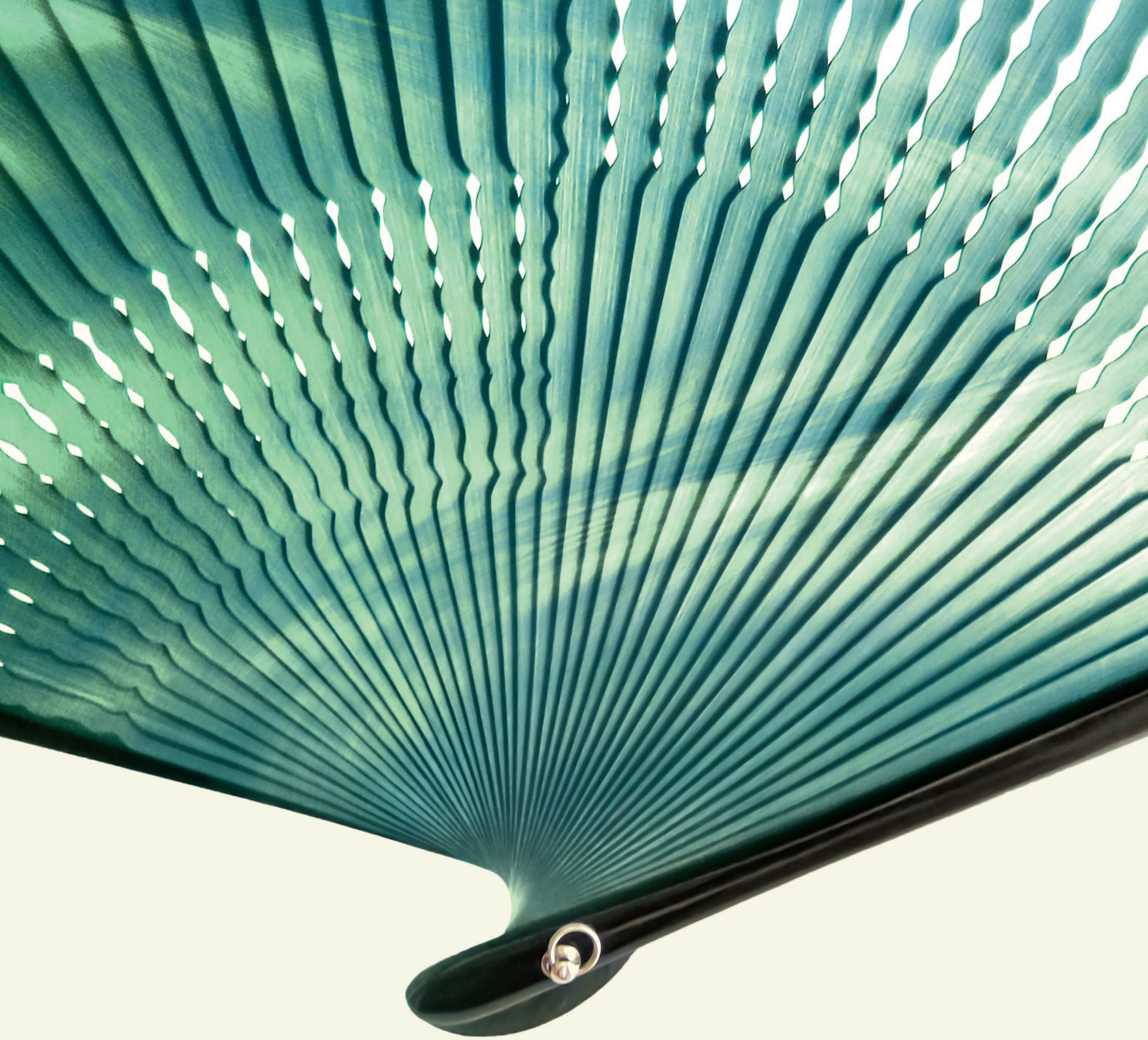


Mandarin Oriental International Limited

Annual Report 2022

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 36 hotels and nine residences in 24 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$4.9 billion as at 31st December 2022.

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

Contents

Corporate Information

Directors

Ben Keswick *Chairman*
John Witt *Managing Director*
James Riley *Group Chief Executive*
Matthew Bishop
Jinqing Cai
Adam Keswick
Archie Keswick
Y.K. Pang
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*
James Riley *Group Chief Executive*
Matthew Bishop *Chief Financial Officer*
Graham Baker
Kieren Barry
Matthew Bland
(joined the board on 1st April 2022)
Francesco Cefalu
(will join the board on 1st April 2023)
Paul Clark
Joanna Flint
Christoph Mares
Vincent Marot
Paul Massot
(will retire on 31st March 2023)
Anne O'Riordan
Y.K. Pang
Jeremy Parr
(stepped down on 31st March 2022)

Company Secretary

Jonathan Lloyd

Highlights

Mandarin Oriental International Limited

- Combined revenue exceeded 2019 levels
- Group returns to underlying profit
- Strong performance from management business, particularly resort hotels
- Good recovery by owned hotels, although results impacted by Hong Kong and Tokyo
- Two new hotels and two new residences opened and seven new projects announced

Results

	Year ended 31st December 2022 US$m	2021 US$m	Change %
Combined total revenue of hotels under management[1]	**1,568.1**	1,053.5	49
Revenue	**454.1**	316.9	43
Underlying EBITDA (Earnings before interest, tax, depreciation and amortisation)[2]	**111.4**	40.7	174
Underlying profit/(loss) attributable to shareholders[3]	**7.6**	(68.1)	n/a
Revaluation loss on investment property under development	**(104.1)**	(73.9)	(41)
Gain on asset disposals	**47.0**	–	n/a
Loss attributable to shareholders	**(49.5)**	(141.4)	65
	US¢	US¢	%
Underlying earnings/(loss) per share[3]	**0.60**	(5.39)	n/a
Loss per share	**(3.92)**	(11.19)	65
	US$	US$	%
Net asset value per share	**2.61**	2.62	–
Adjusted net asset value per share[4]	**3.87**	3.93	(2)
Net debt/shareholders' funds	**11%**	16%	
Net debt/adjusted shareholders' funds[4]	**8%**	10%	

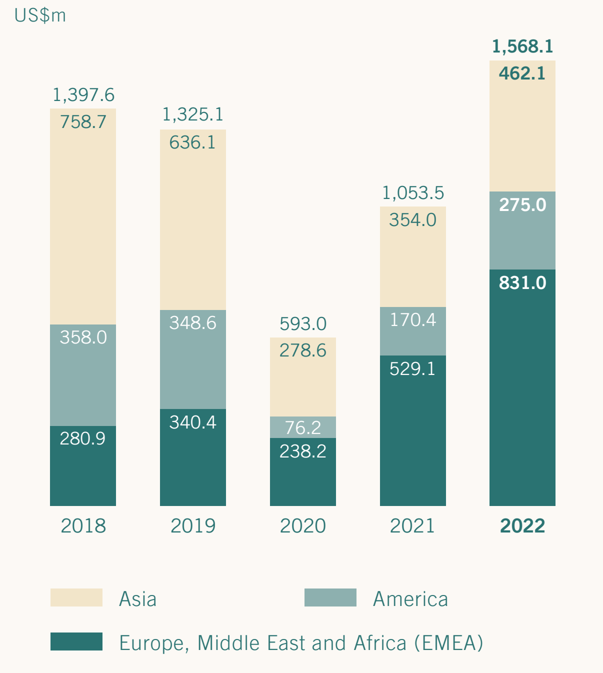
1 Combined revenue includes turnover of the Group's subsidiary hotels in addition to 100% of revenue from associate, joint venture and managed hotels.

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

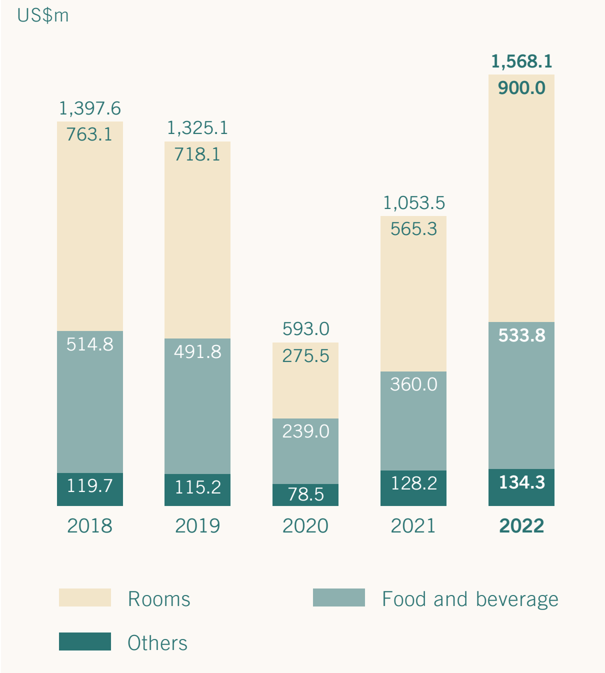
3 The Group uses 'underlying profit/loss' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 33 to the financial statements. Management considers this to be a key measure which provides additional information 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 2022. 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 2022 have included the market value of the Group's freehold and leasehold interests.

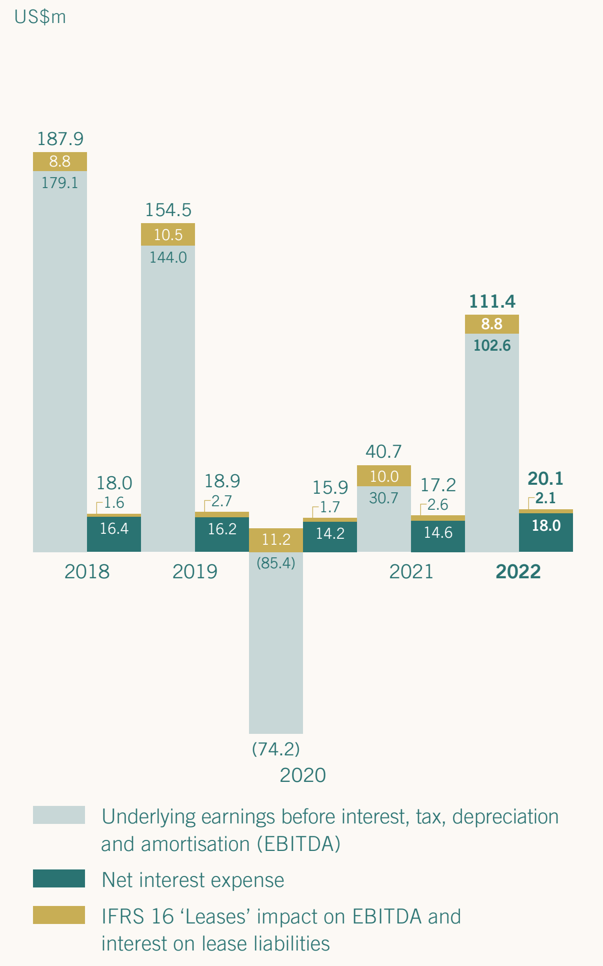
Combined total revenue
by geographical area



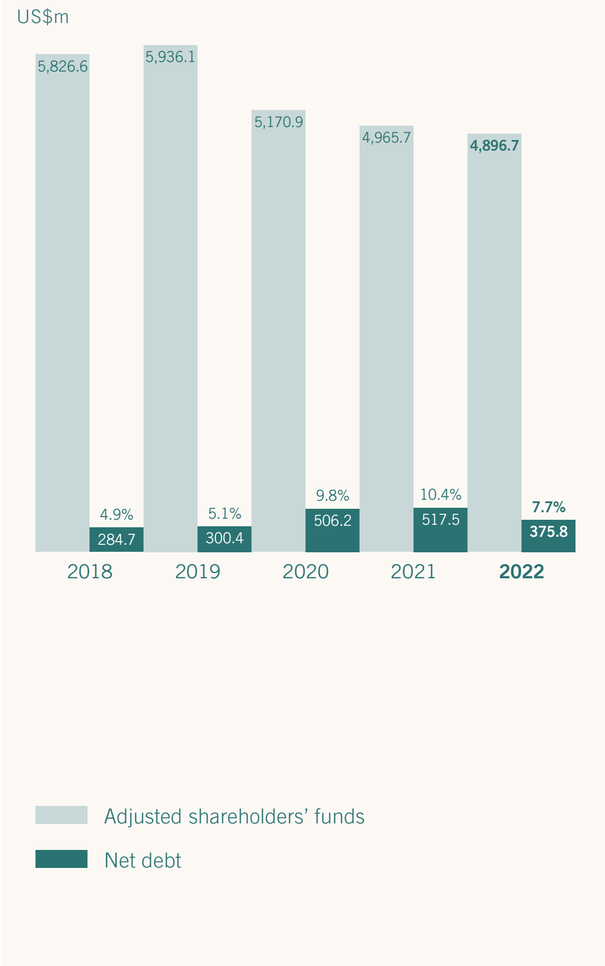
Combined total revenue
by type of business



Underlying EBITDA and net interest expense



Net debt/adjusted shareholders' funds



Chairman's Statement

Overview

2022 has been a year of transition, after two years in which the global hospitality industry was badly hit by the pandemic. Travel restrictions in Europe, the Middle East and America fell away during the first quarter, but East Asia continued to be hampered by constraints on movement well into the fourth quarter. The performance of the Group recovered strongly in the year, with combined total revenue of hotels under management of US$1.6 billion in 2022, a significant increase from 2021 and 18% above 2019.

2022 Financial performance

Underlying earnings before interest, tax, depreciation, and amortisation ('EBITDA') were US$111 million, compared to US$41 million in 2021. The Group achieved an underlying profit of US$8 million for the full year, its first profit since 2019. Although profitability remained significantly below pre-pandemic levels, this is a substantial improvement compared with 2021, when the Group recorded an underlying loss of US$68 million.

Non-trading losses of US$57 million (US$73 million in 2021) comprised a US$104 million (3%) non-cash decrease in the valuation of the Causeway Bay site under development, offset by a US$47 million realised gain from the sale of Mandarin Oriental, Washington D.C. in September 2022, leading to a loss attributable to shareholders of US$49 million.

At 31st December 2022, the adjusted net asset value per share, which reflects the independent valuation of both the Group's owned hotel properties and of the Causeway Bay site, was US$3.87, a 2% decrease compared with 2021. Net debt fell to US$376 million from US$517 million at the end of 2021. Gearing as a percentage of adjusted shareholders' funds was 8%, compared to 10% at the end of 2021.

The Group remains well funded, and its liquidity position remained robust, with US$226 million of cash reserves and US$471 million in available, committed debt facilities.

No dividend will be paid in respect of 2022.

Year in review

The Group's performance benefitted from the resumption of normal travel conditions as 2022 progressed. Most of the Group's owned or partially owned properties reported better earnings in 2022. Performance from owned hotels, however, continued to be adversely affected by lower contributions from the Hong Kong and Tokyo hotels, whose performance was heavily impacted by COVID restrictions throughout most of the year. Results were notably better in London, Paris, Singapore, and Bangkok, driven by improvements in occupancy and high rates. Overall EBITDA from the Group's owned hotel business was US$77 million, compared to US$24 million in 2021. After depreciation and interest charges, there was an underlying loss from the Group's property interests of US$7 million in 2022, compared to a loss of US$71 million in the prior year.

The Group's management business recorded a stronger performance, with an EBITDA of US$34 million, compared to US$17 million in 2021. Management fees increased in particular in resort destinations such as Bodrum, Lake Como, and Dubai. The Group's management business reported an underlying profit of US$17 million in 2022, compared to US$5 million in 2021.

Development

In 2022, the Group announced seven new management contracts, in Greece, Italy, Egypt, Kuwait, the Maldives, China and Vietnam. The Group's robust development pipeline includes 26 projects expected to be completed in the next five years.

The Group opened two new hotels in the year, in Shenzhen, China and Lucerne, Switzerland, and two standalone residences in Barcelona, Spain and Beverly Hills, USA. Five projects are scheduled for opening in 2023: Mayfair in London, Costa Navarino in Greece, Muscat in Oman, Zurich in Switzerland, and residences in New York.

The Causeway Bay site in Hong Kong, which is being redeveloped as a mixed-use office and retail complex, remains on track to complete in 2025.

Sustainability

We continued to make progress against our various sustainability goals and commitments in 2022, and have set long-term environmental targets for each of our hotels. We have largely achieved our goal to eliminate single-use plastics in our hotels and we remain committed to improving this. Our ambitious goals for the future include actively reducing food waste, expanding our responsible procurement practices, and empowering our colleagues further in carrying out volunteering activity.

People

On behalf of the Board, I would like to express my sincere appreciation to all our colleagues for their dedication and commitment throughout the year. Our colleagues are central to the legendary guest experience for which the Group is renowned, and we remain focussed on being an employer of choice.

Outlook

The Group expects to see a strong improvement in its results in 2023, particularly as restrictions in East Asia continue to ease. With a robust pipeline of new developments and a globally recognised brand, the Board also remains confident in the long-term success of the Group.

Ben Keswick
Chairman
2nd March 2023

Group Chief Executive's Review

Mandarin Oriental is widely recognised as one of the world's leading luxury hotel groups, and the heritage of our brand is a thread that runs through each of our properties. 2022 has been an important year of transition for the Group, as we have moved from a difficult pandemic environment to the return of more normal travel conditions and hence recovered our ability to operate. We remain focussed on building on and leveraging the strength of our brand – oriental mastery of luxury and service excellence underpinned by our people. We are committed to our vision – *A World of Fans* – as well as our strategy to grow our development pipeline and our management business. We aspire for the Fan to grow in relevance and stature outside of the boundaries of our properties, paving the way for Mandarin Oriental to evolve from a luxury hotel group to a luxury brand.

In 2022, it was pleasing to see the Group make a robust recovery and deliver increasingly improved performance, as travel conditions around the world gradually returned to normal. As we emerge from the pandemic, we have positioned the Group for long-term growth, maintained our service standards and continued to create moments of delight for our guests.

Our hotels performed strongly in regions without travel restrictions and were able to sustain their market-leading position. In Asia, the operations of our hotels were hampered by travel restrictions. In Southeast Asia these began to be relaxed in the middle of the year but those in China and Japan continued into the fourth quarter. However, with the full relaxation of these restrictions at the end of 2022, we are confident of a strong rebound in performance in 2023. Financially, while performance remained below pre-pandemic levels in the year, the Group reported a significant improvement in EBITDA to US$111 million, compared to US$41 million in 2021. For the first time since the outbreak of the pandemic in 2020, the Group was able to record an underlying profit for the year.

In addition to delivering improved operational and financial performance, we are encouraged that the Group has made great strides across our strategic priorities.

In 2022, the Group opened two new hotels in Shenzhen and Lucerne, and two residences in Barcelona and Beverly Hills. We expect to open several new properties across Europe, the Middle East, and Asia in 2023 and to complete a comprehensive renovation of Mandarin Oriental, Singapore. In addition, seven new management contracts were announced in 2022, further strengthening our development pipeline. We are focussed on delivering this pipeline and bringing our new properties to market.

2023 also marks the 60th anniversary of the opening of the Group's first hotel – Mandarin Oriental, Hong Kong. The Group is delighted to commemorate this historic occasion with several celebratory events planned throughout the year.

We relaunched *mandarinoriental.com* in 2022, following a comprehensive overhaul resulting in enhancements to elevate the guest digital experience and drive higher revenue through our digital sales channels. Our guest recognition programme – *Fans of M.O.* – continues to grow, and we now have over 1.4 million members, representing an increase of 32% since 2021. We extended our footprint with the launch of *Mandarin Oriental Exclusive Homes*, a hand-picked collection of the most luxurious private homes. We are also proud to be able to announce that we have achieved the elimination of 99% of single-use plastics across our portfolio of hotels. As we look ahead, we are optimistic about the future.

2022 Performance

Overall, the Group's financial performance improved significantly in 2022. Following the removal of travel restrictions in most parts of the world, the Group experienced strong demand, and occupancy increased considerably compared to 2021. Our hotels also achieved high rates, with many setting new records, as guests sought luxury and superior service. In China and Japan, however, travel restrictions that were in place until late 2022 limited the recovery of our hotels compared to 2021 and other regions.

