Mandarin Oriental International Limited

Annual Report 2023

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 60 years ago into a global brand, the Group now operates 38 hotels, nine residences and 23 *exclusive homes* in 25 countries and territories, with each property reflecting the Group's oriental heritage, local culture and unique design. 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$4.6 billion as at 31st December 2023.

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 primary listing in the standard segment of 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*
John Witt *Managing Director*
James Riley *Former Group Chief Executive*
(stepped down on 31st July 2023)
Laurent Kleitman *Group Chief Executive*
(joined the Board on 1st September 2023)
Matthew Bishop *Chief Financial Officer*
Jinqing Cai
Adam Keswick
Archie Keswick
Y.K. Pang
(stepped down on 31st March 2024)
Richard Solomons

Company Secretary

Jonathan Lloyd

Registered Office

Jardine House
33-35 Reid Street
Hamilton
Bermuda

Mandarin Oriental Hotel Group International Limited

Directors

John Witt *Chairman*
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(stepped down on 31st July 2023)
Laurent Kleitman *Group Chief Executive*
(joined the board on 1st September 2023)
Matthew Bishop *Chief Financial Officer*
Graham Baker
Kieren Barry
Matthew Bland
Francesco Cefalu
(joined the board on 1st April 2023)
Paul Clark
(retired on 30th April 2023)
Joanna Flint
Amanda Hyndman
(joined the board on 1st May 2023)
Christoph Mares
Vincent Marot
Paul Massot
(retired on 31st March 2023)
Anne O'Riordan
Y.K. Pang
(stepped down on 31st March 2024)

Corporate Secretary

Jonathan Lloyd

Highlights

Mandarin Oriental International Limited

- Underlying profit increased to US$81 million, from US$8 million in 2022
- Strong operating and financial performance driven by record rates
- Management fees grew by 30%, with strong recovery by hotels in Asia
- Increased development pipeline with two new hotel openings and eight new management contracts announced
- Final dividend at US¢3.50 per share, resulting in total dividends of US¢5.00 per share

Results

	Year ended 31st December 2023 US$m	2022 US$m	Change %
Combined total revenue of hotels under management[1]	**1,890.2**	1,568.1	21
Revenue	**558.1**	454.1	23
Underlying EBITDA (Earnings before interest, tax, depreciation and amortisation)[2]	**177.6**	111.4	59
Underlying profit attributable to shareholders[3]	**81.0**	7.6	966
Revaluation loss on investment properties	**(486.7)**	(104.1)	(368)
Gain on sale of a subsidiary/asset disposals	**41.3**	47.0	(12)
Loss attributable to shareholders	**(365.4)**	(49.5)	(638)
	US¢	US¢	%
Underlying earnings per share[3]	**6.41**	0.60	968
Loss per share	**(28.91)**	(3.92)	(638)
Dividends per share	**5.00**	–	n/a
	US$	US$	%
Net asset value per share	**2.34**	2.61	(10)
Adjusted net asset value per share[4]	**3.67**	3.87	(5)
Net debt/shareholders' funds	**8%**	11%	
Net debt/adjusted shareholders' funds[4]	**5%**	8%	

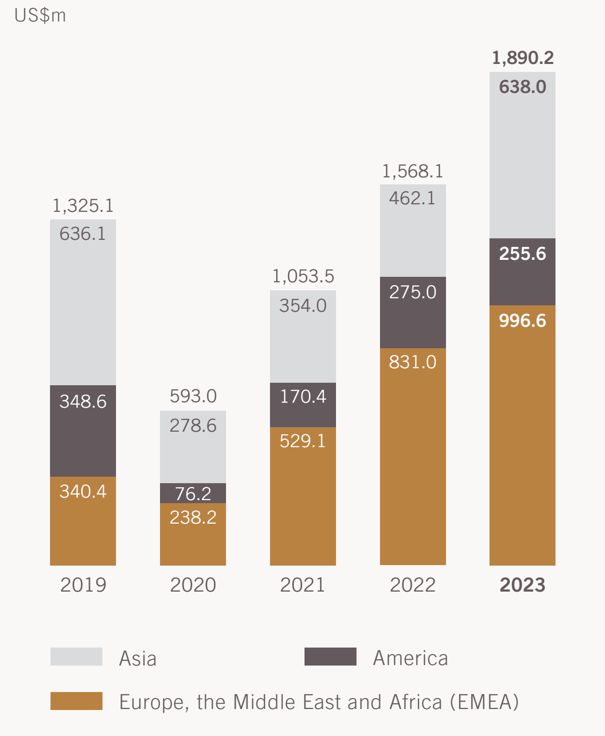
[1] Combined revenue includes turnover of the Group's subsidiary hotels in addition to 100% of revenue from associate, joint venture and managed hotels.

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

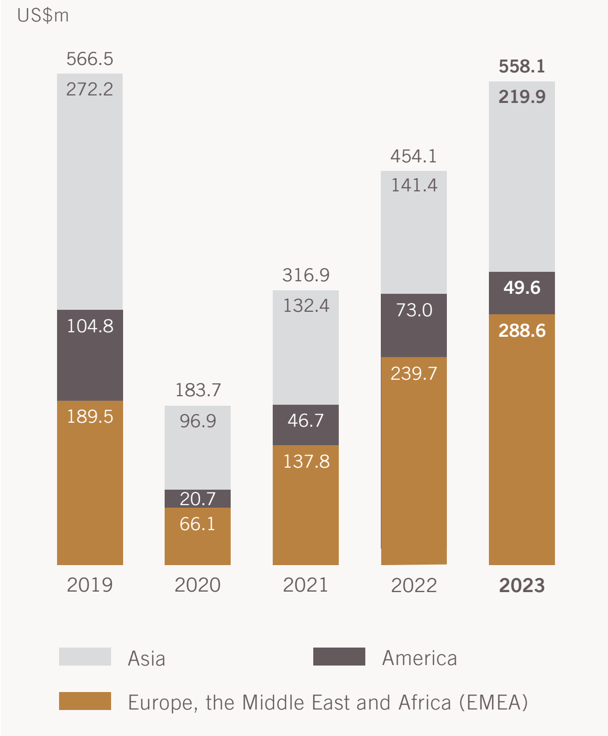
[3] The Group uses 'underlying profit' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 34 to the financial statements. Management considers this to be a key measure which provides additional information to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

[4] The Group's investment properties are carried at fair value on the basis of valuations carried out by independent valuers at 31st December 2023. 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 at 31st December 2023 have included the market value of the Group's freehold and leasehold interests.

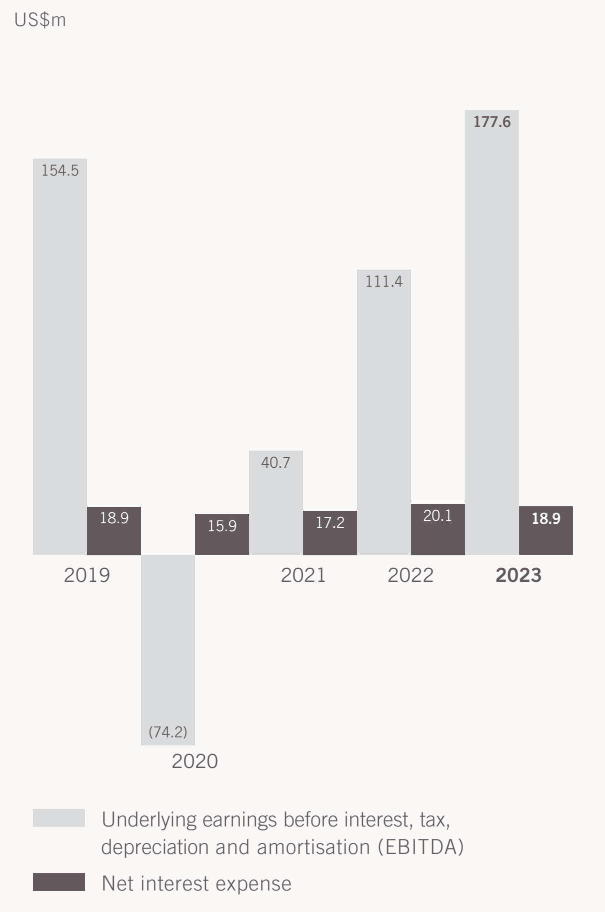
Combined total revenue
by geographical area



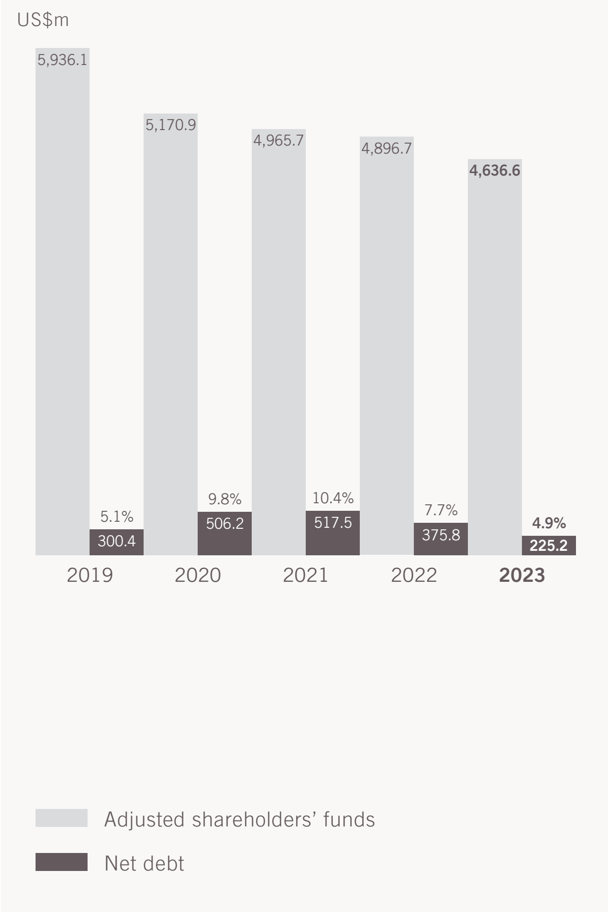
Revenue
by geographical area



Underlying EBITDA and net interest expense



Net debt/adjusted shareholders' funds



Chairman's Statement

Overview

2023 was a year of significant growth and progress for Mandarin Oriental. The Group grew its Management Business, with two new openings and the announcement of eight new hotel and residences projects. Our colleagues continued to provide the exceptional service for which the brand is legendary and secured record room rates, which translated into strong operating and financial performance.

2023 Financial performance

Underlying profit increased to US$81 million, from US$8 million in 2022, with underlying earnings per share at US¢6.41, compared with US¢0.60 in 2022. Non-trading losses of US$446 million primarily comprised a non-cash revaluation of the Causeway Bay site under development, resulting in a loss attributable to shareholders of US$365 million.

Net debt fell to US$225 million at the end of 2023, from US$376 million at the end of 2022, reflecting significantly higher operating cashflow from the business, net of ongoing capital investment, as well as proceeds from disposals. Gearing as a percentage of adjusted shareholders' funds was 5%, compared to 8% at the end of 2022.

The Directors recommend a final dividend of US¢3.50 per share. This, together with the interim dividend of US¢1.50 per share declared, will result in total dividends of US¢5.00 per share.

Year in review

In 2023, Mandarin Oriental, with its distinctive portfolio of hotels, was able to satisfy consumers' continuing robust appetite for luxury leisure travel. The Group's legendary levels of service underpinned an increase in rates, and it continued to build occupancy, which translated into substantial improvements in Revenue Per Available Room ('RevPAR') across almost all hotels.

Hotels in Asia benefitted from the return of travel demand from Chinese mainland following the removal of restrictions at the beginning of 2023, generating substantially higher management fees. Two of the Group's key owned hotels in the region – Hong Kong and Tokyo – delivered notably better performance than in 2022. In Europe, the Middle East and Africa ('EMEA'), hotels reported solid growth over 2022 and gained market share, particularly in resort destinations. In America, RevPAR performance remained broadly stable, with easing domestic leisure demand partially offset by higher demand from corporate and group travellers.

Sustainability

We believe the long-term success of our business hinges on doing the right things for our planet and our people. The Group remains on track to achieve its 2030 environmental targets and has made particular progress in reducing energy and waste intensity, and in expanding the scope of responsible procurement. Mandarin Oriental's sustainability commitments also undertake to create positive impacts for the communities in which its hotels operate. This year, the '*MOgiving*' initiative was launched in all the Group's hotels, to empower colleagues to contribute to their local communities.

Governance

The Group has continued to evolve its governance in 2023, to ensure that its board and committees have the right expertise and independence to support the delivery of the Group's strategic priorities. In 2023, Richard Solomons was appointed as Independent Non-Executive Chair of the Audit Committee and Jinqing Cai, an Independent Non-Executive Director, was appointed as a member of the Committee. The Audit Committee now has a majority of independent members, whose expertise and understanding of the luxury and hospitality sectors will strengthen the Committee.

People

In September 2023, Laurent Kleitman succeeded James Riley as Group Chief Executive. On behalf of the Board, I would like to thank James for his contribution to the Group and welcome Laurent, who has joined us with many years of experience in building iconic, luxury consumer brands.

Our colleagues play an instrumental role in defining the brand and creating the legendary guest experience for which Mandarin Oriental is renowned. I would like to take this opportunity to express my gratitude to them for the unwavering commitment they show to our guests, which underpins the long-term success of the Group.

Outlook

Mandarin Oriental delivered a strong set of results in 2023. Despite some geopolitical and macroeconomic uncertainties entering 2024, the Group remains optimistic about its future growth as it continues to invest in its core strengths of brand desirability, a strong management contract pipeline, continued delivery of innovation and service excellence and an unwavering commitment to people and the environment.

Ben Keswick
Chairman
7th March 2024

Group Chief Executive's Review

I am delighted to have joined Mandarin Oriental and am pleased to share my initial views of the Group and the progress we have made across several fronts over the past year.

Having been with the Group for a few months and visited most of our properties around the world, met with many of our owners and partners, and spent time listening to and learning from our thousands of colleagues, it is clear to me that Mandarin Oriental is not only a strong business today but also has significant opportunities ahead.

Since my appointment in September 2023, my team and I have been reviewing our strategy to ensure that the Group is able to build on the right foundations to accelerate growth. Strategic thinking and changes are currently underway, with a greater focus on significantly scaling up the Management Business globally, further elevating the brand's desirability, to become the reference point in luxury hospitality, and enriching our proposition to guests and owners. I am very convinced that the Mandarin Oriental brand, together with the exceptional operational expertise of our teams centrally and around the world, has the potential to take a larger share of the global luxury hospitality market in the coming years. Our understanding of excellence, our long-standing service tradition, our interpretation of luxury and our creativity are some of the many assets that we are building upon.

Our dual Asian origin, blending the vibrancy and modernity of Hong Kong – The Mandarin – with the refinement of Bangkok – The Oriental –, makes us the most distinctive and authentic luxury hospitality brand in the world. And today, 50 years after these two iconic hotels were brought together, we have created a formidable Group: from the strength of our growing Management Business to the enormous potential of our brand, from the quality of our operators and 15,000 colleagues to the strength of our partners, Mandarin Oriental has solid foundations from which we will scale up, while retaining our unique sense of high-end luxury.

I look forward to sharing our full new strategic plan in more detail later this year.

Looking back to 2023, we had occasion to celebrate many significant achievements, starting in February with the rebranding of Emirates Palace Mandarin Oriental, Abu Dhabi. This is our third hotel in the Middle East and complements Mandarin Oriental Jumeira, Dubai and Mandarin Oriental, Doha, reinforcing our brand presence in the region. Reflecting our unwavering dedication to elevating the guest experience, Mandarin Oriental, Singapore re-opened its doors to guests in September after a transformative renovation. In October, we celebrated the 60th anniversary of one of our historic hotels, Mandarin Oriental, Hong Kong, with Oscar-winning brand ambassador Michelle Yeoh and other distinguished guests showcasing the contemporary luxury and Oriental heritage that differentiate the brand. And finally, as we concluded 2023, we opened the magnificent and iconic Mandarin Oriental Savoy, Zurich after an extensive renovation.

2023 Performance

Summary of performance

The Group manages 38 hotels and nine residences globally, of which 25 properties are managed and 13 properties are owned or partially owned. In 2023, the Management Business delivered strong operating performance and improved profitability. Combined total revenue for hotels under management was US$1.9 billion in 2023, 21% above 2022. This increase was driven primarily by a 29% increase in RevPAR. The improvement in RevPAR was primarily due to a gradual recovery in occupancy across all geographies, a continuation of high rates in Europe, the Middle East and Africa ('EMEA'), and a solid rebound in rates in Asia. Food & Beverage ('F&B') revenue also increased by 18% year-on-year, contributing to the strong top-line outperformance in 2023.

In EMEA, most hotels gained market share in 2023 compared to 2022. Average RevPAR was US$645, up 14% from 2022. While average rates remained fairly stable in 2023 compared to the prior year, occupancy recovered to pre-pandemic levels. RevPAR performance was notably better than 2022 in Bodrum, Abu Dhabi and Marrakech, predominantly driven by robust leisure demand.

In Asia, RevPAR was US$213, up 75% from 2022. The progressive return of domestic and some outbound travel demand from Chinese mainland at the start of the year contributed to a strong pick-up in both occupancy and rates within the region. Within Chinese mainland, our hotels in Beijing, Hong Kong, Macau, Shanghai and Shenzhen generated strong year-on-year improvements in RevPAR. In the rest of Asia, Tokyo, Bangkok and Kuala Lumpur also delivered considerable RevPAR improvements. Despite substantial RevPAR growth in 2023 compared to 2022, RevPAR for the region remained slightly below pre-pandemic levels as occupancy continued to recover.

In the Americas, RevPAR was US$408, up 3% from 2022. Domestic leisure demand eased marginally from the strong levels seen in 2022 but was compensated by a steady continuing recovery in corporate transient and group segments.

Management Business

With the openings of two new hotels, the Group continued to execute its strategy of scaling up the Management Business. This growth in scale, combined with RevPAR improvement, resulted in a 30% increase in hotel management fees and a 55% improvement in EBITDA for the Management Business compared to 2022. Most hotels delivered higher fees, with hotels in Asia in particular seeing a robust rebound from 2022.

The sale of branded residences, such as *The Residences at Mandarin Oriental Mayfair* – luxury apartments situated in the heart of one of London's most stylish neighbourhoods – and *Mandarin Oriental Residences, Fifth Avenue* in the heart of Manhattan, remains a strategic focus and contributed some 10% of the total fees earned from the Management Business.

Owned hotel performance

Our 13 owned properties reported a combined EBITDA 63% higher than in 2022, and most properties maintained or improved their earnings. Of note were the materially improved contributions produced by Hong Kong and Tokyo, both of which were severely impacted by stringent travel restrictions for the majority of 2022, and the early part of 2023. London and Geneva also delivered considerably improved results driven by better RevPAR and F&B performance. The exceptions with lower earnings in 2023 were Singapore and Miami. After undergoing an extensive renovation for six months, Mandarin Oriental, Singapore has re-opened with a transformed and elevated guest experience with an enhanced appeal to leisure travellers. Against the backdrop of easing domestic leisure demand in America, Miami reported a slight drop in average rates, partially offset by improved occupancy and F&B performance.

Financial performance

As a result of strong top-line performance, EBITDA for 2023 was US$178 million, a 59% increase from the prior year. Underlying profit substantially improved from US$8 million in 2022 to US$81 million in 2023.

A year in review

The Group's long-term growth strategy is to grow Mandarin Oriental brand's desirability and expand the Management Business through the signing of management contracts in key destinations, whilst retaining some ownership of brand-defining properties.

Management Business

The Group's Management Business made good progress in 2023. In August, we introduced Mandarin Oriental's contemporary luxury to Greece with the opening of our beachfront getaway in Costa Navarino. In December, we opened our third property in Switzerland – Mandarin Oriental Savoy, Zurich, following an extensive renovation of this historic property, which dates back to 1838.

In addition to these openings, we underpinned the future growth of our portfolio with the signing of eight hotel and residences projects, all of which will be managed by the Group:

- Luxury residences in the heart of Madrid's most exclusive neighbourhood, Salamanca;
- A scenic beachfront resort in Mallorca;
- A hotel and residences in Athens with contemporary design and unobstructed views of the Aegean Sea;
- A hotel and residences in Bankside – the Group's third property in London;
- A transformative redevelopment of Mandarin Oriental, Miami, in a larger hotel and residences complex in the unique Brickell Island location;
- A secluded resort in Porto Cervo, Sardinia, overlooking the Gulf of Pevero;
- A high-end boutique resort in Setouchi, Japan that consists of three distinctive properties around the Seto Inland Sea; and
- A full renovation and rebranding of the historic Gellért Hotel in Budapest.

Overall, at the end of 2023, the Group has a pipeline of 28 hotels (14 of which have a residences component) and two standalone residences to open over the next five years. And I remain very optimistic about announcing new strategic projects in 2024.

Owned assets

As part of our regular review of the Group's assets, in 2023, we decided to sell our owned properties in Jakarta and Paris. The disposal of our Jakarta property was completed in June 2023, with the hotel management contract retained. The Group has also signed an option to sell the Paris hotel property, securing a long-term hotel management contract with the new owner. We expect to complete this transaction in the first half of 2024.

We are making good progress with the redevelopment of our Causeway Bay site in Hong Kong and have begun leasing activities in line with our expectation to complete construction of the building in the first half of 2025. We have updated our valuation for the project to purely reflect residual, value-in-use estimates, in line with normal market practice as the development project progresses toward completion.

Brand

In 2023, we continued to strengthen the desirability of the Mandarin Oriental brand. The Group focussed on increasing the awareness of the brand amongst our target audience, and investing behind our award-winning *'I'm A Fan'* advertising campaign, which has featured over 50 celebrities who are genuine fans of Mandarin Oriental. We also celebrated a key milestone for Mandarin Oriental, with the 60th anniversary of our flagship hotel in Hong Kong, which has been at the forefront of luxury hospitality since it opened its doors in 1963.

During the period we have built awareness and engagement of Mandarin Oriental through extensive media coverage in both lifestyle publications and social channels, focussing on the Group's core brand pillars of craftsmanship and design; innovative dining; holistic wellness; and our legendary service which are at the heart of our Oriental heritage. These focusses have been further strengthened by the attainment of many global awards for excellence, solidifying the Group's reputation for delivering the highest quality. Significant awards in 2023 included Best Luxury Hotel Brand in the annual *Luxury Travel Intelligence* ranking; 29 *Michelin* stars won by 18 of our global restaurants; the World's Best Hotel Spa Brand by the World Spa Awards, and the placement of 20 of our properties in Condé Nast Traveller's Readers Choice Awards, more than in any previous year.

Further, we have forged partnerships with prestigious like-minded brands. These included the hosting of Louis Vuitton's summer pop-up store and co-branded beach bar at Mandarin Oriental, Bodrum, and the development of a dedicated showcase suite for Vacheron Constantin in Dubai.

Transformation

Modernisation of the Management Business remains a strategic focus, with the key aims of supporting growth in scale, enriching the customer experience, delivering improved operating efficiency, and elevating our colleagues value proposition.

In the past year, we continued to advance several transformation initiatives across the organisation in support of this strategic objective. In particular, the Group has embarked on the Guest Experience Programme which will greatly improve our ability to recognise, understand and engage our guests across Mandarin Oriental. A redesign of *Fans of M.O.* will enable us better to attract and retain both top guests and local fans. We are establishing a bespoke relationship management service to build brand-level loyalty with ultra-high-net-worth guests. Internally, we have made encouraging progress in driving operational efficiency through modernising our systems and processes required to support evolving business needs.

People & culture

The Group's focus on recruiting and developing the right talent, as well as providing an engaging colleague experience, remains central to our People and Culture strategy. In the past year, the Group has recruited 176 Rising Fans into the new graduate programme. More broadly, we achieved notable improvements in retention, with a reduction in voluntary turnover from 25% to 22%. Our efforts were acknowledged in the Group's latest Colleague Engagement Survey, which indicated improvement across all drivers of sustainable engagement and exceeded both the 'Travel & Leisure' norm and the 'High-Performance' norm.

Our HR transformation journey, The People Project, is a strategic initiative that aims to put the colleague experience at the centre, elevate the role of our people managers, and simplify, harmonise and automate our HR processes. The initiative is a major step towards enabling an engaged workforce through a compelling work experience, laying a solid foundation for the organisation to build on as it scales up.

Sustainability

I am delighted to share that the Group's commitment to sustainability was recognised in 2023 by the Global Sustainable Tourism Council. In line with our belief in contributing positively to local communities, we launched *'MOgiving'* within all our hotel properties, to empower our colleagues to create positive social impact locally. We continue to make progress against our other sustainability targets, about which further information will be published in our forthcoming Sustainability Report 2023.

The year ahead

In 2023, Mandarin Oriental delivered improved operational performance and continued to lay the foundation for strong future growth. In early 2024, we completed the rebranding of Mandarin Oriental Al Faisaliah, Riyadh, and in the coming 12 months we are focussed on delivering several planned openings, including Muscat in Oman – a unique beachfront urban resort, Mayfair in London – an exclusive boutique hotel in the heart of the capital's fashion and shopping district, Qianmen in Beijing – an elegant hotel that offers an authentic experience within a traditional Hutong quarter, and a standalone residences project on Fifth Avenue in New York. I am confident that we will be in a position to announce several further strategic projects in key locations in the course of 2024, which will enable the brand to expand its footprint in highly sought-after destinations and continue to improve the financial performance of the Group.

As we continue to grow, we will remain attentive to cultivating and raising the desirability of the Mandarin Oriental brand and maintaining and uplifting the quality of Mandarin Oriental guest experiences at every opportunity.

Laurent Kleitman
Group Chief Executive
7th March 2024

Operating Summary

Total portfolio RevPAR

US dollar

	2023 US$	2022 US$	% Change
Asia	**213**	119	79
Europe, the Middle East and Africa	**660**	570	16
America	**408**	397	3
Total	**396**	314	26

Constant currency

	2023 US$	2022 US$	% Change
Asia	**218**	119	83
Europe, the Middle East and Africa	**704**	570	24
America	**406**	397	2
Total	**414**	314	32

Occupancy is calculated based on the number of occupied rooms out of the total number of available rooms in which the hotel is in operation during the period. 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 2022 and 2023. Any new openings, closures or disposals during the period are excluded.

Group's subsidiary hotels RevPAR

ASIA

Mandarin Oriental, Hong Kong 100% ownership

	2023	2022	% Change
Available rooms	**447**	494	(10)
Average occupancy (%)	**59.9**	29.8	101
Average room rate (US$)	**495**	339	46
RevPAR (US$)	**297**	101	194

Mandarin Oriental, Tokyo 100% leasehold

	2023	2022	% Change
Available rooms	**179**	179	–
Average occupancy (%)	**71.8**	50.5	42
Average room rate (US$)	**839**	485	73
RevPAR (US$)	**603**	245	146

EUROPE, THE MIDDLE EAST AND AFRICA

Mandarin Oriental Hyde Park, London 100% ownership

	2023	2022	% Change
Available rooms	**181**	181	–
Average occupancy (%)	**67.1**	60.3	11
Average room rate (US$)	**1,573**	1,445	9
RevPAR (US$)	**1,056**	871	21

Mandarin Oriental, Munich 100% ownership

	2023	2022	% Change
Available rooms	**73**	73	–
Average occupancy (%)	**67.9**	65.8	3
Average room rate (US$)	**1,130**	1,041	9
RevPAR (US$)	**767**	685	12

Mandarin Oriental, Paris 100% ownership

	2023	2022	% Change
Available rooms	**135**	135	–
Average occupancy (%)	**57.2**	60.2	(5)
Average room rate (US$)	**1,499**	1,284	17
RevPAR (US$)	**857**	773	11

Mandarin Oriental, Geneva 100% ownership

	2023	2022	% Change
Available rooms	**178**	178	–
Average occupancy (%)	**65.4**	59.1	11
Average room rate (US$)	**766**	666	15
RevPAR (US$)	**501**	394	27

AMERICA

Mandarin Oriental, Boston 100% ownership

	2023	2022	% Change
Available rooms	**148**	148	–
Average occupancy (%)	**63.4**	56.6	12
Average room rate (US$)	**670**	702	(5)
RevPAR (US$)	**425**	397	7

Development Portfolio

The following 28 hotels and 16 *Residences at Mandarin Oriental* are expected to open in the next five years.

Asia

Mandarin Oriental, Bai Nom
A new resort with branded residences in Phu Yen province, Vietnam offering 72 suites and villas, including 25 *Residences*. The property will spread out across a 29-hectare site with guest accommodation located directly on the beach and dotted through the hills.

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 Tianfu, Chengdu
A 267-room hotel located in Tianfu, a modern business district south of Chengdu, the capital city of Szechuan province in China.

Mandarin Oriental, Da Nang
A luxury waterfront resort comprising 60 villas and 22 *Residences at Mandarin Oriental*, ideally located on a spectacular beach in one of Vietnam's most popular leisure destinations.

Mandarin Oriental, Hangzhou
A 194-room hotel in the new Westlake 66 luxury commercial and retail complex, located close to the West Lake, a UNESCO World Heritage Site and one of China's primary leisure destinations, with easy access to the city's principal business hubs.

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

Mandarin Oriental, Maldives
A picturesque private island resort comprising 120 stand-alone villas, including 10 *Residences at Mandarin Oriental*, with panoramic views of the Indian Ocean.

