosure has been made.

Key audit matters	How our audit addressed the key audit matters
Recoverability of the carrying amounts of hotel properties	
Refer to note 34 (Principal accounting policies), note 37 (Critical accounting estimates and judgements), note 10 (Tangible assets), note 11 (Right-of-use assets) and note 13 (Associates and joint ventures) to the financial statements. The Group's hotel properties are stated at cost less depreciation and impairment. As at 31st December 2020, the carrying values of the hotel properties held through the Group's subsidiaries, classified under tangible assets and right-of-use assets, amounted to US$1,181.5 million and US$297.4 million respectively. The Group also holds interests in a number of hotel properties through its associates and joint ventures amounting to US$346.4 million. Management considers each hotel to be a separate cash-generating unit ('CGU') and performs an impairment assessment, where impairment indicators exist, to determine the recoverable amount of the hotel properties. The recoverable amount is determined as the higher of the CGU's value-in-use and fair value less costs to sell. In determining the fair value less costs to sell, a third-party valuer (the 'valuer') is engaged by the Group to perform the valuation of the hotel property. Management concluded that an impairment charge of US$45.3 million was required for the Mandarin Oriental, Geneva hotel property and leasehold land. We focused on this area as the impairment assessment involves significant judgements and estimation uncertainty in respect of future business performance and key assumptions including discount rates, terminal yield, occupancy rate, sales growth rate and capital expenditure necessary to maintain the service standard.	We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. We have understood and reviewed management's impairment assessment process, including the identification of indicators of impairment and appropriateness of the valuation models used, including the assessment of the future impact of COVID-19 and inspection of the operating results of the respective hotels. Where there were indicators of impairment, we assessed the assumptions used by the valuer and management in the calculation of the recoverable amounts. This included the involvement of our valuation experts to assess the country specific discount rate applied and appropriateness of the terminal yield with reference made to market data. We assessed the reasonableness of the forecast occupancy rates, sales growth rate and capital expenditure by comparing them to historical results and latest economic and industry forecasts. We assessed the qualifications, competence and objectivity of the valuer, discussed the key assumptions and methodology with the valuers and read the valuation reports prepared by the valuer and considered the appropriateness and consistency of valuation methodologies. We evaluated management's future cash flow forecasts and the process by which they were prepared, including testing the mathematical accuracy of the underlying calculations and compared the future cash flow forecasts to the Board approved budgets. We performed sensitivity analyses by making adjustments to the key assumptions in management's impairment assessments and considered whether, in isolation or as a combination, any reasonably possible adjustments would result in a material impairment. We found that the methodologies were applied consistently and appropriately, and the significant judgements and estimates adopted by management were appropriate. We also assessed the adequacy of the disclosures included in the financial statements and were satisfied that these are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which it operates.

The Group's accounting processes are structured around entities' finance functions, which are responsible for their own accounting records and controls, which in turn report financial information to the Group's finance function in Hong Kong to enable them to prepare financial statements.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by members of the Group engagement team or by component auditors from member firms within the PwC Network and other auditors operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. The Group engagement team was involved in the significant reporting entities in scope for Group reporting during the audit cycle through a combination of virtual meetings and conference calls. Due to the current restrictions on travel and social distancing measures, enacted as a response to COVID-19, the lead group audit partner and other senior team members were involved throughout the year through the regular use of video conference calls and other forms of communication to direct and oversee the audit, including the remote review of the work of component teams.

A full scope audit on seven of the Mandarin Oriental hotels and two entities engaged in the hotel management services and holding the investment property under development was performed. These hotels and entities, together with procedures performed over specific balances and transactions for a further two of the Mandarin Oriental hotels and on central functions and at the Group level, accounted for 87% of the Group's revenue, 93% of the Group's loss before tax, 75% of the Group's underlying loss before tax and 93% of the Group's total assets. This gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	US$11.4 million (2019: US$2.7 million)
How we determined it	5% of underlying loss before tax (2019: 5% of underlying profit before tax)
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, underlying loss before tax is the primary measure used in assessing the performance of the Group.

For each component in the scope for our Group audit, we allocated a materiality that was less than our overall Group materiality. The range of overall materiality allocated across components was US$1.2 million to US$8.0 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to US$8.6 million for the Group financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$1.1 million (2019: US$0.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the inherent risks to the Group's and its businesses' business models and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period.
- Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible, but not unrealistic, adverse effects that could arise from adverse trading conditions as a result of COVID-19 and impact the Group's liquidity position over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Responsibility Statement and the Corporate Governance section, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The engagement partner responsible for this independent auditors' report is John Waters.

PricewaterhouseCoopers LLP
Chartered Accountants
London
11th March 2021

a) The maintenance and integrity of the Mandarin Oriental International Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Valuers

To Mandarin Oriental International Limited

Dear Sirs

Revaluation of Under Development Leasehold Commercial Investment Property

Further to your instruction, we have valued in our capacity as external valuers 'The Excelsior' redevelopment site at No. 281 Gloucester Road, Causeway Bay, Hong Kong, being a commercial investment property held on lease as described in the consolidated financial statements of Mandarin Oriental International Limited. We are of the opinion that the market value of the commercial investment property as at 31st December 2020 was US$2,528,300,000 (United States Dollar Two Billion Five Hundred Twenty-Eight Million and Three Hundred Thousand).