Combined total revenue from hotels under management was US$1,568 million, a 49% increase compared to 2021, supporting the Group's return to profitability. EBITDA was US$111 million and underlying profit was US$8 million. This performance represents a marked improvement compared to our 2021 financial performance, when we reported an EBITDA of US$41 million and an underlying loss of US$68 million.

The improved performance was primarily driven by higher occupancy and strong rates in Europe, the Middle East, and Africa ('EMEA') and America. While occupancy generally remained slightly below pre-pandemic levels in key gateway cities and leisure destinations, our hotels achieved record rates, resulting in strong Revenue Per Available Room ('RevPAR'). In EMEA, RevPAR was US$564, 45% above 2021, driven by improved occupancy and average daily rate ('ADR'). RevPAR also exceeded 2019 by 22%. Similarly, in America, the Group recorded RevPAR of US$397, 50% above 2021.

In Asia, the Group achieved occupancy of 39% in 2022, compared to 35% in 2021. Travel restrictions in Southeast Asia were relaxed gradually throughout the year, and the Group's hotels saw quarter-on-quarter improvements in occupancy, which led to steadily improving financial performance. In China and Japan, however, travel restrictions remained in place for almost all of 2022, and demand was suppressed, impacting the performance of our hotels in those markets.

Owned hotel performance

The Group's owned hotels, which contribute a major proportion of the Group's results, recorded an EBITDA of US$77 million in 2022, considerably higher than the US$24 million result in 2021. These hotels, however, made an underlying loss of US$7 million in 2022, predominantly due to depreciation charges attributable to the properties.

Of the Group's 14 owned or partially owned hotels, operations in the Group's two key profit-generating hotels in Hong Kong and Tokyo were seriously hampered by stringent travel restrictions for the majority of the year. These restrictions were removed in the fourth quarter, but not in time to allow much of an improvement in their financial performance. Prior to the pandemic, Hong Kong was the Group's most profitable hotel. In 2022, it delivered a marginally positive EBITDA, supported by food and beverage performance, but remained well below peak performance levels. Tokyo incurred a significant EBITDA loss, due to the rental charges arising from it being a leased property. The Group's owned hotels in Southeast Asia benefitted from the gradual relaxation of restrictions earlier in 2022. Popular destinations such as Bangkok and Singapore delivered robust profitability, with these hotels both achieving EBITDA of US$5 million in the fourth quarter, a significant improvement from the third quarter.

In EMEA and America, where trading conditions substantially improved compared to last year, all hotels achieved positive EBITDA. Of note were contributions made by the Group's hotels in London and Paris, both of which delivered profitability at or above pre-COVID levels driven by strong rates. Madrid, which reopened in 2021 following a three-year restoration, also delivered solid performance. In America, the Group's hotel in Miami delivered another good result, and hotels in key cities such as New York and Boston were able to achieve record rates.

Management business performance

The Group's management business delivered a higher proportion of the Group's overall result than it did historically. As a result of the improved trading conditions and Mandarin Oriental's expanded portfolio of hotels and residences, total hotel management fees were US$60 million, 57% higher than 2021. In 2022, the management business reported a positive EBITDA of US$34 million and an underlying profit of US$17 million, a significant improvement compared to US$17 million EBITDA and US$5 million underlying profit in 2021.

Most hotels delivered higher management fees than last year, and leisure destinations such as Dubai, Bodrum, and Lake Como, continued to achieve high rates and occupancy due to strong demand, and produced another record year of management fees. Whilst the Group has remained agile in adapting to changes in restrictions and government policies, results in China were inevitably impacted. Only now are normal travel restrictions returning to the region, and the Group is confident in a fast recovery in travel and improved trading conditions in 2023.

Strategy – *A World of Fans*

Through the pandemic, we were focussed on near-term priorities to rebuild business levels and win new business, uphold the brand's reputation for quality, and maintain our agile approach to operations to improve profitability. As we emerge from the pandemic, our vision – *A World of Fans* – is advancing both the value of the brand and the profitability of the Group. We see every interaction, both internally and externally, as an opportunity to build meaningful and long-lasting relationships with a global community of Fans. We are focussed on continuing to progress our strategic priorities, outlined below, to create the right foundation to drive sustainable long-term growth.

1) **Elevating our brand**
   Mandarin Oriental is a globally recognised brand and the Group's most powerful asset. The foundation lies in our portfolio of unique properties delivering 21st century luxury and legendary, personalised, and empathetic service reflecting the Group's oriental heritage. We continue to develop the brand's presence by expanding our global footprint through new hotels and residences. Partnerships with other luxury brands continue to enhance the brand beyond the four walls of our hotels. We remain focussed on growing the Group's existing ventures, including the continual expansion of *Mandarin Oriental Exclusive Homes,* our online retail store *Shop M.O.*, and our strategic alliance with The Oberoi Group. Our long-term objective is to evolve from a luxury hospitality brand to a luxury brand. We will continue to review and evaluate strategic opportunities with the goal of unleashing the full potential of the brand and reaching a wider audience in new sectors.

2) **Powering our core**

As our business grows, we increasingly need to leverage our data to gain deeper insight into our properties and determine new strategies for improved performance and growth. The data we gather and analyse today provides additional feedback on the strengths and weaknesses in the proposition of each of our hotels. Our colleagues are actively using this to drive better services, an enhanced guest experience, improved revenue management and more effective marketing. There is still more, however, that we can do with our data, and we have reorganised our internal teams to drive excellence in this area, as well as enhancing visibility across all digital and transformation initiatives.

We are also focussed on driving operational efficiencies by enhancing the effectiveness of our systems and processes to ensure our internal functions are modernised to enable scalability.

3) **Lifting our people**

Evolving and protecting our unique cultural DNA remains critical to securing the consistent delivery of service excellence, a crucial differentiator of Mandarin Oriental. The Group's focus on acquiring and retaining the right talent, providing an engaging colleague experience, and preparing the organisation for growth remains central to our people strategy and is increasingly relevant as the hospitality industry faces talent shortages. We are embarking on a human resources ('HR') transformation to support the needs of a changing workforce. We recently launched a digital, interactive learning and development platform. In addition, we will be implementing a HR operating model that simplifies our technology platform landscape and will be redesigning our processes to enhance our understanding of our talent to support organisational agility.

4) **Exceptional quality**

The Group firmly believes that its competitive advantage lies in its portfolio of unique properties and consistent delivery of service excellence, characterised by the warm, engaging, personal interactions we have with our guests. As we plan for the opening of 26 new hotels and residences in the next few years, we are constantly evolving our guidelines across design and technology to curate a portfolio of distinct, highly appealing properties. We are also focussed on leveraging new technologies such as *Hello MO*, our on-property live guest communication channel, to provide a customer-centric, personalised experience for guests. In addition, we are committed to maintaining our high service levels, striving to exceed our guests' expectations, and evolving our standards for future guests.

Business development strategy

The Group's long-term strategic priority is to grow its management business significantly by securing management contracts in key destinations, leveraging the strength of our brand. We will retain ownership of iconic properties in brand-defining locations, in order to benefit from operational profitability and capital appreciation over the long-term, while conducting regular reviews of the Group's asset portfolio.

Today, we operate 36 hotels and nine residences. In 2022, we opened two new hotels in Shenzhen and Lucerne, and two standalone residences in Barcelona and Beverly Hills. We also announced seven new management contracts in Costa Navarino (Greece), the Maldives, Cairo, Cortina (Italy), Tianfu (China), Kuwait, and Bai Nom (Vietnam). These new properties are all management contracts, expanding the Group's presence into new countries and new propositions, including the Group's first alpine resort.

Over the past few years, we have diligently built a robust pipeline, which now comprises over 26 projects expected to open in the next five years. We are confident that our development strategy will enable a healthy growth rate.

We remain focussed on maintaining the momentum of delivery of new hotel and residences openings and continued replenishment of our development pipeline. While we are somewhat reliant on developers, we are working closely with our property owners to ensure the smooth delivery of projects and meet our target of opening four to five new properties each year. In 2023, we expect to open four new hotels in London, Muscat, Zurich and Costa Navarino, and residences in New York.

As part of the regular review of our asset portfolio, we completed the sale of Mandarin Oriental, Washington D.C., in September 2022.

Looking ahead, the redevelopment of the site in Causeway Bay, Hong Kong is on track to complete in 2025.

Sustainability

Corporate responsibility values are deeply ingrained in Mandarin Oriental's culture, and sustainability implications are carefully considered in every decision across the Group. One of our guiding principles is 'Acting with responsibility', and we have established a Naturally Better programme to direct our efforts towards the well-being of the planet, communities and individuals. As the Group grows, its responsibility to drive sustainability in the way its hotels operate becomes even more impactful.

We aim to achieve the best possible environmental performance across all of our hotels. We have developed 10-year environmental targets for each of our hotels, differentiated by reference to the circumstances, priorities and location of each property and made good progress against these.

In the past year, we have continued to push ahead across our various sustainability goals and commitments, and we are proud to have achieved considerable success through collective action. This includes broadly achieving our target to eliminate single-use plastics in our hotels, by reaching 99% elimination in 2022.

Going forward, we will continue to focus on advancing our key sustainability priorities. Our ambitious goals include actively reducing food waste and expanding our responsible procurement practices. We will also be providing additional paid leave for volunteering, to empower colleagues to interact with their communities and contribute to causes that are close to their hearts.

Culture and colleagues

At the heart of Mandarin Oriental's reputation as a luxury hotel group is its culture, derived from its oriental heritage and an unwavering focus on delivering exceptional, personalised, and empathetic service. We continue to foster a culture of inclusivity and innovation, that encourages new and different behaviours and ideas, to stay relevant with the pace of change in today's world. We empower colleagues to feel comfortable in being themselves and in voicing their ideas. We encourage our colleagues to believe in and deliver our core values of doing the right thing for customers, communities, and the planet. We must continue to actively support and reward these behaviours to sustain this culture and mindset.

Our vision – *A World of Fans* – can only be achieved through our people. I would like to personally thank each and every one of my colleagues for their commitment, dedication, and hard work in the past year. Their continuing desire to deliver unique and memorable experiences for our guests and the pride with which they carry the Mandarin Oriental brand is central to the success of the business.

The year ahead

2023 will be a very busy year for the Group with multiple new openings of hotels and residences, and improvements to our existing portfolio. We expect the Group's financial performance in 2023 will benefit from the return of demand in Hong Kong and Tokyo, two of the Group's key profit-contributing hotels. We are confident that, with our globally recognised brand, expanding Fan base, robust pipeline of projects, and our people, we are well-placed to benefit from improving market conditions and to achieve long-term growth.

James Riley
Group Chief Executive
2nd March 2023

Operating Summary

Total portfolio RevPAR

US dollar

	2022 US$	2021 US$	% Change
Asia	**123**	86	43
Europe, Middle East and Africa	**609**	400	52
America	**397**	265	50
Total	**306**	203	51

Constant currency

	2022 US$	2021 US$	% Change
Asia	**130**	86	51
Europe, Middle East and Africa	**709**	400	77
America	**401**	265	51
Total	**340**	203	68

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 2021 and 2022. Any new openings, closures or disposals during the period are excluded.

Group's subsidiary hotels RevPAR

ASIA

Mandarin Oriental, Hong Kong 100% ownership

	2022	2021	% Change
Available rooms	**494**	494	–
Average occupancy (%)	**29.8**	30.2	(1)
Average room rate (US$)	**339**	315	8
RevPAR (US$)	**101**	95	6

Mandarin Oriental, Tokyo 100% leasehold

	2022	2021	% Change
Available rooms	**179**	179	–
Average occupancy (%)	**50.5**	28.9	75
Average room rate (US$)	**485**	504	(4)
RevPAR (US$)	**245**	145	69

Mandarin Oriental, Jakarta 96.9% ownership

	2022	2021	% Change
Available rooms	**272**	272	–
Average occupancy (%)	**52.2**	49.1	6
Average room rate (US$)	**121**	92	32
RevPAR (US$)	**63**	45	40

EUROPE, MIDDLE EAST AND AFRICA

Mandarin Oriental Hyde Park, London 100% ownership

	2022	2021	% Change
Available rooms	**181**	181	–
Average occupancy (%)	**60.3**	30.7	97
Average room rate (US$)	**1,445**	1,281	13
RevPAR (US$)	**871**	393	122

Mandarin Oriental, Munich 100% ownership

	2022	2021	% Change
Available rooms	**73**	73	–
Average occupancy (%)	**65.8**	40.1	64
Average room rate (US$)	**1,041**	906	15
RevPAR (US$)	**685**	363	89

Mandarin Oriental, Paris 100% ownership

	2022	2021	% Change
Available rooms	**135**	135	–
Average occupancy (%)	**60.2**	34.0	77
Average room rate (US$)	**1,284**	1,094	17
RevPAR (US$)	**773**	372	108

Mandarin Oriental, Geneva 100% ownership

	2022	2021	% Change
Available rooms	**178**	178	–
Average occupancy (%)	**59.1**	40.2	47
Average room rate (US$)	**666**	647	3
RevPAR (US$)	**394**	260	52

AMERICA

Mandarin Oriental, Boston 100% ownership

	2022	2021	% Change
Available rooms	**148**	148	–
Average occupancy (%)	**56.6**	38.3	48
Average room rate (US$)	**702**	666	5
RevPAR (US$)	**397**	255	56

Development Portfolio

The following 25 hotels and 13 *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 69 villas and 18 *Residences at Mandarin Oriental*, ideally located on a spectacular beach in one of Vietnam's most popular leisure destinations.

Mandarin Oriental, 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 branded *Residences at Mandarin Oriental*, with panoramic views of the Indian Ocean.

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

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

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

Europe, Middle East and Africa

Mandarin Oriental Shepheard, Cairo
A re-branding of the celebrated Shepheard Hotel in Downtown Cairo, currently closed for renovation. This 188-room and 88-suite 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, in the summer of 2025 after a comprehensive renovation. This 83-room historic hotel enjoys impressive views of the Dolomites and will be the Group's first alpine resort.

Mandarin Oriental, Costa Navarino
A stunning 99-villa beachfront resort in Greece, located on the southwest coast of the Peloponnese, one of the most breath-taking landscapes in the Mediterranean.

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

Mandarin Oriental, Kuwait
A new 159-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 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.

Europe, Middle East and Africa *continued*

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 150 *Residences at Mandarin Oriental*, located on the beach in a prime city location, with views over the Arabian Sea.

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

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

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

America

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

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

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

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

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

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

International Brand Recognition

Mandarin Oriental continues to be recognised as one of the world's most esteemed luxury hotel brands. In 2022, 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 13 properties featured in *Condé Nast Traveller's* 'Readers' Choice Awards'.

In 2022, the innovation of 17 restaurants across the Group were honoured in the *Michelin* guides, with 27 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.

Mandarin Oriental Hotel Group

Mandarin Oriental was always a solid bet for attention to detail and exemplary service. The smiling, attentive staff, are a reminder of what hospitality is all about; they make you feel welcome as soon as you walk through the door, and the overall impression is that no request is too much.

Financial Times, UK

Mandarin Oriental, Bangkok

The world's best hotels aren't just beautifully designed, meticulously staffed and flush with facilities – the 146-year old Mandarin Oriental, Bangkok is all of these things – they are also places infused with a sense of fun, an anything-might-happen frisson. I simply don't feel like I've been to Bangkok unless I've had at least one night soaking up the good life at Mandarin Oriental.

Condé Nast Traveller, UK

Mandarin Oriental, Hong Kong

This hotel has always been fun – a celebration of Hong Kong's unique identity. Or the first time in its history, the hotel now also has a club lounge with cocktail hours and afternoon tea. But it's not the new attractions that really matter. What counts is that Mandarin Oriental remains a much-loved symbol of the city's cosmopolitan history.

Condé Nast Traveller, UK

Mandarin Oriental, Barcelona

There's no need to sacrifice luxury for location at Mandarin Oriental, Barcelona. Its tranquil spa, high-end restaurants and sumptuous rooms mean this hotel is not just the ultimate city break crash pad but a must-visit destination in its own right. So no one will judge you if you check in then never actually venture beyond the front door…

Country & Town House, UK

Mandarin Oriental, Doha

Mandarin Oriental, Doha opened its doors in 2019 as the anchor for the new art, culture and sustainability neighbourhood Msheireb Downtown Doha and fast became one of the most tasteful retreats in the Qatari capital. While Mandarin Oriental's signature hospitality and traditional white-gloved luxury prevail, this is a hotel with Qatari heritage and soul at its core.

Condé Nast Traveller, UK

Mandarin Oriental Jumeira, Dubai

Five gorgeous pools, a breath-taking private beach, and a fabulous spa make Mandarin Oriental Jumeira a prime choice for honeymooners looking for a glamorous yet relaxing stay in Dubai. With a beachfront location right in front of Mercato Beach, Mandarin Oriental Jumeira, Dubai is a great base for discovering all downtown Dubai's main attraction. The hotel is Mandarin Oriental at its finest, as guests are greeted with a stunning signature scent the moment you enter. There's certainly plenty to fall in love with there.

Glamour, UK

Mandarin Oriental Bosphorus, Istanbul

Launched in September 2021, Mandarin Oriental Bosphorus, Istanbul was one of the most highly anticipated hotel openings last year and it is certainly impressive from its super chic interior to its gorgeous location, right on the shoreline of the Bosphorus.

Forbes, US

Mandarin Oriental Hyde Park, London

Mandarin Oriental Hyde Park, London has everything you could want from a romantic hotel stay, from an indulgent spa with couples treatment options to a broad selection of stylish food and drink options. The guest rooms are elegant and contemporary, with the option to book a view of Hyde Park's lush greenery, and the signature suites are worth the splurge.

Brides, US

Mandarin Oriental Palace, Luzern

There is no better base camp than the Palace hotel – lately reborn as Mandarin Oriental Palace, Luzern – and in particular its Panoramic Rooftop Terrace Suite, whose elevated corner position gives 360-degree views of the astonishing panorama. The Palace opened in 1906, but I doubt it ever has ever looked so good or felt so fresh as it does today – luminous, airy, delicately scented with bergamot and pine needles. The characterful belle époque elements have been meticulously preserved. The more time you spend in it, the more likely you are to appreciate the attention to detail that has gone into its restoration.

The Telegraph, UK

Mandarin Oriental Ritz, Madrid

Madrid's grande dame, the Ritz, opened by César Ritz himself in 1910, has never looked so good. Dazzlingly fresh from an impressive makeover by French design studio Gilles & Boissier it is now part of Mandarin Oriental group, which has spared no expense in re-opening this Belle Époque jewel for the glamorous Madrileños who have long frequented it.

Country & Town House, UK

Mandarin Oriental, Milan

Mandarin Oriental, Milan set within four breath-taking 18th century buildings that would make any architecture-lover swoon, this former Manor house is the epitome of chic retreat with a mix of Oriental opulence and modern Milanese swank. Seriously, you couldn't design a more glamorous retreat befitting this fashion capital.

Forbes, US

Mandarin Oriental, Paris

One of the most luxurious hotels in Paris is undoubtedly Mandarin Oriental, Paris, among the boutiques of rue Saint-Honoré, and just a 10-minute walk away from the world-famous Louvre. This vibrant city hotel, built around a central, leafy courtyard, brings in the fashion and creativity of Paris and blends it seamlessly with the flair and hospitality that Mandarin Oriental group are so well known for. It is a hotel full of nods to Paris' history while simultaneously ushering in the future.

Condé Nast Traveller, UK

Mandarin Oriental, Canouan

Privacy and exclusivity are key words at Mandarin Oriental, Canouan. With just 26 suites and 13 villas, guests can expect impeccable service and a high attention to detail – not to mention unmatched ocean views at every turn.

Forbes, US

Mandarin Oriental, New York

A cornerstone of the city's five-star hotel scene, Mandarin Oriental's New York City outpost is known (for) elite service, fantastic spa, and impressive vistas. The rooms feel equal parts timeless in their definition of luxury and contemporary.

Condé Nast Traveler, US

Sustainability

Sustainability Update

'Acting with responsibility' is central to Mandarin Oriental's culture, and hence, sustainability implications are carefully considered with every decision across the Group. We are guided by our desire to 'do the right thing', and this is reflected in our approach to sustainability and our pursuit to seamlessly integrate it into our operations and processes, from daily procurement decisions to Group-wide commitments. Our sustainability framework is designed to support Mandarin Oriental in doing the right thing for our Planet, Guests, Colleagues and Communities with alignment to the United Nations Sustainable Development Goals, which serve as an important reference as we grow our brand around the world.