Mandarin Oriental, Nanjing
A 95-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, Setouchi
A collection of three unique boutique properties, branded as Mandarin Oriental, Setouchi. These resorts, totalling 164 rooms, are nestled strategically around the captivating Seto Inland Sea. Each of the trio embodies its distinct character, environment, and purposefully curated experiences.

Europe, the Middle East and Africa

Mandarin Oriental, Athens
A new hotel and accompanying residences on the Athenian coastline. The beach front development will comprise of 123 rooms and suites in addition to 17 *Residences at Mandarin Oriental*. The development is within easy reach of the city's famous attractions.

Mandarin Oriental Gellert, Budapest
A re-branding of the historic Gellért Hotel in Budapest, currently closed for renovation. This 143-room Art Nouveau architectural gem is located on the Buda side of the city and just a short walk to the Liberty Bridge, connecting Buda with Pest.

Mandarin Oriental Shepheard, Cairo
A re-branding of the celebrated Shepheard Hotel in Downtown Cairo, currently closed for renovation. This 269-room property is a heritage landmark in the city, with stunning views of the Nile and Gezira island.

Mandarin Oriental Cristallo, Cortina
A re-branding of the historic Hotel Cristallo in Cortina d'Ampezzo, Italy, which will re-open as Mandarin Oriental Cristallo, Cortina, after a comprehensive renovation. This 84-room historic hotel enjoys impressive views of the Dolomites and will be the Group's first alpine resort.

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 Etiler, Istanbul
A 144-room hotel and 236 luxurious *Residences at Mandarin Oriental*, located within three standalone towers in the prestigious Etiler district of Istanbul.

Europe, the Middle East and Africa *continued*

Mandarin Oriental, Kuwait
A new 169-room hotel in the heart of the financial district of Kuwait City. Located in an iconic 80-storey tower, the property is designed by the award-winning architects, Foster + Partners.

Mandarin Oriental Bankside, London
A contemporary standalone property, expected to have 171 guestrooms and 70 *Residences at Mandarin Oriental*. Situated on London's South Bank and perfectly positioned to access both the City of London and the West End.

Mandarin Oriental Mayfair, London
A 50-room boutique hotel and 77 *Residences at Mandarin Oriental*, located on Hanover Square in the heart of London's Mayfair district.

Mandarin Oriental Residences, Madrid
A new development in the heart of Madrid, located on the intersection of Hermosilla Street and Nuñez de Balboa Street. The new *Mandarin Oriental Residences, Madrid* will feature 27 exceptional apartments.

Mandarin Oriental Punta Negra, Mallorca
A new beach resort in one of the most sought-after locations on the island of Mallorca, occupying an iconic peninsula. Surrounded by natural beauty, the resort spreads over 3 hectares and offers 131 guestrooms, suites and bungalows just steps from the waterfront.

Mandarin Oriental, Muscat
A 150-room resort and 156 *Residences at Mandarin Oriental*, located on the beach in a prime city location, with views over the Arabian Sea.

Mandarin Oriental, Porto Cervo
A new 83-room hotel located in the north-east of Sardinia, in the heart of Costa Smeralda. The hotel will offer a perfect blend of accessibility and seclusion, providing breathtaking views and access to a private beach.

Mandarin Oriental, Tel Aviv
A 226-room hotel and 230 *Residences at Mandarin Oriental*, in an unrivalled waterfront location overlooking one of the city's pristine beaches.

Mandarin Oriental, Vienna
A 138-room hotel and 25 *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.

America

Mandarin Oriental, Boca Raton
A 163-room hotel and 88 *Residences at Mandarin Oriental*, 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 92-room beachfront resort and 89 *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, Fifth Avenue (Coming Soon)
65 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

Mandarin Oriental continues to be recognised as one of the world's most esteemed luxury hotel brands. In 2023, the Group received numerous international awards and accolades from leading publications, travel associations and related platforms. Key achievements included the Group's recognition as one of the 'Best Hotel Brands' by *Travel + Leisure* and 'World's Best Luxury Hotel Brands' by *Luxury Travel Intelligence*.

In 2023, the innovation of 18 restaurants across the Group were honoured in the *Michelin* guides, with 29 stars granted, eight of which received the highly coveted two-star rating. The Group's continued commitment to excellence in wellness was also highlighted, including *Forbes* awarding 15 hotels with 'Five Star Spa' status and 'World's Best Hotel Spa Brand' in World Spa Awards 2023.

Mandarin Oriental Hotel Group

Mandarin Oriental portfolio is so synonymous with contemporary luxury that it's easy to forget the story began way back in 1960 with the construction of The Mandarin in Hong Kong. This glittering property is still the jewel in the crown, and the levels of service and attention to detail continue to influence the rest of the group – and rival hotel brands worldwide.

Condé Nast Traveller, UK

Mandarin Oriental, Bangkok

One thing in Bangkok hasn't changed, the Mandarin Oriental hotel. It remains sublime, an oasis of calm that has set the standard as one of the greatest hotels in the world. Dinner on the balcony by the bustling Chao Phraya River brings together all the skills of this great culinary nation.

Country Life, UK

Mandarin Oriental, Hong Kong

Mandarin Oriental, Hong Kong – Offering full-turbo excellence across any metric one cares to judge hotels by (e.g. location, dining, facilities — you name it) the 'secret sauce' of the OG Mandarin, a property which now lends its name to some of the most sumptuous luxury accommodations around the globe, is in its service.

Boss Hunting.com, Australia

Mandarin Oriental, Tokyo

It's one of the most luxurious hotels in Tokyo, and almost 20 years on, still one of the finest. Rising high above the historic Nihonbashi financial district, Mandarin Oriental, Tokyo is one of those rare hotels with the ability to occupy a place in your soul long after you've left. You can tell it's special from the moment you draw near the premises, when a veritable army of staff emerges to greet you and take you up to the 38th-floor lobby for your first experience of those perfectly framed eastern and western views.

Harpers Bazaar, UK

Emirates Palace Mandarin Oriental, Abu Dhabi

Best for an ultra-luxury stay in one of the grandest hotels in the UAE. An absolutely majestic hotel, this property spread across 222 acres truly deserves the title of a 'palace' in its name. With staff from various Mandarin Oriental properties globally having been brought in, the transition to MO has been smooth with similar levels of service and attention to detail that the brand is reputed for worldwide.

Business Traveller, Middle East

Mandarin Oriental, Costa Navarino

Spliced into a hillside of the Peloponnese peninsula, the first of the luxury brand's openings in Greece has its phasers set to stun. Make like a Greek and worship the near-eternal sun from the poolside Ormos Beach Club, a lounge overlooking the Ionian Sea. Open since August, Mandarin Oriental, Costa Navarino combines contemporary elegance, superb service, and warm Greek hospitality in a postcard-perfect setting in Navarino Bay, on the southwest coast of the Peloponnese.

Forbes, US

Mandarin Oriental, Lago di Como

Set on the lake's share, the hotel is a beacon of serenity and frictionless leisure time. The minute you're welcomed through the security gates, down the winding, garden-edged pathways and into the quiet reception area, you're enveloped into an unmistakable clam. With a foothold firmly in Eastern luxury, Mandarin Oriental's take an Italian opulence is subtle.

Vogue Living, Australia

Mandarin Oriental Hyde Park, London

Mandarin Oriental nicely bridges the line between the hotel and the palace. Think turrets, dormer windows, Ashlar stone and red brick, all part of the foundations of one of London's most famous facades. Add in the luxury hotel group's signature attention to detail means it feels like a royal experience when you're in residence.

Signature Travel and Luxury Magazine, Australia

Mandarin Oriental Ritz, Madrid

This Belle Époque Grande Dame, originally opened by legendary hotelier César Ritz, is now enjoying a new lease of life under the auspices of Mandarin Oriental group, who have meticulously restored it to its former glory. Among the hotel's many highlights are the crystal canopy ceiling in the Palm Court, elegant afternoon tea and ultra-polished service. Attention to detail is impressive throughout, as is the sense of place found in the many nods to the country's rich artistic heritage. Service is exemplary, with many of the ultra-polished old guard from previous incarnations of the hotel remaining. Facilities are excellent, delivering all you could require.

The Telegraph, UK

Mandarin Oriental, Milan

Mandarin Oriental, Milan mixes timeless Milanese design with the brand's signature Eastern charm and legendary hospitality.

Forbes, US

Mandarin Oriental, Paris

Mandarin Oriental, Paris is the epitome of luxury and elegance for wealthy and discerning guests. This magnificent hotel offers a unique experience with its stunning décor, impeccable service, and prime location in the heart of Paris.

Ipremium, France

Mandarin Oriental, New York

At the foot of Central Park, Mandarin Oriental, New York has the Big Apple's best shopping, sightseeing and dining on its doorstep. Yet its opulent spa, destination restaurant and spectacular skyline views make it a peaceful retreat from the city streets.

Country & Town House, UK

Sustainability

Sustainability update

Sustainability is about doing the right thing by ourselves, by our colleagues, by our families, and by the planet. Mandarin Oriental is a relatively small player on the world stage, but from the strength of our brand, we use our voice to advocate for change along the value chain. This enables us to influence other key players in the market and the industry and bring our stakeholders and partners along with us on our sustainability journey. Staying true to our guiding principles – delivering service excellence to our guests, supporting the development of our colleagues – we continue to serve the communities in which we operate, acting with responsibility for our planet.

In 2023, the Group was recognised by the Global Sustainable Tourism Council ('GSTC') for achieving GSTC-Committed status, reinforcing its commitment to sustainable tourism practices and adherence to international accredited standards. The attainment of GSTC-Committed status encompasses corporate offices and all managed branded properties worldwide and signifies Mandarin Oriental's dedication to incorporating the GSTC Criteria into its policy, plan, and operations. Additionally, 11 of the Group's hotels achieved GSTC Certification as awarded by GSTC-Accredited Certification Bodies. The Group will actively pursue GSTC Certification in 2024, aligning each of its hotels with the highest social and environmental standards within the industry.

Sharing the global concern for climate change, the Group has continued to explore decarbonisation opportunities and ensure steady progress towards our 2030 environmental targets with property-led initiatives to reduce energy, switch to renewables, conserve water, and reduce waste. As we work towards our targets and weigh up more environmentally responsible practices across our operations, we aim to demonstrate how better efficiencies can contribute to long-term profitability. Energy audits in our hotels at three-year intervals provide insights to hotel operations, which inform recommended strategies and efficiency projects. Minimising food waste is a stand-out challenge across hospitality, and the Group has partnered with Winnow's award-winning AI-powered system through a successful trial in our kitchens (spanning four properties representing each major operating region), with a planned roll-out across all properties commencing in 2024.

The Group has made considerable progress in achieving its sustainability goals through the appointment of internationally recognised LRQA as our third-party auditor to help verify each hotel's compliance for key commitments. We have continued our hard work of eliminating 99% of single-use plastics across all operations excluding supplier packaging, although we continue to work closely with our suppliers to eliminate single-use plastics. We estimate our efforts avoid more than 930 metric tons of plastic waste yearly. The Group has upheld responsible sourcing commitments, verifying 100% responsibly procured coffee, tea, cocoa, vanilla, paper, sugar and avoiding endangered seafoods.

The Group provided additional paid leave for volunteering in 2023, with every employee eligible for one paid day a year for charitable causes, to support the communities in which we operate and empower colleagues to contribute to causes close to their hearts. The result was more than 500 social impact initiatives contributing over 52,000 volunteer hours to our communities by the dedicated and caring efforts of our colleagues worldwide.

Over the past year, we have made enhancements in our Environmental, Social, and Governance ('ESG') Policies as published on our Mandarin Oriental website, and continue to disclose climate-related financial risks in our second Task Force on Climate-Related Financial Disclosures. Mandarin Oriental's annual sustainability progress, initiatives, achievements, and best practices are covered in more detail in the Group's annual Sustainability Report.

The following table shares some of the Group's sustainability highlights as well as the corresponding United Nations Sustainable Development Goals ('UN SDGs').

FOR THE PLANET

We place great importance on operating sustainably over the long term as we grow our portfolio of hotels, residences, and *exclusive homes* around the world. We have made commitments towards 'eliminating single-use plastics' and established a programme for responsible procurement that we intend to steadily grow. Our respect for nature and for the people who work in the supply chain has been an important factor in driving these initiatives. Environmental targets for 2030 have been determined for each hotel through a Group-wide inventory management plan with consideration of unique locations, utility types used, and on-site renewable sources.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER

a) Energy audits in our hotels at three-year intervals provide insights to hotel operations, which inform recommended strategies and efficiency projects. 18 energy audits were performed between 2022 to 2023 in line with guidance from the American Society of Heating, Refrigerating and Air-conditioning Engineers ('ASHRAE') Procedures for Commercial Energy Audits. Results from these audits include:
   - Average estimated savings of energy budget: 8%
   - Average estimated savings of energy consumption: 11%
   - Average estimated ROI: 2.27 years

b) Actively eliminated single-use plastics where possible across our hotels with verification.

c) Achieved 100% LRQA-verified responsibly sourced coffee, tea, cocoa, vanilla, sugar and paper. The Group is also striving towards 100% sourcing cage-free eggs (liquid and shelled), which we anticipate will be achieved by Q2 2024 (currently at 94% verified rate).

d) Avoided serving 19 types of endangered seafood species which are listed on Mandarin Oriental's Endangered Seafood Avoid List, aligned with the latest WWF Endangered Seafood Guide.

e) Innovative digital processes continued to significantly reduce paper usage across operations.

f) The Group has been actively expanding our sustainability programme to encompass a good balance of environmental, social and governance components and deepening our commitments and goals. Environmental Policy, Human Rights Policy, Diversity and Inclusion Policy, Modern Slavery Statement and Supplier Code of Conduct were published to actively communicate our ESG commitments on our company website.

g) Winnow Vision's award-winning AI-powered system was trialled in some of our kitchens (spanning four properties representing each major operating region), with a planned roll-out across all properties starting in 2024. Winnow reports an estimated annualised total reduction at the four pilot hotels of US$207,000 net savings after Winnow cost, 66 tonnes in food waste weight reduced and 289 tonnes in CO_2e offset.

FOR GUESTS AND COLLEAGUES

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.

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

a) Ongoing implementation of WeCare programme of enhanced health and safety protocols across our portfolio.

b) Roll out of the annual sustainability training, which was completed by all colleagues in two formats: eLearning and classroom sessions. The topic was on waste management.

c) 24 Mandarin Oriental colleagues completed an eLearning course via GIFT.ed, on sustainability. The course provided sustainability champions at the hotels with sustainability related topics regarding sustainable economics, supply chain and resource use.

d) Organised a series of 'Inner Strength-Outer Strength' activities on Global Wellness Day to boost colleagues' physical health and mental resilience.

e) Continued to support a cultural shift that proactively encourages Diversity and Inclusion ('D&I'). Ongoing actions are focussed on raising awareness and education particularly with senior leadership and executives, listening and engaging with colleagues on the topic and weaving D&I into the workplace experience.

f) Continued to build a diverse and equitable team in fostering a culture of inclusivity, empowerment, and equal opportunity for all. There are currently four female General Managers and nine female Hotel Managers who are passionate ambassadors of Mandarin Oriental.

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 one of our colleagues are committed to identifying impactful ways to support their local communities and actively engage in initiatives.

a) US-based FANtastic Match donated over US$45,000 to US colleague charities

b) 18 years of support for Asian Cultural Council's Mandarin Oriental Fellowship for Cultural Heritage Preservation

c) In recognising the groupwide '*MOgiving'* initiative, all colleagues are offered one-paid day towards volunteering in 2023.

d) Collectively Mandarin Oriental has clocked over 52,000 hours. In-kind donations of US$196,000 and cash contributions of US$413,000 were raised, in support of diverse social segments in various communities.

e) Over 500 community initiatives conducted by colleagues in support of local causes chosen by our colleagues. Initiatives include blood donation drives, mental health awareness, environment clean-ups, food and other in-kind donation, and training opportunities for people with disabilities and special needs.

Some highlights:

i) Mandarin Oriental, Milan has participated for the last 5 years in 'Progetto Riparto da ME' – a program aimed at accompanying inmates from the Milan Bollate prison in a path aimed at reintegration into the world of work, offering orientation, training opportunities and helping to create through awareness, a climate and working conditions for this to happen.

ii) Mandarin Oriental, Macau, supported three students with mild intellectual disabilities by offering operational internship opportunity to gain life skills and develop interpersonal relationship.

iii) Mandarin Oriental, Hong Kong, hosted a cocktail event with Mekong Club with a sharing session by an industry keynote speaker promoting the insights and knowledge on human trafficking. Hotel team contributed 88 hours and US$2,200 to make the event a success.

iv) Mandarin Oriental Bosphorus, Istanbul donated TRY250 (approx. US$8.25) for every booked room night to Disaster and Emergency Management Authority ('AFAD') of Turkey in support of post-disaster humanitarian assistance, a total of US$167,000 was contributed in 2023.

TCFD

Climate change has far-reaching implications that affect us all. To Mandarin Oriental, sustainability is doing the right thing by ourselves, by our colleagues, by our families, and by the planet. We actively monitor and pursue action to reduce greenhouse gas emissions, and manage climate-related risks and opportunities. This report presents our climate-related disclosures in alignment with the Task Force on Climate-Related Financial Disclosures ('TCFD') framework.

Our disclosure is consistent with TCFD's All Sector Guidance with two areas pending further advancement – scenario analysis and Scope 3 assessment.

- We have undertaken a portfolio-wide sustainability risk assessment in line with the intermediate scenario of RCP 4.5 (warming between 2°C and 3°C) and will consider further climate scenarios in the next iteration of this assessment.
- The complexities and uncertainties in Scope 3 measurement pose challenges to deriving meaningful and comparable figures. We played an active role as an Advisory Group member to advance the Net Zero Methodology for Hotels, which provides guidance on an industry-accepted approach to Scope 3 assessment.
- We have started developing an action plan for assessing and addressing Scope 3 emissions, which includes a Scope 3 mapping exercise in 2024 to understand the type of data, resources, and enhancements in current systems and processes required.

TCFD recommendation	Recommended disclosures	Location
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the board's oversight of climate-related risks and opportunities.	TCFD, Annual Report, page 23
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	TCFD, Annual Report, page 23
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	TCFD, Annual Report, page 24
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	TCFD, Annual Report, page 27
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	TCFD, Annual Report, page 28
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	TCFD, Annual Report, page 29
	b. Describe the organisation's processes for managing climate-related risks.	TCFD, Annual Report, page 29
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risks management.	TCFD, Annual Report, page 29
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	TCFD, Annual Report, page 30
	b. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions and the related risks.	TCFD, Annual Report, page 30
	c. Disclose the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	TCFD, Annual Report, page 30

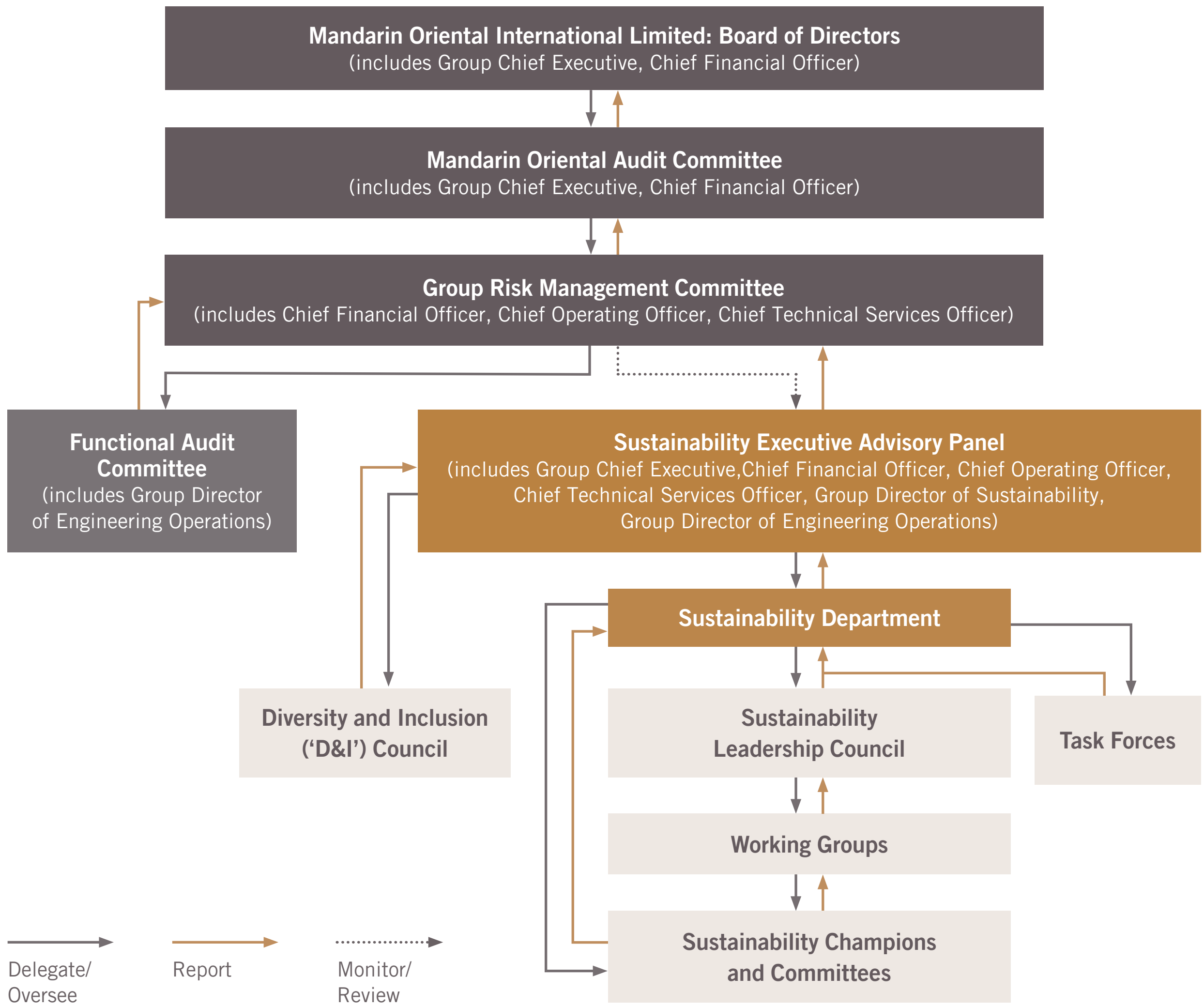
Governance

Board's oversight of climate-related risks and opportunities

- The Board of Directors oversees and provide guidance on the Company's sustainability and climate-related risks and opportunities.
- Information on sustainability and climate-related risks and opportunities are reviewed by the Mandarin Oriental Audit Committee before they are reported to the Board.
- The Group Risk Management Committee meets quarterly and advises the Mandarin Oriental Audit Committee on key climate-related risks and opportunities for their awareness and action.
- The Group Risk Management Committee delegates the responsibility of reviewing the operation and effectiveness of the Company's internal risk control systems and procedures to the Functional Audit Committee.
- The Functional Audit Committee meets biannually and monitors and manages climate-related risks and opportunities across the Company.
- The Sustainability Executive Advisory Panel ('EAP') meets quarterly to review the Company's plans, initiatives and performance against targets relating to sustainability and climate-related matters.
- The EAP provides regular updates on sustainability strategy and performance to the Group Risk Management Committee and the Committee advises the EAP on action to be taken for key climate-related risks and opportunities.
- Senior management representatives who sit on the Board, Mandarin Oriental Audit Committee, Group Risk Management Committee and Audit Committee participate in EAP meetings and facilitate the integration of key climate-related risks and opportunities into the Company's sustainability strategy considerations.

Management's role in assessing and managing climate-related risks and opportunities

- The EAP considers climate-related issues, risks and opportunities and integrate them into the Company's sustainability strategy and approach. It also provides both resources and mechanisms for accountability.
- Greenview, a leading provider of sustainability programmes and data management for the hospitality and tourism sector, sits on the EAP as technical advisor.
- The execution of the Company-wide sustainability strategy, including climate strategy, is coordinated by the Sustainability Department, which is led by the Group Director of Sustainability and Director of Sustainability, Global Development. The Department monitors hotels' sustainability progress and verifies their compliance toward commitments.
- Sustainability matters cut across functional departments and the Company has put in place a governance structure that facilitates extensive and effective collaboration.
- The Sustainability Leadership Council translates thematic priorities into workstreams and targeted action items for implementation by the Working Groups.
- Working Groups address sustainability issues that are specific to each core function, while Task Forces address challenges that could transverse multiple functional departments.
- In addition, the Diversity and Inclusion (D&I) Council which reports directly to the EAP, is comprised of both Group- and property-level colleagues, and focusses on enhancing employee engagement and driving D&I-relevant performance.
- Each property has a designated Sustainability Champion, supported by a Sustainability Committee. They leverage on Company-wide resources and tools to implement location-specific sustainability initiatives, including climate-related mitigation and adaptation measures as necessary
- An annual budget is reviewed and allocated for executing the Company's sustainability strategy.
- The EAP regularly assesses hotels' performance against Company-wide sustainability targets which are disclosed in our annual sustainability reports. They include targets that relate to energy and carbon reductions, renewable energy use and waste reduction.
- Sustainability performance is considered in the performance bonuses of top management personnel, including all hotel General Managers.



Strategy

Climate-related risks and opportunities identified over the short, medium and long-term

A sustainability risk assessment was conducted by Greenview for our portfolio. It considered risks associated with climate, water, socioeconomic factors, biodiversity and regulations for each of our properties. Both acute (floods, droughts and cyclones) and chronic (change in long term precipitation, temperature and sea level rise) physical climate risks, as well as transition climate risks were assessed. Assessing climate-related risks and opportunities in all geographical locations where the Company operates in allows us to identify the material risks and opportunities which may have significant financial impact on our portfolio.

Transition climate risks were assessed to have a larger impact in the short and medium term, while physical risks were more significant in the long term. The following time horizons are used:

- Short term: Less than 3 years
- Medium term: 3-7 years
- Long term: More than 7 years

Transition Risks	Impact	Actions
• Increased pricing of energy (originating from fossil fuels) • Increasing costs directly or indirectly from carbon pricing policies (e.g. tax) • Increased requirements associated with green building policies • Tightening regulations on climate-related disclosures and emissions reporting (e.g. ISSB[1]-aligned climate reporting) *Short and medium term*	• Increased operational costs due to energy prices, raw material prices and higher compliance costs • Increased energy efficiency and other green building-related requirements • Increased reporting and disclosure requirements	• Environmental, social and governance regulations that are relevant to locations where we operate are tracked via Greenview's Global Policy ESG Tracker. • Energy and emissions targets are set for every property. • Properties undergo regular energy audits (generally every three years) to identify and inform owners of necessary improvement projects for implementation. • New hotel developments will prioritise low-carbon initiatives (e.g. reducing gas usage) with consideration for inclusion of energy and emission targets in owner's agreements.

Physical Risks	Impact	Actions
Acute From increased severity of extreme weather events such as cyclones and floods • **Cyclone risk:** High for 15% of the portfolio • **Drought risk:** High or extremely high for a fifth of the portfolio *Short and medium term*	• Increased capital costs from damaged properties • Reduced revenue from property closures and reduced travel demand • Increased insurance premiums • Reduced revenue and higher costs from negative impacts on workforce (e.g. health, safety, absenteeism)	• Emergency Response Plans and Business Continuity Plans are tested and audited periodically for the safety of staff and guests. • Insurance coverage has been revised to include climate risks. • Sustainability risk assessment results are used to inform mitigation and adaptation action plans. • Every year, all properties implement at least one environmental efficiency project that demonstrates measurable improvements in energy, water or waste. • Properties located in water stressed regions prioritise implementation of water reduction initiatives. • We have a preference to work with suppliers that prioritise sustainability per our Supplier Code of Conduct.
Chronic Changes in precipitation patterns, extreme variability in weather pattern, and sea level rise • **Precipitation and temperature changes:** High/very high long-term impact on a third of the portfolio • **Sea level rise:** High vulnerability for a tenth of the portfolio *Long term*	• Increased insurance premiums • Reduced availability of insurance in locations with high physical climate risks • Increased operational costs due to increased heating and cooling needs, as well as increased water prices in locations with high water scarcity • Increased capital costs due to damage to facilities • Reduced revenue from reduced travel demand • Increased cost of supplies and disruptions to availability	

[1] The International Sustainability Standards Board ('ISSB') is tasked to develop standards for a global baseline of sustainability disclosures focussed on the needs of investors and the financial markets.