Our valuation was prepared in accordance with the International Valuation Standards by the International Valuation Standards Council and The HKIS Valuation Standards by The Hong Kong Institute of Surveyors. We have inspected the property without either conducting site nor structural surveys or testing of the services.

We have been provided with details of tenure, proposed development scheme and other relevant information. The property has been valued by the direct comparison method and the residual method. The direct comparison method is based on comparing the property to be valued directly with other comparable properties. The residual method is based on an assessment of the completed gross development value and the deduction of development costs and the developer's return to arrive at the residual value of a development property. For the direct comparison method and the assessment of the completed gross development value, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Yours faithfully

Jones Lang LaSalle Limited
Hong Kong
19th February 2021

Five Year Summary

Consolidated Profit and Loss Account

	2016 US$m	2017 US$m	2018 US$m	2019 US$m	**2020 US$m**
Revenue	597.4	610.8	613.7	566.5	**183.7**
Operating profit/(loss)	68.0	69.0	70.7	(29.0)	**(660.0)**
Net financing charges	(10.8)	(11.0)	(14.2)	(14.7)	**(12.6)**
Share of results of associates and joint ventures	10.9	11.5	5.7	(1.7)	**(26.8)**
Profit/(loss) before tax	68.1	69.5	62.2	(45.4)	**(699.4)**
Tax	(13.7)	(15.0)	(19.0)	(10.2)	**19.4**
Profit/(loss) after tax	54.4	54.5	43.2	(55.6)	**(680.0)**
Profit/(loss) attributable to shareholders	55.2	54.9	43.4	(55.5)	**(680.1)**
Underlying profit/(loss) attributable to shareholders	57.3	54.9	64.9	41.2	**(205.9)**
Earnings/(loss) per share (US¢)	4.40	4.37	3.44	(4.39)	**(53.84)**
Underlying earnings/(loss) per share (US¢)	4.56	4.37	5.15	3.26	**(16.30)**
Dividends per share (US¢)	4.00	3.00	3.00	1.50	**–**

Consolidated Balance Sheet

	2016 US$m	2017 US$m	2018 US$m	2019 US$m	**2020 US$m**
Intangible assets	44.3	43.8	49.3	53.0	**45.4**
Tangible assets	1,352.1	1,272.0	1,205.9	1,174.6	**1,181.5**
Right-of-use assets	–	284.2	342.9	300.3	**297.4**
Investment property under development	–	–	–	2,967.7	**2,528.3**
Associates and joint ventures	163.8	195.7	196.1	203.1	**231.6**
Other investments	10.7	11.0	15.2	15.9	**16.1**
Deferred tax assets	2.6	11.0	11.5	10.6	**17.8**
Pension assets	–	4.9	0.2	1.3	**5.5**
Non-current debtors	–	0.5	5.1	6.2	**5.1**
Net current assets/(liabilities)	136.6	118.5	(359.4)	181.4	**19.5**
Long-term borrowings	(477.4)	(508.1)	(7.3)	(568.6)	**(606.6)**
Non-current lease liabilities	–	(100.6)	(161.3)	(168.4)	**(170.1)**
Deferred tax liabilities	(56.1)	(58.6)	(61.6)	(59.4)	**(47.1)**
Pension liabilities	(3.2)	(0.6)	(0.4)	(0.2)	**(0.3)**
Non-current creditors	–	(0.2)	–	(0.9)	**(10.9)**
Net assets	1,173.4	1,273.5	1,236.2	4,116.6	**3,513.2**
Share capital	62.8	62.9	63.1	63.2	**63.2**
Share premium	490.4	493.9	497.8	499.7	**499.7**
Revenue and other reserves	616.2	710.6	671.5	3,550.1	**2,946.6**
Shareholders' funds	1,169.4	1,267.4	1,232.4	4,113.0	**3,509.5**
Non-controlling interests	4.0	6.1	3.8	3.6	**3.7**
Total equity	1,173.4	1,273.5	1,236.2	4,116.6	**3,513.2**
Net asset value per share (US$)	0.93	1.01	0.98	3.26	**2.78**

Consolidated Cash Flow Statement

	2016 US$m	2017 US$m	2018 US$m	2019 US$m	**2020 US$m**
Cash flows from operating activities	107.7	119.9	152.6	112.9	**(83.5)**
Cash flows from investing activities	(222.8)	(102.0)	(69.0)	(80.4)	**(108.5)**
Net cash flow before financing activities	(115.1)	17.9	83.6	32.5	**(192.0)**
Cash flow per share from operating activities (US¢)	8.58	9.53	12.11	8.94	**(6.61)**

Responsibility Statement

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

a) the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board; and

b) the sections of this Report, including the Chairman's Statement, Group Chief Executive's Review and the Principal Risks and Uncertainties, which constitute the management report, include a fair review of all information required to be disclosed by the Disclosure Guidance and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Conduct Authority in the United Kingdom.