Our strong governance structure is well established with an Executive Advisory Panel and Group Sustainability Office supporting Sustainability Champions at every property, ensuring that sustainability is managed at every level of the organisation including at the grassroots. Our Champions are empowered to advance our focus on reducing our environmental impact, procuring responsibly, increasing social impact, and embedding inclusion deeper into our culture. Our sustainability achievements in 2022 are the result of hard work on the part of our colleagues, all of whom continue to demonstrate exceptional dedication and professionalism towards positively impacting their local communities. Across our portfolio, we endeavour to operate responsibly and sustainably over the long term, thereby fostering a culture that embraces diversity and promotes inclusion, which supports our colleagues and our communities.

In 2022, we appointed Lloyd's Register Quality Assurance ('LRQA') as our third-party auditor to verify each hotel's compliance against some of our key sustainability commitments. We relentlessly continued to pursue our ambitious goal of eliminating single-use plastics where possible[1] and verified this status for 30 out of 35 hotels by year-end – we are confident the remaining hotels will fully comply in 2023. We estimate that our efforts to-date equate to eliminating over 99% of single-use plastics in our operations and approximately 930 tonnes of plastic waste per annum. While our relatively small footprint limits our contribution to global plastic reduction, we are in a strong position to inspire important changes in the industry such as normalising plastic free supplier packaging. We have also advanced our responsible sourcing commitments and achieved Group-wide LRQA-verified status for 100% responsibly procured coffee, tea, cocoa, vanilla, paper and avoidance of endangered seafood types. Keeping in view the global concern for climate change, we continue to monitor decarbonisation opportunities and that steady progress is being made towards our 2030 environmental targets with property-led initiatives to reduce energy, switch to renewables, conserve water and reduce waste.

In the face of mounting global societal, economic and environmental risk, we believe sustainability is essential to enduring success and resilience. We have thus been actively expanding our sustainability programme to encompass a good balance of environmental, social and governance ('ESG') components and deepening our commitments and goals. This year, we published our Environmental Policy, Human Rights Policy, and Supplier Code of Conduct to actively communicate our ESG commitments on our Company website.

1 Excluding supplier packaging, although we continue to work closely with our suppliers to eliminate single-use plastics.

Mandarin Oriental's annual sustainability progress, initiatives, achievements, and best practices are covered in more detail in the Group's annual Sustainability Report. The 2022 report will be published in Q2 2023.

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

FOR THE PLANET

We place great importance on operating sustainably over the long term as we grow our portfolio of hotels, residences, and 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.

a) Energy audits, in our hotels at three-year intervals, provide insights to hotel operations, which inform recommended strategies and efficiency projects. Eight energy audits were performed in 2022 in line with guidance from the American Society of Heating, Refrigerating and Air-conditioning Engineers ('ASHRAE') Procedures for Commercial Energy Audits with estimated future savings of US$1.2 million per annum

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

c) Achieved 100% LRQA-verified responsibly sourced coffee, tea, cocoa, vanilla and paper

d) Avoided serving 19 types of endangered seafood species which are listed on MOHG'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

FOR GUESTS AND COLLEAGUES

We are well known for our health and 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.

We foster a culture of inclusion and empowerment, where colleagues feel comfortable to be themselves and voice their ideas. Our Diversity and Inclusion principles are incorporated across our business and HR practice.

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

b) Rolled out sustainability eLearning, which was completed by all colleagues

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

d) Continued raising awareness on Diversity and Inclusion, with ongoing Group-wide training on 'Leading a safe, respectful and inclusive 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$65,000 to US colleague charities

b) 17 years of support for Asian Cultural Council's Mandarin Oriental Fellowship for Cultural Heritage Preservation

c) The Group has collectively clocked more than 20,000 volunteer hours and donated over US$1.5 million in support of diverse social segments in various communities

d) Seven hotels have participated in an 'MOgiving' pilot program launched in April involving one paid day of volunteering offered to all colleagues within 2022. MOgiving engagement must be with charities or organisations that are relevant and genuinely support the local community, and the paid hours are captured in the normal payroll with no additional costs incurred. Pilot hotels have logged on average over 250% more volunteer hours compared to hotels who do not have the paid volunteering program in place

e) Over 400 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, Prague, provided accommodation to three Ukrainian women refugees for three months. Two out of the three women were employed by the hotel while living there. The three women were able to utilise the many services at the hotel including laundry

ii) Mandarin Oriental, Doha, donated 10% of revenue sales generated from Afternoon High Tea during October 2022 to the Qatar Cancer Society. They donated US$2,500 to support breast cancer research and treatments in Qatar

iii) Mandarin Oriental, Miami hosted an event for 28 foster families of 62 adults and 66 foster children. Lunch was served with different games and Santa photo booths. Hotel Culinary and Banquet teams spent 240 hours to make the event a success

iv) Mandarin Oriental, Taipei donated US$10,000 from the 'Love Share' Christmas Charity Sales and contributed a total of 3,000 volunteer hours to Taiwan Pawprint K9 Rescue and Taipei Stray Cats Protection Association, with the aim of offering sheltered stray animals better medical care and resources

Task Force on Climate-Related Financial Disclosures ('TCFD')

Mandarin Oriental is aligning our climate-related disclosures with the Task Force on Climate-related Financial Disclosures ('TCFD') framework. We embarked on our sustainability journey in 2007, the same year that global warming was deemed unequivocal by the Intergovernmental Panel on Climate Change ('IPCC'). Climate action is a key area of our sustainability programme, Naturally Better, and the Company actively monitors and pursues action to reduce greenhouse gas emissions associated with our business operations and beyond. In 2022, we conducted a property-level sustainability risk assessment to further enhance our understanding of the physical and transition risks of climate change on our portfolio and take action to safeguard our business against these risks.

Our disclosure is consistent with TCFD's core recommendations with two areas pending further advancement – scenario analysis and Scope 3 assessment. These areas are being taken into consideration for next steps and we aim to incorporate these into our disclosure over the medium term. We also plan to consider the TCFD's All Sector Guidance for other disclosure areas in our subsequent reporting.

Governance

Board's oversight of climate-related risks and opportunities

- The Board has overall responsibility for overseeing climate-related risks and opportunities.
- Progress updates on the Company's sustainability performance, including key initiatives and progress against relevant targets, are provided to the Board on a regular basis.
- The Board delegates to the Audit Committee responsibility for overseeing risk management activities.
- The Audit Committee reviews the operation and effectiveness of the Group's internal control systems and procedures by which risks, including climate-related risks, are monitored and managed.

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

- The Company has a multi-tiered sustainability governance structure and a sustainability framework to assess and manage climate and other sustainability-related issues holistically.
- The Executive Advisory Panel ('EAP'), led by the Group Chief Executive, defines key sustainability priorities for the Company and provides both resources and mechanisms for accountability. The EAP facilitates the integration of climate-related issues into operations. It meets at least once every quarter.
- The Group Director of Sustainability, supported by the Sustainability Office, is responsible for mobilising and coordinating the sustainability programme across the Company. This includes monitoring of sustainability progress and verification of compliance toward commitments.
- The Sustainability Leadership Council filters thematic priorities into workstreams and focussed action points to be implemented by the Working Groups.
- Working Groups and Task Forces, comprising Group and property-level colleagues, address specific sustainability topics and challenges that are transversal across multiple departments respectively.
- At every property, there is a Sustainability Champion supported by a Sustainability Committee that leverages on Company-wide resources and tools to implement location-specific mitigation measures and initiatives.
- A budget is reviewed and allocated for the execution of the Company's sustainability strategy on an annual basis.
- Performance against Company-wide sustainability targets, including greenhouse gas ('GHG') emission reduction and renewable energy use, is reviewed by the EAP on a regular basis and disclosed in our annual sustainability reports.
- Sustainability performance is a component factored into the performance bonus of top management personnel, including all hotel General Managers, to support and reinforce the successful execution of the Company's sustainability strategy.

Strategy

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

The tables below indicate a summary of key climate-related risks and opportunities identified. We use the following time horizons:

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

Summary of key climate-related risks

Category	Risks	Timeframe	Impact
Transition	Increased pricing of GHG emissions	Short and medium term	• Increased operational costs due to higher compliance costs and increased insurance premiums
Physical – acute	Increased severity of extreme weather events such as cyclones and floods	Short, medium and long 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)
Physical – chronic	Changes in precipitation patterns and extreme variability in weather patterns	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

Summary of key climate-related opportunities

Category	Opportunities	Impact
Energy source / resilience	Use of renewable energy and adoption of efficiency measures	• 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
Products and services	Shift in consumer preferences toward sustainable options	• Increased revenue through leadership position in sustainable luxury hospitality
Resource efficiency	Move towards highly efficient and climate resilient buildings	• 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

In 2022, we engaged a third-party consultant to conduct a sustainability risk assessment for our portfolio. The assessment highlighted individual properties' exposure to climate, water, biodiversity, socioeconomic and sustainability-related regulatory risks. The climate risk assessment analysed 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. The climate risks indicators evaluated were sea level rise, precipitation change, temperature change, drought risk, flood risk, cyclone risk and relative market carbon intensity. Detailed results of this assessment offer guidance toward taking targeted, location-specific actions to mitigate climate risks and capitalise on related opportunities.

One significant climate-related risk for Mandarin Oriental is long-term temperature and precipitation change. Nearly half of the portfolio (by floor area) is expected to face very high temperature increases by 2050, as compared to 2010-2020 levels. For the same time horizon, 62% of the portfolio (by floor area) are vulnerable to very high precipitation changes, typically reductions but some face increments. The impacts of these changes on properties, buildings, operations and working conditions, as well as guest experience will be further researched and understood, so that adaptive plans may be formulated and implemented if necessary.

In addition, six properties located in the Middle East and North Africa region were found to be at high water risk. This is based on an analysis of various indicators including baseline water stress and 2030 projections for water stress, demand and supply (per business-as-usual scenario). Understanding property-specific water risk levels allows us to better prioritise investments and water stewardship initiatives to improve water efficiency, reuse and recycling. We also explore the feasibility of decentralised water harvesting solutions such as installing desalination plants to minimise our dependence on public water utilities and improve self-sufficiency.

Impact on businesses, strategy and financial planning

Impact on business and strategy

Mandarin Oriental seeks to be an innovative leader in luxury hospitality with the aim to maximise profitability and long-term shareholder value. To deliver enduring value, it is important that we adapt our strategy in line with the world's shift toward carbon neutrality. Key actions that we are taking include:

- **Developing with sustainability in mind** by implementing our Product Standards & Guidelines for Responsible Hotel Development – a set of mandatory and recommended requirements to address sustainability in design and construction.
- **Considering the use of Environmental Impact Assessments** in the due diligence process prior to potential developments.
- **Piloting energy modelling in the design phase** to better gauge energy use and identify energy efficiency opportunities.
- Aligning with industry accreditation for sustainability and **pursuing sustainable certificates in building (e.g., Leadership in Energy and Environmental Design ('LEED')) and hotel operations (e.g., Global Sustainable Tourism Council ('GSTC'))**.
- Aiming to achieve the best possible environmental performance by **pursuing differentiated 2030 Environmental Targets** for energy, GHG emissions, water and waste based on the unique circumstances and priorities of every property and its location.

Impact on business and strategy *continued*

- **Increasing renewable energy use** through onsite renewable energy plants and procurement from certified sources such as Renewable Energy Certificates ('REC's') and Power Purchase Agreements ('PPA').
- **Performing sustainability risk assessments and adaptation action plans** across the Company.
- **Testing and auditing Business Continuity Plans** periodically.
- **Expanding investments in mitigation measures**, including a robust insurance coverage.
- **Engaging staff and guests for feedback** to improve sustainability program and sustainable offerings.
- **Promoting green transportation modes**, including the use of Electric Vehicles ('EV') in transport fleets and the provision of EV charging stations.
- **Procuring goods and services sustainably**, such as using only sustainably certified paper products.
- **Identifying and harnessing opportunities to tap on sustainable finance** in the implementation of our sustainability strategy, such as efficiency projects.
- Assessing emerging ESG reporting standards and requirements and **aligning disclosures to best market practice**.

Impact on financial planning

Operating Cost: Mandarin Oriental incorporates climate-related needs and other sustainability objectives into its financial planning. In support of progress towards our 2030 Environmental Targets, a budget is allocated toward the implementation of at least one efficiency initiative per hotel each year. These efficiency initiatives will need to contribute to measurable improvements toward each hotel's identified area of priority, which is informed by the portfolio sustainability risk assessment conducted. Improving operational efficiencies will bring about reduced operating costs and reduced exposure and sensitivity to changes in carbon tax rates.

Indirect Cost: We also invest in robust insurance plans and preventive maintenance to mitigate against climate physical risks, especially in regions with higher risk of increased frequency and severity of extreme weather events.

Revenues: As the market shifts toward greater consumer preference for sustainability, we seek to maintain a strong competitive position by continually improving our sustainability performance through our Naturally Better programme. We also refine our sustainable offerings by conducting market research and incorporating guest feedback.

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

We recognise that a significant shift is taking place as the world speeds up action toward carbon neutrality against the backdrop of increasing climate change impacts. To stay on track with a Paris-aligned future where warming is limited to well below 2 °C, transition risks are likely to be more significant in the near term while physical risks in the long term will be less severe, as compared to a business-as-usual scenario.

In line with the policy ambition of the Paris Agreement, we expect to see increasingly stringent climate-related regulations and carbon taxes, faster phase-out of fossil fuels and transition to clean renewable energy, a rise in rate of adoption of electric vehicles and transition to net zero buildings, among others. To efficiently respond to climate change, we will continue to review our risk assessments and Business Continuity Plans to ensure future resilience of our business and strategy.

Risk management

Process for identifying and assessing climate-related 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 for the locations that we operate in 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

Mandarin Oriental aligns with the Risk Management Framework based on ISO 31000 and COSO principles to identify, assess and define the strategies to monitor risks. The four steps in the framework are: risk identification, risk assessment, risk treatment, and risk reporting and monitoring.

Risks are tolerated if within the Company's risk appetite, and terminated such as through property disposal if found to exceed risk appetite. Risks may be accepted if mitigated to an appropriate level. Mitigation measures for climate-related risks include robust insurance plans that cover natural disasters, increased use of clean renewable energy and implementation of energy and water efficiency initiatives, among others mentioned under the section 'Impact on business and strategy'.

Integration into overall risk management

The Audit Committee requires that Mandarin Oriental's business is conducted in accordance with the Group Risk Management Policy. To supervise compliance and consolidate enforcement of this policy, we have a Group Risk Management Committee ('GRMC') with the authority to ensure the Company's risk management objectives are met. Key committee members include the executive management from different functions, including Finance, Operations, IT, Legal, Engineering, and the committee meets at least twice a year.

The Audit Committee considers the Company's principal risks and uncertainties and potential changes to the risk profile, reviews the operation and effectiveness of the Company's internal control systems (financial, operational and compliance) and the procedures by which these risks are monitored and mitigated. Regular risk identification and analysis and the review of risk management processes are conducted through the Audit Committee. Climate change has been included as one of the Company's principal risks in the risk register and the Audit Committee reports principal risks and uncertainties to the Board semi-annually.

Metrics and targets

Metrics used

Mandarin Oriental uses the metric categories below as proxies for measuring climate-related risks and opportunities:

1. Total GHG Emissions
2. GHG Emissions Intensity
3. Percentage of Renewable Energy Use[2]
4. Percentage of Portfolio in Regions with High/Very High Baseline Water Stress

GHG emissions

Mandarin Oriental's GHG reporting scope covers all 34* hotels that were fully operational in 2022. More details and further historical data can be found in our Sustainability Report online.

Greenhouse Gas Emissions†	2022 Performance
Total GHG Emissions (metric tons CO_2e)	191,605
Scope 1 Emissions (metric tons CO_2e)	21,461
Scope 2 Emissions (metric tons CO_2e)	170,144
GHG Emissions per square foot (kg CO_2e)	146

* Properties excluded: Mandarin Oriental, Shenzhen and Mandarin Oriental Palace, Luzern (opened within 2022); Mandarin Oriental, Washington D.C. (closed).

† GHG emissions are based on market-based calculations. Currently we do not track Scope 3 emissions in line with current industry practices for owned and managed properties.

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	2022 Achievement
50% carbon intensity reduction[3]	30% reduction
15% renewable energy use	6%

2 Either produced onsite or procured

3 Baseline year 2012

Results

Overall

Travel conditions improved progressively through the year in most parts of the world, which drove some recovery in the Group's financial performance. The Group achieved an underlying profit for the first time since 2019. In EMEA and America, travel restrictions were relaxed from the first quarter onwards, and the Group's hotels benefitted from the resurgence in demand for travel, particularly in the leisure segment. In Asia, performance was varied across the region due to differences in the timing of removal of pandemic restrictions. Southeast Asian markets began lifting restrictions from the second quarter onwards which drove a robust recovery in performance. Greater China's performance was negatively impacted by extensive border controls and government restrictions which continued well into the fourth quarter.

Combined total revenue from all hotels under management in 2022 was US$1,568 million, 49% higher than 2021, driven by recovery in demand in regions which were no longer impacted by travel restrictions. Combined total revenue was 18% higher than 2019, as a result of strong demand and the Group's expanded portfolio of hotels and residences.

The Group's consolidated revenue was US$454 million, an improvement of 43% from 2021. All owned and managed hotels, except those in Greater China, delivered higher revenues. The Group uses underlying[1] earnings before interest, tax, depreciation, and amortisation ('EBITDA') to analyse operating performance. In 2022, the Group achieved underlying EBITDA of US$111 million. Underlying EBITDA, by business activity, including the Group's share of underlying EBITDA from associates and joint ventures is shown below:

	2022 US$m	2021 US$m
Owned hotels		
– Subsidiary hotels	**45**	26
– Associates and joint ventures[2]	**32**	(2)
Management business	**34**	17
Underlying EBITDA	**111**	41

Owned hotels

Following the sale of Mandarin Oriental, Washington D.C., the Group has an equity interest in 14 hotel properties, which contribute a major proportion of the Group's results. In 2022, the owned hotels reported EBITDA of US$77 million, much improved from the reported EBITDA of US$24 million in 2021, driven by robust recovery particularly in London, Bangkok and Singapore.

EBITDA in 2022 included US$5 million of government financial support and US$3 million of other income primarily from insurance proceeds, reduced from the US$41 million of government financial support and US$9 million of other income recognised in 2021.

[1] The Group uses 'underlying profit/loss' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 33 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.

[2] Associates and joint ventures include contributions from Stay One Degree Limited, an online booking service platform for luxury homes and Chaophaya Development Corporation Limited, part of the River City Shopping Complex in Bangkok.

Subsidiary hotels

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

	2022 US$m	2021 US$m
Revenue	401	279
Underlying EBITDA from subsidiary hotels	45	26
Less: depreciation and amortisation	(49)	(60)
Underlying operating loss	(4)	(34)
Less: net financing charges	(12)	(11)
tax	(1)	(5)
Underlying loss attributable to shareholders	(17)	(50)

In 2022, subsidiary hotels reported revenue of US$401 million and EBITDA of US$45 million, compared to revenue of US$279 million and EBITDA of US$26 million in 2021.

The Group's European hotels contributed the majority of the subsidiary hotels' revenue and EBITDA, driven by the strong demand for travel to the region. Key cities such as London and Paris delivered robust performance with higher revenues than 2021 and exceeded pre-pandemic business levels in 2019. In Asia, Hong Kong and Tokyo remained subject to travel restrictions for the vast majority of the year which hampered any recovery in performance from these hotels.

Owned hotels' depreciation and amortisation, which is a non-cash item, was lower than 2021. Net financing charges were slightly higher than 2021 due to changes in interest rates in the period. Tax for 2022 was US$1 million, compared to US$5 million in 2021.

Overall, the subsidiary hotels delivered a US$17 million underlying loss, predominantly driven by Hong Kong and Tokyo with subdued operating profitability. Collectively, other subsidiary hotels recorded an underlying profit, resulting in a significant improvement from the US$50 million underlying loss in 2021.