Opportunities	Impact	Actions
Energy Source/Resilience Use of renewable energy and adoption of efficiency measures *Short, medium and long term*	• Reduced exposure to future fossil fuel price increases • Reduced exposure and sensitivity to changes in pricing of GHG emissions • Reduced operational costs from increased efficiency of energy and water use • Increased operational resilience under changing climate conditions	• We are steadily increasing renewable electricity use towards our target. • We are exploring the feasibility of a centralised renewable energy purchase strategy to accelerate our renewable energy usage under optimal terms and pricing. • Our hotels promote green transportation modes, including the use of Electric Vehicles ('EV') in transport fleets and the provision of EV charging stations.
Products and Services Shift in consumer preferences toward sustainable options *Short, medium and long term*	• Increased revenue through leadership position in sustainable luxury hospitality	• We uphold our sustainability programme to the internally-recognised gold standard for sustainable tourism – GSTC Criteria. The Company is GSTC-committed and has 11 certified hotels as of 2023. By 2025, we aim to be 100% GSTC certified. • Staff and guests are engaged for feedback to improve our sustainability programme and sustainable offerings.
Resource Efficiency Move towards highly efficient and climate resilient buildings *Short, medium and long term*	• Reduced operating costs through efficiency gains • Reduced costs from implementation of mitigation measures against extreme weather events • Increased market value of properties that are highly rated as energy efficient and/or climate resilient	• We are piloting energy modelling in the building design phase to better gauge energy use and identify energy efficiency opportunities. • Our Responsible Hotel Development Guideline provides directions for addressing sustainability in design and construction. • Some of our properties have pursued alignment with sustainable building certificates (e.g., Leadership in Energy and Environmental Design ('LEED')).

Impact on businesses, strategy and financial planning

Impact on business and strategy

Mandarin Oriental sets property-level environmental targets (energy, water and waste) which are developed through assessing property-specific data and what is practically achievable based on the property's specific circumstances (e.g. building and equipment) and planned efficiency improvement projects. Audits are carried out at regular intervals to identify the efficiency improvement projects to be prioritised.

In 2023, we modelled our decarbonisation pathway to assess our emissions trajectory against our carbon target and the Science-based Target ('SBT') aligned 1.5°C pathway. The model took into account each property's historical energy usage for electric and non-electric sources, and forecasted future emissions based on efficiency improvements from planned projects (such as heating, ventilation, and air conditioning ('HVAC') upgrades, renovations and equipment changes) as well as current and projected renewable energy use. This is in line with the recommendations of the Hotel Net Zero Methodology to model the portfolio's baseline and decarbonisation pathways and study opportunities for energy efficiency and set scenarios for future use of renewable energy.

The results showed that we are well on track to meet our current target of halving emissions intensity by 2030. There is, however, a gap to aligning with the more ambitious 1.5°C pathway. The gap would require higher renewable energy targets than what is currently forecasted to be practicable. Presently, renewable energy sources are not widely available across some regions of the world (e.g. APAC) as the grid has not reached this readiness level. The cost of renewable energy procurement is also a challenge. To address this, Mandarin Oriental is exploring the formulation of a centralised renewable energy purchase strategy to accelerate our renewable energy usage under optimal terms and pricing.

To align with the Science-based Targets Initiative ('SBTi') would also require us to address Scope 3 emissions. We recognise that this is increasingly important under the backdrop of tightening regulations, such as ISSB's launch of sustainability and climate-related disclosure standards (IFRS S1 and S2). These standards are increasingly adopted by jurisdictions worldwide and would require reporting of Scope 1, 2 and 3 emissions. We recognise that this is increasingly important under the backdrop and after in-depth discussions across the EAP, we have identified an initial roadmap to addressing Scope 3.

In 2024, we will assess data requirements and what resources would be necessary to bridge any gap in current capabilities and processes. We would also identify material categories across the 15 internationally-recognised Scope 3 categories. In 2025 and beyond, we will build our Scope 3 measurement capabilities in preparation for reporting and strengthen engagement with stakeholders, with a focus on major suppliers to start, to collectively reduce Scope 3 emissions.

As a GSTC-Committed company, we align our sustainability programme with the framework of GSTC Criteria to address all key sustainability issues for our sector. Many of our existing targets and initiatives which address waste and sustainable sourcing are in synergy with reducing emissions and addressing climate change-related issues. They include:

- Reduce waste intensity by 50 % by 2030 (from 2012 baseline)
- Elimination of 99% of single-use plastics, excluding supplier packaging
- 100% responsibly sourced coffee, tea, vanilla, cocoa and sugar
- 100% sustainably sourced paper
- Increase sourcing of sustainably certified seafood

As of 2023, 11 of our hotels have received GSTC Certification. We aim to have our entire portfolio GSTC certified by 2025.

Impact on financial planning

Operating Cost: To advance our 2030 Environmental Targets, we allocate a budget for each hotel to undertake at least one efficiency initiative annually. Through these initiatives, we seek to achieve measurable improvements in the priority areas identified for each hotel, which are informed by sustainability risk assessment results. Enhancing operational efficiencies will reduce associated operating expenses and reduced exposure and sensitivity to changes in carbon tax rates.

Indirect Cost: We invest more deeply in insurance coverage and preventive maintenance programmes to minimise exposure to climate-related physical risks, particularly in regions where the likelihood of more frequent and severe extreme weather events is higher.

Revenues: We endeavour to maintain a strong competitive position by continually enhancing our sustainability performance and sustainable offerings to cater to increased consumer preference for sustainable products and services. We continue to refine our sustainable offerings through market research and active engagement of guests for feedback.

Acquisitions/Divestments and Access to Capital: The Company considers climate-related risks in acquisition and divestment decisions, as well as sustainable financing opportunities (e.g. sustainability-linked loans) to leverage on in the implementation of our sustainability strategy.

Resilience of strategy, taking into account different scenarios, including a 2 degree celsius or lower scenario

Our sustainability risk assessment was conducted in accordance with the RCP 4.5 scenario. This scenario correlates with the intermediate pathway where temperature increase ranges from 2°C to 3°C. This temperature scenario was chosen as it is one of the most plausible pathways. Please refer to the tables under the Strategy section for more details on our key sustainability and climate risk findings and opportunities identified in response.

In our decarbonisation pathway modelling exercise, we analysed the Company's emissions trajectory against our target to halve carbon intensity by 2030, as well as the more ambitious 1.5°C pathway. In the coming year, we intend to carry out the next sustainability risk assessment with consideration of other recommended temperature scenarios alongside publicly accessible transition scenarios. This move aims to integrate the findings of the sustainability risk assessment and decarbonisation pathway model and enhance our capacity to effectively address climate change challenges.

Risk management

Process for identifying and assessing climate-related risks

Mandarin Oriental undertakes sustainability risk assessments to identify property-level physical and transition climate risks. Hotels perform overall risk assessment at the property-level annually. As part of this assessment, the physical climate risk of Mandarin Oriental's key assets is evaluated based on the likelihood, financial and reputational impact, and the speed at which the risk materialises, to then determine the inherent risk exposure in a scale. Transition risks are also monitored by keeping abreast of key sustainability related policy changes. Environmental, social and governance regulations for the locations that we operate in are identified via Greenview's Global Policy ESG Tracker. Mitigation measures have been in place to reduce the risk exposure for further monitoring at the residual level.

We will continue to refine our process to improve identification and assessment of climate-related risks.

Processes for managing climate-related risks

Climate-related risks are managed under Mandarin Oriental's Risk Management Framework, which is based on ISO 31000 and COSO principles. The framework includes four main steps: risk identification, risk assessment, risk treatment, and risk reporting and monitoring. This process is informed by the portfolio-wide sustainability risk assessment conducted by our third-party consultant and a comprehensive risk assessment by our insurers.

Risks are accepted if they fall within the Company's risk tolerance level, but if they surpass this threshold, they are mitigated or eliminated. Climate-related risks may be accepted if mitigated to an appropriate level. Strategies for mitigating these risks include comprehensive insurance coverage for natural disasters, increased adoption of clean renewable energy, and the implementation of energy and water efficiency projects, as detailed in the 'Impact on Business and Strategy' section.

Integration into overall risk management

Mandarin Oriental Audit Committee mandates that the Company conducts its business in accordance with the Group Risk Management Policy. To oversee adherence and reinforce enforcement of this policy, we have established a Group Risk Management Committee ('GRMC') vested with the authority to ensure the Company's risk management objectives are achieved. The GRMC comprises key members from various executive functions, including Finance, Operations, IT, Legal, and Engineering, and convenes at least biannually.

The Functional Audit Committee evaluates the Company's primary climate risks, uncertainties, and potential alterations to the risk profile. It assesses the functionality and efficacy of the Company's internal control systems (financial, operational, and compliance), along with the procedures employed for monitoring and mitigating these risks. Regular identification and analysis of climate risks, as well as the review of climate risk management processes, are conducted through the Functional Audit Committee, with inputs from sustainability and climate risk assessments conducted by our third-party consultant and insurers.

Metrics and targets

Metrics used

Mandarin Oriental uses the metrics below in relation to climate-related risks and opportunities.

Energy

Metrics used	2023 Performance
Total Energy Consumption (GJ)	1,871,590
Total Energy Consumption per square metre (MJ/m^2)	1,422
Percentage of Renewable Energy Use[2]	8%
Total GHG Emissions (Scope 1 and 2) (metric tons kg CO_2e)	203,660
Total GHG Emissions per square metre (kg CO_2e/m^2)	155

Water

Metrics used	2023 Performance
Total Water Consumption (m^3)	5,172,150
Total Water Consumption per square metre (Litres/m^2)	3,931

Waste

Metrics used	2023 Performance
Non-diverted Waste per square metre (kg/m^2)	8.32
Waste Diversion Rate	40%

GHG emissions

Mandarin Oriental's GHG reporting scope covers all 35* hotels that were fully operational in 2023.

Greenhouse Gas Emissions†	2023 Performance
Total GHG Emissions (metric tons CO_2e)	203,660
Scope 1 Emissions (metric tons CO_2e)	25,080
Scope 2 Emissions (metric tons CO_2e)	178,580
GHG Emissions per square metre(kg CO_2e)	155

* Properties excluded: Mandarin Oriental, Singapore (under renovation in 2023); Mandarin Oriental, Costa Navarino and Mandarin Oriental Savoy, Zurich (opened within 2023).

† GHG emissions are based on market-based calculations.

Targets used and performance against targets

To assess and manage relevant climate-related risks and opportunities, Mandarin Oriental set the following 2030 Environmental Targets:

2030 Targets	2023 Achievement
50% GHG intensity reduction[3]	29% reduction
15% renewable energy use	8%

[2] Either produced onsite or procured

[3] Baseline year 2012

Financial Review

Results

Overall

In 2023, Mandarin Oriental delivered much improved operating performance and profitability compared to the prior year, driven by growth in revenue.

The growth in top-line performance was achieved in all regions, with hotels in Asia recording a notable rebound in both rates and occupancy. Rate performance in EMEA was strong with the vast majority of our hotels reporting an improvement over record rates in 2022, demonstrating the competitiveness of our portfolio in the region. Overall, combined total revenue from all hotels under management in 2023 was US$1,890 million, 21% up from 2022.

The Group's consolidated revenue, consisting of revenues from subsidiary hotels, and management and residences branding fees from the Management Business, was US$558 million, 23% higher than 2022, with all subsidiary hotels delivering higher revenues. The Group uses underlying[1] earnings before interest, tax, depreciation, and amortisation ('EBITDA') to analyse operating performance. In 2023, the Group achieved underlying EBITDA of US$178 million, 59% higher than 2022. Underlying EBITDA by business activity is shown below:

	2023 US$m	2022 US$m
Management Business	53	34
Owned Hotels		
– Subsidiary hotels	102	45
– Share of results of associate and joint venture hotels	24	32
	126	77
Property Development	(1)	–
Underlying EBITDA	178	111

Management Business

	2023 US$m	2022 US$m
Revenue*	94	68
Underlying EBITDA from Management Business	53	34
Less: depreciation and amortisation	(9)	(9)
Underlying operating profit	44	25
Net financing income	3	–
Tax	(6)	(8)
Underlying profit attributable to shareholders	41	17

*Includes management fees from subsidiary hotels

Revenue in the Management Business consists of hotel and residences management fees, and residences branding fees. The Group's strategic focus remains the growth of the Management Business, by accelerating the development pipeline over time.

In 2023, total hotel management fees were US$78 million, representing a 30% increase compared to 2022. Growth of management fees in Asia and Europe was exceptionally strong, with all hotels except Singapore contributing higher fees. The hotel in Singapore was under renovation for six months in 2023, and if we exclude this, hotels in Asia would have achieved a 97% increase in fee income compared to 2022.

Residences branding fees, generally earned when individual residences are sold, or certain development milestones are achieved, were more than triple the fees earned in 2022. This outperformance in branding fees was mainly driven by Mayfair in London and Fifth Avenue in New York.

As a result of increased hotel management fees and branding fees, underlying EBITDA of the Management Business was US$53 million, a 55% improvement from 2022.

[1] 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.

Owned Hotels

Following the sale of the Jakarta hotel in June 2023, the Group has an equity interest in 13 hotel properties. In 2023, the Group's Owned Hotels reported a combined EBITDA of US$126 million, a 63% increase compared to 2022. Most properties maintained or improved their earnings, with Hong Kong and Tokyo achieving a strong rebound in performance as those markets exited COVID restrictions at the end of 2022.

EBITDA in 2022 included US$5 million of government financial support and US$3 million of other income primarily from insurance proceeds.

Subsidiary hotels

The Group's results from its subsidiary hotels were as follows:

	2023 US$m	2022 US$m
Revenue	**487**	401
Underlying EBITDA from subsidiary hotels	**102**	45
Less: depreciation and amortisation	**(43)**	(49)
Underlying operating profit/(loss)	**59**	(4)
Net financing charges	**(9)**	(12)
Tax	**(5)**	(1)
Underlying profit/(loss) attributable to shareholders	**45**	(17)

In 2023, subsidiary hotels delivered a revenue of US$487 million and an EBITDA of US$102 million, significantly higher than the revenue of US$401 million and the EBITDA of US$45 million in 2022.

Depreciation and amortisation for subsidiary hotels, which is a non-cash item, was lower in 2023. Net financing charges were also lower due to higher interest income from short-term deposits. Tax for the year was US$5 million, compared to US$1 million in 2022.

Overall, subsidiary hotels reported an underlying profit of US$45 million, compared to an underlying loss of US$17 million in 2022, primarily driven by strong recovery of operating performance of Hong Kong, Tokyo, and continued strength in earnings from London, Paris and Munich.

Associate and joint venture hotels

The Group's share of results from associate and joint venture hotels was as follows:

	2023 US$m	2022 US$m
Underlying EBITDA from associate and joint venture hotels	**24**	32
Less: depreciation and amortisation	**(15)**	(16)
Underlying operating profit	**9**	16
Net financing charges	**(9)**	(5)
Tax	**–**	(1)
Underlying profit attributable to shareholders	**–**	10

The majority of associate and joint venture hotels delivered improved revenue and EBITDA in 2023, offset by lower contributions from Singapore due to its closure for renovation, and Miami due to softer local leisure demand in America leading to a marginal decrease in rates.

As a result, the Group made no profit in aggregate from its associate and joint venture hotels in 2023, compared to a profit of US$10 million in 2022.

Underlying earnings attributable to shareholders

The underlying profit attributable to shareholders is as follows:

	2023 US$m	2022 US$m
Management Business	41	17
Owned Hotels		
– Subsidiary hotels	45	(17)
– Share of results of associate and joint venture hotels	–	10
	45	(7)
Property Development	(5)	(2)
Total underlying profit attributable to shareholders	81	8

In light of much improved operating performance from the vast majority of the hotels, both the Management Business and subsidiary hotels achieved excellent growth in profitability with total underlying profit of US$81 million in 2023, compared to US$8 million in 2022.

Non-trading items

	2023 US$m	2022 US$m
Changes in fair value of investment properties	(487)	(104)
Gain on sale of a subsidiary/ asset disposals	41	47
Total	(446)	(57)

In 2023, the Group recorded a net non-trading loss of US$446 million, predominantly due to a 17% non-cash reduction (US$488 million) in the fair value of the Causeway Bay site under development, valued at US$1,972 million at the end of 2023. The valuation methodology for the project was updated to the residual value method, in line with normal market practice as the development project progresses toward completion. This loss was partially offset by a US$41 million net gain realised from the sale of the Jakarta hotel in June. In 2022, a non-trading loss of US$57 million was recognised also primarily in relation to the Causeway Bay site under development, which represented a 3% decrease in the valuation of the site.

Cash flow

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

	2023 US$m	2022 US$m
Operating activities	141	56
Investing activities		
Capital expenditure on existing properties	(14)	(13)
Redevelopment of the Causeway Bay site	(71)	(30)
Net proceeds from asset disposals	76	131
Net repayment from associates and joint ventures	47	2
Others	(7)	(3)
Financing activities		
Net repayment of borrowings	(190)	(116)
Dividends	(19)	–
Other	(6)	(6)
Net (decrease)/increase in cash	(43)	21
Cash and cash equivalents at 1st January	226	213
Effect of exchange rate changes	7	(8)
Cash and cash equivalents at 31st December	190	226
Gross debt at 31st December	(415)	(602)
Closing net debt at 31st December	(225)	(376)

The Group's cash inflow from operating activities was US$141 million in 2023, substantially higher than the US$56 million in 2022, predominantly due to better earnings achieved by Owned Hotels and higher fee income from the Management Business.

In investing activities, the Group generated a net cash inflow of US$31 million, mostly due to the sale of the Jakarta hotel for US$76 million and repayments of loans from the Madrid hotel of US$64 million. This was partially offset by the continued investment in the Group's existing hotel properties of US$14 million, the majority of which was spent on the renovation of the Geneva hotel, and investment in the Causeway Bay site under development in Hong Kong of US$71 million, as well as additional loans provided to the Miami hotel of US$17 million. The Group is committed to investing another US$351 million in the Causeway Bay site under development which is expected to be completed in the first half of 2025, with a mix of external debt and existing cash reserves.

Dividends

A final dividend of US¢3.50 per share has been proposed to the Board. This, together with the interim dividend of US¢1.50 per share declared, will result in total dividends of US¢5.00 per share.

Treasury activities

The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objective is to manage foreign exchange and interest rate risks and to provide a degree of certainty in respect of costs. At the end of 2023, the Group had fixed or capped interest rates on 51% 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 2023, the Group's net assets were denominated in the following currencies:

	Shareholders' funds/ net assets		Adjusted shareholders' funds/ net assets*	
	US$m	%	US$m	%
Hong Kong dollar	1,923	65	2,863	62
Euro	418	14	597	13
United Kingdom Sterling	209	7	418	9
United States dollar	234	8	298	6
Singapore dollar	64	2	264	6
Thai baht	16	1	94	2
Swiss franc	62	2	62	1
Others	34	1	41	1
Total	2,960	100	4,637	100

*See supplementary information section below.

The Group, excluding associates and joint ventures, had committed borrowing facilities totalling US$1,074 million, of which US$415 million was drawn at 31st December 2023. The principal amounts due for repayment are as follows:

	Facilities committed US$m	Facilities drawn US$m	Unused facilities US$m
Within one year	754	414	340
Between one and two years	320	1	319
Between two and three years	–	–	–
Between three and four years	–	–	–
Between four and five years	–	–	–
Beyond five years	–	–	–
Total	1,074	415	659

At 31st December 2023, consolidated net debt was US$225 million, and gearing was 8%, lower than consolidated net debt of US$376 million and gearing of 11% at 31st December 2022. Reduced net debt was primarily driven by the proceeds from the sale of the Jakarta hotel (US$76 million), repayment of loans from the Madrid hotel (US$64 million), and improved operating cash inflows, partially offset by investment in the Causeway Bay site under development, as well as ongoing hotel capital expenditure. Gearing was 5% of adjusted shareholders' funds[2] at 31st December 2023, lower than the prior year of 8%.

The Group's liquidity position remains robust with US$659 million of committed, undrawn facilities in addition to its cash balances of US$190 million. The average tenor of the Group's borrowings was 0.9 years compared to 1.8 years in 2022. In February 2024, the Group has refinanced bank facilities of US$409 million for three to five years.

[2] Adjusted shareholders' funds take into account the fair market value of the Group's freehold and leasehold interests (which are accounted for at amortised cost).

Interest cover

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. Interest cover[3] in 2023 was 7.1 times, higher than the 4.9 times interest cover in 2022.

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 amortised cost model, the Directors continue to review on an annual basis the fair market values in conjunction with independent appraisers. 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.

The decrease in 2023 adjusted shareholders' funds was primarily due to the total loss attributable to shareholders of US$365 million, mainly due to the 17% decrease in valuation of the Causeway Bay site under development, partially compensated by the net gain on sale of the Jakarta hotel.

	2023		2022	
	US$m	Per share US$	US$m	Per share US$
Shareholders' funds/ net assets	2,960	2.34	3,294	2.61
Add: surplus for fair market value of freehold and leasehold land and buildings	1,677	1.33	1,603	1.26
Adjusted shareholders' funds/net assets	4,637	3.67	4,897	3.87

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 134 to 140.

Accounting policies

The Directors continue to review the developments in International Financial Reporting Standards 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 adopted the IFRS 17 – Insurance Contracts, Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS practice Statement 2, Amendment to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, and Amendment to IAS 12 – International Tax Reform – Pillar Two Model Rules. This is more fully detailed in the note 1 'Basis of preparation' in the financial statements. The adoption of the standard and amendments does not have a material effect on the financial statements.

Matthew Bishop
Chief Financial Officer
7th March 2024

[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.

Directors' Profiles

Ben Keswick *Chairman*
Ben 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 Jardine Matheson from 2012 to 2020. He 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 group managing director of Jardine Cycle & Carriage until March 2012. He is executive chairman of Jardine Matheson and chairman of DFI Retail Group and Hongkong Land. He is also chairman of Jardine Cycle & Carriage and a commissioner of Astra. He has an MBA from INSEAD.

John Witt* *Managing Director*
John 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 positions, including group finance director of Jardine Matheson from 2016 to 2020 and the chief financial officer of Hongkong Land. John is chairman of Jardine Matheson Limited, group managing director of Jardine Matheson and managing director of DFI Retail Group and Hongkong Land. He is also a director of Jardine Pacific, as well as a commissioner and chairman of the executive committee of Astra. John is a Chartered Accountant and has an MBA from INSEAD.

Laurent Kleitman* *Group Chief Executive*
Laurent Kleitman joined the Board as Group Chief Executive in September 2023. His career is centred on building and leading iconic brands, including in high-end luxury segment, as well as growth strategies focussed on customer-centric innovation and experience. He was previously President and Chief Executive of Parfums Christian Dior, the largest luxury fashion beauty business of LVMH, before which he was President of the Consumer Beauty division of Coty in New York and held global and regional leadership roles at Unilever in UK, Europe and Asia.

Matthew Bishop* *Chief Financial Officer*
Matthew Bishop joined the Board as Chief Financial Officer in 2021. A Chartered Accountant, he joined the Jardine Matheson group in 2009 and held a number of senior finance positions across the group, including most recently group treasurer of Jardine Matheson since January 2019. He was previously a diplomat with the Foreign & Commonwealth Office in Beijing and London.

Jinqing Cai
Jinqing Cai joined the Board in 2021. She is a member of the Audit Committee of the Company. She is the president, Greater China at Kering, vice chairman of Teach for China and an independent non-executive director of Xiaomi Corporation. Jinqing was former president and chairman of Christie's China.

* Executive Director

Adam Keswick
Adam 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. Adam is a director of DFI Retail Group and Hongkong Land. He is also a director of Ferrari NV, Schindler[1] and Yabuli China Entrepreneurs Forum and vice chairman of the supervisory board of Rothschild & Co.

Archie Keswick
Archie Keswick joined the Board in 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.

Y.K. Pang
Y.K. Pang joined the Board in 2016. He is a member of the Audit Committee of the Company. He is deputy managing director and chairman of Hong Kong of Jardine Matheson, and chairman of Jardine Pacific. He has 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. Y.K. is also deputy chairman of Jardine Matheson Limited, and a director of Gammon, Hongkong Land and Jardine Matheson (China). He is chairman of the Hong Kong Tourism Board and the Hong Kong Management Association, and a member of the Council and General Committee of the Hong Kong General Chamber of Commerce and the Employers' Federation of Hong Kong. Y.K. will be retiring from the Board and the Audit Committee of the Company on 31st March 2024.

Richard Solomons
Richard Solomons joined the Board in 2021. He is the Chairman of the Audit Committee of the Company. He is the non-executive chairman of Rentokil Initial plc and the chair of its nomination committee. He is also the non-executive chairman of HBG Limited, as well as the chair of its advisory committee and remuneration committee. Richard was previously the chief executive officer of InterContinental Hotels Group plc and a non-executive director of Aston Martin Lagonda Global Holdings plc and Marks and Spencer Group plc.

[1] Adam Keswick will be retiring from the board of Schindler on 19th March 2024.

Consolidated Profit and Loss Account

for the year ended 31st December 2023

		2023			2022		
	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	**558.1**	**–**	**558.1**	454.1	–	454.1
Cost of sales		**(308.7)**	**–**	**(308.7)**	(302.7)	–	(302.7)
Gross profit		**249.4**	**–**	**249.4**	151.4	–	151.4
Selling and distribution costs		**(35.6)**	**–**	**(35.6)**	(27.0)	–	(27.0)
Administration expenses		**(116.7)**	**–**	**(116.7)**	(109.2)	–	(109.2)
Other operating income/(expense)		**5.2**	**(0.4)**	**4.8**	5.7	–	5.7
Change in fair value of investment properties	12	**–**	**(486.7)**	**(486.7)**	–	(104.1)	(104.1)
Gain on sale of a subsidiary/asset disposals	8	**–**	**43.8**	**43.8**	–	40.6	40.6
Operating (loss)/profit	3	**102.3**	**(443.3)**	**(341.0)**	20.9	(63.5)	(42.6)
Financing charges		**(17.6)**	**–**	**(17.6)**	(16.7)	–	(16.7)
Interest income		**7.7**	**–**	**7.7**	2.3	–	2.3
Net financing charges	4	**(9.9)**	**–**	**(9.9)**	(14.4)	–	(14.4)
Share of results of associates and joint ventures	5	**(0.3)**	**(0.6)**	**(0.9)**	9.7	–	9.7
(Loss)/profit before tax		**92.1**	**(443.9)**	**(351.8)**	16.2	(63.5)	(47.3)
Tax	6	**(11.0)**	**(2.5)**	**(13.5)**	(8.5)	6.4	(2.1)
(Loss)/profit after tax		**81.1**	**(446.4)**	**(365.3)**	7.7	(57.1)	(49.4)
Attributable to:							
Shareholders of the Company	7&8	**81.0**	**(446.4)**	**(365.4)**	7.6	(57.1)	(49.5)
Non-controlling interests		**0.1**	**–**	**0.1**	0.1	–	0.1
		81.1	**(446.4)**	**(365.3)**	7.7	(57.1)	(49.4)
		US¢		**US¢**	US¢		US¢
(Loss)/earnings per share	7						
– basic		**6.41**		**(28.91)**	0.60		(3.92)
– diluted		**6.41**		**(28.91)**	0.60		(3.92)

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2023

	Note	2023 US$m	2022 US$m
Loss for the year		**(365.3)**	(49.4)
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	16	**(2.5)**	(2.1)
Revaluation surplus of right-of-use assets before transfer to investment properties	11	**–**	79.8
Tax on items that will not be reclassified	6	**0.4**	0.3
		(2.1)	78.0
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net gain/(loss) arising during the year		**34.0**	(58.2)
– transfer to profit and loss		**33.5**	–
Cash flow hedges			
– net (loss)/gain arising during the year		**(15.1)**	16.6
Tax relating to items that may be reclassified	6	**1.3**	(2.4)
Share of other comprehensive income of associates and joint ventures		**0.4**	0.7
		54.1	(43.3)
Other comprehensive income for the year, net of tax		**52.0**	34.7
Total comprehensive expense for the year		**(313.3)**	(14.7)
Attributable to:			
Shareholders of the Company		**(314.2)**	(14.7)
Non-controlling interests		**0.9**	–
		(313.3)	(14.7)

Consolidated Balance Sheet

at 31st December 2023

	Note	2023 US$m	2022 US$m
Net assets			
Intangible assets	9	**43.7**	45.7
Tangible assets	10	**618.6**	916.3
Right-of-use assets	11	**229.1**	242.4
Investment properties	12	**2,060.3**	2,472.6
Associates and joint ventures	13	**155.8**	203.8
Other investments	14	**14.0**	14.0
Deferred tax assets	15	**14.0**	14.2
Pension assets	16	**0.6**	3.0
Non-current debtors	17	**10.9**	12.2
Non-current assets		**3,147.0**	3,924.2
Stocks		**5.0**	5.0
Current debtors	17	**80.3**	90.5
Current tax assets		**1.7**	6.8
Cash and bank balances	18	**178.8**	226.2
		265.8	328.5
Assets classified as held for sale	19	**331.9**	–
Current assets		**597.7**	328.5
Current creditors	20	**(158.0)**	(159.1)
Current borrowings	21	**(414.9)**	(2.2)
Current lease liabilities	22	**(5.8)**	(5.9)
Current tax liabilities		**(22.1)**	(18.4)
		(600.8)	(185.6)
Liabilities directly associated with assets classified as held for sale	19	**(24.1)**	–
Current liabilities		**(624.9)**	(185.6)
Net current (liabilities)/assets		**(27.2)**	142.9
Long-term borrowings	21	**(0.6)**	(599.8)
Non-current lease liabilities	22	**(110.6)**	(123.5)
Deferred tax liabilities	15	**(42.0)**	(41.6)
Pension liabilities	16	**–**	(0.1)
Non-current creditors	20	**(1.1)**	(4.5)
Non-current liabilities		**(154.3)**	(769.5)
		2,965.5	3,297.6
Total equity			
Share capital	24	**63.2**	63.2
Share premium	25	**500.9**	500.7
Revenue and other reserves		**2,396.3**	2,730.2
Shareholders' funds		**2,960.4**	3,294.1
Non-controlling interests		**5.1**	3.5
		2,965.5	3,297.6

Approved by the Board of Directors

Laurent Kleitman
Matthew Bishop
Directors
7th March 2024

Consolidated Statement of Changes in Equity

for the year ended 31st December 2023

	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
2023										
At 1st January	**63.2**	**500.7**	**258.9**	**(428.8)**	**3,023.2**	**15.4**	**(138.5)**	**3,294.1**	**3.5**	**3,297.6**
Total comprehensive income	**–**	**–**	**–**	**(367.6)**	**–**	**(13.7)**	**67.1**	**(314.2)**	**0.9**	**(313.3)**
Dividends paid by the Company	**–**	**–**	**–**	**(19.0)**	**–**	**–**	**–**	**(19.0)**	**–**	**(19.0)**
Unclaimed dividend forfeited	**–**	**–**	**–**	**0.1**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Subsidiary disposed of	**–**	**–**	**0.2**	**(0.6)**	**–**	**–**	**(0.2)**	**(0.6)**	**0.7**	**0.1**
Transfer	**–**	**0.2**	**(0.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31st December	**63.2**	**500.9**	**258.9**	**(815.9)**	**3,023.2**	**1.7**	**(71.6)**	**2,960.4**	**5.1**	**2,965.5**
2022										
At 1st January	63.2	500.5	259.1	(377.7)	2,943.4	0.9	(80.6)	3,308.8	3.5	3,312.3
Total comprehensive income	–	–	–	(51.1)	79.8	14.5	(57.9)	(14.7)	–	(14.7)
Transfer	–	0.2	(0.2)	–	–	–	–	–	–	–
At 31st December	63.2	500.7	258.9	(428.8)	3,023.2	15.4	(138.5)	3,294.1	3.5	3,297.6

Revenue reserves as at 31st December 2023 included cumulative fair value losses on the investment property under development of US$1,207.8 million (2022: US$720.2 million).