For and on behalf of the Board

James Riley
Craig Beattie
Directors
11th March 2021

Corporate Governance

Overview of governance approach

The Mandarin Oriental Hotel Group (Mandarin Oriental International Limited and its subsidiaries together known as the 'Group') understands the value of good corporate governance to long-term sustainable success and attaches importance to the corporate stability that strong governance brings, as well as the opportunities that result from it being part of the Jardine Matheson Holdings Limited ('Jardine Matheson') group.

The Group is committed to high standards of governance. The system of governance it has adopted has been developed over many years by the members of the Jardine Matheson group which both the Group and its stakeholders regard as appropriate to the nature of its business and the long-term strategy it pursues in its Asian markets, and is tailored to the Group's size, ownership structure, complexity and breadth of business. It enables the Company to benefit from Jardine Matheson's strategic guidance and professional expertise, while at the same time ensuring that the independence of the Board is respected and clear operational accountability rests with the Company's executive management teams. Having an effective corporate governance framework supports the Board in the delivery of the Group's strategy and supports long-term sustainable growth.

Group structure

Jardine Matheson is the ultimate holding company of the Group. The structural relationship between Jardine Matheson group and the Group is considered to be a key element of the Group's success. By coordinating objectives, establishing common values and standards, and sharing experience, contacts and business relationships, the Jardine Matheson group companies aim to optimise their opportunities across the Asian countries where they operate.

The Company is incorporated in Bermuda, and was established as an Asian-based hotel group and has since extended its operations to key locations around the world. The Company's equity shares have as their primary listing a standard listing on the Main Market of the London Stock Exchange (the 'LSE'), and the Company's primary regulator is the Financial Conduct Authority of the United Kingdom (the 'FCA').

The Disclosure Guidance and Transparency Rules (the 'DTRs') issued by the FCA require that this Report addresses all relevant information about the corporate governance practices applied by the Company and the Group beyond the requirements under Bermuda law.

The Company also has secondary listings in Singapore and Bermuda. As the Company has only secondary listings on these exchanges, the listing rules of such exchanges are not generally applicable. Instead, the Company must release the same information as it is required to release under the rules applicable to it as a standard listed company on the LSE, in compliance with the rules applicable to those exchanges in Singapore and Bermuda.

Governance and legal framework

As a company incorporated in Bermuda, the Company is governed by:

- The Bermuda Companies Act 1981 (the 'Companies Act');
- The Bermuda Mandarin Oriental International Limited Consolidation and Amendment Act 1988 (as amended), pursuant to which the Company was incorporated and the Bermuda Mandarin Oriental International Limited Regulations 1993 (as amended) was established; and
- The Company's Memorandum of Association and Bye-laws.

The Bye-laws of the Company can be amended by the shareholders by way of a special resolution at a general meeting of the Company.

The Company's standard listing in London means that it is bound by many of the same rules as premium-listed companies under the UK Listing Rules, the DTRs, the Market Abuse Regulation[1] ('MAR') and the Prospectus Regulation Rules, including in relation to continuous disclosure, periodic financial reporting, disclosure of interests in shares, market abuse and the publication and content of prospectuses in connection with admission to trading or offering securities to the public. The Company is subject to regulatory oversight from the FCA, as the Company's principal securities regulator, and is required to comply with the Admission and Disclosure Standards of the Main Market of the LSE. The Company and its Directors are also subject to legislation and regulations in Singapore relating to insider dealing.

The Company is not required to comply with the UK Corporate Governance Code (the 'Code'), which applies to all premium-listed companies and sets out the governance principles and provisions which are expected to be followed by companies which are subject to the Code.

When the shareholders approved the Company's move to a standard listing from a premium listing in 2014, the Company stated that it intended to maintain certain governance principles on the basis as was then applicable to the Company's premium listing. As a result, the Company has adopted a number of governance principles (the 'Governance Principles') based on the then applicable requirements for a premium listing, which go further than the standard listing requirements. The key elements of the Governance Principles are as follows:

- When assessing a significant transaction (a larger transaction which would be classified as a class 1 transaction under the provisions of the UK Listing Rules), the Company will engage an independent financial adviser to provide a fairness opinion on the terms of the transaction.

- If the Company carries out a related party transaction which would require a sponsor to provide a fair and reasonable opinion under the provisions of the UK Listing Rules, it will engage an independent financial adviser to confirm that the terms of the transaction are fair and reasonable as far as the shareholders of the Company are concerned.

- Further, as soon as the terms of a significant transaction or a related party transaction are agreed, an announcement will be issued by the Company providing such details of the transaction as are necessary for investors to evaluate the effect of the transaction on the Company.

- At each annual general meeting ('AGM'), the Company will seek shareholders' approval to issue new shares on a non-pre-emptive basis for up to 33% of the Company's issued share capital, of which up to 5% can be issued for cash consideration.

- The Company adheres to a set of Securities Dealing Rules which follow the provisions of MAR with respect to market abuse and disclosure of interests in shares.

[1] The EU Market Abuse Regulation and, with effect from 1st January 2021, the UK Market Abuse Regulation.