Associates and joint ventures

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

	2022 US$m	2021 US$m
Underlying EBITDA from associates and joint ventures	32	(2)
Less: depreciation and amortisation	(16)	(15)
Underlying operating profit/(loss)	16	(17)
Less: net financing charges	(5)	(5)
tax	(1)	–
Share of results of associates and joint ventures	10	(22)

All associate and joint venture hotels achieved higher revenue and EBITDA in 2022 compared to 2021. Singapore and Bangkok achieved robust EBITDA performance in the fourth quarter once travel restrictions had been removed and the hotels entered peak season. Hotels in New York and Miami also achieved a strong recovery in performance, delivering EBITDA in excess of pre-pandemic levels in 2019.

The Group's share of results of associates and joint ventures was US$10 million, compared to a loss of US$22 million in 2021, driven by the improved operating performance of those hotels.

Management business

	2022 US$m	2021 US$m
Revenue*	68	48
Underlying EBITDA from management business	34	17
Less: depreciation and amortisation	(9)	(9)
Underlying operating profit	25	8
Less: net financing charges	–	(1)
tax	(8)	(2)
Underlying profit attributable to shareholders	17	5

* Include management fees from subsidiary hotels.

Revenue in the management business consists of hotel and residences management fees, and residences branding fees. The long-term growth of management business remains a strategic focus for the Group, and it achieved a robust improvement in profitability in 2022 compared to 2021.

Total hotel management fees of US$60 million in 2022 were increased by 57% from 2021, as the revenues of the hotels within the portfolio improved. In Greater China, operating and financial performance was challenged by the suppressed domestic travel demand and restrictions on international travel, hence contributing lower management fees.

Residences branding fees are generally earned when individual residences are sold, or certain development milestones are achieved. This year the Group opened two new residences in Beverly Hills and Barcelona, however total fees were lower than 2021 due to the timing of sales of new projects.

Included in the management business is the cost of the Group's central sales and marketing and brand activities, which are funded by marketing and advertising contributions from hotels based on a percentage of hotel revenues.

In 2022, the management business, including two new managed hotels in Shenzhen and Lucerne, reported underlying EBITDA of US$34 million, doubled the US$17 million reported in 2021.

Underlying earnings attributable to shareholders

The underlying profit attributable to shareholders is as follows:

	2022 US$m	2021 US$m
Subsidiary hotels	**(17)**	(50)
Share of results of associates and joint ventures	**10**	(22)
Management business	**17**	5
Property development	**(2)**	(1)
Total underlying profit/(loss) attributable to shareholders	**8**	(68)

In 2022, the Group achieved an underlying profit of US$8 million, a strong improvement from 2021 and the first profit since 2019.

Non-trading items

	2022 US$m	2021 US$m
Changes in fair value of investment property under development	**(104)**	(74)
Gain on asset disposals	**47**	–
Changes in fair value of other investments	**–**	1
Total	**(57)**	(73)

A net non-trading loss of US$57 million was recorded in 2022, mainly due to a 3% decrease (US$104 million) in the fair market value of the Causeway Bay site under development, valued at US$2.4 billion at the end of 2022. This loss was partially offset by the net gain of US$47 million after tax on the sale of the hotel in Washington D.C., completed in September 2022. In 2021, a non-trading loss of US$73 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 from US$2.5 billion at the end of 2020.

Cash flow

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

	2022 US$m	2021 US$m
Operating activities	**56**	26
Investing activities		
Capital expenditure on existing properties	**(13)**	(15)
Redevelopment of the Causeway Bay site	**(30)**	(20)
Net proceeds from asset disposals	**131**	–
Others	**(1)**	3
Financing activities		
Net (repayment)/drawdown of borrowings	**(116)**	64
Other	**(6)**	(3)
Net increase in cash	**21**	55
Cash and cash equivalents at 1st January	**213**	165
Effect of exchange rate changes	**(8)**	(7)
Cash and cash equivalents at 31st December	**226**	213
Gross debt at 31st December	**(602)**	(730)
Closing net debt at 31st December	**(376)**	(517)

The Group's cash inflows from operating activities were US$56 million in 2022, better than the US$26 million in 2021, driven by the improved profitability from owned hotels and higher fee income received by the management business.

In investing activities, the Group generated net cash inflows due to the sale of Washington D.C. for US$131 million. This was partially offset by US$30 million invested into the Causeway Bay site under development. The Group is committed to investing another US$500 million to the project from 2023 to 2025, which will be funded through a mix of external debt and existing cash reserves.

Capital expenditure on existing hotel properties was US$13 million, the majority of which was for the renovation in the Geneva hotel.

Dividends

While trading conditions gradually improved in 2022, the Group's overall performance remained significantly below pre-pandemic levels and the Group returned only to modest profitability. As such, no dividends in respect of 2022 have been proposed or declared by the Board.

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 2022, the Group had fixed or capped interest rates on 45% 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 2022, 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	2,208	67	3,118	63
Euro	502	15	704	16
United States dollar	227	7	293	5
United Kingdom Sterling	184	6	349	8
Singapore dollar	70	2	240	4
Thai baht	12	–	77	1
Swiss franc	58	2	58	1
Indonesian rupiah	6	–	25	1
Others	27	1	33	1
Total	3,294	100	4,897	100

* See supplementary information section below.

The Group, excluding associates and joint ventures, had committed borrowing facilities totalling US$1,073 million, of which US$602 million was drawn at 31st December 2022. The principal amounts due for repayment are as follows:

	Facilities committed US$m	Facilities drawn US$m	Unused facilities US$m
Within one year	2	2	–
Between one and two years	750	600	150
Between two and three years	321	–	321
Between three and four years	–	–	–
Between four and five years	–	–	–
Beyond five years	–	–	–
Total	1,073	602	471

At 31st December 2022, consolidated net debt was US$376 million, and gearing was 11%, lower than consolidated net debt of US$517 million and gearing of 16% at 31st December 2021. Reduced net debt was primarily driven by the proceeds from the sale of Mandarin Oriental, Washington D.C. (US$131 million) and improved operating cash inflows, partially offset by investment in the Causeway Bay site under development as well as ongoing hotel capital expenditure. Taking into account the fair market value of the Group's freehold and leasehold interests (which are accounted for at historical cost less depreciation) gearing was 8% of adjusted shareholders' funds at 31st December 2022, lower than the prior year at 10%.

The Group's liquidity remains robust with US$471 million of committed, undrawn facilities in addition to its cash balances of US$226 million. The average tenor of the Group's borrowings was 1.8 years compared to 2.1 years in 2021.

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 2022 was 4.9 times, higher than 2.0 times in 2021.

Supplementary information

Although the Group's accounting policy in respect of its freehold land and buildings and the building component of owner-occupied leasehold properties is based on the cost model, the Directors continue to review 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 2022 adjusted shareholders' funds was primarily due to the total loss attributable to shareholders of US$49 million, mainly due to the 3% decrease in valuation of the Causeway Bay site under development, partially offset by the net gain on sale of the hotel in Washington D.C.

	2022		2021	
	US$m	Per share US$	US$m	Per share US$
Shareholders' funds/ net assets	**3,294**	**2.61**	3,309	2.62
Add: surplus for fair market value of freehold and leasehold land and buildings	**1,603**	**1.26**	1,657	1.31
Adjusted shareholders' funds/net assets	**4,897**	**3.87**	4,966	3.93

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 130 to 136.

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 Amendments to IAS 37 – Onerous Contracts – Cost of fulfilling a Contract. This is more fully detailed in the note 1 'Basis of preparation' in the financial statements. The adoption of the amendments does not have a material effect on the financial statements.

Matthew Bishop
Chief Financial Officer
2nd March 2023

[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, Hongkong Land. He is also chairman of Jardine Cycle & Carriage and a commissioner of Astra. He is a director of Yonghui Superstores and held the position of chairman between 2018 and 2020. 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 finance 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 and Jardine Motors, as well as a commissioner and chairman of the executive committee of Astra. John is a Chartered Accountant and has an MBA from INSEAD.

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

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 the president, Greater China at Kering, a member of international advisory board of the New York Philharmonic Orchestra and a board member of Teach for China. 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 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 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, Jardine Matheson (China) and Greatview. 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.

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 Hotelbeds Group S.L.U, as well as a member of the advisory committee of Hotelbeds Group S.L.U. 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.

Consolidated Profit and Loss Account

for the year ended 31st December 2022

		2022			2021		
	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	**454.1**	**–**	**454.1**	316.9	–	316.9
Cost of sales		**(302.7)**	**–**	**(302.7)**	(261.3)	–	(261.3)
Gross profit		**151.4**	**–**	**151.4**	55.6	–	55.6
Selling and distribution costs		**(27.0)**	**–**	**(27.0)**	(20.7)	–	(20.7)
Administration expenses		**(109.2)**	**–**	**(109.2)**	(104.1)	–	(104.1)
Other operating income		**5.7**	**–**	**5.7**	43.2	0.6	43.8
Change in fair value of investment property under development	12	**–**	**(104.1)**	**(104.1)**	–	(73.9)	(73.9)
Gain on asset disposals	8	**–**	**40.6**	**40.6**	–	–	–
Operating (loss)/profit	3	**20.9**	**(63.5)**	**(42.6)**	(26.0)	(73.3)	(99.3)
Financing charges		**(16.7)**	**–**	**(16.7)**	(13.8)	–	(13.8)
Interest income		**2.3**	**–**	**2.3**	1.1	–	1.1
Net financing charges	4	**(14.4)**	**–**	**(14.4)**	(12.7)	–	(12.7)
Share of results of associates and joint ventures	5	**9.7**	**–**	**9.7**	(21.8)	–	(21.8)
(Loss)/profit before tax		**16.2**	**(63.5)**	**(47.3)**	(60.5)	(73.3)	(133.8)
Tax	6	**(8.5)**	**6.4**	**(2.1)**	(7.6)	–	(7.6)
(Loss)/profit after tax		**7.7**	**(57.1)**	**(49.4)**	(68.1)	(73.3)	(141.4)
Attributable to:							
Shareholders of the Company	7&8	**7.6**	**(57.1)**	**(49.5)**	(68.1)	(73.3)	(141.4)
Non-controlling interests		**0.1**	**–**	**0.1**	–	–	–
		7.7	**(57.1)**	**(49.4)**	(68.1)	(73.3)	(141.4)
		US¢		**US¢**	US¢		US¢
(Loss)/earnings per share	7						
– basic		**0.60**		**(3.92)**	(5.39)		(11.19)
– diluted		**0.60**		**(3.92)**	(5.39)		(11.19)

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2022

	Note	2022 US$m	2021 US$m
Loss for the year		**(49.4)**	(141.4)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	16	**(2.1)**	3.5
Revaluation surplus of right-of-use assets before transfer to investment properties	11	**79.8**	–
Tax on items that will not be reclassified	6	**0.3**	(0.6)
		78.0	2.9
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net losses arising during the year		**(58.2)**	(70.7)
Cash flow hedges			
– net gains arising during the year		**16.6**	11.6
Tax relating to items that may be reclassified	6	**(2.4)**	(1.3)
Share of other comprehensive income/(expense) of associates and joint ventures		**0.7**	(2.0)
		(43.3)	(62.4)
Other comprehensive income/(expense) for the year, net of tax		**34.7**	(59.5)
Total comprehensive expense for the year		**(14.7)**	(200.9)
Attributable to:			
Shareholders of the Company		**(14.7)**	(200.7)
Non-controlling interests		**–**	(0.2)
		(14.7)	(200.9)

Consolidated Balance Sheet

at 31st December 2022

	Note	2022 US$m	2021 US$m
Net assets			
Intangible assets	9	**45.7**	46.7
Tangible assets	10	**916.3**	1,098.2
Right-of-use assets	11	**242.4**	273.3
Investment properties	12	**2,472.6**	2,462.0
Associates and joint ventures	13	**203.8**	201.5
Other investments	14	**14.0**	16.5
Deferred tax assets	15	**14.2**	13.7
Pension assets	16	**3.0**	7.1
Non-current debtors	17	**12.2**	8.9
Non-current assets		**3,924.2**	4,127.9
Stocks		**5.0**	5.3
Current debtors	17	**90.5**	68.8
Current tax assets		**6.8**	2.2
Bank and cash balances	18	**226.2**	212.8
Current assets		**328.5**	289.1
Current creditors	19	**(159.1)**	(157.2)
Current borrowings	20	**(2.2)**	(2.5)
Current lease liabilities	21	**(5.9)**	(6.3)
Current tax liabilities		**(18.4)**	(9.9)
Current liabilities		**(185.6)**	(175.9)
Net current assets		**142.9**	113.2
Long-term borrowings	20	**(599.8)**	(727.8)
Non-current lease liabilities	21	**(123.5)**	(147.4)
Deferred tax liabilities	15	**(41.6)**	(50.1)
Pension liabilities	16	**(0.1)**	(0.3)
Non-current creditors	19	**(4.5)**	(3.2)
Non-current liabilities		**(769.5)**	(928.8)
		3,297.6	3,312.3
Total equity			
Share capital	23	**63.2**	63.2
Share premium	24	**500.7**	500.5
Revenue and other reserves		**2,730.2**	2,745.1
Shareholders' funds		**3,294.1**	3,308.8
Non-controlling interests		**3.5**	3.5
		3,297.6	3,312.3

Approved by the Board of Directors

James Riley
Matthew Bishop
Directors
2nd March 2023

Consolidated Statement of Changes in Equity

for the year ended 31st December 2022

	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
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**
2021										
At 1st January	63.2	499.7	260.3	(240.3)	2,943.4	(9.7)	(7.1)	3,509.5	3.7	3,513.2
Total comprehensive income	–	–	–	(137.8)	–	10.6	(73.5)	(200.7)	(0.2)	(200.9)
Transfer	–	0.8	(1.2)	0.4	–	–	–	–	–	–
At 31st December	63.2	500.5	259.1	(377.7)	2,943.4	0.9	(80.6)	3,308.8	3.5	3,312.3

Revenue reserves as at 31st December 2022 included cumulative fair value losses on the investment property under development of US$720.2 million (2021: US$616.1 million).

Consolidated Cash Flow Statement

for the year ended 31st December 2022

	Note	2022 US$m	2021 US$m
Operating activities			
Operating loss	3	**(42.6)**	(99.3)
Depreciation, amortisation and impairment		**58.2**	68.5
Other non-cash items	27a	**63.5**	71.2
Movements in working capital	27b	**(1.1)**	0.9
Interest received		**2.1**	0.4
Interest and other financing charges paid		**(15.6)**	(13.5)
Tax paid		**(8.0)**	(1.8)
Cash flows from operating activities		**56.5**	26.4
Investing activities			
Purchase of tangible assets		**(12.8)**	(15.3)
Additions to investment property under development		**(30.2)**	(19.7)
Purchase of intangible assets		**(6.1)**	(6.1)
Additions to right-of-use assets		**(0.2)**	–
Refund on Munich expansion	27c	**4.0**	13.0
Purchase of other investments		**(0.2)**	(0.3)
Purchase of an associate	27d	**(1.0)**	–
Advance to associates and joint ventures	27e	**(2.4)**	(7.1)
Repayment of loans to associates and joint ventures	27f	**4.2**	3.0
Net proceeds from asset disposals	8	**131.4**	–
Cash flows from investing activities		**86.7**	(32.5)
Financing activities			
Drawdown of borrowings	20	**23.0**	130.6
Repayment of borrowings	20	**(139.5)**	(66.4)
Principal elements of lease payments	27g	**(5.7)**	(3.3)
Cash flows from financing activities		**(122.2)**	60.9
Net increase in cash and cash equivalents		**21.0**	54.8
Cash and cash equivalents at 1st January		**212.8**	164.6
Effect of exchange rate changes		**(7.6)**	(6.6)
Cash and cash equivalents at 31st December	27h	**226.2**	212.8

1 Basis of preparation

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.

Basis of preparation

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

Details of the Group's principal accounting policies are included in note 33.

The Group has adopted the following amendments for the annual reporting period commencing 1st January 2022.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract *(effective from 1st January 2022)*
The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The Group applied the amendment from 1st January 2022 and there was no material impact on the Group's consolidated financial statements.

Apart from the above, there are no other amendments which are effective in 2022 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 34)*.

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 (2021: 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 site as a commercial building following the closure of The Excelsior, Hong Kong on 31st March 2019 (the 'Causeway Bay site under development'). The redevelopment is expected to complete in 2025.

In addition, The Group is operated on a worldwide basis in three (2021: three) regions: Asia, Europe, Middle East and Africa ('EMEA'), and America. The Group's segmental information for non-current assets is set out in note 22.

	2022 US$m	2021 US$m
Analysis by business activity		
– Hotel ownership	**400.9**	278.9
– Hotel & Residences branding and management	**68.5**	48.5
– Less: intra-segment revenue	**(15.3)**	(10.5)
	454.1	316.9
Analysis by geographical area		
– Asia	**141.4**	132.4
– EMEA	**239.7**	137.8
– America	**73.0**	46.7
	454.1	316.9
From contracts with customers		
– Recognised at a point in time	**140.8**	111.5
– Recognised over time	**295.2**	185.6
	436.0	297.1
From other sources		
– Rental income	**18.1**	19.8
	454.1	316.9

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, for which revenue is recognised when the goods and services are provided to the customers.

Contract liabilities are further analysed as follows:

	2022 US$m	2021 US$m
Contract liabilities *(refer note 19)*		
– Gift cards	**10.9**	11.2
– Advance customer deposits and other	**7.7**	12.1
	18.6	23.3

Revenue recognised in relation to contract liabilities

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

	2022 US$m	2021 US$m
Gift cards	**10.8**	10.0
Advance customer deposits and other	**9.6**	11.8
	20.4	21.8

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
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**
2021			
Within one year	4.3	16.4	20.7
Between one and two years	4.6	1.7	6.3
Between two and three years	1.4	–	1.4
Between three and four years	0.6	–	0.6
Between four and five years	0.3	–	0.3
	11.2	18.1	29.3

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

	2022 US$m	2021 US$m
Analysis by business activity		
– Hotel ownership	**45.3**	25.9
– Hotel & Residences branding and management	**33.8**	16.6
Underlying EBITDA from subsidiaries	**79.1**	42.5
Non-trading items *(refer note 8)*		
Change in fair value of investment property under development	**(104.1)**	(73.9)
Change in fair value of other investments	**–**	0.6
Gain on asset disposals	**40.6**	–
	(63.5)	(73.3)
EBITDA from subsidiaries	**15.6**	(30.8)
Underlying depreciation and amortisation from subsidiaries	**(58.2)**	(68.5)
Operating loss	**(42.6)**	(99.3)
Analysis by business activity		
– Hotel ownership	**85.9**	26.5
– Hotel & Residences branding and management	**33.8**	16.6
– Property development	**(104.1)**	(73.9)
EBITDA from subsidiaries	**15.6**	(30.8)
– Hotel ownership	**36.7**	(34.0)
– Hotel & Residences branding and management	**24.8**	8.6
– Property development	**(104.1)**	(73.9)
Operating loss	**(42.6)**	(99.3)
Analysis by geographical area		
– Asia	**(8.7)**	(8.6)
– EMEA	**82.8**	59.7
– America	**5.0**	(8.6)
Underlying EBITDA from subsidiaries	**79.1**	42.5

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

	2022 US$m	2021 US$m
The following items have been credited/(charged) in arriving at operating loss:		
Rental income *(refer note 10)*	**18.1**	19.8
Amortisation and impairment of intangible assets *(refer note 9)*	**(6.0)**	(5.8)
Depreciation of tangible assets *(refer note 10)*	**(45.3)**	(55.0)
Amortisation/depreciation of right-of-use assets *(refer note 11)*	**(6.9)**	(7.7)
Employee benefit expense		
– salaries and benefits in kind	**(216.9)**	(192.2)
– defined benefit pension plans *(refer note 16)*	**(3.2)**	(3.4)
– defined contribution pension plans	**(1.8)**	(1.4)
	(221.9)	(197.0)
Net foreign exchange gains/(losses)	**0.3**	(1.3)
Expenses relating to low value leases	**(0.4)**	(0.5)
Expenses relating to short-term leases	**(1.0)**	(0.9)
Expenses relating to variable lease payments not included in lease liabilities	**(3.4)**	(2.4)
Auditors' remuneration		
– audit	**(1.9)**	(1.6)
– non-audit services	**(0.2)**	(0.7)
	(2.1)	(2.3)

The Group had received government grants of US$4.3 million (2021: US$35.8 million) and rent concessions of US$0.4 million (2021: US$3.4 million) for the year ended 31st December 2022, respectively. These amounts were in relation to the COVID-19 pandemic and were accounted for as other operating income.