Consolidated Cash Flow Statement

for the year ended 31st December 2023

	Note	2023 US$m	2022 US$m
Operating activities			
Operating loss	3	**(341.0)**	(42.6)
Depreciation, amortisation and impairment		**51.1**	58.2
Other non-cash items	28a	**440.3**	63.5
Movements in working capital	28b	**(2.8)**	(1.1)
Interest received		**8.5**	2.1
Interest and other financing charges paid		**(17.6)**	(15.6)
Tax paid		**(2.6)**	(8.0)
		135.9	56.5
Dividends and interest from associates and joint venture		**5.3**	–
Cash flows from operating activities		**141.2**	56.5
Investing activities			
Purchase of tangible assets		**(13.7)**	(12.8)
Additions to investment properties		**(71.0)**	(30.2)
Purchase of intangible assets		**(6.4)**	(6.1)
Additions to right-of-use assets		**–**	(0.2)
Refund on Munich expansion	28c	**–**	4.0
Purchase of other investments		**(0.1)**	(0.2)
Purchase of an associate	28d	**–**	(1.0)
Advance to associates and joint ventures	28e	**(20.7)**	(2.4)
Repayment of loans to associates and joint ventures	28f	**67.2**	4.2
Sale of a subsidiary	28g	**75.6**	–
Net proceeds from asset disposals	8	**–**	131.4
Cash flows from investing activities		**30.9**	86.7
Financing activities			
Drawdown of borrowings	21	**58.1**	23.0
Repayment of borrowings	21	**(247.9)**	(139.5)
Principal elements of lease payments	28h	**(6.2)**	(5.7)
Dividends paid by the Company	27	**(19.0)**	–
Cash flows from financing activities		**(215.0)**	(122.2)
Net (decrease)/increase in cash and cash equivalents		**(42.9)**	21.0
Cash and cash equivalents at 1st January		**226.2**	212.8
Effect of exchange rate changes		**7.0**	(7.6)
Cash and cash equivalents at 31st December	28i	**190.3**	226.2

Notes to the Financial Statements

General information

Mandarin Oriental International Limited (the 'Company') is incorporated in Bermuda and has a primary listing in the standard segment of the London Stock Exchange, with secondary listings in Bermuda and Singapore.

1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations as issued by the International Accounting Standards Board ('IASB').

At 31st December 2023, the current liabilities of the Group exceeded its current assets by US$27.2 million. Included in the current liabilities were the current portion of long-term bank loans of US$414.9 million due to mature within 2024. In February 2024, the Group has refinanced bank facilities of US$409.2 million to enable the Group to meet its obligations as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

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

The Group has adopted the following standard and amendments for the annual reporting period commencing 1st January 2023.

IFRS 17 'Insurance Contracts' *(effective from 1st January 2023)*
The standard covers recognition, measurement, presentation and disclosure for insurance contracts. The Group has assessed its performance guarantees provided to third-party hotel owners and concluded that current arrangements do not include significant insurance risk. They remain within the scope of the Group's existing revenue recognition accounting policies.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 *(effective from 1st January 2023)*
The amendments require entities to disclose material rather than significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material.

Material accounting policy information is information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. IASB further clarifies that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The material accounting policies following the adoption of IAS 1 are included in note 34.

Amendment to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction *(effective from 1st January 2023)*
The amendment requires deferred tax to be recognised on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They typically apply to transactions such as leases of lessees and decommissioning obligations and require the recognition of additional deferred tax assets and liabilities. On adoption of the amendment, there is no impact on the Group's consolidated financial statements.

Amendment to IAS 12 – International Tax Reform – Pillar Two Model Rules *(effective for annual reporting period commencing on or after 1st January 2023)*
The amendment provides a temporary mandatory exception from deferred tax accounting in respect of Pillar Two income taxes and certain additional disclosure requirements. The Group is within the scope of the OECD Pillar Two model rules, and has applied the amendment from 1st January 2023.

Pillar Two legislation has been enacted or substantially enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's annual reporting period commencing 1st January 2024. Since the Pillar Two legislation was not effective at 31st December 2023, the Group has no related current tax exposure.

1 Basis of preparation *continued*

The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two incomes taxes when the legislation comes into effect. The assessment of the potential exposure to Pillar Two income taxes is based on the latest financial information for the year ended 31st December 2023 of the constituent entities in the Group. Based on the assessment, the effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the effective tax rate is slightly below or close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

Apart from the above, there are no other standard or amendments which are effective in 2023 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 Segmental information and 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 has three (2022: three) distinct business activities: Hotel ownership, Hotel & Residences branding and management, and Property development which form the basis of its operating and reportable segments. The Property development segment represents the redevelopment of The Excelsior, Hong Kong as a commercial building following the closure of the hotel on 31st March 2019 (the 'Causeway Bay site under development'). The redevelopment is expected to complete in 2025.

In addition, The Group is operated on a worldwide basis in three (2022: three) regions: Asia, Europe, the Middle East and Africa ('EMEA'), and America. The Group's segmental information for non-current assets is set out in note 23.

	2023 US$m	2022 US$m
Analysis by business activity		
Hotel ownership	**486.8**	400.9
Hotel & Residences branding and management	**94.5**	68.5
Less: intra-segment revenue	**(23.2)**	(15.3)
	558.1	454.1
Analysis by geographical area		
Asia	**219.9**	141.4
EMEA	**288.6**	239.7
America	**49.6**	73.0
	558.1	454.1
From contracts with customers		
Recognised at a point in time	**163.7**	140.8
Recognised over time	**375.8**	295.2
	539.5	436.0
From other sources		
Rental income	**18.6**	18.1
	558.1	454.1

2 Segmental information and revenue *continued*

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.

Contract liabilities are further analysed as follows:

	2023 US$m	2022 US$m
Contract liabilities *(refer note 20)*		
– gift cards	**10.1**	10.9
– advance customer deposits and other	**9.8**	7.7
	19.9	18.6

Revenue recognised in relation to contract liabilities

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

	2023 US$m	2022 US$m
Gift cards	**6.4**	10.8
Advance customer deposits and other	**5.5**	9.6
	11.9	20.4

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**
2023			
Within one year	**3.9**	**16.8**	**20.7**
Between one and two years	**4.2**	**–**	**4.2**
Between two and three years	**1.3**	**–**	**1.3**
Between three and four years	**0.5**	**–**	**0.5**
Between four and five years	**0.2**	**–**	**0.2**
	10.1	**16.8**	**26.9**
2022			
Within one year	4.2	9.6	13.8
Between one and two years	4.5	–	4.5
Between two and three years	1.4	–	1.4
Between three and four years	0.6	–	0.6
Between four and five years	0.2	–	0.2
	10.9	9.6	20.5

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

	2023 US$m	2022 US$m
Analysis by business activity		
Hotel ownership	**101.9**	45.3
Hotel & Residences branding and management	**52.5**	33.8
Property development	**(1.0)**	–
Underlying EBITDA from subsidiaries	**153.4**	79.1
Non-trading items *(refer note 8)*		
– change in fair value of investment properties	**(486.7)**	(104.1)
– change in fair value of other investments	**(0.4)**	–
– gain on sale of a subsidiary/asset disposals	**43.8**	40.6
	(443.3)	(63.5)
EBITDA from subsidiaries	**(289.9)**	15.6
Underlying depreciation and amortisation from subsidiaries	**(51.1)**	(58.2)
Operating loss	**(341.0)**	(42.6)
Analysis by business activity		
Hotel ownership	**145.4**	85.9
Hotel & Residences branding and management	**52.4**	33.8
Property development	**(487.7)**	(104.1)
EBITDA from subsidiaries	**(289.9)**	15.6
Hotel ownership	**102.4**	36.7
Hotel & Residences branding and management	**44.3**	24.8
Property development	**(487.7)**	(104.1)
Operating loss	**(341.0)**	(42.6)
Analysis by geographical area		
Asia	**41.5**	(8.7)
EMEA	**108.5**	82.8
America	**3.4**	5.0
Underlying EBITDA from subsidiaries	**153.4**	79.1

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

	2023 US$m	2022 US$m
The following items have been credited/(charged) in arriving at operating loss:		
Rental income *(refer note 10)*	**18.6**	18.1
Amortisation and impairment of intangible assets *(refer note 9)*	**(5.5)**	(6.0)
Depreciation of tangible assets *(refer note 10)*	**(38.9)**	(45.3)
Amortisation/depreciation of right-of-use assets *(refer note 11)*	**(6.7)**	(6.9)
Employee benefit expense		
– salaries and benefits in kind	**(226.5)**	(216.9)
– defined benefit pension plans *(refer note 16)*	**(2.7)**	(3.2)
– defined contribution pension plans	**(2.2)**	(1.8)
	(231.4)	(221.9)
Net foreign exchange gain	**0.1**	0.3
Expenses relating to low value leases	**(0.2)**	(0.4)
Expenses relating to short-term leases	**(1.0)**	(1.0)
Expenses relating to variable lease payments not included in lease liabilities	**(5.6)**	(3.4)
Auditors' remuneration		
– audit	**(1.9)**	(1.9)
– non-audit services	**(0.2)**	(0.2)
	(2.1)	(2.1)

4 Net financing charges

	2023 US$m	2022 US$m
Interest expense		
– bank loans	**(15.3)**	(13.3)
– interest on lease liabilities	**(1.7)**	(1.9)
Commitment and other fees	**(0.6)**	(1.5)
Financing charges	**(17.6)**	(16.7)
Interest income	**7.7**	2.3
Net financing charges	**(9.9)**	(14.4)

5 Share of results of associates and joint ventures

	EBITDA US$m	Depreciation and amortisation US$m	Operating profit/ (loss) US$m	Net financing charges US$m	Tax US$m	Net profit/ (loss) US$m
2023						
Analysis by business activity						
Hotel ownership	**23.8**	**(15.2)**	**8.6**	**(8.9)**	**0.2**	**(0.1)**
Other	**0.4**	**(0.5)**	**(0.1)**	**(0.1)**	**–**	**(0.2)**
	24.2	**(15.7)**	**8.5**	**(9.0)**	**0.2**	**(0.3)**
Non-trading items – closure costs	**(0.6)**	**–**	**(0.6)**	**–**	**–**	**(0.6)**
	23.6	**(15.7)**	**7.9**	**(9.0)**	**0.2**	**(0.9)**
Analysis by geographical area						
Asia	**10.4**	**(10.1)**	**0.3**	**(3.3)**	**0.1**	**(2.9)**
EMEA	**5.5**	**(3.6)**	**1.9**	**(3.3)**	**0.1**	**(1.3)**
America	**8.3**	**(2.0)**	**6.3**	**(2.4)**	**–**	**3.9**
	24.2	**(15.7)**	**8.5**	**(9.0)**	**0.2**	**(0.3)**
Non-trading items – closure costs	**(0.6)**	**–**	**(0.6)**	**–**	**–**	**(0.6)**
	23.6	**(15.7)**	**7.9**	**(9.0)**	**0.2**	**(0.9)**
2022						
Analysis by business activity						
Hotel ownership	32.3	(15.4)	16.9	(5.6)	(1.0)	10.3
Other	–	(0.5)	(0.5)	(0.1)	–	(0.6)
	32.3	(15.9)	16.4	(5.7)	(1.0)	9.7
Analysis by geographical area						
Asia	19.2	(10.4)	8.8	(2.4)	(1.1)	5.3
EMEA	4.0	(3.4)	0.6	(1.1)	0.1	(0.4)
America	9.1	(2.1)	7.0	(2.2)	–	4.8
	32.3	(15.9)	16.4	(5.7)	(1.0)	9.7

6 Tax

	2023 US$m	2022 US$m
Tax (charged)/credited to profit and loss is analysed as follows:		
– current tax	**(11.8)**	(12.0)
– deferred tax *(refer note 15)*	**(1.7)**	9.9
	(13.5)	(2.1)
Analysis by business activity		
Hotel ownership	**(7.2)**	5.3
Hotel & Residences branding and management	**(6.3)**	(7.4)
	(13.5)	(2.1)
Analysis by geographical area		
Asia	**(8.3)**	(0.2)
EMEA	**(4.3)**	(5.2)
America	**(0.9)**	3.3
	(13.5)	(2.1)
Reconciliation between tax expense and tax at the applicable tax rate*:		
Tax at applicable tax rate	**56.2**	9.0
Income not subject to tax		
– change in fair value of other investments	**0.1**	–
– gain on sale of a subsidiary	**9.3**	–
– other items	**3.8**	1.8
Expenses not deductible for tax purposes		
– change in fair value of investment properties	**(80.3)**	(17.1)
– other items	**(5.2)**	(3.5)
Tax losses and temporary differences not recognised	**(4.1)**	(11.9)
Utilisation of previously unrecognised tax losses and temporary differences	**7.9**	14.3
Recognition of previously unrecognised tax losses and temporary differences	**4.1**	(0.4)
Deferred tax liabilities written back		
– disposal of Mandarin Oriental, Washington D.C.	**–**	10.7
– other items	**–**	0.1
Withholding tax	**(4.6)**	(3.8)
Under-provision in prior years	**(0.5)**	(1.3)
Change in tax rates	**(0.2)**	–
	(13.5)	(2.1)
Tax relating to components of other comprehensive income is analysed as follows:		
Remeasurements of defined benefit plans	**0.4**	0.3
Cash flow hedges	**1.3**	(2.4)
	1.7	(2.1)

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

In 2023, current tax included a non-trading capital gain tax charge of US$2.5 million in relation to the sale of 96.9% ownership stake in P.T. Jaya Mandarin Agung, the owning company of Mandarin Oriental, Jakarta *(refer note 31)*. In 2022, current tax included a non-trading capital gain tax charge of US$4.3 million and deferred tax included a non-trading tax credit of US$10.7 million in relation to the sale of Mandarin Oriental, Washington D.C. *(refer note 8)*.

Share of tax credit of associates and joint ventures of US$0.2 million (2022: share of tax charge of US$1.0 million) is included in share of results of associates and joint ventures *(refer note 5)*.

* The applicable tax rate for the year was 16% (2022: 16%) 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$365.4 million (2022: US$49.5 million) and the weighted average number of 1,263.8 million (2022: 1,263.7 million) shares in issue during the year.

Diluted loss per share is calculated using loss attributable to shareholders of US$365.4 million (2022: US$49.5 million) and the weighted average number of 1,263.8 million (2022: 1,263.8 million) shares in issue after adjusting for the number of shares which are deemed to be issued for no consideration under the share-based long-term incentive plans based on the average share price during the year.

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

	Ordinary shares in millions 2023	2022
Weighted average number of shares for basic loss per share calculation	**1,263.8**	1,263.7
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	**–**	0.1
Weighted average number of shares for diluted loss per share calculation	**1,263.8**	1,263.8

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

	2023 US$m	2023 Basic (loss)/earnings per share US¢	2023 Diluted (loss)/earnings per share US¢	2022 US$m	2022 Basic (loss)/earnings per share US¢	2022 Diluted (loss)/earnings per share US¢
Loss attributable to shareholders	**(365.4)**	**(28.91)**	**(28.91)**	(49.5)	(3.92)	(3.92)
Non-trading items *(refer note 8)*	**446.4**			57.1		
Underlying profit attributable to shareholders	**81.0**	**6.41**	**6.41**	7.6	0.60	0.60

8 Non-trading items

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

	2023 US$m	2022 US$m
Change in fair value of investment properties	**(486.7)**	(104.1)
Change in fair value of other investments	**(0.4)**	–
Gain on sale of a subsidiary *(refer note 31)* /asset disposals*	**41.3**	47.0
	(445.8)	(57.1)
Share of results of associates and joint ventures – closure costs	**(0.6)**	–
	(446.4)	(57.1)

* In September 2022, the Group completed the sale of Mandarin Oriental, Washington D.C., including tangible assets and stocks of US$90.8 million, for gross proceeds of US$139.0 million. After taking into account the selling expenses and sales related taxes of US$ 7.6 million, the net proceeds were US$131.4 million. As a result, the Group has recognised a post-tax, non-trading gain of US$47.0 million which included a net tax credit of US$6.4 million.

9 Intangible assets

	Goodwill US$m	Computer software US$m	Development project contract costs US$m	Total US$m
2023				
Cost	**23.9**	**30.2**	**28.0**	**82.1**
Amortisation and impairment	**–**	**(21.3)**	**(15.1)**	**(36.4)**
Net book value at 1st January	**23.9**	**8.9**	**12.9**	**45.7**
Exchange differences	**–**	**0.1**	**(0.1)**	**–**
Additions	**–**	**4.5**	**1.9**	**6.4**
Disposals	**(2.8)**	**–**	**–**	**(2.8)**
Classified as held for sale	**–**	**(0.1)**	**–**	**(0.1)**
Amortisation and impairment charge	**–**	**(4.4)**	**(1.1)**	**(5.5)**
Net book value at 31st December	**21.1**	**9.0**	**13.6**	**43.7**
Cost	**21.1**	**34.2**	**28.0**	**83.3**
Amortisation and impairment	**–**	**(25.2)**	**(14.4)**	**(39.6)**
	21.1	**9.0**	**13.6**	**43.7**
2022				
Cost	23.9	29.2	28.2	81.3
Amortisation and impairment	–	(19.2)	(15.4)	(34.6)
Net book value at 1st January	23.9	10.0	12.8	46.7
Exchange differences	–	(0.1)	–	(0.1)
Additions	–	3.4	1.7	5.1
Amortisation and impairment charge	–	(4.4)	(1.6)	(6.0)
Net book value at 31st December	23.9	8.9	12.9	45.7
Cost	23.9	30.2	28.0	82.1
Amortisation and impairment	–	(21.3)	(15.1)	(36.4)
	23.9	8.9	12.9	45.7

Management has performed an impairment review of the carrying amount of goodwill at 31st December 2023. For the purpose of impairment review, goodwill acquired has been allocated to the hotel and is reviewed for impairment based on the hotel forecast operating performance and cash flows. Cash flow projections for the impairment review are based on value-in-use calculation using the 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 calculation include an average annual growth rate of 2% to forecast cash flows over a five-year period, after which the growth rate is assumed to be up to 2% in perpetuity. Individual growth assumptions vary across the Group's geographical locations, and are based on management expectations for each market's development. A pre-tax discount rate of 8% is applied to the cash flow projections. The discount rate used reflects business specific risks relating to the business life-cycle and geographical location. On the basis of the review, 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
2023					
Cost	**736.3**	**353.4**	**116.4**	**218.0**	**1,424.1**
Depreciation and impairment	**(81.7)**	**(189.2)**	**(81.5)**	**(155.4)**	**(507.8)**
Net book value at 1st January	**654.6**	**164.2**	**34.9**	**62.6**	**916.3**
Exchange differences	**25.9**	**6.3**	**0.4**	**1.4**	**34.0**
Additions	**0.3**	**0.6**	**2.1**	**10.1**	**13.1**
Disposals	**–**	**–**	**(0.2)**	**(0.6)**	**(0.8)**
Reclassification	**–**	**10.3**	**–**	**(10.3)**	**–**
Classified as held for sale *(refer note 19)*	**(279.9)**	**(6.6)**	**(15.7)**	**(2.9)**	**(305.1)**
Depreciation charge	**(8.6)**	**(11.0)**	**(5.2)**	**(14.1)**	**(38.9)**
Net book value at 31st December	**392.3**	**163.8**	**16.3**	**46.2**	**618.6**
Cost	**470.5**	**342.4**	**87.0**	**228.0**	**1,127.9**
Depreciation and impairment	**(78.2)**	**(178.6)**	**(70.7)**	**(181.8)**	**(509.3)**
	392.3	**163.8**	**16.3**	**46.2**	**618.6**
2022					
Cost	915.4	370.7	131.2	300.0	1,717.3
Depreciation and impairment	(121.8)	(191.8)	(88.5)	(217.0)	(619.1)
Net book value at 1st January	793.6	178.9	42.7	83.0	1,098.2
Exchange differences	(48.6)	(3.7)	(2.8)	(3.4)	(58.5)
Additions	3.4	1.0	0.3	8.1	12.8
Disposals *(refer note 8)*	(84.1)	–	(0.2)	(6.0)	(90.3)
Transfer to investment properties	–	(0.6)	–	–	(0.6)
Depreciation charge	(9.7)	(11.4)	(5.1)	(19.1)	(45.3)
Net book value at 31st December	654.6	164.2	34.9	62.6	916.3
Cost	736.3	353.4	116.4	218.0	1,424.1
Depreciation and impairment	(81.7)	(189.2)	(81.5)	(155.4)	(507.8)
	654.6	164.2	34.9	62.6	916.3

Rental income from properties and other tangible assets amounted to US$18.6 million (2022: US$18.1 million) *(refer note 3).*

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

	2023 US$m	2022 US$m
Within one year	**15.3**	14.5
Between one and two years	**13.1**	10.1
Between two and five years	**32.5**	26.2
Beyond five years	**16.3**	20.8
	77.2	71.6

At 31st December 2023, the carrying amount of hotel properties pledged as security for bank borrowings amounted to US$355.4 million (2022: US$342.6 million) *(refer note 21).*

11 Right-of-use assets

	Leasehold land US$m	Properties US$m	Total US$m
2023			
Cost	**133.3**	**199.9**	**333.2**
Amortisation/depreciation and impairment	**(9.6)**	**(81.2)**	**(90.8)**
Net book value at 1st January	**123.7**	**118.7**	**242.4**
Exchange differences	**(0.1)**	**(6.7)**	**(6.8)**
Additions	**–**	**0.1**	**0.1**
Disposals	**(0.2)**	**–**	**(0.2)**
Remeasurement	**–**	**0.3**	**0.3**
Amortisation/depreciation charge	**(0.2)**	**(6.5)**	**(6.7)**
Net book value at 31st December	**123.2**	**105.9**	**229.1**
Cost	**133.0**	**189.1**	**322.1**
Amortisation/depreciation and impairment	**(9.8)**	**(83.2)**	**(93.0)**
	123.2	**105.9**	**229.1**
2022			
Cost	143.6	228.2	371.8
Amortisation/depreciation and impairment	(12.4)	(86.1)	(98.5)
Net book value at 1st January	131.2	142.1	273.3
Exchange differences	–	(17.5)	(17.5)
Additions	0.2	0.6	0.8
Revaluation surplus before transfer to investment properties	79.8	–	79.8
Transfer to investment properties	(87.1)	–	(87.1)
Amortisation/depreciation charge	(0.4)	(6.5)	(6.9)
Net book value at 31st December	123.7	118.7	242.4
Cost	133.3	199.9	333.2
Amortisation/depreciation and impairment	(9.6)	(81.2)	(90.8)
	123.7	118.7	242.4

At 31st December 2023, the carrying amount of leasehold land pledged as security for bank borrowings amounted to US$121.8 million (2022: US$122.2 million) *(refer note 21)*. None of the other right-of-use assets have been pledged at 31st December 2023 and 2022.

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 properties

	Under development leasehold commercial property US$m	Completed leasehold residential property US$m	Total US$m
2023			
At 1st January	**2,384.9**	**87.7**	**2,472.6**
Exchange differences	**(5.3)**	**(0.2)**	**(5.5)**
Additions	**79.9**	**–**	**79.9**
(Decrease)/increase in fair value	**(487.6)**	**0.9**	**(486.7)**
At 31st December	**1,971.9**	**88.4**	**2,060.3**
2022			
At 1st January	2,462.0	–	2,462.0
Exchange differences	0.6	–	0.6
Additions	26.4	–	26.4
Transfer from tangible assets	–	0.6	0.6
Transfer from right-of-use assets	–	87.1	87.1
Decrease in fair value	(104.1)	–	(104.1)
At 31st December	2,384.9	87.7	2,472.6

In 2022, an own-use property, including tangible assets of US$0.6 million and right-of-use assets of US$87.1 million, was transferred to a completed residential investment property following a change of its future use determined by the management.

The Group measures its investment properties at fair value. The fair values of the Group's investment properties have been determined on the basis of valuations carried out by independent valuers who hold a recognised relevant professional qualification and have recent experience in the location and segment of the investment properties valued.

The Group employed Jones Lang LaSalle to value its under development commercial 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 residual method. The Report of the Valuers is set out on page 107.

The valuations are comprehensively reviewed by the Group.

12 Investment properties *continued*

Fair value measurements of completed residential property using no significant unobservable inputs

Fair value of the completed residential property is generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, 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.

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

In 2022, the fair value of the under development commercial property was derived using the direct comparison method and the residual method with equal weighting. In 2023, there has been a change in the valuation methodology from an equal weighting of the direct comparison method and the residual method to fully weighted on the residual method.

Due to a lack of recent comparable transactions which reflect the current market conditions, it is considered that the previous comparable site transactions used in the direct comparison method have become outdated. As a result, the direct comparison method was not considered appropriate and does not form part of the basis for assessment of value of the site at 31st December 2023. As such, the fair value of the under development commercial property was derived using the residual method. The change in the valuation methodology to reflect residual, value-in-use estimates, is in line with the market practice as the development of the site progresses toward completion.

The residual method assesses the value of the asset 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.

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

			Range of significant unobservable inputs	
	Fair value US$m	Valuation method	Prevailing market rent per month/ Average unit price US$	Capitalisation rate %
2023				
Hong Kong	**1,971.9**	Residual*	Prevailing market rent per month of 8.2 to 10.4 per square foot	2.55 to 3.95
2022				
Hong Kong	2,384.9	Direct comparison	Average unit price of 3,951.6 per square foot	n/a
		Residual*	Prevailing market rent per month of 8.3 to 10.0 per square foot	2.45 to 3.85

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

Prevailing market rents are estimated based on independent valuers' view of recent lettings. Capitalisation rates are estimated by independent valuers based on the risk profile of the property being valued.

12 Investment properties *continued*

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

An increase/decrease to prevailing market rent will increase/decrease valuations, while an increase/decrease to capitalisation rate will decrease/increase valuations. Sensitivity analyses have been performed on the under development commercial property (which contributed 96% of the total investment properties balance at 31st December 2023), to assess the impact on the valuation of changes in the two significant unobservable inputs: prevailing market rent per month and capitalisation rate. The impact of any reasonably possible change in the assumptions for other investment properties would not be material. The Group believes the changes in assumptions in the table below capture a reasonable range of variations in these key valuation assumptions.

	Change in assumption %	(Increase)/decrease in valuation Increase in assumption US$m	 Decrease in assumption US$m
Prevailing market rent per month	5.00	110.0	(115.2)
Capitalisation rate	0.10	(83.2)	83.2

The maturity analysis of the undiscounted lease payments to be received in respect of the completed residential property after the balance sheet date are as follows:

	2023 US$m	2022 US$m
Within one year	–	0.6
Between one and two years	–	0.6
Between two and five years	–	0.5
	–	1.7

The Group's operating lease in respect of the completed residential property is for a term of three years. The lease was terminated during the year.

13 Associates and joint ventures

	2023 US$m	2022 US$m
Associates		
Listed associate – OHTL PLC ('OHTL')	**6.9**	2.2
Unlisted associates	**42.8**	49.7
Share of attributable net assets	**49.7**	51.9
Notional goodwill	**5.5**	5.5
Goodwill on acquisition	**2.1**	2.1
	57.3	59.5
Amounts due from associates	**58.7**	38.4
	116.0	97.9
Joint ventures		
Share of attributable net liabilities of unlisted joint ventures	**(29.9)**	(25.7)
Goodwill on acquisition	**6.1**	5.9
	(23.8)	(19.8)
Amounts due from joint ventures	**63.6**	125.7
	39.8	105.9
	155.8	203.8

13 Associates and joint ventures *continued*

Amounts due from associates are interest free, unsecured and have no fixed terms of repayment, except for a convertible loan of US$2.0 million (2022: US$2.0 million) which bears interest at 4% per annum and will mature on 15th June 2024 and a loan of US$20.3 million (2022: nil) which bears interest at 5% per annum and is repayable on 31st December 2024. The Group is expected to extend the repayment to 2025 upon its maturity and accordingly the loan is classified under non-current assets.