The management of the Group

The Board

The Board is responsible for ensuring that the Group is appropriately managed and achieves the strategic objectives it sets, in a way that is supported by the right culture, values and behaviours throughout the Group.

The Directors have the full power to manage the business affairs of the Company, other than matters reserved to be exercised by the Company in general meeting under Bermuda legislation or the Company's Bye-laws. Key matters for which the Directors are responsible include:

- Responsibility for the overall strategic aims and objectives of the Group;
- Establishing the Company's purpose and values;
- Approval of the Group's strategy and risk appetite to align with the Group's purpose and values;
- Approval and oversight of the Group policy framework and approval of appropriate Group policies;
- Approval of the Annual Budget and monitoring of performance against it;
- Oversight of the Group's operations;
- Approval of major changes to Group's corporate or capital structure;
- Approval of major capital expenditure and significant transactions (in terms of size or reputational impact);
- Approval of interim and final financial statements upon recommendation from the Audit Committee, and interim management statements;
- Approval of Annual Report and Accounts;
- Approval of dividend policy and amount and form of interim and final dividend payments for approval by shareholders as required;
- Any significant changes to the Company's accounting policies or practices upon recommendation from the Audit Committee;
- Appointment, reappointment or removal of the external auditor, subject to shareholder approval, upon recommendation from the Audit Committee;
- Approval of matters relating to the AGM (resolutions and shareholder documentation);
- Approval of all shareholder circulars, prospectuses and listing particulars issued by the Company; and
- Approval of material public announcements concerning matters decided by the Board.

Responsibility for certain matters, including the approval of borrowing facilities and of capital expenditures (other than major capital expenditure which is required to be approved by the Board) has been delegated to the finance committee established within the Hong Kong-based Group management company, Mandarin Oriental Hotel Group International Limited ('MOHG').

Board composition and operational management

The Board's composition and the way it operates provide stability, allowing the Company to take a long-term view as it seeks to grow its business and pursue investment opportunities.

The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company.

The Company has a dedicated executive management team led by the Group Chief Executive. The Memorandum of Association of the Company, however, provides for the chairman of Jardine Matheson to be, or to appoint, the Managing Director of the Company. Reflecting this, and the Jardine Matheson group's 79% interest in the Company's share capital, the Group Chief Executive and the Managing Director meet regularly. Similarly, the board of MOHG, and its finance committee are chaired by the Managing Director and include Mandarin Oriental Hotel Group executives as well as Jardine Matheson's deputy managing director, group finance director and group general counsel.

Board composition and operational management *continued*

The presence of Jardine Matheson representatives on the Board of the Company and on the board of MOHG, as well as on its audit and finance committees, provides an added element of stability to the Company's financial planning and supervision, enhancing its ability to raise finance and take a long-term view of business development. The presence of Jardine Matheson representatives on the Company's Board and nominations committee and MOHG's audit, finance and remuneration committees also strengthens the ability of management to work effectively together in exploiting the full range of the Jardine Matheson group's commercial strengths.

As at 11th March 2021, the Company comprises 13 Directors, two of whom (15%) – Jack Chen and Archie Keswick – are regarded as Independent Non-Executive Directors. Five further Non-Executive Directors – Julian Hui, Lincoln K.K. Leong, Anthony Nightingale, James Watkins and Percy Weatherall – do not have any executive responsibilities, nor have they been an employee of the Company or the Group within the past five years, and they are sufficiently distanced from the day-to-day operations of the Company for the Company to take the view that they are independent Directors, even though they have served on the Board for over nine years. The names of all the Directors and brief biographies appear on pages 30 and 31 of this Report.

Ben Keswick has been Chairman of the Board since 16th May 2013. John Witt has held the role of Managing Director from 15th June 2020. James Riley has been Group Chief Executive since 1st April 2016. Ben Keswick previously held the roles of Chairman and Managing Director on a combined basis from 16th May 2013. The Board considers that there is a clear division of responsibilities among the Chairman, the Managing Director and the Group Chief Executive, in order to ensure an appropriate balance of power and authority.

Chairman

The Chairman's role is to lead the Board, ensuring its effectiveness while taking account of the interests of the Group's various stakeholders, and promoting high standards of corporate governance. The Chairman's principal responsibilities are in the areas of strategy, relationships, governance and people. He leads the Board in overseeing the long-term strategic direction of the Group and approving its key business priorities. His key responsibilities also include:

- Leading the development of the culture and values of the Group;
- Supporting the development and maintenance of relationships with existing and new key business partners, governments and shareholders;
- Ensuring (together with the Managing Director and Group Chief Executive) an appropriate focus on attracting and retaining the right people and carrying out succession planning for senior management positions;
- Creating a culture of openness and transparency at Board meetings;
- Building an effective Board supported by a strong governance framework;
- Ensuring all Directors effectively contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge;
- Ensuring all Directors receive accurate, timely and clear information; and
- Promoting effective communication between Executive and Non-Executive Directors.

Managing Director

The Managing Director acts as chairman of MOHG and of its finance committee, as well as being a member of the Company's nominations committee and the remuneration committee established in MOHG. He has responsibility for representing Jardine Matheson, as the major shareholder in the Company, in its oversight of the day-to-day management by the Group Chief Executive and his leadership team of the business.