4 Net financing charges

	2022 US$m	2021 US$m
Interest expense		
– bank loans	**(13.3)**	(9.8)
– interest on lease liabilities	**(1.9)**	(2.2)
Commitment and other fees	**(1.5)**	(1.8)
Financing charges	**(16.7)**	(13.8)
Interest income	**2.3**	1.1
Net financing charges	**(14.4)**	(12.7)

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
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**
2021						
Analysis by business activity						
– Hotel ownership	(1.7)	(14.5)	(16.2)	(4.5)	(0.4)	(21.1)
– Other	(0.1)	(0.6)	(0.7)	–	–	(0.7)
	(1.8)	(15.1)	(16.9)	(4.5)	(0.4)	(21.8)
Analysis by geographical area						
– Asia	(2.2)	(10.0)	(12.2)	(2.3)	1.5	(13.0)
– EMEA	(2.5)	(2.8)	(5.3)	(0.7)	(1.9)	(7.9)
– America	2.9	(2.3)	0.6	(1.5)	–	(0.9)
	(1.8)	(15.1)	(16.9)	(4.5)	(0.4)	(21.8)

The results of associates and joint ventures included the Group's share of government grants of US$0.2 million (2021: US$1.4 million) and rent concessions of US$0.1 million (2021: US$0.1 million) for the year ended 31st December 2022, respectively. These amounts were in relation to the COVID-19 pandemic.

6 Tax

	2022 US$m	2021 US$m
Tax (charged)/credited to profit and loss is analysed as follows:		
– current tax	**(12.0)**	(2.5)
– deferred tax *(refer note 15)*	**9.9**	(5.1)
	(2.1)	(7.6)
Analysis by business activity		
– Hotel ownership	**5.3**	(5.8)
– Hotel & Residences branding and management	**(7.4)**	(1.8)
	(2.1)	(7.6)
Analysis by geographical area		
– Asia	**(0.2)**	(2.0)
– EMEA	**(5.2)**	(4.8)
– America	**3.3**	(0.8)
	(2.1)	(7.6)
Reconciliation between tax expense and tax at the applicable tax rate*:		
Tax at applicable tax rate	**9.0**	27.3
Income not subject to tax		
– change in fair value of other investments	**–**	0.1
– other items	**1.8**	3.3
Expenses not deductible for tax purposes		
– change in fair value of investment property under development	**(17.1)**	(12.2)
– other items	**(3.5)**	(3.5)
Tax losses and temporary differences not recognised	**(11.9)**	(18.9)
Utilisation of previously unrecognised tax losses and temporary differences	**14.3**	1.3
Recognition of previously unrecognised tax losses and temporary differences	**(0.4)**	1.4
Deferred tax assets written off	**–**	(2.9)
Deferred tax liabilities written back		
– disposal of Mandarin Oriental, Washington D.C.	**10.7**	–
– other items	**0.1**	1.4
Withholding tax	**(3.8)**	(2.9)
(Under)/over-provision in prior years	**(1.3)**	0.5
Change in tax rates	**–**	(2.5)
	(2.1)	(7.6)
Tax relating to components of other comprehensive income is analysed as follows:		
Remeasurements of defined benefit plans	**0.3**	(0.6)
Cash flow hedges	**(2.4)**	(1.3)
	(2.1)	(1.9)

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

In 2022, current tax included a capital gain tax charge of US$4.3 million and deferred tax included a credit of US$10.7 million in relation to the sale of Mandarin Oriental, Washington D.C. *(refer note 8)*.

Share of tax charges of associates and joint ventures of US$1.0 million (2021: US$0.4 million) is included in share of results associates and joint ventures *(refer note 5)*.

* The applicable tax rate for the year was 16% (2021: 24%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates.

7 (Loss)/earnings per share

Basic loss per share is calculated using loss attributable to shareholders of US$49.5 million (2021: US$141.4 million) and the weighted average number of 1,263.7 million (2021: 1,263.4 million) shares in issue during the year.

Diluted loss per share is calculated using loss attributable to shareholders of US$49.5 million (2021: US$141.4 million) and the weighted average number of 1,263.8 million (2021: 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	
	2022	2021
Weighted average number of shares for basic loss per share calculation	**1,263.7**	1,263.4
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	**0.1**	0.4
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/loss attributable to shareholders. A reconciliation of loss/earnings is set out below:

		2022			2021	
	US$m	**Basic (loss)/earnings per share US¢**	**Diluted (loss)/earnings per share US¢**	US$m	Basic loss per share US¢	Diluted loss per share US¢
Loss attributable to shareholders	**(49.5)**	**(3.92)**	**(3.92)**	(141.4)	(11.19)	(11.19)
Non-trading items *(refer note 8)*	**57.1**			73.3		
Underlying profit/(loss) attributable to shareholders	**7.6**	**0.60**	**0.60**	(68.1)	(5.39)	(5.39)

8 Non-trading items

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

	2022 US$m	2021 US$m
Change in fair value of investment property under development	**(104.1)**	(73.9)
Change in fair value of other investments	**–**	0.6
Gain on asset disposals	**47.0**	–
	(57.1)	(73.3)

On 8th 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.

9 Intangible assets

	Goodwill US$m	Computer software US$m	Development project contract costs US$m	Total US$m
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**
2021				
Cost	23.9	32.7	25.3	81.9
Amortisation and impairment	–	(23.7)	(12.8)	(36.5)
Net book value at 1st January	23.9	9.0	12.5	45.4
Exchange differences	–	0.1	(0.1)	–
Additions	–	4.4	2.7	7.1
Amortisation and impairment charge	–	(3.5)	(2.3)	(5.8)
Net book value at 31st December	23.9	10.0	12.8	46.7
Cost	23.9	29.2	28.2	81.3
Amortisation and impairment	–	(19.2)	(15.4)	(34.6)
	23.9	10.0	12.8	46.7

Management has performed an impairment review of the carrying amount of goodwill at 31st December 2022. For the purpose of impairment review, goodwill acquired has been allocated to the respective hotels and is reviewed for impairment based on individual hotel forecast operating performance and cash flows. Cash flow projections for the impairment reviews are based on value-in-use calculations using updated individual hotel forecasts (including the following year's individual hotel budgets) with assumptions updated for the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations include average annual growth rates of 4% to 7% to forecast cash flows over a five-year period with an assumed recovery of business following the COVID-19 pandemic, after which the growth rate is assumed to be up to 4% in perpetuity. Individual growth assumptions vary across the Group's geographical locations, and are based on management expectations for each market's development. Pre-tax discount rates of 7% to 13% are applied to the cash flow projections. The discount rates used reflect business specific risks relating to the business life-cycle and geographical location. On the basis of these reviews, management concluded that no impairment exists.

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

The amortisation periods for intangible assets are as follows:

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

10 Tangible assets

	Freehold properties US$m	Properties on leasehold land & leasehold improvements US$m	Plant & machinery US$m	Furniture, equipment & motor vehicles US$m	Total US$m
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**
2021					
Cost	950.6	428.2	135.7	317.0	1,831.5
Depreciation and impairment	(112.5)	(232.8)	(84.8)	(219.9)	(650.0)
Net book value at 1st January	838.1	195.4	50.9	97.1	1,181.5
Exchange differences	(32.7)	(4.2)	(2.5)	(2.9)	(42.3)
Additions	–	1.3	0.2	12.5	14.0
Reclassification	–	(0.7)	(0.3)	1.0	–
Depreciation charge	(11.8)	(12.9)	(5.6)	(24.7)	(55.0)
Net book value at 31st December	793.6	178.9	42.7	83.0	1,098.2
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)
	793.6	178.9	42.7	83.0	1,098.2

Rental income from properties and other tangible assets amounted to US$18.1 million (2021: US$19.8 million) *(refer note 3)*.

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

	2022 US$m	2021 US$m
Within one year	**14.5**	19.4
Between one and two years	**10.1**	18.7
Between two and five years	**26.2**	42.3
Beyond five years	**20.8**	27.1
	71.6	107.5

At 31st December 2022, the carrying amount of hotel properties pledged as security for bank borrowings amounted to US$342.6 million (2021: US$449.0 million) *(refer note 20)*.

11 Right-of-use assets

	Leasehold land US$m	Properties US$m	Total US$m
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**
2021			
Cost	144.6	253.1	397.7
Amortisation/depreciation and impairment	(12.2)	(88.1)	(100.3)
Net book value at 1st January	132.4	165.0	297.4
Exchange differences	(0.8)	(15.6)	(16.4)
Additions	–	0.2	0.2
Disposals	–	(0.2)	(0.2)
Amortisation/depreciation charge	(0.4)	(7.3)	(7.7)
Net book value at 31st December	131.2	142.1	273.3
Cost	143.6	228.2	371.8
Amortisation/depreciation and impairment	(12.4)	(86.1)	(98.5)
	131.2	142.1	273.3

At 31st December 2022, the carrying amount of leasehold land pledged as security for bank borrowings amounted to US$122.2 million (2021: US$122.3 million) *(refer note 20)*. None of the other right-of-use assets have been pledged at 31st December 2022 and 2021.

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
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**
2021			
At 1st January	2,528.3	–	2,528.3
Exchange differences	(15.0)	–	(15.0)
Additions	22.6	–	22.6
Decrease in fair value	(73.9)	–	(73.9)
At 31st December	2,462.0	–	2,462.0

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 Directors.

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 direct comparison and the residual method. The Report of the Valuers is set out on page 107.

The valuations are comprehensively reviewed by the Group.

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.

12 Investment properties *continued*

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

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

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

			Range of significant unobservable inputs	
	Fair value **2022** **US$m**	Valuation method	Average unit price US$	Capitalisation rate %
Hong Kong	**2,384.9**	Direct comparison	3,951.6 per square foot	n/a
		Residual*	3,178.2 to 4,071.7 per square foot	2.45 to 3.85

			Range of significant unobservable inputs	
	Fair value 2021 US$m	Valuation method	Average unit price US$	Capitalisation rate %
Hong Kong	2,462.0	Direct comparison	4,066.0 per square foot	n/a
		Residual*	3,480.2 to 4,156.8 per square foot	2.4 to 3.8

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

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

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

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:

	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.

13 Associates and joint ventures

	2022 US$m	2021 US$m
Associates		
Listed associate – OHTL PLC ('OHTL')	**2.2**	–
Unlisted associates	**49.7**	44.8
Share of attributable net assets	**51.9**	44.8
Notional goodwill	**5.5**	5.5
Goodwill on acquisition	**2.1**	1.5
	59.5	51.8
Amounts due from associates	**38.4**	36.5
	97.9	88.3
Joint ventures		
Share of attributable net assets of unlisted joint ventures	**(25.7)**	(25.6)
Goodwill on acquisition	**5.9**	6.3
	(19.8)	(19.3)
Amounts due from joint ventures	**125.7**	132.5
	105.9	113.2
	203.8	201.5

Amounts due from associates are interest free, unsecured and have no fixed terms of repayment, except for a US$2.0 million (2021: nil) convertible loan which bears interest at 4% per annum and will mature on 15th June 2024.

Amounts due from joint ventures bear interest at rates ranging from approximately 1.15% to 5.00% (2021: 1.15% to 5.00%) per annum and are repayable within one to four years.

The Group's share of the carrying value of hotel properties (including properties, plant and equipment, and leasehold land) owned by the Group's associates and joint ventures amounted to US$186.0 million (2021: US$198.1 million) and US$106.5 million (2021: US$117.0 million) respectively.

	Associates		Joint ventures	
	2022 US$m	2021 US$m	2022 US$m	2021 US$m
Movements of associates and joint ventures during the year:				
At 1st January	**88.3**	105.0	**113.2**	126.6
Exchange differences	**–**	–	**(7.3)**	(10.4)
Share of results after tax and non-controlling interests	**10.1**	(13.9)	**(0.4)**	(7.9)
Share of other comprehensive income after tax and non-controlling interests	**0.3**	(2.5)	**0.4**	0.5
Acquisition of an associate *(refer note 27d)*	**1.0**	–	**–**	–
Advance to associates and joint ventures *(refer note 27e)*	**2.0**	2.3	**0.4**	4.8
Repayment of loans to associates and joint ventures *(refer note 27f)*	**(3.8)**	(2.6)	**(0.4)**	(0.4)
At 31st December	**97.9**	88.3	**105.9**	113.2
Fair value of listed associate	**186.7**	190.3	**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 2022 and 2021:

Name of entity	Nature of business	Country of incorporation and principal place of business/ place of listing	% of ownership interest 2022	2021
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 2022, the fair value of the Group's interest in OHTL, which is listed on the Thailand Stock Exchange, was US$186.7 million (2021: US$190.3 million) and the carrying amount of the Group's interest was US$7.7 million (2021: US$5.5 million).

Summarised financial information for material associates

Summarised balance sheet at 31st December

	OHTL		Marina Bay Hotel		Total	
	2022 US$m	2021 US$m	**2022 US$m**	2021 US$m	**2022 US$m**	2021 US$m
Non-current assets	**113.2**	126.6	**105.1**	109.4	**218.3**	236.0
Current assets						
Cash and cash equivalents	**8.0**	3.1	**48.1**	23.7	**56.1**	26.8
Other current assets	**3.9**	4.1	**4.8**	5.8	**8.7**	9.9
Total current assets	**11.9**	7.2	**52.9**	29.5	**64.8**	36.7
Non-current liabilities						
Financial liabilities*	**(57.8)**	(69.4)	**–**	–	**(57.8)**	(69.4)
Other non-current liabilities*	**(21.2)**	(23.5)	**(1.8)**	(2.6)	**(23.0)**	(26.1)
Total non-current liabilities	**(79.0)**	(92.9)	**(1.8)**	(2.6)	**(80.8)**	(95.5)
Current liabilities						
Financial liabilities*	**(37.9)**	(38.1)	**(12.5)**	(7.5)	**(50.4)**	(45.6)
Other current liabilities*	**(3.7)**	(2.7)	**(6.5)**	(2.8)	**(10.2)**	(5.5)
Total current liabilities	**(41.6)**	(40.8)	**(19.0)**	(10.3)	**(60.6)**	(51.1)
Net assets	**4.5**	0.1	**137.2**	126.0	**141.7**	126.1

* 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	
	2022 US$m	2021 US$m	**2022 US$m**	2021 US$m	**2022 US$m**	2021 US$m
Revenue	**54.8**	17.5	**73.8**	29.3	**128.6**	46.8
Depreciation and amortisation	**(9.4)**	(9.9)	**(7.6)**	(5.8)	**(17.0)**	(15.7)
Interest (expense)/income	**(3.3)**	(2.9)	**0.4**	–	**(2.9)**	(2.9)
Profit/(loss) from underlying business performance	**4.2**	(18.7)	**12.5**	(1.9)	**16.7**	(20.6)
Income tax (charge)/credit	**–**	2.3	**(2.4)**	0.2	**(2.4)**	2.5
Profit/(loss) after tax	**4.2**	(16.4)	**10.1**	(1.7)	**14.3**	(18.1)
Other comprehensive income/(expense)	**0.2**	(0.2)	**1.1**	(3.5)	**1.3**	(3.7)
Total comprehensive income/(expense)	**4.4**	(16.6)	**11.2**	(5.2)	**15.6**	(21.8)

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	
	2022 US$m	2021 US$m	**2022 US$m**	2021 US$m	**2022 US$m**	2021 US$m
Net assets at 1st January	**0.1**	16.7	**126.0**	131.2	**126.1**	147.9
Profit/(loss) for the year	**4.2**	(16.4)	**10.1**	(1.7)	**14.3**	(18.1)
Other comprehensive income/(expense)	**0.2**	(0.2)	**1.1**	(3.5)	**1.3**	(3.7)
Net assets at 31st December	**4.5**	0.1	**137.2**	126.0	**141.7**	126.1
Effective interest in associates (%)	**47.6**	47.6	**50.0**	50.0		
Group's share of net assets in associates	**2.2**	–	**68.6**	63.0	**70.8**	63.0
Notional goodwill*	**5.5**	5.5	**–**	–	**5.5**	5.5
Carrying value	**7.7**	5.5	**68.6**	63.0	**76.3**	68.5
Fair value	**186.7**	190.3	**n/a**	n/a	**186.7**	190.3

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.

	2022 US$m	2021 US$m
Share of profit/(loss)	**3.0**	(5.3)
Share of other comprehensive expense	**(0.4)**	(0.6)
Share of total comprehensive income/(expense)	**2.6**	(5.9)
Carrying amount of interests in these associates	**21.6**	19.8

* 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%.

13 Associates and joint ventures *continued*

a) Investment in associates continued

Contingent liabilities relating to the Group's interest in associates

	2022 US$m	2021 US$m
Financial guarantee in respect of facilities made available to an associate	20.3	20.3

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

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 2022 and 2021:

Name of entity	Nature of business	Country of incorporation and principal place of business	% of ownership interest 2022	2021
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 2022 US$m	2021 US$m
Non-current assets	243.1	265.9
Current assets		
Cash and cash equivalents	8.0	10.7
Other current assets	3.9	3.2
Total current assets	11.9	13.9
Non-current liabilities		
Financial liabilities*†	(251.4)	(265.0)
Other non-current liabilities*	(36.4)	(40.0)
Total non-current liabilities	(287.8)	(305.0)
Current liabilities		
Other current liabilities*	(18.5)	(26.0)
Net liabilities	(51.3)	(51.2)

* 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$251.4 million (2021: US$265.0 million).

13 Associates and joint ventures *continued*

b) Investment in joint ventures *continued*

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

	Ritz Madrid 2022 US$m	Ritz Madrid 2021 US$m
Revenue	**41.5**	26.0
Depreciation and amortisation	**(6.8)**	(5.6)
Interest expense	**(2.3)**	(1.4)
Loss after tax	**(0.9)**	(15.7)
Other comprehensive income	**0.8**	1.0
Total comprehensive expense	**(0.1)**	(14.7)

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 2022 US$m	Ritz Madrid 2021 US$m
Net liabilities at 1st January	**(51.2)**	(36.5)
Loss for the year	**(0.9)**	(15.7)
Other comprehensive income	**0.8**	1.0
Net liabilities at 31st December	**(51.3)**	(51.2)
Effective interest in joint venture (%)	**50.0**	50.0
Group's share of net liabilities in joint venture	**(25.7)**	(25.6)
Goodwill on acquisition	**5.9**	6.3
Shareholders' loans	**125.7**	132.5
Carrying value	**105.9**	113.2

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 2022 and 2021.

14 Other investments

	2022 US$m	2021 US$m
Investment measured at fair value through profit and loss		
– unlisted investments	**14.0**	16.5

Movements of these investments which were valued based on unobservable inputs during the year are disclosed in note 35.

15 Deferred tax assets/(liabilities)

	Accelerated tax depreciation US$m	Fair value gains/(losses) US$m	Losses US$m	Employee benefits US$m	Unremitted earnings in associates/ joint ventures US$m	Provisions and other temporary differences US$m	Total US$m
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)**
2021							
At 1st January	(43.5)	1.8	15.5	(1.3)	(0.9)	(0.9)	(29.3)
Exchange differences	0.3	0.1	(0.6)	–	0.1	–	(0.1)
(Charged)/credited to profit and loss	(2.9)	–	(2.9)	–	0.8	(0.1)	(5.1)
Charged to other comprehensive income	–	(1.3)	–	(0.6)	–	–	(1.9)
At 31st December	(46.1)	0.6	12.0	(1.9)	–	(1.0)	(36.4)
Deferred tax assets	1.0	0.6	12.0	–	–	0.1	13.7
Deferred tax liabilities	(47.1)	–	–	(1.9)	–	(1.1)	(50.1)
	(46.1)	0.6	12.0	(1.9)	–	(1.0)	(36.4)

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$12.9 million (2021: US$12.0 million) is based on the 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$76.8 million (2021: US$85.0 million) arising from unused tax losses of US$338.0 million (2021: US$385.5 million) have not been recognised in the financial statements. Included in the unused tax losses, US$284.9 million have no expiry date and the balance will expire at various dates up to and including 2037. Following a recoverability review performed in 2021, deferred tax assets of US$2.9 million were derecognised due to hotel losses following the COVID-19 pandemic. No deferred tax assets were derecognised in 2022.