Amounts due from joint ventures are unsecured, bear interest at rates ranging from approximately 1.15% to 5.00% (2022: 1.15% to 5.00%) per annum and are repayable within two years (2022: two to three years), except for amounts of US$31.9 million (2022: US$30.7 million) with no fixed terms of repayment.

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$218.8 million (2022: US$186.0 million) and US$107.5 million (2022: US$106.5 million) respectively.

	Associates		Joint ventures	
	2023 US$m	2022 US$m	**2023 US$m**	2022 US$m
Movements of associates and joint ventures during the year:				
At 1st January	**97.9**	88.3	**105.9**	113.2
Exchange differences	**(0.1)**	–	**4.4**	(7.3)
Share of results after tax and non-controlling interests	**0.4**	10.1	**(1.3)**	(0.4)
Share of other comprehensive income/(expense) after tax and non-controlling interests	**1.5**	0.3	**(1.1)**	0.4
Acquisition of an associate *(refer note 28d)*	**–**	1.0	**–**	–
Interest received	**(1.0)**	–	**(4.3)**	–
Advance to associates and joint ventures *(refer note 28e)*	**20.3**	2.0	**0.4**	0.4
Repayment of loans to associates and joint ventures *(refer note 28f)*	**(3.0)**	(3.8)	**(64.2)**	(0.4)
At 31st December	**116.0**	97.9	**39.8**	105.9
Fair value of listed associate	**187.2**	186.7	**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 2023 and 2022:

Name of entity	Nature of business	Country of incorporation and principal place of business/ place of listing	% of ownership interest 2023	2022
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 2023, the fair value of the Group's interest in OHTL, which is listed on the Thailand Stock Exchange, was US$187.2 million (2022: US$186.7 million) and the carrying amount of the Group's interest was US$12.4 million (2022: US$7.7 million).

Summarised financial information for material associates

Summarised balance sheet at 31st December

	OHTL		Marina Bay Hotel		Total	
	2023 US$m	2022 US$m	**2023 US$m**	2022 US$m	**2023 US$m**	2022 US$m
Non-current assets	**106.7**	113.2	**181.8**	105.1	**288.5**	218.3
Current assets						
Cash and cash equivalents	**6.0**	8.0	**12.9**	48.1	**18.9**	56.1
Other current assets	**3.8**	3.9	**7.1**	4.8	**10.9**	8.7
Total current assets	**9.8**	11.9	**20.0**	52.9	**29.8**	64.8
Non-current liabilities						
Financial liabilities*	**(43.8)**	(57.8)	**(60.1)**	–	**(103.9)**	(57.8)
Other non-current liabilities*	**(21.5)**	(21.2)	**–**	(1.8)	**(21.5)**	(23.0)
Total non-current liabilities	**(65.3)**	(79.0)	**(60.1)**	(1.8)	**(125.4)**	(80.8)
Current liabilities						
Financial liabilities*	**(33.2)**	(37.9)	**(13.9)**	(12.5)	**(47.1)**	(50.4)
Other current liabilities*	**(3.5)**	(3.7)	**(2.6)**	(6.5)	**(6.1)**	(10.2)
Total current liabilities	**(36.7)**	(41.6)	**(16.5)**	(19.0)	**(53.2)**	(60.6)
Net assets	**14.5**	4.5	**125.2**	137.2	**139.7**	141.7

* 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	
	2023 US$m	2022 US$m	**2023 US$m**	2022 US$m	**2023 US$m**	2022 US$m
Revenue	**72.4**	54.8	**41.2**	73.8	**113.6**	128.6
Depreciation and amortisation	**(8.4)**	(9.4)	**(9.2)**	(7.6)	**(17.6)**	(17.0)
Interest expense	**(3.6)**	(3.3)	**(0.8)**	0.4	**(4.4)**	(2.9)
Profit/(loss) from underlying business performance	**11.5**	4.2	**(17.0)**	12.5	**(5.5)**	16.7
Income tax (charge)/credit	**(1.8)**	–	**1.9**	(2.4)	**0.1**	(2.4)
Profit/(loss) after tax	**9.7**	4.2	**(15.1)**	10.1	**(5.4)**	14.3
Other comprehensive income	**0.3**	0.2	**3.1**	1.1	**3.4**	1.3
Total comprehensive income/(expense)	**10.0**	4.4	**(12.0)**	11.2	**(2.0)**	15.6

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.

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	
	2023 US$m	2022 US$m	**2023 US$m**	2022 US$m	**2023 US$m**	2022 US$m
Net assets at 1st January	**4.5**	0.1	**137.2**	126.0	**141.7**	126.1
Profit/(loss) for the year	**9.7**	4.2	**(15.1)**	10.1	**(5.4)**	14.3
Other comprehensive income	**0.3**	0.2	**3.1**	1.1	**3.4**	1.3
Net assets at 31st December	**14.5**	4.5	**125.2**	137.2	**139.7**	141.7
Effective interest in associates (%)	**47.6**	47.6	**50.0**	50.0		
Group's share of net assets in associates	**6.9**	2.2	**62.6**	68.6	**69.5**	70.8
Notional goodwill*	**5.5**	5.5	**–**	–	**5.5**	5.5
Carrying value	**12.4**	7.7	**62.6**	68.6	**75.0**	76.3
Fair value	**187.2**	186.7	**n/a**	n/a	**187.2**	186.7

* 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%.

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.

	2023 US$m	2022 US$m
Share of profit	**3.3**	3.0
Share of other comprehensive expense	**(0.2)**	(0.4)
Share of total comprehensive income	**3.1**	2.6
Carrying amount of interests in these associates	**41.0**	21.6

13 Associates and joint ventures *continued*

a) Investment in associates continued

Contingent liabilities relating to the Group's interest in associates

	2023 US$m	2022 US$m
Financial guarantee in respect of facilities made available to an associate	–	20.3

The guarantee in respect of facilities made available to an associate was stated at its contracted amount. The associate fully repaid the bank loan and cancelled the facilities during the year.

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 2023 and 2022:

Name of entity	Nature of business	Country of incorporation and principal place of business	% of ownership interest 2023	2022
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 2023 US$m	2022 US$m
Non-current assets	246.4	243.1
Current assets		
Cash and cash equivalents	8.3	8.0
Other current assets	5.3	3.9
Total current assets	13.6	11.9
Non-current liabilities		
Financial liabilities*†	(265.7)	(251.4)
Other non-current liabilities*	(46.3)	(36.4)
Total non-current liabilities	(312.0)	(287.8)
Current liabilities		
Other current liabilities*	(7.8)	(18.5)
Net liabilities	(59.8)	(51.3)

* 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$127.2 million (2022: US$251.4 million).

13 Associates and joint ventures *continued*

b) Investment in joint ventures continued

Summarised financial information for material joint venture *continued*

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

	Ritz Madrid	
	2023 US$m	2022 US$m
Revenue	**49.9**	41.5
Depreciation and amortisation	**(7.1)**	(6.8)
Interest expense	**(11.5)**	(2.3)
Loss after tax	**(6.2)**	(0.9)
Other comprehensive (expense)/income	**(2.3)**	0.8
Total comprehensive expense	**(8.5)**	(0.1)

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

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	
	2023 US$m	2022 US$m
Net liabilities at 1st January	**(51.3)**	(51.2)
Loss for the year	**(6.2)**	(0.9)
Other comprehensive (expense)/income	**(2.3)**	0.8
Net liabilities at 31st December	**(59.8)**	(51.3)
Effective interest in joint venture (%)	**50.0**	50.0
Group's share of net liabilities in joint venture	**(29.9)**	(25.7)
Goodwill on acquisition	**6.1**	5.9
Shareholders' loans	**63.6**	125.7
Carrying value	**39.8**	105.9

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

Commitments and contingent liabilities in respect of joint venture
There were no commitments and contingent liabilities relating to the Group's interest in its joint venture at 31st December 2023 and 2022.

14 Other investments

	2023 US$m	2022 US$m
Investment measured at fair value through profit and loss – unlisted investments	**14.0**	14.0

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	Provisions and other temporary differences US$m	Total US$m
2023						
At 1st January	**(36.2)**	**(1.7)**	**12.9**	**(1.3)**	**(1.1)**	**(27.4)**
Exchange differences	**(1.1)**	**(0.1)**	**0.3**	**(0.1)**	**–**	**(1.0)**
Disposals	**0.3**	**–**	**–**	**0.2**	**–**	**0.5**
Classified as held for sale	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
(Charged)/credited to profit and loss	**(0.7)**	**–**	**(2.0)**	**(0.2)**	**1.2**	**(1.7)**
Credited to other comprehensive income	**–**	**1.3**	**–**	**0.4**	**–**	**1.7**
At 31st December	**(37.7)**	**(0.5)**	**11.2**	**(1.0)**	**–**	**(28.0)**
Deferred tax assets	**1.2**	**–**	**11.2**	**0.3**	**1.3**	**14.0**
Deferred tax liabilities	**(38.9)**	**(0.5)**	**–**	**(1.3)**	**(1.3)**	**(42.0)**
	(37.7)	**(0.5)**	**11.2**	**(1.0)**	**–**	**(28.0)**
2022						
At 1st January	(46.1)	0.6	12.0	(1.9)	(1.0)	(36.4)
Exchange differences	2.0	0.1	(0.9)	0.1	(0.1)	1.2
Credited to profit and loss	7.9	–	1.8	0.2	–	9.9
(Charged)/credited to other comprehensive income	–	(2.4)	–	0.3	–	(2.1)
At 31st December	(36.2)	(1.7)	12.9	(1.3)	(1.1)	(27.4)
Deferred tax assets	1.1	–	12.9	0.2	–	14.2
Deferred tax liabilities	(37.3)	(1.7)	–	(1.5)	(1.1)	(41.6)
	(36.2)	(1.7)	12.9	(1.3)	(1.1)	(27.4)

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.

The recognition of deferred tax assets on tax losses of US$11.2 million (2022: US$12.9 million) is based on management's review of future taxable profit that will be available against which the tax losses can be utilised, referencing to individual hotel forecast operating performance.

Deferred tax assets of US$60.7 million (2022: US$76.8 million) arising from unused tax losses of US$264.0 million (2022: US$338.0 million) have not been recognised in the financial statements. Included in the unused tax losses, US$245.0 million have no expiry date and the balance will expire at various dates up to and including 2031.

Deferred tax assets of US$3.0 million (2022: US$3.2 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 2023 and 2022.

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 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:

	2023 US$m	2022 US$m
Fair value of plan assets	**41.5**	46.7
Present value of funded obligations	**(40.9)**	(43.7)
	0.6	3.0
Present value of unfunded obligations	**–**	(0.1)
Net pension assets	**0.6**	2.9
Analysis of net pension assets		
Pension assets	**0.6**	3.0
Pension liabilities	**–**	(0.1)
	0.6	2.9

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
2023			
At 1st January	**46.7**	**(43.8)**	**2.9**
Translation differences	**(0.1)**	**0.1**	**–**
Current service cost	**–**	**(2.5)**	**(2.5)**
Past service cost – plan amendments	**–**	**(0.3)**	**(0.3)**
Interest income/(expense)	**2.2**	**(2.0)**	**0.2**
Administration expenses	**(0.1)**	**–**	**(0.1)**
	2.1	**(4.8)**	**(2.7)**
	48.7	**(48.5)**	**0.2**
Remeasurements			
– return on plan assets, excluding amounts included in interest income	**2.1**	**–**	**2.1**
– change in financial assumptions	**–**	**(1.6)**	**(1.6)**
– experience losses	**–**	**(2.9)**	**(2.9)**
– demographic assumption changes	**–**	**(0.1)**	**(0.1)**
	2.1	**(4.6)**	**(2.5)**
Contributions from employers	**3.9**	**–**	**3.9**
Contributions from plan participants	**0.7**	**(0.7)**	**–**
Benefit payments	**(12.9)**	**12.9**	**–**
Transfer to other plans	**0.2**	**(0.2)**	**–**
Disposals	**(1.2)**	**0.2**	**(1.0)**
At 31st December	**41.5**	**(40.9)**	**0.6**
2022			
At 1st January	53.5	(46.7)	6.8
Current service cost	–	(3.0)	(3.0)
Interest income/(expense)	1.2	(1.0)	0.2
Administration expenses	(0.4)	–	(0.4)
	0.8	(4.0)	(3.2)
	54.3	(50.7)	3.6
Remeasurements			
– return on plan assets, excluding amounts included in interest income	(7.0)	–	(7.0)
– change in financial assumptions	–	5.5	5.5
– experience losses	–	(0.9)	(0.9)
– demographic assumption change	–	0.3	0.3
	(7.0)	4.9	(2.1)
Contributions from employers	1.4	–	1.4
Contributions from plan participants	0.6	(0.6)	–
Benefit payments	(2.5)	2.5	–
Transfer from other plans	(0.1)	0.1	–
At 31st December	46.7	(43.8)	2.9

16 Pension plans *continued*

The weighted average duration of the defined benefit obligation at 31st December 2023 is 4.6 years (2022: 4.4 years).

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

	2023 US$m	2022 US$m
Within one year	**8.6**	14.8
Between one and two years	**6.3**	4.7
Between two and five years	**15.6**	15.2
Between five and ten years	**24.5**	22.5
Between ten and fifteen years	**15.1**	15.0
Between fifteen and twenty years	**9.9**	9.0
Beyond twenty years	**5.5**	6.3
	85.5	87.5

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

	Hong Kong	
	2023 %	2022 %
Discount rate	**4.30**	5.20
Salary growth rate	**4.00**	4.00

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	1.00	1.8	(1.9)
Salary growth rate	1.00	(1.6)	1.5

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:

	2023 US$m	2022 US$m
Equity investments		
– Asia-Pacific	8.0	8.9
– Europe	7.7	9.2
– North America	18.4	21.0
– Global	4.0	4.8
	38.1	43.9
Investment funds		
– Asia-Pacific	0.4	0.4
– Europe	1.0	0.5
– North America	2.6	1.7
– Global	0.6	0.2
	4.6	2.8
Total investments	42.7	46.7
Cash and cash equivalents	1.4	2.5
Benefits payable and other	(2.6)	(2.5)
	41.5	46.7

As at 31st December 2023, 89.2% of equity investments and 89.4% of investment funds were quoted on active markets (2022: 89.6% and 96.6% 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 2021. The next ALM review is scheduled for 2024.

As at 31st December 2023, the Hong Kong plans had assets of US$41.5 million (2022: US$46.7 million).

The Group maintains an active and regular contribution schedule across all the plans. The contribution to all its plans in 2023 were US$3.9 million and the estimated amount of contributions expected to be paid to all its plans in 2024 is US$3.7 million.

17 Debtors

	2023 US$m	2022 US$m
Trade debtors		
– third parties	**42.4**	37.6
– associates and joint ventures	**2.9**	4.2
	45.3	41.8
– provision for impairment	**(1.6)**	(2.3)
	43.7	39.5
Other debtors		
– third parties	**46.4**	62.4
– associates and joint ventures	**3.8**	3.1
	50.2	65.5
– provision for impairment	**(2.7)**	(2.3)
	47.5	63.2
	91.2	102.7
Non-current		
– other debtors	**10.9**	12.2
Current		
– trade debtors	**43.7**	39.5
– other debtors	**36.6**	51.0
	80.3	90.5
	91.2	102.7
Analysis by geographical area		
Asia	**52.6**	54.0
EMEA	**31.9**	34.4
America	**6.7**	14.3
	91.2	102.7
Analysis by fair value		
Trade debtors	**43.7**	39.5
Other debtors*	**32.1**	47.7
	75.8	87.2

* Excluding prepayments.

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.

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:

	2023 US$m	2022 US$m
Derivatives financial instruments *(refer note 29)*	**2.4**	17.4
Deferred consideration on sale of a subsidiary	**3.2**	–
Other amounts due from third parties	**16.1**	14.5
Other amounts due from associates and joint ventures	**3.8**	3.1
VAT recoverable	**1.3**	6.0
Rental and other deposits	**3.5**	3.6
Other receivables	**1.8**	3.1
Financial assets	**32.1**	47.7
Prepayments	**15.4**	15.5
	47.5	63.2

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 2023 and 2022 were determined as follows:

	Below 30 days	Between 31 and 60 days	Between 61 and 120 days	More than 120 days	Total
2023					
Expected loss rate	**–**	**13%**	**–**	**15%**	**4%**
Gross carrying amount – trade debtors (US$m)	**31.9**	**5.3**	**2.0**	**6.1**	**45.3**
Loss allowance (US$m)	**–**	**0.7**	**–**	**0.9**	**1.6**
2022					
Expected loss rate	–	–	–	38%	6%
Gross carrying amount – trade debtors (US$m)	31.4	3.1	1.2	6.1	41.8
Loss allowance (US$m)	–	–	–	2.3	2.3

17 Debtors *continued*

Impairment of trade debtors continued

Movements in the provisions for impairment are as follows:

	Trade debtors		Other debtors	
	2023 US$m	2022 US$m	**2023 US$m**	2022 US$m
At 1st January	**(2.3)**	(3.5)	**(2.3)**	(1.8)
Exchange difference	**(0.1)**	0.2	**–**	–
Classified as held for sale	**0.1**	–	**–**	–
Additional provisions	**(0.3)**	(0.3)	**(1.2)**	(1.0)
Unused amounts reversed	**0.8**	0.9	**0.8**	0.2
Amounts written off	**0.2**	0.4	**–**	0.3
At 31st December	**(1.6)**	(2.3)	**(2.7)**	(2.3)

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 Cash and bank balances

	2023 US$m	2022 US$m
Deposits with banks and financial institutions	**70.4**	104.9
Bank balances	**107.9**	120.6
Cash balances	**0.5**	0.7
	178.8	226.2
Analysis by currency		
Euro	**15.9**	44.9
Hong Kong dollar	**14.7**	11.0
Indonesian rupiah	**0.8**	4.8
Japanese yen	**14.1**	6.8
Swiss franc	**3.0**	4.9
United Kingdom sterling	**16.4**	39.8
United States dollar	**100.5**	103.5
Other	**13.4**	10.5
	178.8	226.2

The weighted average interest rate on deposits with banks and financial institutions at 31st December 2023 was 4.4% (2022: 1.2%) per annum.

19 Assets classified as held for sale

	2023 US$m	2022 US$m
Intangible assets	**0.1**	–
Tangible assets	**305.1**	–
Deferred tax assets	**0.1**	–
Current assets*	**26.6**	–
Total assets	**331.9**	–
Current liabilities	**(24.1)**	–

* Included cash and bank balances of US$11.5 million *(refer note 28i)*.

In December 2023, the Group has announced that it has, pursuant to a preliminary sale agreement, signed an option to sell its interests in Mandarin Oriental, Paris (the 'Paris hotel') to SLH Hotels Srl, the owner of Mandarin Oriental, Milan, for US$227.0 million (€205.0 million). The two retail units at the main entrance of the Paris hotel are not included in the sale and were being actively marketed for sale at 31st December 2023.

The Group will retain a long-term management agreement to manage and brand the Paris hotel.

The Group's acceptance of the offer for its interests in the Paris hotel is subject to completion of a consultation process with the relevant Works Council. Subject to that process and to the statutory right of pre-emption by the City of Paris, among other conditions, it is anticipated that final documentation will be signed and completion of the sale of the Paris hotel will take place on or after 31st March 2024.

20 Creditors

	2023 US$m	2022 US$m
Trade creditors	**12.7**	21.2
Accruals	**97.8**	82.3
Rental and other refundable deposits	**3.8**	4.6
Other creditors	**24.0**	33.5
Financial liabilities	**138.3**	141.6
Contract liabilities *(refer note 2)*	**19.9**	18.6
Rental income received in advance	**0.9**	3.4
	159.1	163.6
Non-current	**1.1**	4.5
Current	**158.0**	159.1
	159.1	163.6
Analysis by geographical area		
Asia	**91.4**	64.8
EMEA	**39.3**	59.5
America	**28.4**	39.3
	159.1	163.6

20 Creditors *continued*

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.

At 31st December 2023, non-current creditors included an amount of US$1.1 million (2022: US$4.5 million) due to a service provider of a joint outlet. The amount is repayable to the service provider according to the terms of the joint outlet agreement.

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 expected costs of US$0.8 million (2022: US$0.8 million) were included in accruals at 31st December 2023.

21 Borrowings

	2023		2022	
	Carrying amount US$m	Fair value US$m	Carrying amount US$m	Fair value US$m
Short-term borrowings – other borrowings	–	–	2.2	2.2
Current portion of long-term borrowings – bank loans	414.9	414.9	–	–
Total current borrowings	414.9	414.9	2.2	2.2
Long-term borrowings – bank loans	0.6	0.6	599.8	599.8
	415.5	415.5	602.0	602.0

The Group has borrowing facilities of US$754.4 million due to mature within 2024. In February 2024, the Group has refinanced bank facilities of US$409.2 million for three to five years.

The fair values are estimated using the expected future payments discounted at market interest rate from 2.1% to 5.9% (2022: 1.2% to 5.7%) 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.

	2023 US$m	2022 US$m
Secured	414.9	599.8
Unsecured	0.6	2.2
	415.5	602.0

Borrowings of US$414.9 million (2022: US$599.8 million) were secured against the tangible fixed assets and right-of-use assets of certain subsidiaries at 31st December 2023. The book value of these tangible fixed assets and right-of-use assets at 31st December 2023 was US$477.2 million (2022: US$464.8 million).

21 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
2023					
Hong Kong dollar	**4.5**	**0.2**	**160.0**	**191.3**	**351.3**
United Kingdom sterling	**3.0**	**0.3**	**50.9**	**13.3**	**64.2**
			210.9	**204.6**	**415.5**
2022					
Hong Kong dollar	4.0	1.1	224.5	278.3	502.8
Swiss franc	1.5	–	–	2.2	2.2
United Kingdom sterling	3.0	1.3	48.2	48.8	97.0
			272.7	329.3	602.0

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:

	2023 US$m	2022 US$m
Floating rate borrowings	**204.6**	329.3
Fixed rate borrowings		
– Within one year	**210.9**	64.1
– Between one and two years	**–**	208.6
– Between two and three years	**–**	–
– Between three and four years	**–**	–
– Between four and five years	**–**	–
– Beyond five years	**–**	–
	210.9	272.7
	415.5	602.0

21 Borrowings *continued*

The movements in borrowings are as follows:

	Long-term borrowings US$m	Short-term borrowings US$m	Total US$m
2023			
At 1st January	**599.8**	**2.2**	**602.0**
Exchange differences	**3.2**	**0.1**	**3.3**
Drawdown of borrowings	**58.1**	**–**	**58.1**
Repayment of borrowings	**(245.6)**	**(2.3)**	**(247.9)**
At 31st December	**415.5**	**–**	**415.5**
2022			
At 1st January	727.8	2.5	730.3
Exchange differences	(11.7)	(0.1)	(11.8)
Drawdown of borrowings	23.0	–	23.0
Repayment of borrowings	(139.3)	(0.2)	(139.5)
At 31st December	599.8	2.2	602.0

22 Lease liabilities

	2023 US$m	2022 US$m
At 1st January	**129.4**	153.7
Exchange differences	**(7.2)**	(18.8)
Additions	**0.1**	0.6
Lease payments	**(7.9)**	(7.6)
Interest expense	**1.7**	1.9
Remeasurement	**0.3**	–
Modification of lease terms and other	**–**	(0.4)
At 31st December	**116.4**	129.4
Non-current	**110.6**	123.5
Current	**5.8**	5.9
	116.4	129.4

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 2023 and 2022.

There is no lease contract entered but not commenced at 31st December 2023 and 2022.

23 Segmental information for non-current assets

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.

	2023 US$m	2022 US$m
Analysis by geographical area		
Asia	**2,492.6**	2,928.3
EMEA	**404.7**	696.7
America	**102.2**	109.0
	2,999.5	3,734.0

24 Share capital

	Ordinary shares in millions			
	2023	2022	**2023 US$m**	2022 US$m
Authorised				
Shares of US¢5.00 each	**1,500.0**	1,500.0	**75.0**	75.0
Issued and fully paid				
At 1st January	**1,263.7**	1,263.6	**63.2**	63.2
Issued under share-based long-term incentive plans	**0.1**	0.1	**–**	–
At 31st December	**1,263.8**	1,263.7	**63.2**	63.2

25 Share premium

	2023 US$m	2022 US$m
At 1st January	**500.7**	500.5
Transfer from capital reserves	**0.2**	0.2
At 31st December	**500.9**	500.7

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 2023 and 2022 under the 2014 Plan.

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:

	2023		2022	
	Weighted average exercise price US$	Options in millions	Weighted average exercise price US$	Options in millions
At 1st January	**1.57**	**0.5**	1.59	1.0
Exercised	**1.57**	**(0.5)**	1.61	(0.5)
At 31st December	**–**	**–**	1.57	0.5

The average share price during the year was US$1.70 (2022: US$1.92) per share.

Outstanding options at 31st December:

		Ordinary shares in millions	
Expiry date	Exercise price US$	2023	2022
2023	1.57	**–**	0.5
of which exercisable		**–**	0.5

27 Dividends

	2023 US$m	2022 US$m
Interim dividend in respect of 2023 of US¢1.50 (2022: nil) per share	**19.0**	–

A final dividend in respect of 2023 of US¢3.50 (2022: nil) per share amounting to a total of US$44.2 million (2022: nil) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2024 Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2024.

28 Notes to consolidated cash flow statement

a) Other non-cash items

	2023 US$m	2022 US$m
Fair value loss on investment properties	**486.7**	104.1
Fair value loss on other investments	**0.4**	–
Gain on modification of lease terms	**–**	(0.4)
Gain on sale of a subsidiary/asset disposals	**(43.8)**	(40.6)
Other	**(3.0)**	0.4
	440.3	63.5

b) Movements in working capital

	2023 US$m	2022 US$m
Increase in stocks	**(0.9)**	(0.2)
Increase in debtors	**(17.0)**	(21.2)
Increase in creditors	**16.3**	18.5
(Decrease)/increase in pension obligations	**(1.2)**	1.8
	(2.8)	(1.1)

c) The Group withdrew from the expansion project of Mandarin Oriental, Munich in 2021 and received cash refund on deposits of land and related costs of US$4.0 million in 2022.

d) In January 2022, the Group acquired an additional interest in Stay One Degree Limited ('S1D') which increased shareholding from 16.7% to 22.4% for a consideration of US$1.0 million.

e) During 2023, the Group provided shareholder loan to Mandarin Oriental, Miami of US$20.3 million (2022: nil) and Mandarin Oriental Ritz, Madrid of US$0.4 million (2022: US$0.4 million). In 2022, the Group also provided convertible loan of US$2.0 million to S1D.

f) During 2023, the Group received repayments on its shareholder loans previously provided to Mandarin Oriental Ritz, Madrid of US$64.2 million (2022: US$0.4 million) and Mandarin Oriental, Miami of US$3.0 million (2022: US$3.8 million).

28 Notes to consolidated cash flow statement *continued*

g) Sale of a subsidiary

Net cash inflow for the sale of a subsidiary, P.T. Jaya Mandarin Agung *(refer note 31)*, is summarised as follows:

	2023 US$m	2022 US$m
Non-current assets	4.8	–
Currents assets	5.2	–
Non-current liabilities	(0.6)	–
Current liabilities	(4.0)	–
Non-controlling interests	0.4	–
Net assets	5.8	–
Cumulative exchange translation difference	33.1	–
Profit on disposal before tax	43.8	–
Sales proceeds (net of selling expenses)	82.7	–
Adjustment for deferred payments	(3.2)	–
Cash and cash equivalents of a subsidiary disposed of	(3.9)	–
Net cash inflow	75.6	–

The revenue and loss after tax in respect of the subsidiary disposed of during the year amounted to US$6.0 million and US$0.6 million, respectively.

h) Cash outflows for leases

	2023 US$m	2022 US$m
Lease rentals paid	(14.7)	(12.4)
The above cash outflows are included in		
– operating activities	(8.5)	(6.7)
– financing activities	(6.2)	(5.7)
	(14.7)	(12.4)

i) Analysis of balances of cash and cash equivalents

	2023 US$m	2022 US$m
Cash and bank balances *(refer note 18)*	178.8	226.2
Cash and cash equivalents of subsidiaries classified as held for sale *(refer note 19)*	11.5	–
	190.3	226.2

29 Derivative financial instruments

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

	2023		2022	
	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				
– forward foreign exchange contracts	–	–	8.0	–
– interest rate swaps	**2.4**	–	9.4	–
	2.4	–	17.4	–

Forward foreign exchange contracts

There was no outstanding forward foreign exchange contract at 31st December 2023 (2022: US$53.3 million).

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2023 were US$210.9 million (2022: US$272.7 million).

At 31st December 2023, the fixed interest rates relating to interest rate swaps varied from 1.2% to 1.8% (2022: 1.2% to 2.1%) per annum.