Group Chief Executive

The responsibility for running the Group's business and all the executive matters affecting the Group rests with the Group Chief Executive. The implementation of the Group's strategy is delegated to the Company's executive management, with decision-making authority within designated financial parameters delegated to the MOHG finance committee. The Group Chief Executive has day-to-day responsibility for:

- The effective management of the Group's business;
- Leading the development of the Company's strategic direction and implementing the agreed strategy;
- Identifying and executing new business opportunities;
- Managing the Group's risk profile and implementing and maintaining an effective framework of internal controls;
- Developing targets and goals for his executive team;
- Ensuring effective communication with shareholders and key stakeholders and regularly updating institutional investors on the business strategy and performance;
- Providing regular operational updates to the Board on all matters of significance relating to the Group's business or reputation;
- Overseeing the Group's capital allocation, business planning and performance;
- Ensuring (together with the Chairman and the Managing Director) an appropriate focus on attracting and retaining the right people and carrying out succession planning for senior management positions; and
- Fostering innovation and entrepreneurialism to drive the Group's business forward.

Non-Executive Directors

The Non-Executive Directors bring insight and experience to the Board. They have responsibility for constructively challenging the strategies proposed by the Executive Directors and scrutinising the performance of management in achieving agreed goals and objectives.

Board meetings

The Board usually holds four meetings each year and ad hoc procedures are adopted to deal with urgent matters which arise between scheduled meetings. The majority of Board meetings are usually held in different locations around Asia and one Board meeting is usually held in Bermuda, at the same time as the Company's AGM each May.

In 2020, due to travel restrictions imposed as a result of the pandemic, it was necessary to hold all four Board meetings virtually. The Board receives high quality, up to date information for each of its meetings, which is provided to Directors via a secure online board information portal.

The Directors of the Company who do not serve on the board of MOHG and who are based outside Asia will usually visit Asia and Bermuda to discuss the Group's business, as well as to participate in the four strategic reviews that precede the regular Board meetings. In 2020, all of these strategic reviews were held virtually as a result of the pandemic. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge of the Group's affairs, as well as their experience of the wider Jardine Matheson group, provide significant value to the ongoing review by the Company of the Group's business and reinforces the Board oversight process.

Board and Committee attendance

Directors are expected to attend all Board and Audit Committee meetings. The table below shows the attendance at the scheduled Board and Audit Committee meetings:

	Board	Audit Committee
Current Directors of the Company		
Ben Keswick	4/4	–
John Witt	2/2	2/2
James Riley	4/4	–
Craig Beattie	4/4	–
Jack Chen	3/4	–
Julian Hui	4/4	–
Adam Keswick	4/4	–
Archie Keswick	4/4	–
Lincoln K.K. Leong	4/4	–
Anthony Nightingale	3/4	–
Y.K. Pang	4/4	2/2
James Watkins	4/4	–
Percy Weatherall	4/4	–
Directors of MOHG		
Graham Baker[1]	–	1/1
Jeremy Parr[2]	4/4	2/2
Former Directors of the Company		
Edouard Ettedgui[3]	2/2	–
Mark Greenberg[4]	4/4	1/2
Lord Sassoon[5]	1/1	–

1 Graham Baker joined the board of MOHG on 15th June 2020.
2 Jeremy Parr stepped down as a Director of the Company on 3rd December 2020, who remains a director of MOHG.
3 Edouard Ettedgui retired from the Board on 6th May 2020.
4 Mark Greenberg stepped down as a Director on 31st December 2020.
5 Lord Sassoon retired from the Board on 9th April 2020.

Appointment and retirement of Directors

Each new Director is appointed by the Board and the Nominations Committee has been established to assist the Board in such matters. In accordance with the Company's Bye-laws, each new Director is subject to retirement and re-appointment at the first AGM after appointment. Thereafter, Directors are subject to retirement by rotation requirements under the Bye-laws whereby one-third of the Directors retire at the AGM each year. These provisions apply to both Executive and Non-Executive Directors, but the requirement to retire by rotation does not extend to the Chairman or Managing Director.

Simon Keswick, Lord Sassoon and Edouard Ettedgui retired from the Board with effect from 1st January, 9th April and 6th May 2020, respectively. Ben Keswick stepped down as Managing Director of the Company on 15th June 2020 and remains as the Chairman. John Witt joined the Board and took on the role of Managing Director of the Company with effect from 15th June 2020. Jeremy Parr and Mark Greenberg stepped down from the Board with effect from 3rd and 31st December 2020, respectively.

In accordance with Bye-law 85, Anthony Nightingale, Y.K. Pang and Percy Weatherall retire by rotation at this year's AGM and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, John Witt will also retire and, being eligible, offers himself for re-election. None of the Directors proposed for re-election has a service contract with the Company or its subsidiaries.

Company Secretary

All Directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

Committees

The Board is supported by the activities of its Committees (the Nominations, Remuneration and Audit Committees), which ensure the right level of attention and consideration are given to specific matters. Matters considered by each of the Committees are set out in its respective terms of reference. Copies of these documents can be obtained from the Company's website at www.mandarinoriental.com.