Deferred tax assets of US$3.2 million (2021: US$3.3 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 2022 and 2021.

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:

	2022 US$m	2021 US$m
Fair value of plan assets	**46.7**	53.5
Present value of funded obligations	**(43.7)**	(46.4)
	3.0	7.1
Present value of unfunded obligations	**(0.1)**	(0.3)
Net pension assets	**2.9**	6.8
Analysis of net pension assets		
Pension assets	**3.0**	7.1
Pension liabilities	**(0.1)**	(0.3)
	2.9	6.8

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
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 changes	**–**	**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 to other plans	**(0.1)**	**0.1**	**–**
At 31st December	**46.7**	**(43.8)**	**2.9**
2021			
At 1st January	52.4	(47.2)	5.2
Current service cost	–	(3.2)	(3.2)
Interest income/(expense)	1.0	(0.9)	0.1
Administration expenses	(0.3)	–	(0.3)
	0.7	(4.1)	(3.4)
	53.1	(51.3)	1.8
Exchange differences	(0.3)	0.3	–
Remeasurements			
– return on plan assets, excluding amounts included in interest income	2.5	–	2.5
– change in financial assumptions	–	1.3	1.3
– experience losses	–	(0.3)	(0.3)
	2.5	1.0	3.5
Contributions from employers	1.5	–	1.5
Contributions from plan participants	0.5	(0.5)	–
Benefit payments	(3.4)	3.4	–
Transfer from other plans	(0.4)	0.4	–
At 31st December	53.5	(46.7)	6.8

16 Pension plans *continued*

The weighted average duration of the defined benefit obligation at 31st December 2022 is 4.4 years (2021: 5.2 years).

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

	2022 US$m	2021 US$m
Within one year	**14.8**	11.6
Between one and two years	**4.7**	5.1
Between two and five years	**15.2**	15.5
Between five and ten years	**22.5**	20.9
Between ten and fifteen years	**15.0**	16.1
Between fifteen and twenty years	**9.0**	8.9
Beyond twenty years	**6.3**	5.6
	87.5	83.7

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

	Hong Kong	
	2022 %	2021 %
Discount rate	**5.20**	2.40
Salary growth rate	**4.00**	3.80

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

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

		(Increase)/decrease on defined benefit obligation	
	Change in assumption %	Increase in assumption US$m	Decrease in assumption US$m
Discount rate	1	2.0	(2.3)
Salary growth rate	1	(2.0)	1.9

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:

	2022 US$m	2021 US$m
Equity investments		
– Asia-Pacific	**8.9**	4.4
– Europe	**9.2**	4.3
– North America	**21.0**	10.7
– Global	**4.8**	0.6
	43.9	20.0
Investment funds		
– Asia-Pacific	**0.4**	7.4
– Europe	**0.5**	6.9
– North America	**1.7**	15.7
– Global	**0.2**	3.0
	2.8	33.0
Total investments	**46.7**	53.0
Cash and cash equivalents	**2.5**	2.7
Benefits payable and other	**(2.5)**	(2.2)
	46.7	53.5

As at 31st December 2022, 89.6% of equity investments and 96.6% of investment funds were quoted on active markets (2021: 91.2% and 97.5% 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 2022, the Hong Kong plans had assets of US$46.7 million (2021: US$53.5 million).

The Group maintains an active and regular contribution schedule across all the plans. The contribution to all its plans in 2022 were US$1.5 million and the estimated amount of contributions expected to be paid to all its plans in 2023 is US$1.4 million.

17 Debtors

	2022 US$m	2021 US$m
Trade debtors		
– third parties	**37.6**	28.6
– associates and joint ventures	**4.2**	2.1
	41.8	30.7
– provision for impairment	**(2.3)**	(3.5)
	39.5	27.2
Other debtors		
– third parties	**62.4**	49.6
– associates and joint ventures	**3.1**	2.7
	65.5	52.3
– provision for impairment	**(2.3)**	(1.8)
	63.2	50.5
	102.7	77.7
Non-current		
– other debtors	**12.2**	8.9
Current		
– trade debtors	**39.5**	27.2
– other debtors	**51.0**	41.6
	90.5	68.8
	102.7	77.7
Analysis by geographical area		
– Asia	**54.0**	34.4
– EMEA	**34.4**	30.6
– America	**14.3**	12.7
	102.7	77.7

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.

	2022 US$m	2021 US$m
Analysis by fair value		
– trade debtors	**39.5**	27.2
– other debtors*	**47.7**	35.2
	87.2	62.4

* Excluding prepayments.

17 Debtors *continued*

Trade and other debtors

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

Other debtors are further analysed as follows:

	2022 US$m	2021 US$m
Derivatives financial instruments *(refer note 28)*	**17.4**	4.4
Other amounts due from third parties	**14.5**	9.7
Other amounts due from associates and joint ventures	**3.1**	2.7
VAT recoverable	**6.0**	6.0
Rental and other deposits	**3.6**	7.7
Other receivables	**3.1**	4.7
Financial assets	**47.7**	35.2
Prepayments	**15.5**	15.3
	63.2	50.5

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 2022 and 2021 were determined as follows:

	Below 30 days	Between 31 and 60 days	Between 61 and 120 days	More than 120 days	Total
2022					
Weighted average 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**
2021					
Weighted average expected loss rate	–	–	45%	57%	11%
Gross carrying amount – trade debtors (US$m)	21.1	3.4	1.1	5.1	30.7
Loss allowance (US$m)	0.1	–	0.5	2.9	3.5

17 Debtors *continued*

Impairment of trade debtors continued

Movements in the provisions for impairment are as follows:

	Trade debtors		Other debtors	
	2022 US$m	2021 US$m	**2022 US$m**	2021 US$m
At 1st January	**(3.5)**	(3.1)	**(1.8)**	(2.0)
Exchange difference	**0.2**	–	**–**	–
Additional provisions	**(0.3)**	(1.0)	**(1.0)**	(0.6)
Unused amounts reversed	**0.9**	0.3	**0.2**	0.6
Amounts written off	**0.4**	0.3	**0.3**	0.2
At 31st December	**(2.3)**	(3.5)	**(2.3)**	(1.8)

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

18 Bank and cash balances

	2022 US$m	2021 US$m
Deposits with banks and financial institutions	**104.9**	64.9
Bank balances	**120.6**	147.1
Cash balances	**0.7**	0.8
	226.2	212.8
Analysis by currency		
– Euro	**44.9**	72.1
– Hong Kong dollar	**11.0**	14.2
– Indonesian rupiah	**4.8**	5.6
– Japanese yen	**6.8**	5.7
– Swiss franc	**4.9**	9.3
– United Kingdom sterling	**39.8**	23.7
– United States dollar	**103.5**	74.2
– Other	**10.5**	8.0
	226.2	212.8

The weighted average interest rate on deposits with banks and financial institutions at 31st December 2022 was 1.2% (2021: 0.2%) per annum.

19 Creditors

	2022 US$m	2021 US$m
Trade creditors	**21.2**	16.8
Accruals	**82.3**	80.6
Rental and other refundable deposits	**4.6**	4.4
Derivative financial instruments *(refer note 28)*	**–**	3.6
Other creditors	**33.5**	28.1
Financial liabilities	**141.6**	133.5
Contract liabilities *(refer note 2)*	**18.6**	23.3
Rental income received in advance	**3.4**	3.6
	163.6	160.4
Non-current	**4.5**	3.2
Current	**159.1**	157.2
	163.6	160.4
Analysis by geographical area		
– Asia	**64.8**	66.1
– EMEA	**59.5**	45.5
– America	**39.3**	48.8
	163.6	160.4

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 2022, non-current creditors included an amount of US$4.5 million (2021: nil) 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 (2021: US$0.8 million) were included in accruals at 31st December 2022.

20 Borrowings

	2022 Carrying amount US$m	2022 Fair value US$m	2021 Carrying amount US$m	2021 Fair value US$m
Short-term borrowings				
– other borrowings	**2.2**	**2.2**	2.4	2.4
Current portion of long-term borrowings				
– other borrowings	**–**	**–**	0.1	0.1
Total current borrowings	**2.2**	**2.2**	2.5	2.5
Long-term borrowings				
– bank loans	**599.8**	**599.8**	726.5	726.5
– other borrowings	**–**	**–**	1.3	1.3
Long-term borrowings	**599.8**	**599.8**	727.8	727.8
	602.0	**602.0**	730.3	730.3

The fair values are estimated using the expected future payments discounted at market interest rate from 1.2% to 5.7% (2021: 0.3% to 3.5%) per annum. This is in line with the definition of 'observable current market transactions' under the fair value measurement hierarchy. The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

	2022 US$m	2021 US$m
Secured	**599.8**	640.9
Unsecured	**2.2**	89.4
	602.0	730.3

Borrowings of US$599.8 million (2021: US$640.9 million) were secured against the tangible fixed assets and right-of-use assets of certain subsidiaries at 31st December 2022. The book value of these tangible fixed assets and right-of-use assets at 31st December 2022 was US$464.8 million (2021: US$571.3 million).

20 Borrowings *continued*

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

	Fixed rate borrowings				
	Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
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**
2021					
Hong Kong dollar	1.6	1.7	214.8	316.1	530.9
Swiss franc	2.2	10.0	1.4	2.3	3.7
United Kingdom sterling	1.6	2.4	54.0	54.7	108.7
United States dollar	1.0	–	–	87.0	87.0
			270.2	460.1	730.3

The weighted average interest rates and period of fixed rate borrowings are stated after taking into account hedging transactions *(refer note 28)*.

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:

	2022 US$m	2021 US$m
Floating rate borrowings	**329.3**	460.1
Fixed rate borrowings		
– Within one year	**64.1**	54.5
– Between one and two years	**208.6**	–
– Between two and three years	**–**	214.3
– Between three and four years	**–**	–
– Between four and five years	**–**	–
– Beyond five years	**–**	1.4
	272.7	270.2
	602.0	730.3

20 Borrowings *continued*

The movements in borrowings are as follows:

	Long-term borrowings US$m	Short-term borrowings US$m	Total US$m
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**
2021			
At 1st January	606.6	64.2	670.8
Exchange differences	(4.3)	(0.4)	(4.7)
Transfer	(0.1)	0.1	–
Drawdown of borrowings	130.6	–	130.6
Repayment of borrowings	(5.0)	(61.4)	(66.4)
At 31st December	727.8	2.5	730.3

21 Lease liabilities

	2022 US$m	2021 US$m
At 1st January	**153.7**	177.1
Exchange differences	**(18.8)**	(16.7)
Additions	**0.6**	0.2
Termination	**–**	(0.2)
Lease payments	**(7.6)**	(5.5)
Interest expense	**1.9**	2.2
Modification of lease terms and other	**(0.4)**	(3.4)
At 31st December	**129.4**	153.7
Non-current	**123.5**	147.4
Current	**5.9**	6.3
	129.4	153.7

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 2022 and 2021.

There is no lease contract entered but not commenced at 31st December 2022 and 2021.

22 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, deferred tax assets, pension assets and derivative financial instruments, by reportable segment.

	2022 US$m	2021 US$m
Analysis by geographical area		
– Asia	**2,928.3**	2,946.4
– EMEA	**696.7**	770.5
– America	**109.0**	208.7
	3,734.0	3,925.6

23 Share capital

	Ordinary shares in millions			
	2022	2021	2022 US$m	2021 US$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	**1,263.6**	1,263.2	**63.2**	63.2
Issued under share-based long-term incentive plans	**0.1**	0.4	**–**	–
At 31st December	**1,263.7**	1,263.6	**63.2**	63.2

24 Share premium

	2022 US$m	2021 US$m
At 1st January	**500.5**	499.7
Transfer from capital reserves	**0.2**	0.8
At 31st December	**500.7**	500.5

25 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 2022 and 2021 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:

	2022 Weighted average exercise price **US$**	Options **in millions**	2021 Weighted average exercise price US$	Options in millions
At 1st January	**1.59**	**1.0**	1.72	4.2
Exercised	**1.61**	**(0.5)**	1.68	(2.1)
Cancelled	**–**	**–**	1.91	(1.1)
At 31st December	**1.57**	**0.5**	1.59	1.0

The average share price during the year was US$1.92 (2021: US$2.00) per share.

Outstanding options at 31st December:

Expiry date	Exercise price US$	Ordinary shares in millions **2022**	2021
2022	1.61	**–**	0.5
2023	1.57	**0.5**	0.5
Total outstanding		**0.5**	1.0
of which exercisable		**0.5**	1.0

26 Dividends

No interim and final dividends in respect of the 2022 and 2021 financial years have been declared or proposed by the Board.

27 Notes to consolidated cash flow statement

a) Other non-cash items

	2022 US$m	2021 US$m
Fair value loss on investment property under development	**104.1**	73.9
Fair value gain on other investments	**–**	(0.6)
Gain on modification of lease terms	**(0.4)**	(3.4)
Gain on asset disposals	**(40.6)**	–
Other	**0.4**	1.3
	63.5	71.2

b) Movements in working capital

	2022 US$m	2021 US$m
(Increase)/decrease in stocks	**(0.2)**	0.4
Increase in debtors	**(21.2)**	(13.9)
Increase in creditors	**18.5**	12.6
Increase in pension obligations	**1.8**	1.8
	(1.1)	0.9

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 (2021: US$13.0 million).

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 (2021: nil).

e) During 2022, the Group provided convertible loan to S1D of US$2.0 million (2021: nil) and shareholder loan to Mandarin Oriental Ritz, Madrid of US$0.4 million (2021: US$4.8 million). No shareholder loans were provided to River City Shopping Complex (2021: US$0.1 million) and Mandarin Oriental, New York (2021: US$2.2 million) in 2022.

f) During 2022, the Group received repayments on its shareholder loans previously provided to Mandarin Oriental Ritz, Madrid of US$0.4 million (2021: US$0.4 million) and Mandarin Oriental, Miami of US$3.8 million (2021: US$2.6 million).

g) Cash outflows for leases

	2022 US$m	2021 US$m
Lease rentals paid	**(12.4)**	(9.3)
The above cash outflows are included in		
– operating activities	**(6.7)**	(6.0)
– financing activities	**(5.7)**	(3.3)
	(12.4)	(9.3)

h) Analysis of balances of cash and cash equivalents

	2022 US$m	2021 US$m
Bank and cash balances *(refer note 18)*	**226.2**	212.8

28 Derivative financial instruments

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

	2022 Positive fair value US$m	2022 Negative fair value US$m	2021 Positive fair value US$m	2021 Negative fair value US$m
Designated as cash flow hedges				
– forward foreign exchange contracts	**8.0**	**–**	4.4	–
– interest rate swaps	**9.4**	**–**	–	(3.6)
	17.4	**–**	4.4	(3.6)

Forward foreign exchange contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2022 were US$53.3 million (2021: US$56.6 million).

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2022 were US$272.7 million (2021: US$268.8 million).

At 31st December 2022, the fixed interest rates relating to interest rate swaps varied from 1.2% to 2.1% (2021: 1.2% to 1.8%) per annum.

The fair values of interest rate swaps at 31st December 2022 were based on the estimated cash flows discounted at market rates ranging from 0.9% to 1.0% (2021: 0.9% to 1.0%) per annum.

29 Commitments

	2022 US$m	2021 US$m
Capital commitments		
Authorised not contracted		
– other	**148.3**	506.7
Contracted not provided		
– other	**363.9**	43.6
	512.2	550.3

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

30 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 (2021: six) associate and joint venture hotels and received management fees of US$14.7 million (2021: US$6.6 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 2022 amounted to US$1.4 million (2021: US$2.3 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 2022 and 2021 (due to net losses).

The Group rented a property to DFI Retail Group, a subsidiary of JMH, and received rental income of US$0.7 million (2021: US$0.7 million), based on lease agreements on normal commercial terms.

In respect of the Causeway Bay site under development, the Group paid consultancy fees of US$3.2 million (2021: US$1.2 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$13.6 million (2021: US$17.9 million). The HKL agreement and GCL contract were arranged on normal commercial terms.

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

Details of Directors' emoluments (being the key management personnel compensation) are shown on page 124 under the heading of 'Remuneration outcomes in 2022'.

31 Summarised balance sheet of the Company

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

	2022 US$m	2021 US$m
Subsidiaries	**1,344.3**	1,347.2
Net current liabilities	**(2.0)**	(1.8)
Net assets	**1,342.3**	1,345.4
Share capital *(refer note 23)*	**63.2**	63.2
Share premium *(refer note 24)*	**500.7**	500.5
Revenue and other reserves	**778.4**	781.7
Shareholders' funds	**1,342.3**	1,345.4

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

32 Principal subsidiaries, associates, joint ventures and managed hotels

The principal subsidiaries, associates, joint ventures and managed hotels of the Group at 31st December 2022 are set out below.

Principal place of business	Name of entity	Nature of business	Attributable interest % 2022	2021	Proportion of ordinary shares and voting powers at 31st December 2022 held by the Group %	non-controlling interests %	Hotel profile
Subsidiaries							
Hong Kong	Mandarin Oriental Hotel Group International Limited	Management	**100**	100	**100**	**–**	–
Hong Kong	Mandarin Oriental Hotel Group Limited	Management	**100**	100	**100**	**–**	–
Hong Kong	Mandarin Oriental, Hong Kong Limited	Owner: Mandarin Oriental, Hong Kong	**100**	100	**100**	**–**	494 rooms. Lease expiry 2895
Hong Kong	Excelsior Hotel (BVI) Limited	The Causeway Bay site under development	**100**	100	**100**	**–**	–
Japan	Mandarin Oriental Tokyo KK	Owner: Mandarin Oriental, Tokyo	**100**	100	**100**	**–**	179 rooms. Lease expiry 2050
Indonesia	P.T. Jaya Mandarin Agung	Owner: Mandarin Oriental, Jakarta	**96.9**	96.9	**96.9**	**3.1**	272 rooms. Lease expiry 2053
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
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**	527 rooms. Lease expiry 2079
Thailand	OHTL PCL	Owner: Mandarin Oriental, Bangkok	**47.6**	47.6	**47.6**	**52.4**	331 rooms. Various freehold/leasehold
Malaysia	Asas Klasik Sdn Bhd	Owner: Mandarin Oriental, Kuala Lumpur	**25**	25	**25**	**75**	629 rooms. Freehold
Thailand	Chaophaya Development Corporation Limited	Owner: River City Shopping Complex	**49**	49	**49**	**51**	–
Spain	Ritz Madrid, S.A.	Owner: Mandarin Oriental Ritz, Madrid	**50**	50	**50**	**50**	153 rooms. Freehold
United States	ICD Columbus Centre Hotel LLC	Owner: Mandarin Oriental, New York	**25.1**	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**	16.7	**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		**–**	–	**–**	**–**	295 rooms
Czech Republic	Mandarin Oriental, Prague		**–**	–	**–**	**–**	99 rooms
Spain	Mandarin Oriental, Barcelona		**–**	–	**–**	**–**	120 rooms
Turkey	Mandarin Oriental, Bodrum		**–**	–	**–**	**–**	132 rooms
Turkey	Mandarin Oriental Bosphorus, Istanbul		**–**	–	**–**	**–**	86 rooms
Switzerland	Mandarin Oriental Palace, Luzern		**–**	–	**–**	**–**	136 rooms
Italy	Mandarin Oriental, Milan		**–**	–	**–**	**–**	104 rooms
Italy	Mandarin Oriental, Lago di Como		**–**	–	**–**	**–**	75 rooms
Morocco	Mandarin Oriental, Marrakech		**–**	–	**–**	**–**	63 rooms
Qatar	Mandarin Oriental, Doha		**–**	–	**–**	**–**	249 rooms
United Arab Emirates	Mandarin Oriental Jumeira, Dubai		**–**	–	**–**	**–**	251 rooms
United Arab Emirates	Emirates Palace Mandarin Oriental, Abu Dhabi		**–**	–	**–**	**–**	390 rooms
Saudi Arabia	Al Faisaliah Hotel, Riyadh		**–**	–	**–**	**–**	325 rooms
Chile	Mandarin Oriental, Santiago		**–**	–	**–**	**–**	310 rooms
Saint Vincent and the Grenadines	Mandarin Oriental, Canouan		**–**	–	**–**	**–**	35 rooms

33 Principal accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

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

Foreign currencies

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

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

33 Principal accounting policies *continued*

Foreign currencies continued

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

33 Principal accounting policies *continued*

Tangible fixed assets and depreciation

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

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

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

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

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

Leases

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

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

i) As a lessee

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

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

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

33 Principal accounting policies *continued*

Leases continued

i) As a lessee *continued*

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

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

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

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

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

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

ii) As a lessor

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

33 Principal accounting policies *continued*

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

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.