The fair values of interest rate swaps at 31st December 2023 were based on the estimated cash flows discounted at market rates ranging from 0.9% to 1.0% (2022: 0.9% to 1.0%) per annum.

30 Commitments

	2023 US$m	2022 US$m
Capital commitments		
Authorised not contracted		
– other	**92.4**	148.3
Contracted not provided		
– other	**262.2**	363.9
	354.6	512.2

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

31 Related party transactions

The parent company of the Group is Jardine Strategic Limited ('JSL') and the ultimate holding company of the Group is Jardine Matheson Holdings Limited ('JMH'). Both JMH and JSL are incorporated in Bermuda.

In the normal course of business, the Group undertakes a variety of transactions with its associates and joint ventures and with JMH's subsidiaries, associates and joint ventures. The more significant of these transactions are described below:

The Group managed six (2022: six) associate and joint venture hotels and received management fees of US$14.3 million (2022: US$14.7 million) based on long-term management agreements on normal commercial terms.

The Group provided hotel management services to Hongkong Land group ('HKL'), a subsidiary of JMH. Total management fees received from HKL in 2023 amounted to US$2.2 million (2022: US$1.4 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 2023 and 2022 (due to net losses).

The Group rented a property to DFI Retail Group, a subsidiary of JMH, and received rental income of US$0.6 million (2022: US$0.7 million), based on lease agreements on normal commercial terms. The lease was terminated during the year.

In respect of the Causeway Bay site under development, the Group paid consultancy fees of US$1.9 million (2022: US$3.2 million) to HKL in consideration for project management consultancy services. In addition, Gammon Construction Limited ('GCL'), a joint venture of JMH, completed value of works of US$59.8 million (2022: US$13.6 million). The HKL agreement and GCL contract were arranged on normal commercial terms.

In June 2023, the Group completed the sale of 96.9% ownership stake in P.T. Jaya Mandarin Agung, the owning company of Mandarin Oriental, Jakarta in Indonesia, to P.T. Astra Land Indonesia, a subsidiary of JMH, at a total consideration of US$84.8 million. The Group has recognised a post-tax, non-trading gain of US$41.3 million which included cumulative exchange translation loss of US$33.1 million and a tax charge of US$2.5 million. The Group has retained the hotel management contracts to manage and brand the hotel. Mandarin Oriental, Jakarta has become a managed hotel of the Group following the sale *(refer notes 8 and 28g)*.

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 128 under the heading of 'Remuneration outcomes in 2023'.

32 Summarised balance sheet of the Company

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

	2023 US$m	2022 US$m
Subsidiaries	**1,322.1**	1,344.3
Net current liabilities	**(1.8)**	(2.0)
Net assets	**1,320.3**	1,342.3
Share capital *(refer note 24)*	**63.2**	63.2
Share premium *(refer note 25)*	**500.9**	500.7
Revenue and other reserves	**756.2**	778.4
Shareholders' funds	**1,320.3**	1,342.3

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 2023 are set out below.

Principal place of business	Name of entity	Nature of business	Attributable interest % 2023	2022	Proportion of ordinary shares and voting powers at 31st December 2023 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**	–	447 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
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**	–	178 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 *(refer note 19)*
United States	Boylston Street Hotel LLC	Owner: Mandarin Oriental, Boston	**100**	100	**100**	–	148 rooms. Freehold
Associates and joint ventures							
Singapore	Marina Bay Hotel Private Limited	Owner: Mandarin Oriental, Singapore	**50**	50	**50**	**50**	510 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	**25.1**	25.1	**25.1**	**74.9**	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	**22.4**	22.4	**22.4**	**77.6**	–
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
China	Mandarin Oriental, Shenzhen		–	–	–	–	178 rooms
Taiwan	Mandarin Oriental, Taipei		–	–	–	–	293 rooms
Indonesia	Mandarin Oriental, Jakarta		–	–	–	–	272 rooms
Czech Republic	Mandarin Oriental, Prague		–	–	–	–	99 rooms
Spain	Mandarin Oriental, Barcelona		–	–	–	–	120 rooms
Turkey	Mandarin Oriental, Bodrum		–	–	–	–	127 rooms
Turkey	Mandarin Oriental Bosphorus, Istanbul		–	–	–	–	100 rooms
Switzerland	Mandarin Oriental Palace, Luzern		–	–	–	–	136 rooms
Switzerland	Mandarin Oriental Savoy, Zurich		–	–	–	–	80 rooms
Italy	Mandarin Oriental, Milan		–	–	–	–	104 rooms
Italy	Mandarin Oriental, Lago di Como		–	–	–	–	75 rooms
Greece	Mandarin Oriental, Costa Navarino		–	–	–	–	99 rooms
Morocco	Mandarin Oriental, Marrakech		–	–	–	–	63 rooms
Qatar	Mandarin Oriental, Doha		–	–	–	–	249 rooms
United Arab Emirates	Mandarin Oriental Jumeira, Dubai		–	–	–	–	250 rooms
United Arab Emirates	Emirates Palace Mandarin Oriental, Abu Dhabi		–	–	–	–	390 rooms
Saudi Arabia	Mandarin Oriental Al Faisaliah, Riyadh		–	–	–	–	325 rooms
Chile	Mandarin Oriental, Santiago		–	–	–	–	297 rooms
Saint Vincent and the Grenadines	Mandarin Oriental, Canouan		–	–	–	–	35 rooms

34 Material 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 Material 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 profit and loss are recognised in profit and loss as part of the gains and losses arising from changes in their fair value. 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.

Where the carrying amount of a development project contract cost is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

34 Material 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. 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.

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.

34 Material accounting policies *continued*

Leases continued

i) As a lessee *continued*

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.

Investment properties

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

The market value of the under development commercial property is derived using the residual method. 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 market value of the residential property is arrived at by reference to market evidence of transaction prices for similar properties. Changes in fair value are recognised in profit and loss.

34 Material accounting policies *continued*

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.

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 cost 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.

Assets classified as held for sale

Assets are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amounts are expected to be recovered principally through a sale transaction within 12 months after the balance sheet rather than through continuing use. Once classified as held for sale, the assets are no longer amortised or depreciated.

34 Material accounting policies *continued*

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions and cash and bank 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.

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 directly 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.

34 Material accounting policies *continued*

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.

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.

34 Material accounting policies *continued*

Derivative financial instruments continued

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.

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 properties and investments which are measured at fair value through profit and loss; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets, 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.

34 Material accounting policies *continued*

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) Rental income from properties and other tangible assets are accounted for on an accrual basis over the lease terms.

35 Standards and amendments issued but not yet effective

A number of amendments effective for accounting periods beginning after 2023 have been published and will be adopted by the Group from their effective dates. The Group is currently assessing the potential impact of these amendments but expects their adoption will not have a significant 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.

36 Financial risk management *continued*

Financial risk factors *continued*

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

The ineffectiveness during 2023 or 2022 in relation to the interest rate swaps was not material.

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 2023 and 2022, the Group's principal foreign exchange exposure was with the Euro. At 31st December 2023, 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$0.5 million (2022: US$0.1 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$0.5 million (2022: US$0.1 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 2023 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 2023, the Group's interest rate hedge was 51% (2022: 45%), with an average tenor of 0.2 years (2022: 1.1 years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 21.

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 are set out in note 29.

At 31st December 2023, 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$1.0 million (2022: US$1.7 million) higher/lower, and hedging reserves would have been US$0.5 million (2022: US$2.7 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 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 2023, 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$3.5 million (2022: US$3.5 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 2023, 94% (2022: 91%) 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 2023, total available borrowing facilities amounted to US$1,074 million (2022: US$1,073 million) of which US$415 million (2022: US$602 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities totalled US$659 million (2022: US$471 million), in addition to cash and bank balances of US$190 million* (2022: US$226 million).

Included in the total available borrowing facilities of US$1,074 million, the Group has borrowing facilities of US$754 million due to mature within 2024. The Group has refinanced bank facilities of US$409 million for three to five years in February 2024.

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 2023 and 2022 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
2023							
Borrowings	**423.2**	**0.7**	**–**	**–**	**–**	**–**	**423.9**
Lease liabilities	**7.7**	**7.5**	**7.1**	**5.2**	**4.8**	**102.8**	**135.1**
Creditors	**157.0**	**–**	**–**	**–**	**–**	**–**	**157.0**
2022							
Borrowings	27.3	611.9	–	–	–	–	639.2
Lease liabilities	7.7	8.0	7.8	7.4	5.4	114.5	150.8
Creditors	141.6	–	–	–	–	–	141.6

* The cash and bank balances of US$190 million included cash and bank balances of US$11 million classified as assets held for sale *(refer note 19)*.

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 2023 and 2022 are as follows:

	2023	2022
Gearing ratio		
– based on shareholders' funds	**8%**	11%
– based on adjusted shareholders' funds	**5%**	8%
Interest cover	**6.7**	1.9

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.

36 Financial risk management *continued*

Fair value estimation *continued*

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

The table below analyses financial instruments carried at fair value at 31st December 2023 and 2022, by the levels in the fair value measurement hierarchy.

	Observable current market transactions US$m	Unobservable inputs US$m	Total US$m
2023			
Assets			
Other investments	**5.6**	**8.4**	**14.0**
Derivative financial instruments at fair value – through other comprehensive income	**2.4**	**–**	**2.4**
	8.0	**8.4**	**16.4**
2022			
Assets			
Other investments	6.0	8.0	14.0
Derivative financial instruments at fair value – through other comprehensive income	17.4	–	17.4
	23.4	8.0	31.4

There were no transfers among the two categories during the year ended 31st December 2023 and 2022.

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

	Unlisted investments	
	2023 US$m	2022 US$m
At 1st January	**8.0**	10.5
Additions	**0.4**	0.2
Disposals	**–**	(2.7)
At 31st December	**8.4**	8.0

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

The fair values of current debtors, cash and bank 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 2023 and 2022 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
2023						
Financial assets measured at fair value						
Other investments	–	**14.0**	–	–	**14.0**	**14.0**
Derivative financial instruments	**2.4**	–	–	–	**2.4**	**2.4**
	2.4	**14.0**	–	–	**16.4**	**16.4**
Financial assets not measured at fair value						
Amounts due from associates and joint ventures	–	–	**122.3**	–	**122.3**	**122.3**
Debtors	–	–	**87.1**	–	**87.1**	**87.1**
Cash and bank balances	–	–	**190.3**	–	**190.3**	**190.3**
	–	–	**399.7**	–	**399.7**	**399.7**
Financial liabilities not measured at fair value						
Borrowings	–	–	–	**(415.5)**	**(415.5)**	**(415.5)**
Lease liabilities	–	–	–	**(116.4)**	**(116.4)**	**(116.4)**
Trade and other payables excluding non-financial liabilities	–	–	–	**(157.0)**	**(157.0)**	**(157.0)**
	–	–	–	**(688.9)**	**(688.9)**	**(688.9)**
2022						
Financial assets measured at fair value						
Other investments	–	14.0	–	–	14.0	14.0
Derivative financial instruments	17.4	–	–	–	17.4	17.4
	17.4	14.0	–	–	31.4	31.4
Financial assets not measured at fair value						
Amounts due from associates and joint ventures	–	–	164.1	–	164.1	164.1
Debtors	–	–	69.8	–	69.8	69.8
Cash and bank balances	–	–	226.2	–	226.2	226.2
	–	–	460.1	–	460.1	460.1
Financial liabilities not measured at fair value						
Borrowings	–	–	–	(602.0)	(602.0)	(602.0)
Lease liabilities	–	–	–	(129.4)	(129.4)	(129.4)
Trade and other payables excluding non-financial liabilities	–	–	–	(141.6)	(141.6)	(141.6)
	–	–	–	(873.0)	(873.0)	(873.0)

The 2022 comparatives have been represented to include amounts due from associates and joint ventures.

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 climate change has 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 properties.

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 properties

The fair value of the under development commercial property is determined by independent valuers on an open market basis using the residual method. 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, prevailing market rent and capitalisation rates *(refer note 12)*.

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

The independent valuers have considered climate change, sustainability, resilience and environmental, social and governance ('ESG') within their valuations. Properties held by the Group are considered to currently display ESG characteristics that would be expected in the market, and therefore there were no direct and tangible pricing adjustments required to the valuation of the investment properties. The Group will monitor these considerations for each reporting period.

Impairment of assets

The Group tests annually whether goodwill that has indefinite useful life 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 costs 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.

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.

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.

Independent Auditor's Report

To the Members of Mandarin Oriental International Limited
(incorporated in Bermuda with limited liability)

Report on the Audit of the Consolidated Financial Statements

Opinion

What we have audited

The consolidated financial statements of Mandarin Oriental International Limited (the "Company") and its subsidiaries (the "Group"), included within the Annual Report, which comprise:

- the Consolidated Balance Sheet at 31st December 2023;
- the Consolidated Profit and Loss Account for the year then ended;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended; and
- the Notes to the Consolidated Financial Statements, comprising material accounting policy information and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the consolidated financial statements. These disclosures are cross-referenced from the consolidated financial statements and are identified as audited.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our Audit Approach

Overview

Materiality

- Overall Group materiality: US$29.6 million, based on 1% of the net assets of the Group.
- Specific Group materiality, applied to balances and transactions not related to investment properties: US$4.3 million, based on 5% of consolidated underlying profit before tax of the Group.

Audit scope

- A full scope audit was performed on seven of the Mandarin Oriental hotels and two entities engaged in hotel management services and holding the under development leasehold commercial investment property.
- These hotels and entities, together with procedures performed over specific balances and transactions for one further hotel, one further entity engaged in hotel management services, and work performed at the Group level, accounted for 97% of the Group's revenue, 97% of the Group's loss before tax, 93% of the Group's underlying profit before tax and 83% of the Group's net assets.

Key audit matter identified in our audit is summarised as follows:

- Valuation of under development leasehold commercial investment property.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	US$29.6 million
How we determined it	1% of the net assets of the Group
Rationale for benchmark applied	Net assets is a primary measure used by the shareholders in assessing the performance of the Group, together with the consolidated underlying profit before tax, which we have used as the basis for our specific materiality as detailed below.

We set a specific materiality level of US$4.3 million, which was applied to balances and transactions not related to investment properties. This was based upon 5% of the consolidated underlying profit before tax of the Group for the year ended 31st December 2023. In arriving at this judgement, we had regard to the fact that underlying profit before tax is one of the primary financial indicators of the Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$0.4 million. We would also report misstatements below these amounts that in our view, warranted reporting for qualitative reasons.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of under development leasehold commercial investment property	
Refer to note 34 (Material accounting policies), note 37 (Critical accounting estimates and judgements) and note 12 (Investment properties) to the financial statements. The fair value of the Group's under development leasehold commercial investment property amounted to US$1,971.9 million at 31st December 2023, with a revaluation loss of US$487.6 million recognised as a non-trading item in the Consolidated Profit and Loss Account for the year. The valuation of the under development leasehold commercial investment property is inherently subjective due to, among other factors, the individual nature of the property, its location, prevailing market returns and expected future rentals. 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 valuation involves assumptions, judgements and estimates in key areas. The valuation was derived using the residual method. Judgement is required in determination of the gross development value, estimated costs to complete and expected developer's profit margin. We focused on the valuation of the under development leasehold commercial investment property due to the significant judgements and estimates involved in determining the valuation.	We understood management's controls and processes for determining the valuation of the under development leasehold commercial investment property 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 valuations 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, and assessed key assumptions including: ■ the appropriateness of the key assumptions adopted in the assessment of the gross development value by comparing them with comparable market data on yields and unit rentals; ■ the expected developer's profit margin by comparing the adopted parameters with the market norm in the industry; and ■ the estimated construction costs to complete, by examining the approved project budget, and evaluated past budget to actual variance to assess the reliability of the project budget. With the support of our internal valuation experts, we also questioned the external valuer as to the extent that climate change and related environmental, social and governance ("ESG") matters have been considered in the valuation.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of under development leasehold commercial investment property continued	
	Based on the procedures performed, we found that the methodology used in preparing the valuation was appropriate and that the key assumptions applied in the valuation were supportable based on the available evidence. We also assessed the adequacy of disclosures related to the under development leasehold commercial investment property and related fair value measurements in the context of IFRS Accounting Standards. We are satisfied that appropriate disclosure has been made.

How We Tailored Our Group Audit Scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The Group's accounting processes are structured around finance functions, which are responsible for their own accounting records and controls, which in turn, report financial information to the Group's finance function to enable them to prepare consolidated 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 operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement necessary for us 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 hotels and entities in scope for Group reporting during the audit cycle through a combination of meetings, visits and conference calls. The engagement partner and other senior team members undertook visits to both London and Tokyo during the year to direct and oversee the audit, along with regular communication through conference calls and remote as well as on-site review of the work of component teams in those locations.

A full scope audit was performed on seven of the Mandarin Oriental hotels and two entities engaged in hotel management services and holding the under development leasehold commercial investment property. These hotels and entities, together with procedures performed over specific balances and transactions for one further hotel, one further entity engaged in hotel management services, and work performed at the Group level, accounted for 97% of the Group's revenue, 97% of the Group's loss before tax, 93% of the Group's underlying profit before tax and 83% of the Group's net assets.

This gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

Other Information

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

As explained more fully in the Responsibility Statements and the Corporate Governance section in the Annual Report, the Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

The Audit Committee assists the Directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report
This report, including the opinion, 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, including without limitation under any contractual obligations of the Company, save where expressly agreed by our prior consent in writing.

The engagement partner on the audit resulting in this independent auditor's report is Pui Shan, Lo.

Other Matter
In due course, as required by the United Kingdom Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these consolidated financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditor's report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
7th March 2024

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 of the Causeway Bay site under development 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 2023 was US$1,971,900,000 (United States Dollar One Billion Nine Hundred Seventy One Million Nine 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 residual method, which 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 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 or quantitative differences that may affect the values likely to be achieved by the property under consideration.

Yours faithfully

Jones Lang LaSalle Limited
Hong Kong
29th February 2024

Five Year Summary

Consolidated Profit and Loss Account

	2019 US$m	2020 US$m	2021 US$m	2022 US$m	**2023 US$m**
Revenue	566.5	183.7	316.9	454.1	**558.1**
Operating loss	(29.0)	(660.0)	(99.3)	(42.6)	**(341.0)**
Net financing charges	(14.7)	(12.6)	(12.7)	(14.4)	**(9.9)**
Share of results of associates and joint ventures	(1.7)	(26.8)	(21.8)	9.7	**(0.9)**
Loss before tax	(45.4)	(699.4)	(133.8)	(47.3)	**(351.8)**
Tax	(10.2)	19.4	(7.6)	(2.1)	**(13.5)**
Loss after tax	(55.6)	(680.0)	(141.4)	(49.4)	**(365.3)**
Loss attributable to shareholders	(55.5)	(680.1)	(141.4)	(49.5)	**(365.4)**
Underlying profit/(loss) attributable to shareholders	41.2	(205.9)	(68.1)	7.6	**81.0**
Loss per share (US¢)	(4.39)	(53.84)	(11.19)	(3.92)	**(28.91)**
Underlying earnings/(loss) per share (US¢)	3.26	(16.30)	(5.39)	0.60	**6.41**
Dividends per share (US¢)	1.50	–	–	–	**5.00**

Consolidated Balance Sheet

	2019 US$m	2020 US$m	2021 US$m	2022 US$m	**2023 US$m**
Intangible assets	53.0	45.4	46.7	45.7	**43.7**
Tangible assets	1,174.6	1,181.5	1,098.2	916.3	**618.6**
Right-of-use assets	300.3	297.4	273.3	242.4	**229.1**
Investment properties	2,967.7	2,528.3	2,462.0	2,472.6	**2,060.3**
Associates and joint ventures	203.1	231.6	201.5	203.8	**155.8**
Other investments	15.9	16.1	16.5	14.0	**14.0**
Deferred tax assets	10.6	17.8	13.7	14.2	**14.0**
Pension assets	1.3	5.5	7.1	3.0	**0.6**
Non-current debtors	6.2	5.1	8.9	12.2	**10.9**
Net current assets/(liabilities)	181.4	19.5	113.2	142.9	**(27.2)**
Long-term borrowings	(568.6)	(606.6)	(727.8)	(599.8)	**(0.6)**
Non-current lease liabilities	(168.4)	(170.1)	(147.4)	(123.5)	**(110.6)**
Deferred tax liabilities	(59.4)	(47.1)	(50.1)	(41.6)	**(42.0)**
Pension liabilities	(0.2)	(0.3)	(0.3)	(0.1)	**–**
Non-current creditors	(0.9)	(10.9)	(3.2)	(4.5)	**(1.1)**
Net assets	4,116.6	3,513.2	3,312.3	3,297.6	**2,965.5**
Share capital	63.2	63.2	63.2	63.2	**63.2**
Share premium	499.7	499.7	500.5	500.7	**500.9**
Revenue and other reserves	3,550.1	2,946.6	2,745.1	2,730.2	**2,396.3**
Shareholders' funds	4,113.0	3,509.5	3,308.8	3,294.1	**2,960.4**
Non-controlling interests	3.6	3.7	3.5	3.5	**5.1**
Total equity	4,116.6	3,513.2	3,312.3	3,297.6	**2,965.5**
Net asset value per share (US$)	3.26	2.78	2.62	2.61	**2.34**

Consolidated Cash Flow Statement

	2019 US$m	2020 US$m	2021 US$m	2022 US$m	**2023 US$m**
Cash flows from operating activities	112.9	(83.5)	26.4	56.5	**141.2**
Cash flows from investing activities	(80.4)	(108.5)	(32.5)	86.7	**30.9**
Net cash flow before financing activities	32.5	(192.0)	(6.1)	143.2	**172.1**
Cash flow per share from operating activities (US¢)	8.94	(6.61)	2.09	4.47	**11.17**

Responsibility Statements

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

a) the consolidated financial statements prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations as issued by the International Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and

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

For and on behalf of the Board

Laurent Kleitman
Matthew Bishop
Directors
7th March 2024

Corporate Governance

Overview of the Group's governance approach

The Mandarin Oriental Hotel Group (Mandarin Oriental International Limited (the 'Company') and its subsidiaries together known as the 'Group') understands the value of good corporate governance in driving the long-term sustainable success of business. It attaches importance to the corporate stability that strong governance brings, and 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, and both the Group and its stakeholders regard it as appropriate to the nature of its business and the long-term strategy it pursues in its Asian markets. The Group's governance framework is tailored to its size, ownership structure, complexity and breadth of business. It enables the Group 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.

The Company also ensures that the Group retains and promotes those characteristics and values of a family-owned business that have enabled the Group to prosper over the long-term:

- **A long-term perspective** – the Group takes a long-term view in its decision-making and investments and draws on the many years' experience of our Directors, as opposed to focussing on short-term profitability. This leads to long-term, sustainable growth generation for our shareholders and benefits the communities where we operate.
- **Credibility, stability and trust** – the credibility, stability and trust that family ownership brings to the business are highly valued by our partners and other stakeholders, especially in developing markets.
- **Deep knowledge of the business and our markets** – the involvement of many generations of the family in the running of the Group has led to a deep understanding of how to drive successful growth by the business across its markets, giving the Group a competitive advantage.

The Group believes that its stakeholders gain significant value from the long-standing governance approach the Group has taken as a family-owned business and that it is therefore important to retain the key elements of this approach. It is also important, without losing these benefits, to adapt to changing circumstances in our markets and, where appropriate, to the developing expectations of stakeholders and changes in best practice.

Accordingly, the Company continues to focus on enhancing the Group's approach to corporate governance more generally, focussing on changes that benefit the Group.

Independent Non-Executive Directors with a broad and diverse range of backgrounds are a valuable source of external perspectives and are a key element of good governance and decision-making. The Company has taken steps to increase the independence and diversity of its Board and the Company and the Group benefit from the expertise and experience they bring.

During the year, the Company underwent several changes in its governance, Laurent Kleitman was appointed as the new Group Chief Executive, succeeding James Riley, effective from 1st September 2023. Y.K. Pang retired from the Board and the Audit Committee on 31st March 2024. Accordingly, from 1st April 2024, the Board comprised eight Directors of whom 25% are considered Independent Non-Executive Directors, taking into account the independence considerations under the UK Corporate Governance Code (the 'Code'), and 13% are female. Richard Solomons was appointed as Chairman of the Audit Committee on 2nd March 2023, and Jinqing Cai was appointed as a member of the Audit Committee on 2nd March 2023. The Company's Audit Committee comprises a majority of Independent Non-Executive Directors.

Having an effective corporate governance framework supports the Board in delivering the Group's strategy and supports long-term sustainable growth, and ensuring it operates transparently and in accordance with the best practice.

Group structure

Jardine Matheson is the ultimate holding company of the Group. The structural relationship between the Jardine Matheson group and the Group is considered 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, including Mandarin Oriental Hotel Group, aim to optimise their opportunities across the countries in which they operate.

Governance and legal framework

The Company is incorporated in Bermuda and was established as an Asian-based hotel group, and has since extended its operations to numerous destinations around the world. The primary listing of the Company's equity shares is a standard listing on the Main Market of the London Stock Exchange (the 'LSE'). The Company also has secondary listings in Singapore and Bermuda. As the Company has only secondary listings on these exchanges, many of the listing rules of such exchanges are not applicable. Instead, the Company must release the same information in Singapore and Bermuda as it is required to release under the rules which apply to it as a standard-listed company on the LSE.

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

- The Bermuda Companies Act 1981 (the 'Bermuda 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 implemented; and
- The Company's Memorandum of Association and Bye-laws.

The shareholders can amend the Company's Bye-laws by way of a special resolution at a general meeting of the Company.

The Company's standard listing on the LSE means that it is bound by many, but not all, of the same rules as premium-listed companies under the UK Listing Rules, the Disclosure Guidance and Transparency Rules (the 'DTRs') issued by the Financial Conduct Authority in the United Kingdom (the 'FCA'), the UK Market Abuse Regulation (the '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 the offering of securities to the public. The Company is also 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. In addition, the Company and its Directors are subject to legislation and regulations in Singapore relating, among other things, to insider dealing.

Although some of the rules applicable to premium-listed companies do not apply to the Company, 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 which were then-applicable to the Company's premium listing. As a result, the Company adopted several governance principles (the 'Governance Principles') based on the then-applicable requirements for a premium listing, which go further than the standard listing requirements.

Governance and legal framework *continued*

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. In addition, the Company shall observe the mandatory related party transaction rules under the DTRs, including assessment, approval and disclosure requirements for material related party transactions, that apply to UK standard- listed companies.
- Further, as soon as the terms of a significant transaction or a related party transaction are agreed, the Company will issue an announcement, 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.

The Company is not required to comply with the Code, which applies to all premium-listed companies and sets out the governance principles and provisions expected to be followed by companies subject to the Code. However, the Company does have regard to the Code in developing and implementing its approach to corporate governance and disclosure.

The management of the Group

The Board

The Board is responsible for ensuring that the Group is appropriately managed and achieves its strategic objectives, in a way that is supported by the right culture, values and behaviours throughout the Group. The Group's culture operates provides the foundation for the delivery of our strategy and our long-term, sustainable success while generating value for shareholders. Our workforce policies and practices are consistent with our values and support the long-term, sustainable success of the Group.

The Board is also responsible for ensuring that appropriate systems and controls are in place throughout the Group to enable efficient management and well-grounded decision-making. Our business processes incorporate efficient internal reporting, robust internal controls, and supervision of current and emerging risk themes, all of which form a vital part of our governance framework. As a key part of this, the Company Secretary has set up processes and systems to ensure that all Directors receive information in a timely, accurate and clear manner. The Group uses a board paper distribution portal to disseminate Board and Committee papers instantly and securely.

The Chairman facilitates discussions at Board meetings by ensuring all Directors have an opportunity to make comments and ask questions. In addition, the Chairman, from time to time, discusses Group matters with Directors individually and collectively outside of Board meetings. The Chairman also uses other gatherings of the Directors, such as Board dinners, to facilitate discussions in a less formal environment. The Company Secretary has set up processes and systems to ensure that all Directors receive information in a timely, accurate and clear manner. The Group uses a board paper distribution portal to disseminate Board and Committee papers instantly and securely.

***The Board** continued*

The Board has 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 Board is responsible include:

- 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 annual financial statements upon recommendation from the Audit Committee, as well as interim management statements;
- Approval of the annual report and accounts;
- Approval of dividend policy and the amount and form of interim and final dividend payments for approval by shareholders as required;
- Ensuring relevant sustainability and ESG matters are incorporated into purpose, governance, strategy, decision-making and risk management;
- Overseeing the management of risk within the Group;
- Any significant changes to the Company's accounting policies or practices, upon recommendation from the Audit Committee;
- Appointment, re-appointment or removal of the external auditor, subject to shareholders' approval, upon recommendation from the Audit Committee;
- Approval of matters relating to 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 significant 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'), with specific written terms of reference outlining its role and authorities.

The Company sees the value of regularly reviewing the effectiveness of its processes, and making improvements where appropriate.

Board activities

1. Strategy

We have always focussed on evolving our business to reflect changes in the environment in which we operate and the needs of our customers, and we have invested in our digital capabilities, the Group's brand and sustainability initiatives.

Our application of these principles over many years has delivered steady growth in returns, through economic cycles.