Nominations Committee

The Board established a Nominations Committee (the 'Nominations Committee') in March 2021. The key responsibilities of the Nominations Committee are to:

- Review the structure, size and composition of the Board and its committees and make recommendations on any appointments in order to maintain a balance of skills, knowledge and experience, as well as a diversity of perspectives;
- Lead the process for Board appointments and nominate suitable candidates to the Board;
- Assess suitable candidates based on merit and objective criteria (giving consideration to the promotion of diversity of backgrounds, knowledge, experience and skills), taking into account their ability to meet the required time commitments;
- Oversee the development of succession pipelines for both the Board and senior management positions, to ensure talent is identified and nurtured to meet the challenges and opportunities facing the Group; and
- Satisfy itself that any skill gaps are addressed in the reviews of Board composition, and that appropriate development opportunities are in place for Directors to keep abreast of market knowledge and industry trends to perform their role effectively.

The Nominations Committee consists of a minimum of three members, selected by the Chairman of the Board. The Chairman of the Board is the chairman of the Nominations Committee. The current members of the Nominations Committee are Ben Keswick, Adam Keswick and John Witt. The Nominations Committee meets at least annually and more often if necessary. It plays a key role in the process of recruiting senior executives. Candidates for appointment as Executive Directors of the Company or for other senior management positions may be sourced internally or externally, including by using the services of specialist executive search or recruitment firms. The aim is to appoint individuals who combine international business knowledge and experience, industry knowledge and experience if possible, and familiarity with, or adaptability to, Asian markets. When appointing Non-Executive Directors, the Committee pays particular attention to the Asian business experience and relationships that they can bring.

Remuneration Committee

The Board established a Remuneration Committee (the 'Remuneration Committee') within MOHG in March 2021. The key responsibilities of the Remuneration Committee are to:

- Oversee the formulation of a Group-wide reward strategy and ensure the business implements the reward strategy in alignment with its industry-specific needs;
- Review and approve the compensation of the Group Chief Executive and leadership team of the business;
- Review the terms of and design of performance related incentives (both short- and long-term), including the review and approval of any changes to plan design, targets and metrics;
- Review and approve the overall compensation costs, including salary and bonus budgets, of the business; and
- Remain abreast of trends and developments in executive compensation and corporate governance as they relate to the Group's industry and countries of operation.

The Remuneration Committee consists of a minimum of three members, selected by the Chairman of the Board. The Chairman of the Board is the chairman of the Committee. The current members of the Remuneration Committee are Ben Keswick, John Witt and Graham Baker. The Group Chief Executive and the Chief Human Resources Officer will generally attend meetings of the Remuneration Committee. The Remuneration Committee meets at least twice annually and more often if necessary, with its meetings aligned with the key events in the Group's annual remuneration cycle.

Committees continued

Audit Committee

The Board has established within MOHG an Audit Committee (the 'Audit Committee'), the current members of which are Y.K. Pang, Graham Baker, Jeremy Parr and John Witt. None of them is directly involved in operational management. Graham Baker was appointed as a member of the Audit Committee with effect from 15th June 2020. Mark Greenberg retired as a member of the Audit Committee on 31st December 2020.

The chairman, group chief executive and chief financial officer of MOHG, together with representatives of the internal and external auditors, also attend the Audit Committee meetings by invitation. Other individuals may attend part of a meeting for specific agenda items as appropriate. The Audit Committee meets twice a year and reports to the Board after each meeting.

The role of the Audit Committee is governed by its terms of reference. The Committee's remit includes:

- Independent oversight and assessment of financial reporting processes including related internal controls;
- Risk management and compliance;
- Overseeing the effectiveness of the internal and external audit functions;
- Considering the independence and objectivity of the external auditors; and
- Reviewing and approving the level and nature of non-audit work performed by the external auditors.

Prior to completion and announcement of the half-year and year-end results, a review of the financial information and of any issues raised in connection with the preparation of the results, including the adoption of new accounting policies, is undertaken by the Audit Committee with the executive management and a report is received from the external auditors. The external auditors also have access to the full Board when necessary, in addition to the Group Chief Executive, Chief Financial Officer and other senior executives.

The matters considered by the Audit Committee during 2020 included:

- Reviewing the 2019 annual financial statements and 2020 half-yearly financial statements, with particular focus on the impact of COVID-19, provisioning and impairment assessments, assumptions that underpinned key valuation models and effectiveness of financial controls;
- Reviewing the actions and judgements of management in relation to changes in accounting policies and practices, to ensure clarity of disclosures and compliance with new accounting standards;
- Receiving reports from the internal audit function on the status of the control environment of the Group and its business divisions, and progress made in resolving matters identified in the reports;
- Reviewing the principal risks, evolving trends and emerging risks that affect the Group, and monitoring changes to the risk profile, as well as the effectiveness of risk management measures and crisis management arrangements;
- Receiving updates on the cybersecurity threat landscape and the Group's cybersecurity environment, risk management approach, priorities and control effectiveness;
- Receiving reports from risk management and legal functions on key legal matters and compliance and code of conduct issues, and the actions taken in addressing those issues and strengthening controls;
- Reviewing the annual internal audit plan and status updates;
- Reviewing and approving the revised terms of reference of the Group's internal audit and risk management functions;
- Reviewing the biennial assessment of the effectiveness of PwC;
- Reviewing the independence, audit scope and fees of PwC, and recommending their re-appointment as the external auditor; and
- Conducting a review of the terms of reference of the Audit Committee.