33 Principal accounting policies *continued*

Stocks

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

Debtors

Trade debtors are recognised initially at the amount of consideration that is unconditional and measured subsequently at amortised 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.

Cash and cash equivalents

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

Provisions

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

Borrowings and borrowing costs

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

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

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

33 Principal accounting policies *continued*

Government grants

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

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

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

Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or 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.

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.

33 Principal accounting policies *continued*

Derivative financial instruments

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

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

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

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

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

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

Financial guarantee contracts

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

33 Principal accounting policies *continued*

Offsetting financial instruments

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

Non-trading items

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of investment 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.

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.

Pre-operating costs

Pre-operating costs are expensed as they are incurred.

34 Standards and amendments issued but not yet effective

A number of new standards and amendments effective for accounting periods beginning after 2022 have been published and will be adopted by the Group from their effective dates. The Group is currently assessing the potential impact of these standards and amendments but expects their adoption will not have a significant impact on the Group's consolidated financial statements. The relevant standard and amendments are set out below.

i) IFRS 17 'Insurance Contracts' (effective from 1st January 2023) will mainly have effect on the Group's insurance companies in Indonesia. The Group is assessing the potential impact on the Group's consolidated financial statements.

ii) Amendment to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1st January 2023) requires companies to recognise deferred tax 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 will require the recognition of additional deferred tax assets and liabilities. The Group is assessing the potential impact on the Group's consolidated financial statements.

35 Financial risk management

Financial risk factors

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

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

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

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

35 Financial risk management

***Financial risk factors** continued*

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

Hedge ineffectiveness for interest rate swaps may occur due to:

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

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

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

The ineffectiveness during 2022 or 2021 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 2022 and 2021, the Group's principal foreign exchange exposure was with the Euro. At 31st December 2022, 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$0.1 million (2021: US$4.2 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$0.1 million (2021: US$4.2 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 2022 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.

35 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 2022, the Group's interest rate hedge was 45% (2021: 37%), with an average tenor of 1.1 years (2021: 1.9 years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 20.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Borrowings at floating rates therefore expose the Group to cash flow interest rate risk. The Group manages this risk by using forward rate agreements to a maturity of one year, and by entering into interest rate swaps and caps for a maturity of up to seven years. Forward rate agreements and interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate, caps provide protection against a rise in floating rates above a pre-determined rate. Details of interest rate swaps are set out in note 28.

At 31st December 2022, 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$1.7 million (2021: US$3.3 million) higher/lower, and hedging reserves would have been US$2.7 million (2021: US$4.2 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.

35 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 2022, 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 (2021: US$4.1 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 2022, 91% (2021: 90%) 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.

35 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 2022, total available borrowing facilities amounted to US$1,073 million (2021: US$1,024 million) of which US$602 million (2021: US$730 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities totalled US$471 million (2021: US$294 million), in addition to cash balances of US$226 million (2021: US$213 million).

Included in the total available borrowing facilities of US$1,073 million, the Group has borrowing facilities of US$750 million due to mature within 2024. Based on the Group's consistent track record of securing external financing in a timely manner, its operating performance and strong balance sheet, the Group is confident that it will complete the refinancing of these bank facilities if necessary before their expiry.

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 2022 and 2021 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
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**
2021							
Borrowings	13.3	96.8	642.9	0.2	0.2	1.0	754.4
Lease liabilities	8.9	9.1	8.8	8.8	7.2	136.6	179.4
Creditors	129.9	–	–	–	–	–	129.9
Net settled derivative financial instruments	2.8	0.8	0.1	–	–	–	3.7

35 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 2022 and 2021 are as follows:

	2022	2021
Gearing ratio		
– based on shareholders' funds	11%	16%
– based on adjusted shareholders' funds	8%	10%
Interest cover	1.9	n/a

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.

35 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 2022 and 2021, by the levels in the fair value measurement hierarchy.

	Observable current market transactions US$m	Unobservable inputs US$m	Total US$m
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**
2021			
Assets			
Other investments	6.0	10.5	16.5
Derivative financial instruments at fair value			
– through other comprehensive income	4.4	–	4.4
	10.4	10.5	20.9
Liabilities			
Derivative financial instruments at fair value			
– through other comprehensive income	(3.6)	–	(3.6)

There were no transfers among the two categories during the year ended 31st December 2022 and 2021.

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

	Unlisted investments 2022 US$m	2021 US$m
At 1st January	**10.5**	10.7
Additions	**0.2**	0.3
Disposals	**(2.7)**	(0.5)
At 31st December	**8.0**	10.5

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

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

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

35 Financial risk management *continued*

Financial instruments by category

The fair values of financial assets and financial liabilities, together with carrying amounts at 31st December 2022 and 2021 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
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						
Debtors	–	–	**69.8**	–	**69.8**	**69.8**
Bank and cash balances	–	–	**226.2**	–	**226.2**	**226.2**
	–	–	**296.0**	–	**296.0**	**296.0**
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)**
2021						
Financial assets measured at fair value						
Other investments	–	16.5	–	–	16.5	16.5
Derivative financial instruments	4.4	–	–	–	4.4	4.4
	4.4	16.5	–	–	20.9	20.9
Financial assets not measured at fair value						
Debtors	–	–	58.0	–	58.0	58.0
Bank and cash balances	–	–	212.8	–	212.8	212.8
	–	–	270.8	–	270.8	270.8
Financial liabilities measured at fair value						
Derivative financial instruments	(3.6)	–	–	–	(3.6)	(3.6)
Financial liabilities not measured at fair value						
Borrowings	–	–	–	(730.3)	(730.3)	(730.3)
Lease liabilities	–	–	–	(153.7)	(153.7)	(153.7)
Trade and other payables excluding non-financial liabilities	–	–	–	(129.9)	(129.9)	(129.9)
	–	–	–	(1,013.9)	(1,013.9)	(1,013.9)

36 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 and the COVID-19 pandemic have been considered when applying estimates and assumptions in the preparation of the financial statements, including the Group's assessment of impairment of assets and the independent valuers' valuation of the Group's investment properties. Given the uncertainty of the impact of COVID-19 pandemic, the actual results may differ from these accounting estimates.

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

Investment properties

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

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

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.

36 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.

36 Critical accounting estimates and judgements *continued*

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.

Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as US$ LIBOR and other IBORs has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes on some IBORs.

To transition existing contracts and agreements that reference IBORs (including US$ LIBOR) to risk free rates ('RFRs') such as US$ LIBOR to Secured Overnight Financing Rate, adjustments for term differences and credit differences might need to be applied to RFRs, to enable the two benchmark rates to be economically equivalent on transition. The greatest change will be amendments to the contractual terms of the IBORs-referenced floating-rate debt and the associated swap and the corresponding update of the hedge designation. However, the changed reference rate might also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

Group Treasury is managing the IBORs transition plan, which has progressed throughout 2022. US$ LIBOR is expected to cease on 30th June 2023, and the Group's transition plan is on track to ensure conversion of existing US$ LIBOR contracts by the date of cessation.

Relief applied

The Group has applied the following reliefs that were introduced by the amendments made to IFRS 9 'Financial Instruments' in September 2019 and August 2020:

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

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

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

iv) For financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised.

v) For lease liabilities where there is a change to the basis for determining the contractual cash flows, the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBORs reform.

Assumptions made

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

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

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

Independent Auditors' Report

To the members of Mandarin Oriental International Limited

Report on the audit of the Group financial statements

Opinion

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

- give a true and fair view of the state of the Group's affairs as at 31st December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet as at 31st December 2022; the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies (the 'Principal Accounting Policies').

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

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Materiality

- Overall Group materiality: US$32.9 million (2021: US$3.0 million), based on 1% of the net assets of the Group (2021: based on 5% of underlying loss before tax).
- Specific Group materiality, applied to balances and transactions not related to the investment properties: US$3.4 million, based on 0.75% of the Group's consolidated revenue (2021: no specific Group materiality was applied).

Audit scope

- A full scope audit of seven of the Group's hotels and two entities engaged in hotel management services and holding the investment property under development was performed. These hotels and entities, together with procedures performed over specific balances and transactions for one further hotel, one further entity engaged in hotel management services and on central functions and at the Group level, accounted for 89% of the Group's revenue, 93% of the Group's loss before tax, 84% of the Group's underlying profit before tax and 89% of the Group's total assets.

Key audit matters

- Valuation of investment properties
- Recoverability of the carrying amounts of hotel properties

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at 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 evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

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

The Impact of COVID-19, which was a key audit matter last year, is no longer included because the impact, where relevant, is now included within the other individual key audit matters as appropriate. The key audit matter last year in respect of the valuation of investment property under development has been revised to include both the investment property under development and the completed residential property which is now accounted for as an investment property. The key audit matter in respect of the recoverability of the carrying amounts of hotel properties is consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to note 33 (Principal accounting policies), note 36 (Critical accounting estimates and judgements) and note 12 (Investment properties) to the financial statements. The fair value of the Group's investment properties amounted to US$2,472.6 million at 31st December 2022, with a revaluation loss of US$104.1 million recognised as a non-trading item in the Consolidated Profit and Loss Account for the year. The Group's investment properties consist of an under development leasehold commercial property and a completed leasehold residential property. The valuation of the Group's investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location, prevailing market returns and expected future rentals, where relevant.	We understood management's controls and processes for determining the valuation of investment properties 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 reports to consider whether the valuation methodology used was appropriate and suitable for use in determining the fair values.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties continued	
The valuations were carried out by a third-party valuer (the 'valuer'). There is inherent estimation uncertainty and judgement in determining a property's valuation as the valuer makes assumptions in key areas. The valuation for the under development leasehold commercial property was derived using the direct comparison method and residual method. Judgement is required in selecting appropriate land sale comparable transactions for the direct comparison method valuation; and the determination of the gross development value, estimated costs to complete and expected developer's profit margin in the residual method valuation. The valuation for the completed leasehold residential property was derived using the direct comparison method. We focused on the valuation of investment properties due to the size of the balance and the significant judgements and estimates involved in determining the valuations.	The audit team, including our valuation experts, discussed with the valuer the methodology, key assumptions and climate change risk considerations applied in the valuations, including: ■ for the direct comparison method valuations, we assessed the appropriateness of the comparable transactions adopted in the valuations; ■ for the residual method valuation: – we assessed the appropriateness of the key assumptions adopted in the assessment of the gross development value by comparing them with available market data on yields and unit rentals; – for developer's profit and other ancillary fees, compared the adopted parameters with the market norm; and – for the construction costs to complete, examined the approved project budget, and evaluated past budget to actual variance to assess the reliability of the project budget. We concluded that the methodology used in preparing the valuations was acceptable and that the key assumptions applied in the valuations were supportable in light of available evidence. With the support of our internal valuation experts, we also questioned the external valuer as to the extent that valuations took into account climate change and related ESG considerations.

Key audit matter	How our audit addressed the key audit matter
Recoverability of the carrying amounts of hotel properties Refer to note 33 (Principal accounting policies), note 36 (Critical accounting estimates and judgements), note 10 (Tangible assets), note 11 (Right-of-use assets) and note 13 (Associates and joint ventures) to the financial statements. The Group's hotel properties are stated at cost less depreciation and impairment, and represent a significant proportion of tangible assets and right-of-use assets and associates and joint ventures. Management considers each hotel to be a separate cash-generating unit ('CGU') and performs an impairment assessment, where impairment indicators exist, to determine the recoverable amount of the hotel properties. The recoverable amount is determined as the higher of the CGU's value-in-use and fair value less costs to sell. In determining the fair value less costs to sell, a third-party valuer (the 'valuer') is engaged by the Group to perform the valuation of the hotel property. Management concluded that no impairment provision was required for the hotel properties. We focused on this area as the impairment assessment involves significant judgements and estimation uncertainty in respect of future business performance and key assumptions including discount rates, occupancy rate, sales growth rate and capital expenditure necessary to maintain the service standard.	We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. We understood management's impairment assessment process and related controls, including the identification of indicators of impairment and appropriateness of the valuation models used, including the assessment of the future recovery of markets from the impact of COVID-19 and inspection of the operating results of the respective hotels. Where there were indicators of impairment, we assessed the assumptions used by the valuer and management in the calculation of the recoverable amounts. This included the involvement of our valuation experts to assess the country specific discount rate applied. We assessed the reasonableness of the forecast occupancy rates, sales growth rate and capital expenditure by comparing them with historical results and latest economic and industry forecasts. We evaluated management's future cash flow forecasts and the process by which they were prepared, including testing the mathematical accuracy of the underlying calculations and compared the future cash flow forecasts with the Board approved budgets. We performed sensitivity analyses by making adjustments to the key assumptions in management's impairment assessments and considered whether, in isolation or as a combination, any reasonably possible adjustments would result in a material impairment. We found that the methodologies were applied consistently and appropriately, and the significant assumptions adopted by management were appropriate.

How we tailored the audit scope

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

The Group's accounting processes are structured around finance functions, which are responsible for their own accounting records and controls, which in turn, report financial information to the Group's finance function in Hong Kong to enable them to prepare 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 entities in scope for Group reporting during the audit cycle through a combination of meetings, visits and conference calls. The Group audit partner and other senior team members undertook two visits to Hong Kong and were involved throughout the year in regular conference calls and other forms of communication to direct and oversee the audit, including the remote review of the work of component teams. Senior team members visited the component team in the UK during the audit to discuss the work of that team. There was regular communication throughout the year with the component teams.

A full scope audit on seven of the Group's hotels and two entities engaged in the hotel management services and holding the investment property under development was performed. These hotels and entities, together with procedures performed over specific balances and transactions for one further hotel, one further entity engaged in hotel management services and on central functions and at the Group level, accounted for 89% of the Group's revenue, 93% of the Group's loss before tax, 84% of the Group's underlying profit before tax and 89% of the Group's total assets.

The impact of climate risk on our audit

In planning and executing our audit, we have considered the potential impact of climate change on the Group's business and it's financial statements. We also considered the Group's governance framework and preliminary risk assessment process as outlined in the Task Force on Climate-related Financial Disclosures ('TCFD') section within this Annual Report.

Climate change could have a significant impact on the Group's business as the operations and strategy of the Group are adopted to address the potential financial and non-financial risks which could arise from both the physical and transitional risks associated with climate change. Management has evaluated these as disclosed in the TCFD section of this Annual Report.

We considered the following areas could potentially be materially impacted by climate risk and consequently we focused our audit work in these areas:

- Valuation of investment properties; and
- Recoverability of the carrying amounts of hotel properties.

To respond to the audit risks identified in these areas we tailored our audit approach to address these, in particular, we:

- Gained an understanding and evaluated whether the impact of both physical and transition risks arising due to climate risk had been appropriately included in the valuation model of investment properties or recoverable value assessments of the Group's other assets;
- Reviewed and challenged management and the external valuers (where applicable) on how climate related risks had been incoporated into the valuation models and recoverable value assessments; and
- Where climate risk relates to a key audit matter, our audit response is given in the key audit matters section of our audit report.

We also considered the consistency of the disclosures in relation to climate change (including the TCFD section) within the Annual Report with the financial statements and our knowledge obtained from our audit. This included:

- Reading and challenging the disclosures given in the narrative reporting within the other information to the impact disclosed within the financial statements.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31st December 2022.

Materiality

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

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

Overall Group materiality	US$32.9 million (2021: US$3.0 million)
How we determined it	Based on 1% of net assets (2021: Based on 5% of underlying loss before tax)
Rationale for benchmark applied	Net assets is a primary measure used by the shareholders in assessing the performance of the Group, together with consolidated revenue, which we have used as the basis for our specific materiality as detailed below.

We set a specific Group materiality level of US$3.4 million (2021: no specific Group materiality was applied), which was applied to balances and transactions not related to investment properties. This was based upon 0.75% of the Group's consolidated revenue. In arriving at this judgement, we had regard to the fact that revenue is an important financial indicator 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. The overall materiality allocated to components with investment properties was US$32.0 million. The range of specific materiality allocated across component was US$0.9 million to US$2.0 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of specific materiality (2021: overall materiality), amounting to US$2.5 million (2021: US$2.3 million) for the Group financial statements.

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$0.3 million (2021: US$0.3 million) other than classifications within the Consolidated Profit and Loss Account or Consolidated Balance Sheet, which were only reported above US$0.9 million (2021: US$2.3 million). We also report misstatements below this amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Evaluating the inherent risks to the Group's and its businesses' business models and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period;
- Assessing management's models supporting the Board's going concern assessment, evaluating the process by which the assessments have been drawn up, ensuring that the calculations in the model were mathematically accurate and that the overall methodology used was appropriate;
- Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible, but not unrealistic, adverse effects that could arise from adverse trading conditions and impact the Group's liquidity position over the going concern period;
- Evaluating the committed financing facilities currently available to the Group and ensuring that the models appropriately included all contractual debt repayments and committed capital expenditures;
- Agreeing to debt agreements and associated amendments secured, the covenants attached to each facility and considering the Group's forecast compliance at the measurement dates included in the going concern assessment period; and
- Agreeing the cash on hand and available facilities included in the going concern assessment to our year end audit work.

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

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

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

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

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

- Gaining an understanding of the legal and regulatory framework applicable to the Group and considering the risk of any acts by the Group which may be contrary to applicable laws and regulations, including fraud;
- Discussions with management, internal audit and Group legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of reporting component auditors' work, including any matters reported by component auditors' relating to non-compliance with laws and regulations or fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain, particularly in relation to the valuation of investment properties and the impairment assessments related to the carrying value of hotel properties (see related key audit matters above);
- Incorporating elements of unpredictability in the audit procedures we performed; and
- We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals, and evaluated whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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

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

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

Use of this report

This report, including the opinion, has been prepared for and only for the Group'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 this opinion, 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 Group, save where expressly agreed by our prior consent in writing.