To facilitate oversight and provide opportunities for the Board to challenge and measure progress against the Group's strategic priorities, at each Board meeting, the Group Chief Executive and Chief Financial Officer provide updates on the operational and financial performance of the Group.

In 2023, the Board meetings discussed strategy on various topics relevant to the Group. The Board meetings provide Directors with the opportunity to review progress against strategic priorities, inform Directors about the latest trends relevant to our businesses, assist the Directors in identifying opportunities and risks and give the Directors the opportunity to contribute views and ask questions of management and share experiences for the benefit of the Group.

The Board continued

Board activities *continued*

2. Operational performance

We operate in highly dynamic markets and need to constantly innovate and pivot our businesses to remain relevant and achieve long-term, sustainable success. In the past years, Asia has seen a large influx of new capital, the rapid rise of digital companies and an increasing desire among consumers for convenient digital services. In response, we aim to put innovation, operational excellence and an entrepreneurial spirit at the heart of everything we do.

At each Board meeting, an update is provided on each business segment which offers important insights into the opportunities and challenges faced by these areas. In addition, a deeper understanding of how our varied markets function and perform and the implications for stakeholder-related issues equip the Board with the necessary perspective to enhance strategic decision-making.

The Group attaches great importance to attracting, developing and retaining leadership talent. We strive to develop leaders with an owner mindset and who are entrepreneurial in how they develop their businesses. This has helped the Group to capitalise on new business opportunities to achieve long-term, sustainable growth. We continue to enhance our performance management structures to recognise, reward and retain such talents. As the Group increasingly embraces digital ways of working and invests in new economy businesses, we are focussed on recruiting and developing digital talent across our Group. To provide the Board with oversight of talent attraction, development and retention, progress of Inclusion, Equity and Diversity ('IE&D'), and colleague engagement and movements, information on the Group's employees is provided at every Board meeting.

Building leadership capability to develop and grow diverse talent and strengthen future pipelines through tailored development programmes is a key focus for the Board. The Board is committed to creating an inclusive workplace and reflecting the diversity of the communities we serve. The Group has a clear IE&D strategy in place to ensure that colleagues treat each other in a way they would expect others to treat them.

3. Financial performance and risk

We take a disciplined long-term approach to capital allocation, to maximise financial performance, maintain our financial strength and manage risks. Over time, and in addition to be being part of the Jardine Matheson group of business, we have developed deep relationships with a diverse portfolio of well-capitalised, leading banks and corporate partners, which have supported and continue to support our financial strength.

The Chief Financial Officer presents a detailed overview of the financial performance of the business at each meeting to ensure the Board is provided with sufficient information to enable it to exercise the appropriate financial oversight and has the opportunity to challenge the management as appropriate. This includes details of the performance of each business unit and an overview of the sales, profit, cash flow, debt levels and capital expenditure.

The Board also reviews the Group's capital allocation, dividend policy and shareholder returns as well as the management of the Group debt levels, interest cover and capital markets activities.

The Board has overall responsibility for risk management and is actively engaged in risk discussions. The Audit Committee, on behalf of the Board, undertakes an annual assessment of the effectiveness of the management of the principal risks facing the Group and actions taken to mitigate them, validating the key risks and approving any necessary actions arising from the risk assessments. Maintaining and enhancing the risk and internal control environment is fundamental to the Group's governance framework and stewardship of the Company.

The Board continued

Board activities *continued*

4. Governance and stakeholder engagement

The Chief Financial Officer provides Directors with regular updates on stakeholder engagement, including engagement with shareholders, governments and other relevant third parties, and relevant regulatory developments. Increasing the Directors' understanding of our stakeholders' views supports the Board's decision-making.

Updates from the Chief Financial Officer provide the Board with feedback on investor views and expectations, visibility of market conditions, share price performance, shareholder returns and the future outlook.

Governance matters are discussed at Board meetings, including directors' and officers' insurance, litigation, regulatory changes, review and approval of statutory reporting and shareholder documentation and governance-related matters.

The Chief Financial Officer provides the Board with Sustainability updates twice a year, which include the progress of the Group's sustainability commitments, concerning the four strategic pillars, namely planet, colleagues, guest and community.

In addition, the Audit Committee Chair provides an update on the activities of the Audit Committee to the Board after each Audit Committee meeting.

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. The chairman of Jardine Matheson has appointed the Jardines group managing director as Managing Director of the Company. Reflecting this, and the Jardine Matheson group's 80% 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 and Jardine Matheson's deputy managing director, group finance director and group general counsel.

The presence of Jardine Matheson representatives on the Board and Audit Committee of the Company, as well as on the board and finance committee of MOHG, 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. In addition, the presence of Jardine Matheson representatives on the Company's Board, Audit, Nominations and Remuneration Committees, as well as MOHG's finance committee, 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 7th March 2024, the Company comprises nine Directors, two of whom (22%) – Jinqing Cai and Richard Solomons – are considered Independent Non-Executive Directors, taking into account the independence considerations under the Code. Y.K. Pang retired from the Board and the Audit Committee on 31st March 2024. Accordingly, from 1st April 2024, the Board comprised eight Directors of whom 25% are considered Independent Non-Executive Directors, taking into account the independence considerations under the Code. There are detailed succession plans in place to ensure that plans are in place for orderly succession to the Board. The names of all the Directors and brief biographies appear on pages 36 and 37 of this Annual Report.

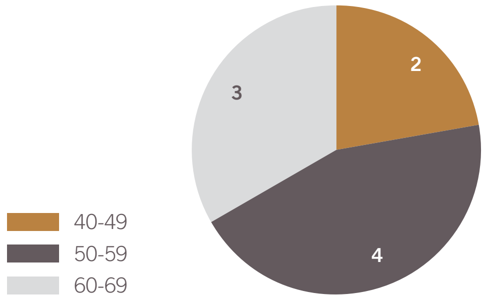
Ben Keswick has been Chairman of the Board since 16th May 2013. John Witt has held the role of Managing Director from 15th June 2020. Laurent Kleitman has been Group Chief Executive since 1st September 2023, to succeed James Riley.

Board composition and operational management *continued*

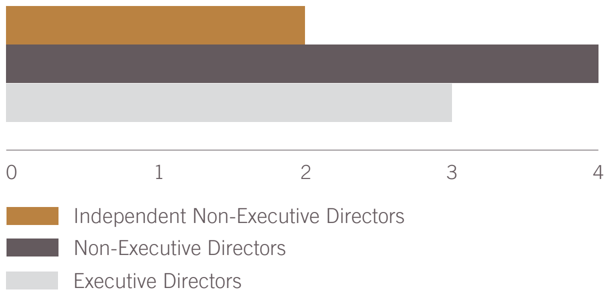
The Board considers that there is a clear division of responsibilities among the Chairman, the Managing Director and the Group Chief Executive to ensure an appropriate balance of power and authority is maintained at all times.

Board composition details as at 7th March 2024 are shown below.

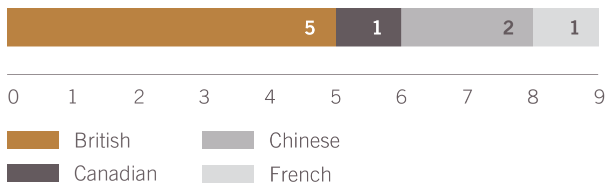
Age of Directors



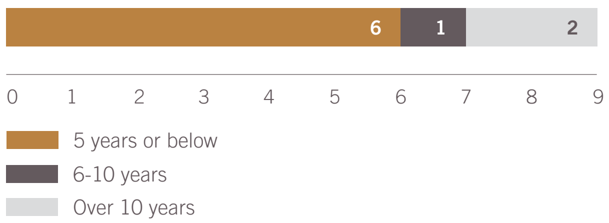
Capacity of Directors



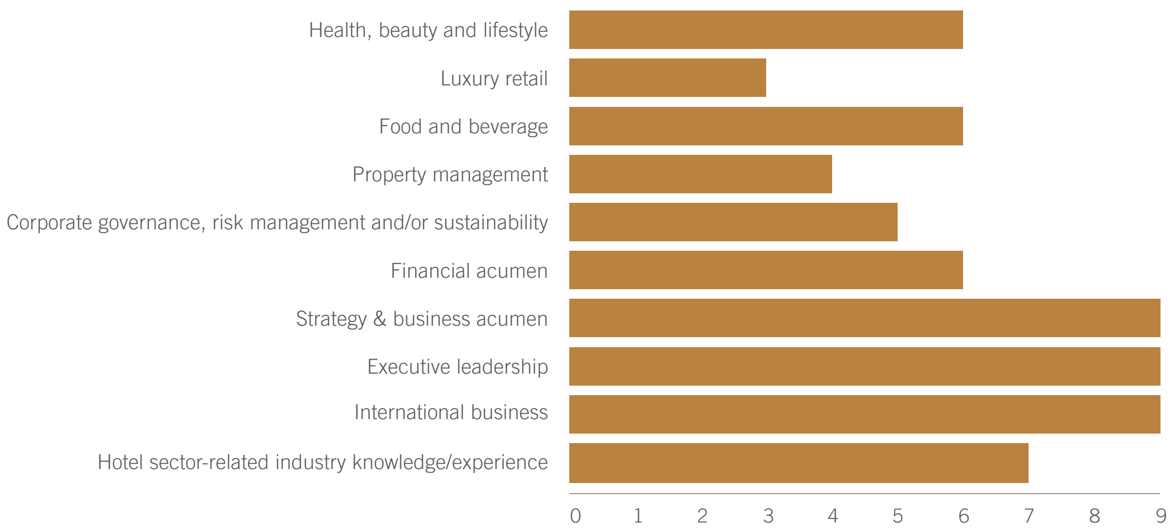
Nationality of Directors



Tenure of Directors



Directors' experience



Board composition and operational management *continued*

The Board also considered the diversity of the Group's Board and senior executives in the context of the new Listing Rules' requirements that listed companies should publish information on the gender and ethnic representation of the Board and executive management. As at 31st December 2023, being the reference date for the purposes of 14.3.33R(1)(a) of the UK Listing Rules, which requires the disclosure of certain diversity statistics, and as shown below:

- The Board met its target of having one Director from a minority ethnic background;
- The Company does not currently meet the target of the Board comprising at least 40% female directors but will continue to take IE&D considerations into account for future Board appointments; and
- The Board does not currently meet the target to have a female director occupying one of the senior Board positions (chair, chief executive or chief financial officer). The Directors who hold these roles were appointed following formal, rigorous and transparent nomination procedures and are the most suitable and experienced individuals for their roles and the Group's needs. The Board will continue to take IE&D considerations into account for future appointments for these roles.

The Company did not meet the targets of the Board comprising at least 40% female directors and having one of the senior Board positions occupied by a female director due to the significant change to the composition of the Board and senior management which would be required to meet these requirements. The Company will continue to take IE&D considerations into account with respect to future appointments of directors and senior Board positions.

The table below illustrates the ethnic background and gender diversity of the Group's Board and executive management – which includes the Company Secretary, but excludes administrative or support staff – pursuant to 14.3.33R(2) of UK Listing Rules, as at 31st December 2023 which is our chosen reference date in accordance with the UK Listing Rules.

As at 31st December 2023[1]	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Group Chief Executive, Chief Financial Officer, Senior Independent Director and Chairman)	Number in executive management (MOHG Board and Company Secretary)	Percentage of executive management (MOHG Board and Company Secretary)
Gender diversity					
Men	8	89%	3	9	75%
Women	1	11%	–	3	25%
Not specified/prefer not to say	–	–	–	–	–
Ethnic diversity					
White British or other White (including minority-white groups)	6	67%	2	10	84%
Mixed/Multiple Ethnic Groups	1	11%	1	1	8%
Asian/Asian British	2	22%	–	1	8%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

[1] The numbers had been changed after the chosen reference date owing to the stepping down of Y.K. Pang from the Board of the Company and MOHG on 31st March 2024.

Board composition and operational management continued

Data relating to the gender and ethnic diversity of the Board and executive management was gathered by the Company Secretary via the collection of each individual's identification documents, which are held within the Company's secure filing system. Apart from the retirement of Y.K. Pang from the Board of the Company and MOHG on 31st March 2024, there is no change in board composition since the reference date.

The Company has a Board Diversity Policy but does not have a separate Diversity Policy for the Audit Committee in place. IE&D issues are and will be taken into account where relevant to Board and Audit Committee decisions.

Chairman

The Chairman's role is to lead the Board, ensure its effectiveness while taking into account the Group's various stakeholders' interests, and promote high standards of corporate governance.

The Chairman's principal responsibilities are in the areas of strategy, external relationships, governance and people. In addition, he leads the Board in overseeing the long-term strategic direction of the Group and approving its key business priorities. His key responsibilities include:

- Leading, with the Managing Director and the Group Chief Executive, 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 robust governance framework;
- Ensuring all Directors effectively contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge;
- Leading, with the Managing Director, the succession planning for the Group Chief Executive;
- Ensuring all Directors receive accurate, timely and clear information; and
- Promoting effective communication between Executive and Non-Executive Directors (including the Independent Non-Executive Directors).

Managing Director

The Managing Director acts as chairman of MOHG and of its finance committee and is a member of the Company's Nominations and Remuneration Committees. He has responsibility for representing Jardine Matheson, as the major shareholder of the Company, including:

- Providing oversight of the day to-day management by the Group Chief Executive and his leadership team of the business;
- Carrying out ongoing reviews of the business, financial and operational performance against agreed objectives;
- Providing regular feedback to the Group Chief Executive on his/her performance and conducting an annual performance review;
- Leading the Group Chief Executive succession planning;
- Ensuring that there is appropriate discussion of future competencies required of the management team to execute the strategy;
- Ensuring that the information submitted to the Board is of high quality and provided on a timely basis;
- Ensuring the Board conducts reviews on past significant capex decisions; and
- Communicating with shareholders as appropriate.

Group Chief Executive

The responsibility for running the Group's business and all the executive matters affecting the Group rest 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 operational responsibility for:

- 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 relevant 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. In addition, Non-Executive Directors work on individual initiatives as appropriate.

Board meetings

The Board usually holds four scheduled meetings each year, and ad hoc procedures are adopted to deal with urgent matters between scheduled meetings. Board meetings are usually held in different locations around the Group's markets.

In March 2023, an in-person Board meeting was held in Singapore. The May 2023 Board meeting was held virtually. In-person Board meetings were held in Shenzhen, China in July 2023 and Shanghai, China in December 2023.

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 Company reviews the information provided to the Board regularly, to ensure that it remains relevant to the needs of the Board in carrying out its duties.

The Directors of the Company who do not serve on the board of MOHG and who are based outside Asia will usually visit Asia to discuss the Group's business and inspect the Group's hotels and branded residences.

Board attendance

Directors are expected to attend all Board meetings. The table below shows the attendance at the scheduled 2023 Board meetings:

	Meetings eligible to attend	Attendance
Directors		
Non-Executive Directors		
Ben Keswick	4/4	100%
Jinqing Cai	4/4	100%
Adam Keswick	4/4	100%
Archie Keswick	4/4	100%
Y.K. Pang[1]	4/4	100%
Richard Solomons	4/4	100%
Executive Directors		
John Witt	4/4	100%
Laurent Kleitman[2]	1/1	100%
Matthew Bishop	4/4	100%
Former Director		
James Riley[3]	3/3	100%

[1] Y.K. Pang retired as Director on 31st March 2024.
[2] Laurent Kleitman joined the Board as Director and was appointed as Group Chief Executive on 1st September 2023. In 2023, only one Board meeting was held after 1st September 2023.
[3] James Riley retired as Director and Group Chief Executive on 31st July 2023. In 2023, three Board meetings were held before 31st July 2023.

Appointment and retirement of Directors

There are detailed succession plans in place to ensure that plans are in place for orderly succession to the Board. The Board is focussed on development and succession plans at both Board and executive level to strengthen the diverse management pipeline. The Chairman, in conjunction with other Directors, reviews the size, composition, tenure and skills of the Board. The Chairman leads the process for new appointments, monitors Board succession planning, and considers independence, diversity, inclusion and Group governance matters when recommending appointments to the Board. Non-Executive Directors are appointed on merit, against objective criteria and are initially appointed for a three-year term.

Upon appointment, all new Directors receive a comprehensive induction programme over several months. This is designed to facilitate their understanding of the business and is tailored to their individual needs. The Chief Financial Officer and the Company Secretary are responsible for delivering the programme covering the Company's core purpose and values, strategy, key areas of the business and corporate governance.

The Chairman regularly assesses the time commitments of Directors to ensure that they each continue to have sufficient time for their role. He also considers the potential additional time required in the event of corporate stress.

Prior to appointment, the Chairman assesses the commitments of a proposed candidate, including other directorships, to ensure they have sufficient time to devote to the role. Any Director's external appointments, which may affect existing time commitments relevant to the Board, must be agreed with the Chairman in advance.

Appointment and retirement of Directors *continued*

The Board appoints each new Director, 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-election at the first AGM after the appointment. After that, 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 of the Company. The Company has determined that it is appropriate for the Chairman and the Managing Director to be exempted from the retirement by rotation requirements because an important part of the Group's strong governance is corporate stability, and this is provided by the long-term stewardship of the business by family as well as related and like-minded shareholders, who hold a significant proportion of the shares of the Company. John Witt, being the Managing Director, has a service contract with the Company that has a notice period of six months.

On 31st July 2023, James Riley stepped down as a Director and Group Chief Executive of the Company, and Laurent Kleitman joined the Board in his place on 1st September 2023. As announced in November 2023, Y.K. Pang stepped down from the Board on 31st March 2024.

In accordance with Bye-law 85, Matthew Bishop and Jinqing Cai will retire by rotation at this year's AGM and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Laurent Kleitman will also retire and, being eligible, offer himself for re-election. Both Laurent Kleitman and Matthew Bishop have service contracts with a subsidiary of the Company that has a notice period of six months. Jinqing Cai does not have a service contract with the Company or its subsidiaries.

Directors need to obtain the Chairman's approval before accepting additional appointments that might affect their time to devote to the role as a Director of the Company.

Board and Audit Committee Training

During the year, certain Board members and Audit Committee members received trainings in Gen AI and cybersecurity, respectively.

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 their respective terms of reference. Copies of these documents can be obtained from the Company's website at www.mandarinoriental.com.

Committees continued

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 to the Board on any appointments to maintain a right balance of skills, knowledge and experience and independence, as well as a diversity of perspectives;
- Support the Chairman to lead the process for Board appointments and nominate suitable candidates to the Board;
- Assess suitable candidates based on merit and objective criteria (considering the promotion of the diversity of social and ethnic 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 as circumstances require, or by the circulation of Committee circulars to make recommendations to the Board for approval as it deems appropriate. It plays a key role in the process of recruiting senior executives. Candidates for appointment as Executive Directors of the Company or 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 Nominations Committee pays particular attention to the Asian business experience and relationships that they can bring.

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 applicable law, every Director shall be indemnified and secured harmless out of the assets of the Company against all liability and loss suffered and expenses reasonably incurred. However, neither insurance nor indemnity provides cover where the Director has acted fraudulently or dishonestly.

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 of 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.

The Group's delegation of authority establishes a clear pathway for decision-making. This ensures that judgements are made at the correct business level by the team members most equipped to do so. Every decision made aligns with our culture and values, taking into account the advantages, risks, financial consequences, and effects on all stakeholders. The Board, bolstered by the Audit Committee, places significant emphasis on maintaining high governance standards throughout the Group. This reinforcement assists the Board in accomplishing its strategic goals and fulfilling key performance objectives.

Directors' responsibilities in respect of the financial statements

Under the Bermuda Companies Act, the Directors are required to prepare financial statements for each financial year and present them annually to the Company's shareholders at the AGM. The financial statements are required to present fairly, in accordance with the 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 consistently 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.

Substantial shareholders

As classified 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 and that 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 Limited ('Jardine Strategic'), which is directly interested in 1,014,132,905 ordinary shares carrying 80.24% 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 Company's issued ordinary share capital as of 7th March 2024.

There were no contracts of significance with substantial corporate 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 79.

Engagement with shareholders, other stakeholders and colleagues

Engaging with our stakeholders, including our employees, investors, creditors, partners and government, enables us to understand their perspectives and ensure we address their expectations and improve accordingly.

The Group regularly engages with its shareholders to provide an opportunity to ask questions of senior management. Since the beginning of 2023, the Group have held two results briefings and six analyst and institutional shareholder meetings to answer those questions, discuss concerns, and hear feedback on areas where improvements could be made.

The Group has also engaged with thought leaders to listen, learn and understand how we can improve. They include global and regional non-profit associations at the forefront of driving sustainable travel and tourism, an independent think tank and the world's leading conservation non-governmental organisation. The engagements provide an opportunity for us to explore and discuss key social, environmental and economic issues facing society and where our businesses operate. They also provide an important touch point to sense-check the issues that matter most to society and help us better understand evolving expectations. The meetings with key thought leaders are attended by senior management including the Group Chief Executive.

Securities purchase arrangements

The Directors have the power under the Bermuda 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 Company's issued share capital. When the Board considers the possibility of share repurchases, it will consider the potential for enhancing earnings or asset values per share. When purchasing such shares, the Company is subject to the provisions of MAR.

Colleague engagement

The Group is working hard to support the growth of the next generation of leaders within our businesses, ensuring our colleagues can develop the skills they need and further their careers with the Group.

We also aim to create an owner mindset among our senior leadership and support this by enhancing our incentive structures to focus less on current profits and more on value creation over a longer time horizon.

The Group conducted a colleague experience survey with a global completion rate of 99%. Results from the survey led to a global sustainable engagement score of 90%, compared to 88% in 2022, and a global colleague retention score of 63%, compared to 61% in 2022. Action plans have been developed by each hotel and the corporate teams to address the survey outcomes.

Annual General Meeting

The 2024 AGM will be held on 8th May 2024. The full text of the resolutions and explanatory notes regarding the meeting are contained in the Notice of AGM, despatched at the same time with this Annual Report and can be found at www.mandarinoriental.com/en/investors/regulatory.

Corporate website

A corporate website is maintained containing a wide range of information of interest to investors at www.mandarinoriental.com.

Group policies

Code of Conduct

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are set out in its Code of Conduct, a set of guidelines to which every employee must adhere. It is reinforced and monitored by an annual compliance certification process and 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. In addition, the Code of Conduct prohibits the giving or receiving of illicit payments. It requires that all Directors and employees must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their businesses.

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.

Data privacy

The Group is committed to being a responsible custodian of the data entrusted to it by customers, employees, business partners and other stakeholders. In addition, it is subject to multiple data privacy and security laws and regulations in the global jurisdictions in which it operates. Accordingly, the Group is dedicated to complying with such laws and regulations, regularly monitoring for legislative changes and adjusting its policies and procedures when appropriate. Appropriate protections are in place to prevent misuse and unauthorised disclosure of personal data.

The Group's Privacy Policy, and internal guidelines and procedures, underline the Group's commitment to being a responsible data custodian and ensuring compliance with applicable law.

Whistleblowing policy

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

In addition, the Group has a whistleblowing service managed by an independent third-party service provider to supplement existing whistleblowing channels to assist employees in reporting suspected illegal or unethical behaviour or other matters of serious concern and is intended to help foster an inclusive, safe and respectful workplace. The service, which is available 24 hours in multiple local languages, and is accessible through phone hotline or online, and as anonymous submissions, may be used by colleagues to report a matter of concern to a manager supervisor, Human Resources or Legal representative.

Reports may be lodged by one of three channels: email, website and telephone hotline. Each report is allocated a unique case number which enables follow-up with the reporter, if appropriate. Once a report is lodged, it is sent to certain authorised persons at the relevant business units. These include senior representatives from legal, compliance and Human Resources teams who have experience in dealing with such matters. The authorised persons will follow up on the report and investigate where necessary. The reporter will be notified of the outcome.

All reports are treated confidentially and any retaliation against a person reporting a potential breach of the Code of Conduct is a cause for disciplinary action under the Group's whistleblowing policy.

Inclusion, Equity and Diversity

The Group will continue to foster a culture of inclusivity and empowerment, where colleagues with different backgrounds feel comfortable in being themselves, in voicing their ideas and have equal opportunities to thrive. The Group applies the principle that colleagues should always treat others in a way they would expect others to treat them. No form of bullying, intimidation, discrimination, and harassment of others has a place in the Group and would not be tolerated.

As a global hospitality employer, the Group believes in promoting equal opportunities in recruiting and developing all employees, regardless of ethnicity, gender, age, sexual orientation, disability, background or religion, should be treated fairly and with respect, and be valued for the contributions they make in their role. The high service expectations and overall quality of the Mandarin Oriental brand necessitate that the Group seeks the best people from the communities in which it operates most suited to its needs.

All colleagues are encouraged and supported to develop their full potential and contribute to the sustainable growth of the Group. Colleagues' views and ideas are essential, and they are encouraged to express them respectfully with colleagues at all levels within the organisation.

To build an inclusive workplace, we incorporate IE&D principles across our businesses and People and Culture practices. This includes:

- Ensuring a set of inclusive working arrangements and policies to support IE&D;
- Keeping our recruitment, promotion and retention systems fair, based on aptitude, merit and ability;
- Providing active talent management and career support for the Group's colleagues to open up opportunities that will facilitate a future pipeline of excellent leaders; and
- Cultivating leadership behaviour through learning campaigns to ensure colleagues behave in accordance with the Group's value.

The Company keeps the composition of its Board and senior management positions under review, to ensure that it adapts to the changing business landscape. The Company is actively focussed on increasing gender diversity at all levels of the organisation.

Remuneration Report

Message from the Board/Remuneration Committee

The Board is pleased to present shareholders with the 2023 Remuneration Report. This report sets out the Group's approach to remuneration for its executives and Directors, particularly the link between the Group's values, strategy and its remuneration framework, and the link between performance and reward, in determining remuneration outcomes for senior executives.

The Group's remuneration philosophy and framework for rewarding staff

The remuneration outcomes in 2023 reflect the intended operation of the remuneration framework.

At the heart of the Group's remuneration framework is our commitment to deliver competitive remuneration for excellent performance to attract the best and motivate and retain talented individuals, while aligning the interests of the business and shareholders. The Company aims to ensure that its remuneration system is designed in a manner that is aligned with the values and strategic priorities of the Company.

The Group achieves this through:

- Performance-based variable compensation;
- Incentives based on financial measures and strategic objectives that reflect key goals critical to long-term sustainable organisational success;
- Consideration of business and operational risk as well as a sustainability development goal through the design of performance objectives;
- Providing incentives and policies which align the interests of executives to those of shareholders;
- Best-practice governance and ensuring remuneration outcomes are reasonable, taking into account community and stakeholder expectations; and
- Targeting remuneration levels and outcomes appropriately reflect the challenge and complexity of being a multinational Asian-based hotel group with diverse hospitality businesses.

The Company's policy is to offer competitive remuneration packages to its senior executives. The Company relies on a reward framework that provides varying levels of remuneration and benefits depending on colleague level. It is recognised that, given 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. This structure of remuneration varies from senior executives to more junior level colleagues, but the link of remuneration to strategic goals is consistent. The nature of goals used for remuneration varies depending on colleague level, but the Company ensures goals are relevant and measurable while aligned with company values and strategic priorities. In addition, Executive Directors joining from outside the Group may be offered an initial fixed-term service contract to reflect any requirement for them to relocate.

Accordingly, the remuneration mix for colleagues varies depending on level. At senior executive levels, more remuneration is variable , depending on performance levels against goals. At more junior levels, remuneration is directed toward fixed remuneration. The Company strives to provide an appropriate amount of remuneration 'at risk' for the achievement of goals – whether those are short- or long-term in nature.

Directors' Remuneration

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.

The remuneration of the Company's Non-Executive Directors is not linked to performance. This is consistent with Non-Executive Directors being responsible for objective and independent oversight of the Group. The total amount provided to all Directors (including the Managing Director but exclusive of salaried Executive Directors who are not entitled to such fees) must not exceed the sum agreed by shareholders at a general meeting. The maximum aggregate remuneration of US$1.0 million per annum was approved by shareholders at the 2022 AGM and would be subject to review at the 2025 AGM. Executive Directors (excluding the Managing Director, who is also the Jardines group managing director) are paid a basic fixed salary as well as discretionary annual incentive bonuses by and receive certain employee benefits from the Group. Non-Executive Directors do not receive bonuses or any other incentive payments or retirement benefits. The Non-Executive Directors are reimbursed for expenses properly incurred in performing their duties as a Director of the Company. The schedule of fees paid to Directors in respect of the financial year 2023 is set out in the table below. Fees are annual fees, unless otherwise stated:

USD (per annum)	
Chairman/Managing Director fee:	100,000
Base Director fee:	90,000
Audit Committee fee (Chairman):	45,000
Audit Committee fee (member):	35,000
Nominations Committee fee:	15,000

	Director	Director Fee US$	Audit Committee Fee US$	Nominations Committee Fee US$	Total Fees US$
1	Ben Keswick (Chairman)	100,000	–	15,000	115,000*
2	John Witt (Managing Director)	100,000	–	15,000	115,000*
3	James Riley[1]	–	–	–	–
4	Laurent Kleitman[2]	–	–	–	–
5	Matthew Bishop	–	–	–	–
6	Jinqing Cai[3]	90,000	35,000	–	125,000
7	Adam Keswick	90,000	–	15,000	105,000*
8	Archie Keswick	90,000	–	–	90,000
9	Y.K. Pang[4]	90,000	36,644	–	126,644*
10	Richard Solomons[5]	90,000	45,000	–	135,000
	Total	**650,000**	**116,644**	**45,000**	**811,644**

* Fees surrendered to Jardine Matheson

[1] James Riley retired from the Board on 31st July 2023.