Remuneration

The Board has overall responsibility for setting remuneration across the Group, ensuring it is appropriate and supports the Group's strategy, creating value for stakeholders. The Remuneration Committee has been established to assist the Board in these remuneration matters. The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognised that, due to the nature of the Group and its diverse geographic base, a number of its senior executives are required to be offered international terms and the nature of the remuneration packages is designed to reflect this. Executive Directors joining from outside the Group may be offered an initial fixed-term service contract to reflect any requirement for them to relocate.

Shareholders decide in general meetings the Directors' fees which are payable to all Directors other than the Group Chief Executive and the Chief Financial Officer, as provided for by the Company's Bye-laws.

Remuneration in 2020

For the year ended 31st December 2020, the Directors received from the Group US$6.0 million (2019: US$6.5 million) in Directors' fees and employee benefits, being:

- US$0.4 million (2019: US$0.8 million) in Directors' fees;
- US$5.5 million (2019: US$5.6 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind;
- US$0.1 million (2019: US$0.1 million) in post-employment benefits; and
- No share-based payments (2019: nil).

The information set out in the section above headed 'Remuneration in 2020' forms part of the audited financial statements.

Share schemes

Share-based long-term incentive plans have also been established to provide incentives for Executive Directors and senior managers. Share options and share awards are granted by the scheme trustee after consultation between the Chairman and the Group Chief Executive as well as other Directors as they consider appropriate. Share options are granted at the then prevailing market prices, while share awards will vest free of payment. The share options and share awards normally vest on or after the third anniversary of the date of grant. Grants may be made in a number of instalments. Share options and share awards are not granted to Non-Executive Directors.

Insurance and indemnification

The Company purchases insurance to cover its Directors against their costs in defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. To the extent permitted by law, the Company also indemnifies its Directors. Neither insurance nor indemnity provides cover where the Director has acted fraudulently or dishonestly.

Risk management and internal control

The Board has overall responsibility for the Group's systems of risk management and internal control. The Board has delegated to the Audit Committee responsibility for providing oversight in respect of risk management activities. The Audit Committee considers the Group's principal risks and uncertainties and potential changes to the risk profile and reviews the operation and effectiveness of the Group's systems of internal control (financial, operational and compliance) and the procedures by which these risks are monitored and mitigated.

The Audit Committee considers the systems and procedures on a regular basis, and reports to the Board semi-annually. The systems of internal control are designed to manage, rather than eliminate, business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. Executive management is responsible for the implementation of the systems of internal control throughout the Group.

Risk management and internal control *continued*

The Group has an established risk management process which is reviewed on a regular basis and covers all business units within the Group. This includes the maintenance of risk registers which detail the emerging and existing risks to the future success of the business and the relevant key controls and mitigating factors which address those risks. These are reviewed on a regular basis.

The internal audit function also monitors the approach taken by the business units to risk. The internal audit function is independent of the operating businesses and reports its findings, and recommendations for any corrective action required, to the Audit Committee.

The principal risks and uncertainties facing the Company are set out on pages 123 and 124.

Delegations of authority

The Group has in place an organisational structure with defined lines of responsibility and delegation of authority. There are established policies and procedures for financial planning and budgeting, information and reporting systems, assessment of risk; and monitoring the Group's operations and performance. The information systems in place are designed to ensure that the financial information reported is reliable and up to date.

Whistleblowing policy

The Group has a whistleblowing policy covering the process by which employees can report, in confidence, matters of serious concern. The Audit Committee has responsibility for overseeing the effectiveness of the formal procedures for employees to raise such matters and is required to review any reports made under those procedures which are referred to it by the internal audit function.

Directors' responsibilities in respect of the financial statements

The Directors are required under the Companies Act to prepare financial statements for each financial year and to present them annually to the Company's shareholders at the AGM. The financial statements are required to present fairly, in accordance with International Financial Reporting Standards ('IFRS'), the financial position of the Group at the end of the year and the results of its operations and its cash flows for the year then ended. The Directors consider that applicable accounting policies under IFRS, applied on a consistent basis and supported by prudent and reasonable judgements and estimates, have been followed in preparing the financial statements. The financial statements have been prepared on a going concern basis.

Code of Conduct

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in its Code of Conduct, which is a set of guidelines to which every employee must adhere and is reinforced and monitored by an annual compliance certification process, and is modelled on the Jardine Matheson group's code of conduct. The Code of Conduct requires that all Group companies comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. The Code of Conduct prohibits the giving or receiving of illicit payments and requires that all managers must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their organisations.

The Company's policy on commercial conduct underpins the Group's internal control process, particularly in the area of compliance. The policy is also set out in the Group's Code of Conduct.