Partner responsible for the audit

The engagement partner on the audit resulting in this independent auditors' report is John Waters.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these 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 auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

PricewaterhouseCoopers LLP
Chartered Accountants
London
2nd March 2023

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 2022 was US$2,384,900,000 (United States Dollar Two Billion Three Hundred Eighty-Four Million and 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 direct comparison method and the residual method with equal weighting. The direct comparison method is based on comparing the property to be valued directly with other comparable properties. The residual method is based on an assessment of the completed gross development value and the deduction of development costs and the developer's return to arrive at the residual value of a development property. For the direct comparison method and the assessment of the completed gross development value, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Yours faithfully

Jones Lang LaSalle Limited
Hong Kong
16 February 2023

Five Year Summary

Consolidated Profit and Loss Account

	2018 US$m	2019 US$m	2020 US$m	2021 US$m	**2022 US$m**
Revenue	613.7	566.5	183.7	316.9	**454.1**
Operating profit/(loss)	70.7	(29.0)	(660.0)	(99.3)	**(42.6)**
Net financing charges	(14.2)	(14.7)	(12.6)	(12.7)	**(14.4)**
Share of results of associates and joint ventures	5.7	(1.7)	(26.8)	(21.8)	**9.7**
Profit/(loss) before tax	62.2	(45.4)	(699.4)	(133.8)	**(47.3)**
Tax	(19.0)	(10.2)	19.4	(7.6)	**(2.1)**
Profit/(loss) after tax	43.2	(55.6)	(680.0)	(141.4)	**(49.4)**
Profit/(loss) attributable to shareholders	43.4	(55.5)	(680.1)	(141.4)	**(49.5)**
Underlying profit/(loss) attributable to shareholders	64.9	41.2	(205.9)	(68.1)	**7.6**
Earnings/(loss) per share (US¢)	3.44	(4.39)	(53.84)	(11.19)	**(3.92)**
Underlying earnings/(loss) per share (US¢)	5.15	3.26	(16.30)	(5.39)	**0.60**
Dividends per share (US¢)	3.00	1.50	–	–	**–**

Consolidated Balance Sheet

	2018 US$m	2019 US$m	2020 US$m	2021 US$m	**2022 US$m**
Intangible assets	49.3	53.0	45.4	46.7	**45.7**
Tangible assets	1,205.9	1,174.6	1,181.5	1,098.2	**916.3**
Right-of-use assets	342.9	300.3	297.4	273.3	**242.4**
Investment properties	–	2,967.7	2,528.3	2,462.0	**2,472.6**
Associates and joint ventures	196.1	203.1	231.6	201.5	**203.8**
Other investments	15.2	15.9	16.1	16.5	**14.0**
Deferred tax assets	11.5	10.6	17.8	13.7	**14.2**
Pension assets	0.2	1.3	5.5	7.1	**3.0**
Non-current debtors	5.1	6.2	5.1	8.9	**12.2**
Net current (liabilities)/assets	(359.4)	181.4	19.5	113.2	**142.9**
Long-term borrowings	(7.3)	(568.6)	(606.6)	(727.8)	**(599.8)**
Non-current lease liabilities	(161.3)	(168.4)	(170.1)	(147.4)	**(123.5)**
Deferred tax liabilities	(61.6)	(59.4)	(47.1)	(50.1)	**(41.6)**
Pension liabilities	(0.4)	(0.2)	(0.3)	(0.3)	**(0.1)**
Non-current creditors	–	(0.9)	(10.9)	(3.2)	**(4.5)**
Net assets	1,236.2	4,116.6	3,513.2	3,312.3	**3,297.6**
Share capital	63.1	63.2	63.2	63.2	**63.2**
Share premium	497.8	499.7	499.7	500.5	**500.7**
Revenue and other reserves	671.5	3,550.1	2,946.6	2,745.1	**2,730.2**
Shareholders' funds	1,232.4	4,113.0	3,509.5	3,308.8	**3,294.1**
Non-controlling interests	3.8	3.6	3.7	3.5	**3.5**
Total equity	1,236.2	4,116.6	3,513.2	3,312.3	**3,297.6**
Net asset value per share (US$)	0.98	3.26	2.78	2.62	**2.61**

Consolidated Cash Flow Statement

	2018 US$m	2019 US$m	2020 US$m	2021 US$m	**2022 US$m**
Cash flows from operating activities	152.6	112.9	(83.5)	26.4	**56.5**
Cash flows from investing activities	(69.0)	(80.4)	(108.5)	(32.5)	**86.7**
Net cash flow before financing activities	83.6	32.5	(192.0)	(6.1)	**143.2**
Cash flow per share from operating activities (US¢)	12.11	8.94	(6.61)	2.09	**4.47**

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 adopted by the International Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position and profit and losses of the Group; and

b) the Chairman's Statement, Group Chief Executive's Review, Financial Review and the Principal Risks and Uncertainties of 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

James Riley
Matthew Bishop
Directors
2nd March 2023

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 growth generation for our shareholders and the communities where we operate.
- **Credibility and trust** – the credibility 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 historical 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 and the approach taken by our peers.

Accordingly, the Company continues to focus on enhancing the Group's approach to corporate governance more generally, focussing on changes which benefit the Group. The Company has focussed in years 2021 and 2022 on changing the Group's approach to corporate governance more generally and has led a series of changes to the governance of the Group, including the composition of the Company's Board. These changes, which were made to the Board in December 2021, have increased the diversity and brought greater sector expertise to the Board through the appointment of new Independent Non-Executive Directors. The size of the Board has also generally reduced as a result of the retirement of a number of Directors. In addition, the Company has established formal Audit, Remuneration and Nominations Committees at the listed company level.

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 and the Group can benefit from the expertise and experience they bring, and the Company is taking steps to increase the independence and diversity of its Board.

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 the 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 '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 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.

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, however, 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, an announcement will be issued by the Company, providing such details of the transaction as are necessary for investors to evaluate the effect of the transaction on the Company.
- At each annual general meeting ('AGM'), the Company will seek shareholders' approval to issue new shares on a non-pre-emptive basis for up to 33% of the Company's issued share capital, of which up to 5% can be issued for cash consideration.
- The Company adheres to a set of Securities Dealing Rules, which follow the provisions of MAR with respect to market abuse and disclosure of interests in shares.

The Company is not required to comply with the UK Corporate Governance Code (the 'Code'), which applies to all premium-listed companies and sets out the governance principles and provisions 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 the strategic objectives it sets in a way that is supported by the right culture, values and behaviours throughout the Group.

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

- Responsibility for the overall strategic aims and objectives of the Group;
- Establishing the Company's purpose and values;
- Approval of the Group's strategy and risk appetite to align with the Group's purpose and values;
- Approval and oversight of the Group policy framework and approval of appropriate Group policies;
- Approval of the annual budget and monitoring of performance against it;
- Oversight of the Group's operations;

The Board continued

- 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;
- 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 composition and operational management

The Board's composition and how 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 79% interest in the Company's share capital, the Group Chief Executive and the Managing Director meet regularly. Similarly, the board of MOHG and its finance committee are chaired by the Managing Director and include Mandarin Oriental Hotel Group executives 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.

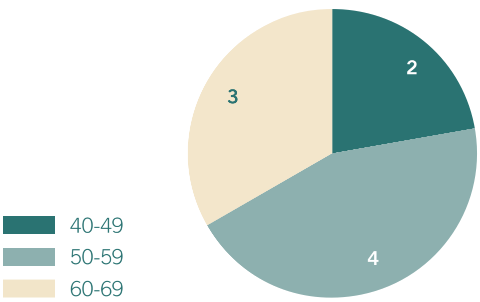
***Board composition and operational management** continued*

As at 2nd March 2023, the Company comprises nine Directors, three of whom (33%) – Jinqing Cai, Archie Keswick and Richard Solomons – are Independent Non-Executive Directors as defined by the Code. The names of all the Directors and brief biographies appear on pages 34 and 35 of this Annual Report.

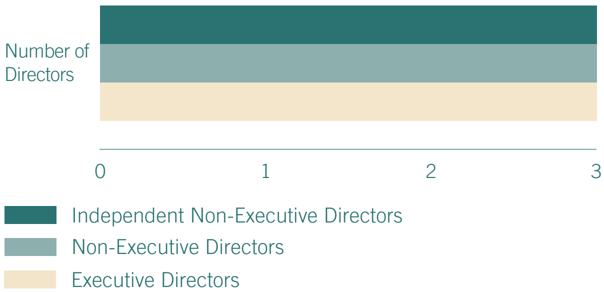
Ben Keswick has been Chairman of the Board since 16th May 2013. John Witt has held the role of Managing Director from 15th June 2020. James Riley has been Group Chief Executive since 1st April 2016. Ben Keswick previously held the roles of Chairman and Managing Director on a combined basis from 16th May 2013 until the separation of these roles from 15th June 2020.

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.

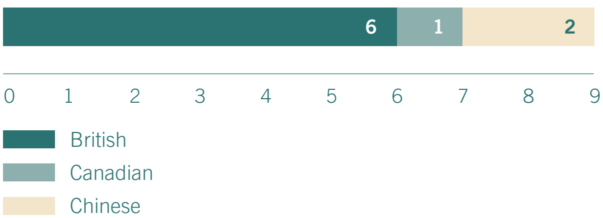
Age of Directors



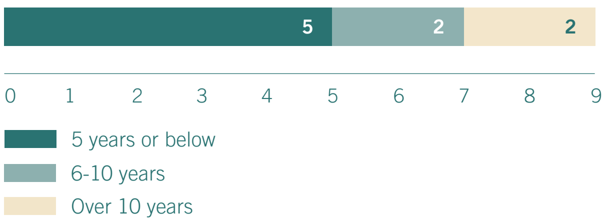
Capacity of Directors



Nationality of Directors



Tenure of Directors



Directors' experience

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:

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

Non-Executive Directors

The Non-Executive Directors bring insight and 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 2022, as border restrictions began to ease, a hybrid meeting was held in Singapore. The May 2022 Board meeting was held virtually. In-person Board meetings were held in Singapore in July 2022 and Bangkok in December 2022.

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 and Bermuda to discuss the Group's business and participate in the four strategic reviews that precede regular Board meetings. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge of the Group's affairs, as well as their experience of the wider Jardine Matheson group, provide significant value to the ongoing review by the Company of the Group's business and reinforces the Board oversight process.

Board attendance

Directors are expected to attend all Board meetings. The table below shows the attendance at the scheduled 2022 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	4/4	100%
Richard Solomons	4/4	100%
Executive Directors		
John Witt	4/4	100%
James Riley	4/4	100%
Matthew Bishop	4/4	100%

Appointment and retirement of Directors

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. John Witt, being the Managing Director, has a service contract with the Company that has a notice period of six months.

In accordance with Bye-law 85, James Riley and Archie Keswick will retire by rotation at this year's AGM and, being eligible, offer themselves for re-election. James Riley has a service contract with a subsidiary of the Company that has a notice period of six months. Archie Keswick 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.

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.

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 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.

Directors' responsibilities in respect of the financial statements

Under the 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 1,004,193,209 ordinary shares carrying 79.46% of the voting rights. By virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares. Apart from this shareholding, the Company is not aware of any holders of voting rights of 5% or more attaching to the Company's issued ordinary share capital as of 2nd March 2023.

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 30 to the financial statements on page 75.

Engagement with shareholders and stakeholders

The Group regularly engages with its shareholders and other stakeholders to provide an opportunity to ask questions of senior management. Since the beginning of 2022, the Group have held two results briefings and three 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's Chief Executive.

Securities purchase arrangements

The Directors have the power under the Companies Act and the Company's Memorandum of Association to purchase the Company's shares. Any shares so purchased shall be treated as cancelled and, therefore, reduce the Company's issued share capital. When the Board reviews 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 colleagues and support this by enhancing our incentive structures to focus less on current profits and more on value creation over a longer time horizon. This longer-term view also incentivises experimentation and innovation.

The Group also conducted a colleague experience survey with a global completion rate of 98%. Results from the survey led to a global sustainable engagement score of 88%, the same as in 2021, and a global colleague retention score of 61% which was a 4% improvement on 2021. Action plans have been developed by each hotel and departments to address the survey outcomes.

Annual General Meeting

The 2023 AGM will be held on 4th May 2023. 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.

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. 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 Resource 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.

Diversity and Inclusion

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 the Diversity and Inclusion principles across our business and HR practices. This includes:

- Ensuring a set of inclusive working arrangements and policies to support Diversity and Inclusion;
- 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.

Remuneration Report

Message from the Board/Remuneration Committee

The Board is pleased to present shareholders with the 2022 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, the link between performance and reward, and remuneration outcomes for senior executives.

The Group's remuneration philosophy and framework for rewarding staff

The remuneration outcomes in 2022 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 executives and shareholders. The Company aims to ensure all remuneration is delivered in a manner that is aligned with the values 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 sustained 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 employee 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 executive to more junior level employees, but the link of remuneration to strategic goals is consistent. The nature of goals used for remuneration varies depending on employee level, but the Company ensures goals are relevant and measurable while aligned with company values. 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 employees varies depending on level. At senior executive levels, more remuneration is 'at risk', depending on performance levels against goals. At more junior levels, more 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.

Directors' Remuneration *continued*

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. 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 2022 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:	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	–	–	–	–
4	Matthew Bishop	–	–	–	–
5	Jinqing Cai	90,000	–	–	90,000
6	Adam Keswick	90,000	–	15,000	105,000*
7	Archie Keswick	90,000	–	–	90,000
8	Y.K. Pang	90,000	35,000	–	125,000*
9	Richard Solomons	90,000	35,000	–	125,000
	Total	**650,000**	**70,000**	**45,000**	**765,000**

* Fees surrendered to Jardine Matheson

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 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.

Remuneration Committee continued

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 Chief Human Resources 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. 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 2022

For the year ended 31st December 2022, the Directors received from the Group US$5.7 million (2021: US$4.6 million) in Directors' fees and employee benefits, being:

- US$0.8 million (2021: US$0.7 million) in Directors' fees;
- US$4.7 million (2021: US$3.7 million) in short-term employee benefits, including salary, bonuses, accommodation and deemed benefits in kind;
- US$0.1 million (2021: US$0.1 million) in post-employment benefits; and
- US$0.1 million (2021: US$0.1 million) in long-term incentive benefits.

The information set out in the section above headed 'Remuneration outcomes in 2022' 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 2nd March 2023 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
James Riley	180,450

* 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 four members, the current members of which are:

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

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 remains as a member of the Audit Committee. 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, the Company is moving towards a majority of independent members in its Audit Committee. 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 Managing Director, Group Chief Executive and Chief Financial Officer, and 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;
- 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 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 2022 included:

- Reviewing the 2021 annual financial statements and 2022 half-year financial statements, with particular focus on the impact of COVID-19, provisioning and impairment assessments, assumptions that underpinned key valuation models and effectiveness of financial controls;
- Reviewing the actions and judgments of management in relation to changes in accounting policies and practices to ensure clarity of disclosures and compliance with new accounting standards;
- Receiving reports from the internal audit function on the status of the control environment of the Group and its business divisions and progress made in resolving matters identified in the reports;
- Reviewing the principal risks, evolving trends and emerging risks that affect the Group, and monitoring changes to the risk profile, as well as the effectiveness of risk management measures and crisis management arrangements;
- Receiving updates on the cybersecurity threat landscape and the Group's cybersecurity environment, risk management approach, 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; and
- Conducting a review of the terms of reference of the Audit Committee.

Audit Committee attendance

The table below shows the attendance at the scheduled 2022 Audit Committee meetings:

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

Auditor independence and effectiveness

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

- Limiting 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 2022 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.

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.

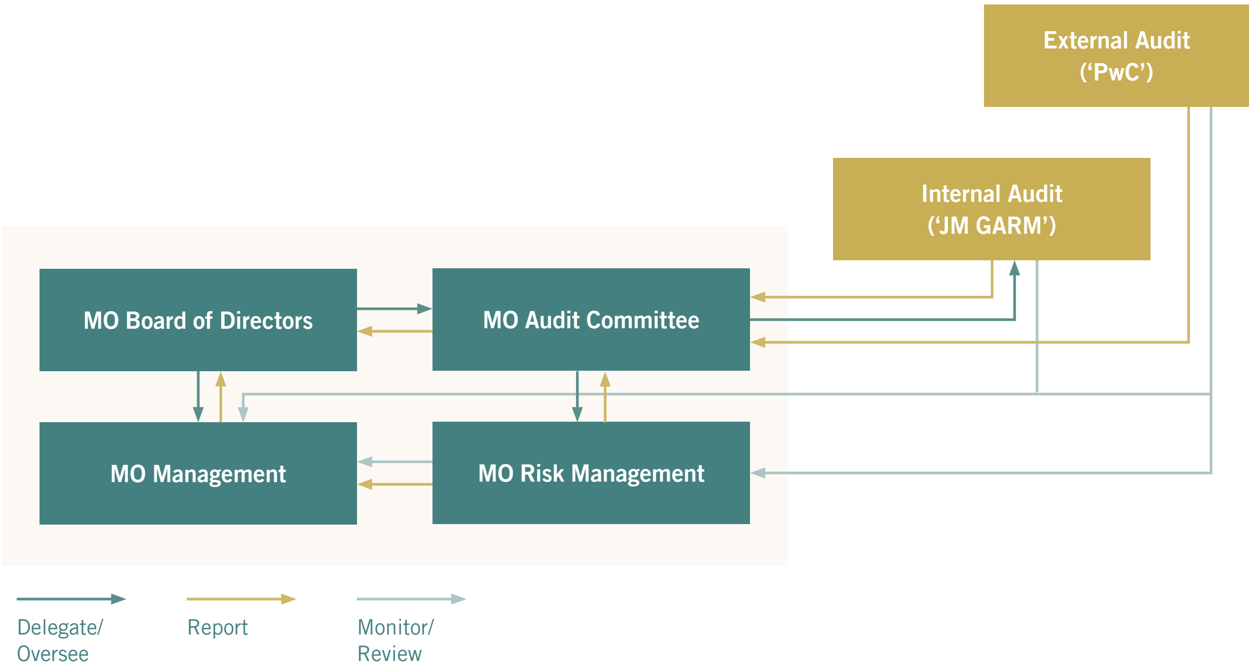
The internal control systems are designed to manage, rather than eliminate, business risk; to help safeguard the Group's assets against fraud and other irregularities; and give reasonable, but not absolute, assurance against material financial misstatement or loss. Executive management is responsible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

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. These are reviewed on a regular basis.

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

The Company's principal risks and uncertainties are set out on pages 130 to 136.

Risk governance structure

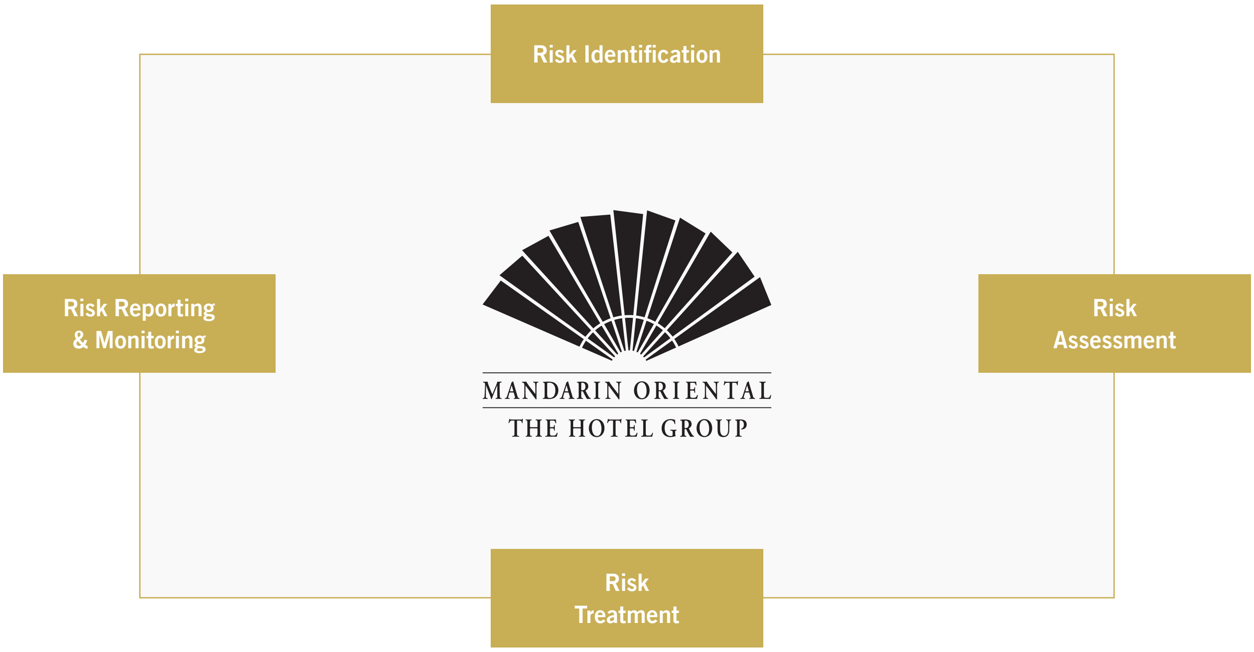


The Group's Management is responsible for:

- 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:



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

The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the DTRs issued by the FCA and 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 which have concentrated operations in that jurisdiction.

Mitigation

- Geographical diversification of the business 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 business.

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 business 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**

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 29 to 33 and note 35 to the financial statements on pages 87 to 94.

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 business is ever more reliant on technology in their operations and faces 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 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 Southeast 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 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 to operate at capacity, implement initiatives and pursue opportunities. The pandemic has accelerated corporate investments in digital projects and stimulated global consumer demand for e-commerce. This has created heightened demand and competition across industries for various skillsets. Pandemic-related travel restrictions and a more stringent approach to issuing work visas to non-locals in some of the key markets have also disrupted the availability of labour across borders, exacerbating labour shortages as economies rebound. 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 diversity and inclusion 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 Audit Committee.

Shareholder Information

Financial calendar

2022 full-year results announced	2nd March 2023
Annual General Meeting to be held	4th May 2023
2023 half-year results to be announced	28th July 2023*
Shares quoted ex-dividend	17th August 2023*
Share registers to be closed	21st to 25th August 2023*
2023 interim dividend payable	11th October 2023*

* Subject to change

Dividends

In light of the modest level of underlying profit, no final dividend in respect of the 2022 financial year will be paid.

Registrars and transfer agent

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

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Jersey Branch Registrar

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

Singapore Branch Registrar

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