[2] Laurent Kleitman joined the Board on 1st September 2023.

[3] Jinqing Cai was appointed as a member of the Audit Committee on 2nd March 2023.

[4] Y.K. Pang ceased to be the Chairman of Audit Committee and remained as a member of Audit Committee on 2nd March 2023, and he retired from the Board and Audit Committee on 31st March 2024.

[5] Richard Solomons was appointed as the Chairman of Audit Committee, in place of Y.K. Pang on 2nd March 2023.

Remuneration Committee

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 Board established a Remuneration Committee (the 'Remuneration Committee') at the Company level in December 2021. The role of the Remuneration Committee is governed by its terms of reference. 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 related 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 Remuneration Committee. The current members of the Remuneration Committee are Ben Keswick, John Witt and Graham Baker. In addition, the Group Chief Executive, the Group Chief People Officer and Jardine Matheson group head of human resources will generally attend meetings of the Remuneration Committee. The Remuneration Committee meets as circumstances require, or by the circulation of Committee circulars which make recommendations to the Board for approval as it deems appropriate.

How remuneration framework is linked to the business strategy

The Group's remuneration strategy is designed to support and reinforce its business and sustainability strategies, both short- and long-term. The 'at risk' components of remuneration are tied to measures that reflect the successful execution of these strategies in both the short- and long-terms. Our strategic drivers of 'Elevating our brand, Lifting our people, Powering our core and Exceptional quality' are reflected in bonus performance measures. So, the Group's actual performance directly affects what executives are paid.

Remuneration outcomes in 2023

For the year ended 31st December 2023, the Directors received from the Group US$7.9 million (2022: US$5.7 million) in Directors' fees and employee benefits, being:

- US$0.8 million (2022: US$0.8 million) in Directors' fees;
- US$5.3 million (2022: US$4.7 million) in short-term employee benefits, including salary, bonuses, accommodation and deemed benefits in kind;
- US$0.2 million (2022: US$0.1 million) in post-employment benefits; and
- US$1.6 million (2022: US$0.1 million) in long-term incentive benefits.

The information set out in the section above headed 'Remuneration outcomes in 2023' 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. The scheme trustee grants share options and share awards after consultation between the Chairman and the Group Chief Executive and other Directors as they consider appropriate. Share options are granted at 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 grant date. Grants may be made in several instalments. Share options and share awards are not granted to Non-Executive Directors.

Directors' share interests

The Directors of the Company in office on 7th March 2024 had interests* as set out below in the Company's ordinary share capital. These interests include those notified to the Company regarding the Directors' closely associated persons*.

John Witt	4,894,068

* Within the meaning of MAR

Audit Committee Report

Audit Committee

The Board had established an Audit Committee (the 'Audit Committee') at the Company level in December 2021. The Audit Committee consists of three members, the current members of which are:

- Richard Solomons (Chairman of the Audit Committee and Independent Non-Executive Director);
- Graham Baker (Financial Expert); and
- Jinqing Cai (Independent Non-Executive Director).

None of them is directly involved in the operational management of the Company. On 2nd March 2023, Richard Solomons was appointed as Chairman of the Audit Committee in place of Y.K. Pang, who remained as a member of the Audit Committee until 31st March 2024. As a result, the Audit Committee is chaired by an Independent Non-Executive Director. Jinqing Cai, an Independent Non-Executive Director, was also appointed as a member of the Audit Committee on 2nd March 2023.

With the appointment of Richard Solomons and Jinqing Cai, both Independent Non-Executive Directors, in December 2021 and March 2023 to the Audit Committee and Y.K. Pang's resignation from the Audit Committee on 31st March 2024, accordingly, from 1st April 2024, the Company considers that the Audit Committee has a majority of independent members. Graham Baker is also a member of the Audit Committee with recent financial experience and expertise, as well as a deep understanding of risk management.

The Group Chief Executive and Chief Financial Officer, together with representatives of the internal and external auditors, also attend the Audit Committee meetings by invitation. In addition, 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.

Its terms of reference govern the role of the Audit Committee. The Audit Committee's remit includes:

- Independent oversight and assessment of financial reporting processes, including related internal controls;
- Independent oversight of risk management and compliance;
- Independent oversight and responsibility for cybersecurity;
- Monitoring and reviewing 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.

Before completion and announcement of the half-year and year-end results, a review of the Company's financial information and 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 entire 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 2023 included:

- Reviewing the 2022 annual financial statements and 2023 half-year financial statements, with particular focus on the 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 and compliance 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, training, 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 the Group's governance approach to cybersecurity management, data security and privacy management across its businesses;
- 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 at general meeting;
- Conducting a review of the terms of reference of the Audit Committee;
- Recommending the change of auditor from PwC LLP to PwC Hong Kong to the Board for approval; and
- Approving the adoption of Non-Assurance Services Concurrence Policy, which establishes procedures and delegations by which the Audit Committee intends to fulfil its responsibilities for the engagement of the independent auditor to perform non-assurance services to comply with the revised Code of Ethics issued by the International Ethics Standards Board for Accountants.

Audit Committee attendance

The table below shows the attendance at the scheduled 2023 Audit Committee meetings:

	Meetings eligible to attend	Attendance
Members of the Audit Committee		
Directors of the Company		
Y.K. Pang	1/2	50%
Richard Solomons	2/2	100%
Jinqing Cai[1]	1/1	100%
Director of MOHG		
Graham Baker	2/2	100%

[1] Jinqing Cai was appointed to the Audit Committee on 2nd March 2023. In 2023, only one Audit Committee meeting was held after 2nd March 2023.

Auditor independence and effectiveness

The Group auditor's independence and objectivity are safeguarded by control measures including:

- Reviewing the nature of non-audit services (including the adoption by the Company of a non-audit services policy);
- The external auditor's own internal processes to approve requests for non-audit work to the external audit work;
- Monitoring changes in legislation related to auditor independence and objectivity;
- The rotation of the lead auditor partner after five years;
- Independent reporting lines from the external auditor to the Audit Committee and providing an opportunity for the external auditor to have in-camera sessions with the Audit Committee;
- Restrictions on the employment by the Group of certain employees of the external auditor;
- Providing a confidential helpline that employees can use to report any concerns; and
- An annual review by the Audit Committee of the policy to ensure the objectivity and independence of the external auditor.

The Board's annual review in 2023 of the Auditor's independence and effectiveness found that PwC performed their duties effectively. The Board found the level of professional scepticism, the number and regularity of meetings with the Audit Committee, feedback from Audit Committee members and internal stakeholders and the levels of technical skills and experience to be effective.

At each AGM of the Company, the Company is required to appoint an Auditor to hold office until the conclusion of the next AGM. The Company's previous Auditor was PricewaterhouseCoopers LLP ('PwC LLP'). In March 2023, the Audit Committee recommended that the Company appoint PwC Hong Kong, also a PricewaterhouseCoopers network firm and which had conducted much of the audit work on behalf of PwC LLP for many years, as its Auditor in place of PwC LLP for future audit processes, to streamline audit procedures and align the location of the firm acting as Auditor more closely with the location of the Company's businesses. The Company's shareholders approved the appointment of PwC Hong Kong as the Company's Auditor at the AGM on 4th May 2023.

Risk management and internal control

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

The Audit Committee considers the systems and procedures regularly and reports to the Board semi-annually. The Jardine Matheson Group Audit and Risk Management ('JM GARM') is appointed to assist the Audit Committee in fulfilling its assurance and reporting roles. JM GARM adheres to international standards for the professional practice of internal audit. To safeguard its independence and objectivity, JM GARM reports functionally to the Audit Committee of the Company and has full and unrestricted access to all business functions, records, properties and personnel.

The internal control systems are designed to manage, rather than eliminate, business risk; to help safeguard the Group's assets against fraud and other irregularities; and give reasonable, but not absolute, assurance against material financial misstatement or loss. Executive management is responsible for implementing the systems of internal control throughout the Group.

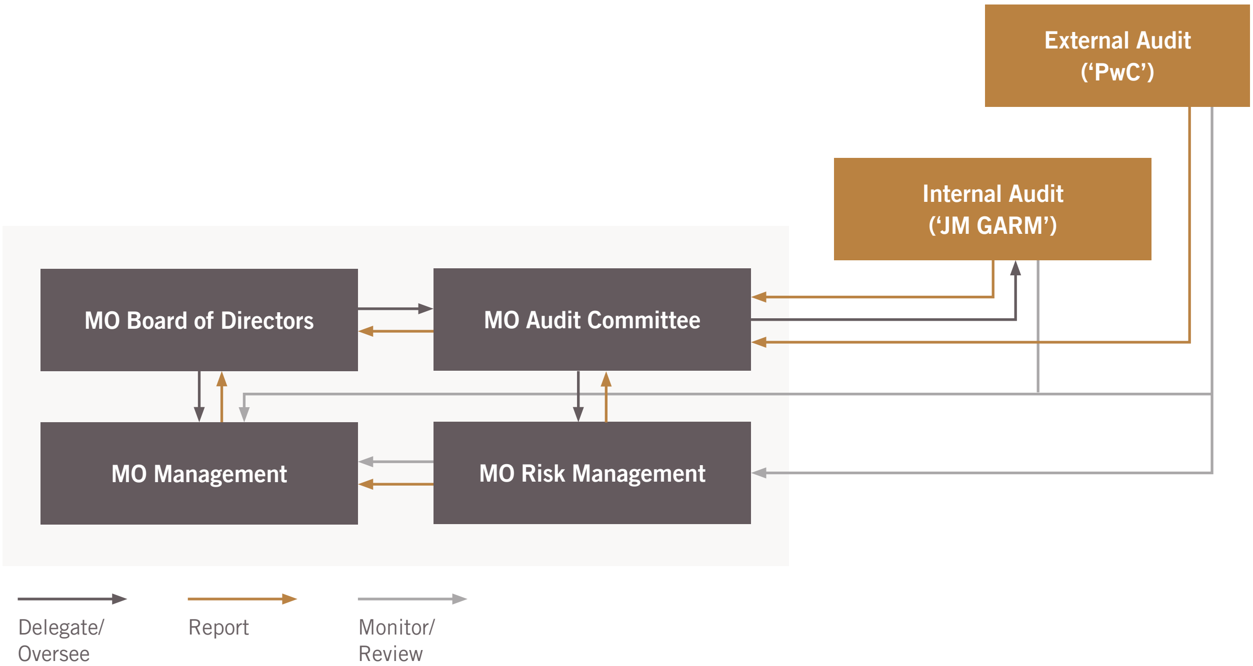
Risk management and internal control continued

The Group has an established risk management process that is reviewed regularly and covers all business units within the Group. This includes the maintenance of risk registers that detail the emerging and existing risks to the future success of the business and the relevant key controls and mitigating factors that address those risks. The Group's risk management process and risk registers 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 Company's principal risks and uncertainties are set out on pages 134 to 140.

Risk governance structure

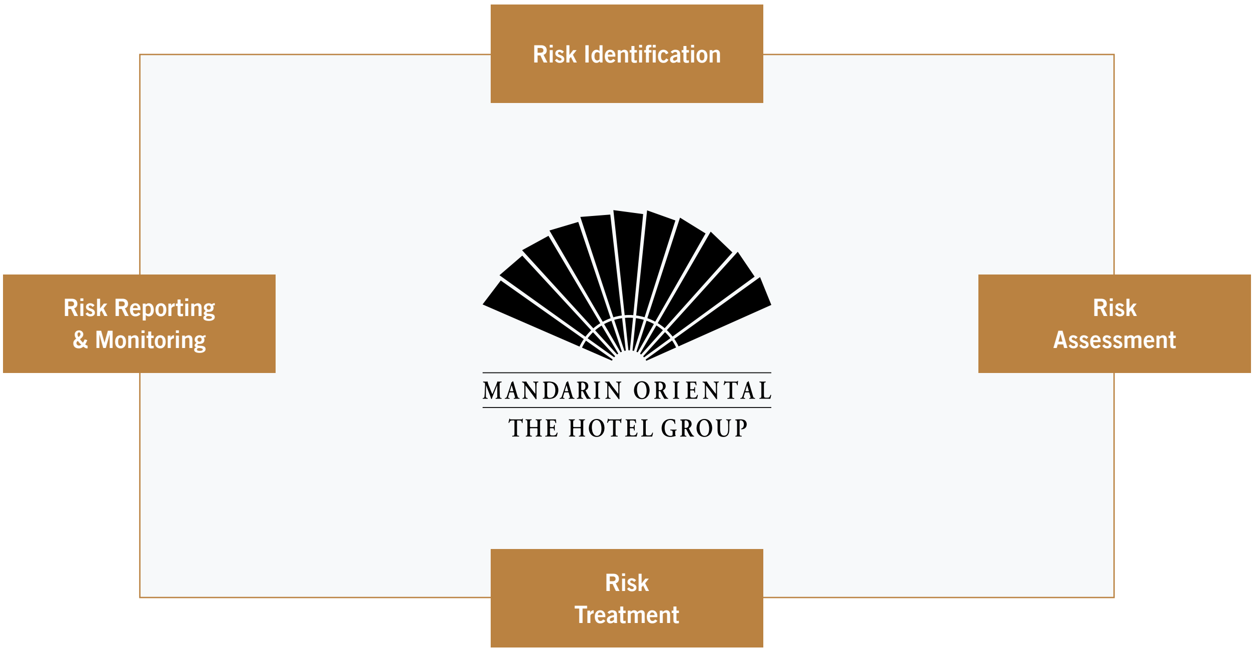


The Group's Management is responsible for:

- Identifying and assessing principal risks and uncertainties to which it is exposed;
- Implementing the most appropriate actions to mitigate and control those risks to an acceptable level;
- Providing adequate resources to minimise, offset or transfer the effects of any loss that may occur while managing acceptable risk/benefit relationships;
- Monitoring the effectiveness of the systems of risk management and internal control;
- Reporting periodically to its Board of Directors via the Audit Committee and JM GARM on the principal risks and uncertainties; and
- Working with external and internal auditors to monitor and improve its control environment.

Risk Management Framework

Risk management is integrated into each business unit's strategic planning, budgeting, decision-making and operations. Central to this is the continuous and systematic application of:



A Risk Management Framework based on ISO 31000 and COSO principles is embedded in the Group to identify, assess and define the strategies to monitor risks. The risk registers prepared by each business unit provide the basis for the aggregation process, which summarises the principal risks and uncertainties facing the Group as a whole.

Risk Identification	■ Identify and document the Group's exposure to uncertainty with existing strategic objectives. ■ Adopt structured and methodical techniques to identify critical risks.
Risk Assessment	■ Evaluate risks by estimating likelihood, financial and reputational damage, and the speed at which the risk materialises, based on its inherent and residual level. ■ Determine risk rating using the risk heatmap, with four levels of residual risk status.
Risk Treatment	■ Tolerate – accept if within the Group's risk appetite. ■ Terminate – dispose or avoid risks were no appetite. ■ Risks may be accepted if mitigated to an appropriate level via: – Transfer – take out insurance or share risk through contractual arrangements with business partners; and – Treat – redesign or monitor existing controls or introduce new controls.
Risk Reporting & Monitoring	■ Periodic review of principal risks and uncertainties. ■ Setting key risk indicators to enhance monitoring and mitigation of risks. ■ Regular reporting of principal risks and uncertainties from the Group's business units to the Board of Directors via Audit Committee and JM GARM.

Principal risks and uncertainties

Set out below are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the DTRs issued by the FCA, as well as a summary of the steps taken to mitigate those risks. These risks are in addition to the matters referred to in the Chairman's Statement, Group Chief Executive's Review, and other parts of this Annual Report.

Reputational risk and value of the brand	**Description** 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. Accordingly, any damage to the Group's brand equity or reputation, including as a result of adverse effects relating to health and safety, acts or omissions by Group personnel, 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. **Mitigation** ■ Engage external consultants and experts where necessary. ■ Perform regular cybersecurity and data vulnerability assessment at least annually and/or penetration testing to identify weaknesses. ■ Active monitoring and use of social media.
Concentration risk	**Description** Certain locations in Asia contribute a significant portion of the Group's underlying profit. Adverse conditions such as social upheaval, erosion of the rule of law or travel restrictions could reduce a location's competitiveness and impact the Group's businesses with operations and exposure to that jurisdiction. **Mitigation** ■ Geographical diversification of the businesses through organic growth. ■ Maintaining financial strength under challenging scenarios. ■ Further strengthening the Group's brand to sustain competitiveness and resilience.
Commercial risk	**Description** The Group operates within the highly competitive global hotel industry. Failure to compete effectively in terms of product quality, service levels, or price can adversely affect 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 reduce 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 businesses. The Group also makes investment decisions regarding acquiring new hotel properties and undertaking significant 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 opening of new hotels and branded residences. Most of the Group's new developments are controlled by third-party owners and developers. As a result, they 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.

Commercial risk *continued*	**Mitigation** ■ Utilise market intelligence and deploy strategies for business-to-consumer business. ■ Establish customer relationship management and digital commerce capabilities. ■ Engage in longer-term contracts and proactively approach suppliers for contract renewals. ■ Re-engineer existing business processes to take advantage of new technological capabilities. ■ Invest in and partner with companies that can provide the Group access to different capabilities and technologies.
Environmental and climate risk	**Description** Environmental disasters such as earthquakes, floods and typhoons can damage the Group's assets and disrupt operations. Global warming-induced climate change has increased the frequency and intensity of storms, leading to higher insurance premiums or reduced coverage for such natural disasters. With governments also taking a more proactive approach towards carbon taxes, renewable energies and electric vehicles, additional investments, and efforts to address physical and transition risks of climate change are anticipated from businesses. With interest in sustainability surging in recent years from investors, governments and the general public, expectations by regulators and other stakeholders for accurate corporate sustainability reporting and commitments towards carbon neutrality to address climate change are also growing. This brings increasing challenges to the Group to meet key stakeholders' expectations. There is potential for negative publicity and operational disruption arising from conflict between activists and the Group's businesses that is perceived to be engaged in trade and activities that are environmentally unfriendly.
	Mitigation ■ Executive Advisory Panel, Sustainability Leadership Council and Hotel Sustainability Committees have been in place to mobilise and coordinate sustainability efforts across the Group. ■ A sustainability strategy framework, including a pillar for the planet, drives the Group's sustainability agenda. ■ Renewed environmental targets for 2025 and 2030 have been determined per property through a Group-wide inventory management plan. ■ Identify environmental impact opportunities that address multiple problems and risks and gaps that are generally relevant to all properties and society in general. ■ Assess emerging Environmental, Social and Governance ('ESG') reporting standards and requirements, to align Group disclosures to best market practice. ■ Conduct climate risk assessments and adaptation action plans based on recommendations of Task Force on Climate-Related Financial Disclosures ('TCFD'), including implementing measures to address physical risks posed by climate change and identifying opportunities in global transition to a low carbon economy.

Principal risks and uncertainties continued

Financial strength and funding

Description

The Group's activities expose it to a variety of risks to its financial strength and funding, including market risk, credit risk and liquidity risk.

The market risk the Group faces includes i) 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; ii) interest rate risk through the impact of rate changes on interest bearing assets and liabilities; and iii) securities price risk as a result of its equity investments and limited partnership investment funds which are measured at fair value through profit and loss, and debt investments which are measured at fair value through other comprehensive income.

The Group's credit risk is primarily attributable to deposits with banks, contractual cash flows of debt investments carried at amortised cost and those measured at fair value through other comprehensive income, credit exposures to customers and derivative financial instruments with a positive fair value.

The Group may face liquidity risk if its credit rating deteriorates or if it is unable to meet its financing commitments.

Mitigation

- Set clear policies and limits on market, credit, and liquidity risks, including in relation to foreign exchange exposure, interest rate risks, cash management and prohibition on derivatives not used in hedging.
- Regular internal audits of compliance with treasury policies.
- Adopt appropriate credit guidelines to manage counterparty risk.
- When economically feasible, take borrowings in local currency to hedge foreign exchange exposures on investments.
- Fix a portion of borrowings in fixed rates.
- Maintain adequate headroom in committed facilities to facilitate the Group's capacity to pursue new investment opportunities and to provide some protection against market uncertainties.
- Keep an appropriate funding balance between equity and debt from banks and capital markets, both short- and long-term in tenor, to give flexibility to develop the business.
- Maintain sufficient cash and marketable securities, and availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.
- The Group's treasury operations are managed as cost centres and are not permitted to undertake speculative transactions unrelated to underlying financial exposures.

The detailed steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on pages 31 to 35 and note 36 to the financial statements on pages 90 to 97.

Risk	
Governance and misconduct	**Description** Effective management of the Group's risks depends on the existence of an appropriate governance structure, tone from top leadership, and functioning system of internal controls. Ethical breaches, management override of controls, employee fraud and misconduct, or other deficiencies in governance and three lines of internal controls may result in financial loss and reputational damage for the Group. Inadequate capability and diversity in management or the Board may also lead to sub-optimal deliberations and decisions. **Mitigation** ▪ Established Group-wide mandatory code of conduct. ▪ Maintain a robust Corporate Governance Framework which includes a whistleblowing channel. ▪ Maintain functionally independent internal audit function that reports to the Group Audit Committee on risk management, the control environment and significant non-compliance matters. ▪ Maintain Professional Indemnity, Crime and General Liability insurance policies with adequate coverage.
Health, safety, and product quality	**Description** The Group's colleagues engage in physical activities that may lead to serious injury or fatal incidents if work conditions are unsafe or workers do not take due care to observe safety procedures. The safety and quality of food products and other items provided by the Group are fundamental to its reputation with customers. Any actual or perceived deficiency in product safety or quality may damage consumer confidence and the brand's reputation, leading to financial loss. **Mitigation** ▪ Establish safe working environments and regular safety training for all employees and subcontractors. ▪ Establish contractual requirements for contractors to comply with high expected levels of safety standards. ▪ Conduct occupational health and safety awareness campaigns. ▪ Establishing product quality and safety standards, guidelines. ▪ Ensure suppliers follow the Group's guidelines, principals' requirements, and local regulations.

Principal risks and uncertainties *continued*

IT and cybersecurity

Description

The Group's businesses are ever more reliant on technology in their operations and face increasing cyber-attacks from groups targeting both individuals and businesses. As a result, the privacy and security of customer and corporate information are 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 customer trust, loss of competitiveness or regulatory action.

Cyber-attacks stemming from inadequate cybersecurity or lack of employee cybersecurity awareness may also adversely affect the Group's ability to manage daily business operations, resulting in business interruption, reputational damage, regulatory penalties, lost revenues, repair or other costs.

Mitigation

- Engage external consultants to perform assessments on the business units with industry benchmarks.
- Define cybersecurity programme and centralised function to provide oversight, promote cybersecurity hygiene, strengthen cybersecurity defences and manage cybersecurity incidents.
- Perform regular vulnerability assessment and penetration testing to identify weaknesses.
- Maintain disaster recovery plans and backup for data restoration.
- Arrange regular security awareness training at least annually and phishing testing to raise users' cybersecurity awareness.
- Conduct regular internal audits of IT general controls and cybersecurity.

Pandemic

Description

COVID-19 has demonstrated the wide-ranging and long-lasting impacts and disruptions for businesses, communities and employees that may result from the spread of a pandemic. While the governments and businesses have gained experience from COVID-19 in preparing for and responding to future pandemic scenarios, nevertheless significant disruptions and uncertainties would likely result from global or regional pandemics of a similar nature if they raise the prospect of lockdowns, restrictions on cross-border mobility, interruptions to supply chains, and dampened consumer sentiment while vaccines are unavailable.

Mitigation

- Increase flexibility and resilience of work arrangements, including tools that enable employees to effectively work from home, where possible.
- Test business continuity plans periodically for various scenarios including loss of premises, systems, people, and extended periods of split teams.
- Increase resilience of supply chain with sourcing alternative suppliers for key inputs and close coordination with logistics partners.

Political and economic risk	**Description** Changes and uncertainties in the political landscape pose risks for business activity and sentiment in the territories where the Group operates and consequently for the current investments and future growth of the Group. In recent years, sources of uncertainty include geopolitical tensions between China and the United States, terrorism, and government instability in parts of South East Asia. Rising costs of fuel and staple foods are particularly sensitive for developing markets where the Group operates, heightening the risk of civil discontent and political instability. The imposition of export bans by some governments on food and raw materials adds further uncertainties in the availability and cost of supplies for the Group's hotels and residences that import these items. The Group's business is exposed to the risk of adverse developments in global and regional economies and financial markets, either directly, or through the impact such developments might have on the Group's joint venture partners, associates, bankers, suppliers, or customers. These developments could include recession, inflation, deflation, currency fluctuations, restrictions in the availability of credit, business failures, or increases in financing costs, oil prices or the cost of raw materials. Such developments might increase operating costs, reduce revenues, lower asset values or result in some or all of the Group's hotels and residences being unable to meet their strategic objectives. **Mitigation** ■ Maintain the Group's financial strength and funding sources under scenarios of economic downturn and other stresses. ■ Monitor the volatile macroeconomic environment and consider economic factors in strategic and financial planning processes. ■ Make agile adjustments to existing business plans and explore new business streams and new markets. ■ Review pricing strategies and keep conservative assumptions on global commodity prices. ■ Insurance programme covering business interruption due to civil unrest.
People and talent	**Description** The competitiveness of the Group's businesses depends on the quality of the people that it attracts and retains. The unavailability of needed human resources may impact the ability of the Group's businesses to operate at capacity, implement initiatives and pursue opportunities. Recent and future workforce rationalisation may raise the potential for organisational gaps in capabilities, succession and controls. With worker preferences shifting towards greater importance attached to mental health and well-being, the Group faces heightened risk for talent attraction and retention if they cannot adapt their propositions for workers.

Principal risks and uncertainties *continued*

People and talent *continued*	**Mitigation** ■ Support workforce practices that promote well-being and flexible work arrangements that are competitive with the market. ■ Ensure proactive manpower planning and succession planning are in place. ■ Enhance modern employer branding, training for staff members, compensation, and benefits, including retention incentives. ■ Implement strategy to promote IE&D across the Group. ■ Establish employee assistance and counselling programmes. ■ Enhance talent development plans to increase employees' visibility on future career paths, including identifying strategic talent pools. ■ Delivering new learning programmes to equip staff with finance, procurement, HR, digital, IT and innovation technical capabilities for business transformation.
Compliance with and changes to laws and regulations	**Description** The Group's business is subject to several regulatory regimes in the territories they operate in. New or changing laws and regulations in a wide range of areas such as foreign ownership of assets and businesses, exchange controls, building and environmental standards, competition, tax, employment, and data privacy could potentially impact the operations and profitability of the Group's business. Non-compliance may lead to reputational damage from media exposure and financial loss due to litigation or penalties by government authorities. **Mitigation** ■ Engage legal experts at early stage to assess implications of new rules. ■ Stay connected and informed of relevant new and draft regulations. ■ Engage external consultants where necessary. ■ Raise awareness via principals' brand conference with an annual update on new regulations that may have been implemented in other markets. ■ Lobby relevant associations and authorities through appropriate channels. ■ Perform early scenario planning to assess implications of new rules and prepare for contingencies.

Effectiveness review of risk management and internal control systems

The effectiveness of the Company's risk management and internal control systems is monitored by the internal audit function, which reports functionally to the Audit Committee of the Group. The findings of the internal audit function and recommendations for any corrective action required are reported to the Audit Committee and, if appropriate, to the Jardine Matheson's audit committee.

Shareholder Information

Financial calendar

2023 full-year results announced	7th March 2024
Shares quoted ex-dividend	21st March 2024
Share registers closed	25th to 29th March 2024
Annual General Meeting to be held	8th May 2024
2023 final dividend payable	15th May 2024
2024 half-year results to be announced	1st August 2024 *
Shares quoted ex-dividend	22nd August 2024 *
Share registers to be closed	26th to 30th August 2024 *
2024 interim dividend payable	16th October 2024 *

* Subject to change

Dividends

Shareholders will receive cash dividends in United States Dollars, except when elections are made for alternate currencies in the following circumstances.

Shareholders on the Jersey Branch Register

Shareholders registered on the Jersey branch register can elect for their dividends to be paid in Sterling. These shareholders may make new currency elections for the 2023 final dividend by notifying the United Kingdom transfer agent in writing by 26th April 2024. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 2nd May 2024.

Shareholders holding their shares through CREST in the United Kingdom will receive cash dividends in Sterling only, as calculated above.

Shareholders on the Singapore Branch Register who hold their shares through The Central Depository (Pte) Limited ('CDP')

Shareholders who are on CDP's Direct Crediting Service ('DCS')

Those shareholders on CDP's DCS will receive their cash dividends in Singapore Dollars unless they opt out of CDP Currency Conversion Service, through CDP, to receive United States Dollars.

Shareholders who are not on CDP's DCS

Those shareholders not on CDP's DCS will receive their cash dividends in United States Dollars unless they elect, through CDP, to receive Singapore Dollars.

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, IFC 5, St Helier, Jersey JE1 1ST, Channel Islands

Singapore Branch Registrar (with effect from 1st March 2024)

Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632

United Kingdom Transfer Agent

Link Group, 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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