Inclusion and diversity

The Code of Conduct encourages inclusion and diversity, and requires all employees to be treated fairly, impartially and with dignity and respect. As a global hospitality employer, the Group believes in promoting equal opportunities in recruiting, developing and rewarding its people regardless of race, gender, nationality, religion, sexual orientation, disability, age or background. The high service expectations and overall quality of the Mandarin Oriental brand necessitates that the Group seeks the best people from the communities in which it operates most suited to its needs.

Directors' share interests

The Directors of the Company in office on 11th March 2021 had interests* as set out below in the ordinary share capital of the Company. These interests include those notified to the Company in respect of the Directors' closely associated persons*.

John Witt	4,894,068
James Riley	180,450
Julian Hui	10,294
Lincoln K.K. Leong	129,756

* Within the meaning of MAR

Substantial shareholders

As a non-UK issuer, the Company is subject to the provisions of the DTRs which require that a person must in certain circumstances notify the Company of the percentage of voting rights attaching to the share capital of the Company that person holds. The obligation to notify arises if that person acquires or disposes of shares in the Company which results in the percentage of voting rights which the person holds reaching, exceeding, or falling below, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.

The Company has been informed of the holding of voting rights of 5% or more attaching to the Company's issued ordinary share capital by Jardine Strategic Holdings Limited ('Jardine Strategic'), which is directly interested in 1,003,691,509 ordinary shares carrying 79.46% of the voting rights. By virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares. Apart from this shareholding, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 11th March 2021.

There were no contracts of significance with corporate substantial shareholders during the year under review.

Related party transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in note 31 to the financial statements on page 75.

Securities purchase arrangements

The Directors have the power under the Companies Act and the Company's Memorandum of Association to purchase the Company's shares. Any shares so purchased shall be treated as cancelled and, therefore, reduce the issued share capital of the Company. When the Board reviews the possibility for share repurchases, it will take into consideration the potential for the enhancement of earnings or asset values per share. When purchasing such shares, the Company is subject to the provisions of MAR.

Annual General Meeting

The 2021 AGM will be held on 5th May 2021. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report. A corporate website is maintained containing a wide range of information of interest to investors at www.mandarinoriental.com.

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on pages 120 and 121 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement, Group Chief Executive's Review and other parts of the Report.

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 are set out in the Financial Review on page 29 and note 36 to the financial statements on pages 88 to 96.

Commercial and market risk

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

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

The Group competes with other luxury hotel operators for new opportunities in the areas of hotel management, residences management and residences branding. Failure to establish and maintain relationships with hotel owners or developers could adversely affect the Group's business.

The Group also makes investment decisions in respect of acquiring new hotel properties and undertaking major renovations or redevelopments in its owned properties, exposing it to construction risks. The success of these investments is measured over the longer term and as a result is subject to market risk.

Mandarin Oriental'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.

Pandemic, terrorism and natural disasters

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

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.

Reputational risk and value of the brand

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

Regulatory and political risk

The nature of the Group's global operations mean that it is subject to numerous laws and regulations, including but not limited to those covering employment, competition, taxation, data privacy, foreign ownership, town planning, anti-bribery, money laundering and exchange controls. Changes to laws and regulations have the potential to impact the operations and profitability of the Group's business. Non-compliance with laws and regulations could result in fines and/or penalties. Changes in the political environment, including prolonged civil unrest in the territories where the Group operates, could adversely affect the Group's business.

Cybersecurity risk

The Group's business is ever more reliant on technology in its operations and faces increasing numbers of cyberattacks from groups targeting both individuals and businesses. The privacy and security of guests and corporate information is at risk of being compromised through a breach of our or our suppliers' IT systems or the unauthorised or inadvertent release of information, resulting in brand damage, impaired competitiveness or regulatory action. Cyberattacks may also adversely affect the Group's ability to manage its business operations or operate information technology and business systems, resulting in business interruption, lost revenues, repair or other costs.

Shareholder Information

Financial calendar

2020 full-year results announced	11th March 2021
Annual General Meeting to be held	5th May 2021
2021 half-year results to be announced	29th July 2021*
Shares quoted ex-dividend	19th August 2021*
Share registers to be closed	23rd to 27th August 2021*
2021 interim dividend payable	13th October 2021*

* Subject to change

Dividends

In light of the substantially reduced levels of business, no final dividend in respect of the 2020 financial year will be paid.

Registrars and transfer agent

Shareholders should address all correspondence with regard to their shareholdings or dividends to the appropriate registrar or transfer agent.

Principal Registrar

Jardine Matheson International Services Limited, P.O. Box HM 1068, Hamilton HM EX, Bermuda

Jersey Branch Registrar

Link Market Services (Jersey) Limited, 12 Castle Street, St Helier, Jersey JE2 3RT, Channel Islands

Singapore Branch Registrar

M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902

United Kingdom Transfer Agent

Link Group, The Registry, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL, United Kingdom

Press releases and other financial information can be accessed through the internet at www.mandarinoriental.com.

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MANDARIN ORIENTAL
THE HOTEL GROUP

Mandarin Oriental International Limited

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