

announcement

Mandarin Oriental International Limited

Jardine House, 33-35 Reid Street
Hamilton HM EX, Bermuda



2nd March 2023

The following announcement was issued today to a Regulatory Information Service approved by the Financial Conduct Authority in the United Kingdom.

MANDARIN ORIENTAL INTERNATIONAL LIMITED 2022 PRELIMINARY ANNOUNCEMENT OF RESULTS

HIGHLIGHTS

- Combined revenue exceeds 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

“The Group continued to recover in 2022, as travel restrictions lifted in Europe, the Middle East, and America and ended the year strongly, with a return to underlying profitability. The Group’s management business performed well, especially in resort destinations. Our owned hotels business saw a good recovery, but it was held back by continuing challenges in East Asia, which impacted the performance of Hong Kong and Tokyo in particular. 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, we also remain confident in the long-term success of the Group.”

Ben Keswick
Chairman

RESULTS

	Year ended 31st December		
	2022	2021	Chang
	US\$m	US\$m	%
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 total 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.

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MANDARIN ORIENTAL INTERNATIONAL LIMITED

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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

GROUP CHIEF EXECUTIVE'S REVIEW

Mandarin Oriental is widely recognised today 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 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 in 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 a 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 in 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

Mandarin Oriental International Limited
Consolidated Profit and Loss Account
for the year ended 31st December 2022

	2022			2021		
	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 (<i>note 2</i>)	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	-	(104.1)	(104.1)	-	(73.9)	(73.9)
Gain on asset disposals (<i>note 7</i>)	-	40.6	40.6	-	-	-
Operating (loss)/profit (<i>note 3</i>)	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	(14.4)	-	(14.4)	(12.7)	-	(12.7)
Share of results of associates and joint ventures (<i>note 4</i>)	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 (<i>note 5</i>)	(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 (<i>notes 6 & 7</i>)	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 (<i>note 6</i>)						
- basic	0.60		(3.92)	(5.39)		(11.19)
- diluted	0.60		(3.92)	(5.39)		(11.19)

Mandarin Oriental International Limited
Consolidated Statement of Comprehensive Income
for the year ended 31st December 2022

	2022	2021
	US\$m	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	(2.1)	3.5
Revaluation surplus of right-of-use assets before transfer to investment properties	79.8	-
Tax on items that will not be reclassified	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	(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)

Mandarin Oriental International Limited
Consolidated Balance Sheet
at 31st December 2022

	2022 US\$m	2021 US\$m
Net assets		
Intangible assets	45.7	46.7
Tangible assets (<i>note 8</i>)	916.3	1,098.2
Right-of-use assets	242.4	273.3
Investment properties (<i>note 9</i>)	2,472.6	2,462.0
Associates and joint ventures	203.8	201.5
Other investments	14.0	16.5
Deferred tax assets	14.2	13.7
Pension assets	3.0	7.1
Non-current debtors	12.2	8.9
Non-current assets	3,924.2	4,127.9
Stocks	5.0	5.3
Current debtors	90.5	68.8
Current tax assets	6.8	2.2
Bank and cash balances	226.2	212.8
Current assets	328.5	289.1
Current creditors	(159.1)	(157.2)
Current borrowings (<i>note 10</i>)	(2.2)	(2.5)
Current lease liabilities	(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 (<i>note 10</i>)	(599.8)	(727.8)
Non-current lease liabilities	(123.5)	(147.4)
Deferred tax liabilities	(41.6)	(50.1)
Pension liabilities	(0.1)	(0.3)
Non-current creditors	(4.5)	(3.2)
Non-current liabilities	(769.5)	(928.8)
	3,297.6	3,312.3
Total equity		
Share capital	63.2	63.2
Share premium	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

Mandarin Oriental International Limited
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	<u>63.2</u>	<u>500.7</u>	<u>258.9</u>	<u>(428.8)</u>	<u>3,023.2</u>	<u>15.4</u>	<u>(138.5)</u>	<u>3,294.1</u>	<u>3.5</u>	<u>3,297.6</u>
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	<u>63.2</u>	<u>500.5</u>	<u>259.1</u>	<u>(377.7)</u>	<u>2,943.4</u>	<u>0.9</u>	<u>(80.6)</u>	<u>3,308.8</u>	<u>3.5</u>	<u>3,312.3</u>

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).

Mandarin Oriental International Limited
Consolidated Cash Flow Statement
for the year ended 31st December 2022

	2022 US\$m	2021 US\$m
Operating activities		
Operating loss (<i>note 3</i>)	(42.6)	(99.3)
Depreciation, amortisation and impairment	58.2	68.5
Other non-cash items	63.5	71.2
Movements in working capital	(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	4.0	13.0
Purchase of other investments	(0.2)	(0.3)
Purchase of an associate	(1.0)	-
Advance to associates and joint ventures	(2.4)	(7.1)
Repayment of loans to associates and joint ventures	4.2	3.0
Net proceeds from asset disposals (<i>note 7</i>)	131.4	-
Cash flows from investing activities	86.7	(32.5)
Financing activities		
Drawdown of borrowings	23.0	130.6
Repayment of borrowings	(139.5)	(66.4)
Principal elements of lease payments	(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	<u>226.2</u>	<u>212.8</u>

Mandarin Oriental International Limited
Notes

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information contained in this announcement has been based on the audited results for the year ended 31st December 2022 which have been prepared in conformity with International Financial Reporting Standards, including International Accounting Standards ('IAS') and Interpretations adopted by the International Accounting Standards Board.

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.

2. REVENUE

	2022	2021
	US\$m	US\$m
	<u> </u>	<u> </u>
<i>By business activity:</i>		
Hotel ownership	400.9	278.9
Hotel & Residences branding and management	68.5	48.5
Less: intra-segment revenue	(15.3)	(10.5)
	<u>454.1</u>	<u>316.9</u>
 <i>By geographical area:</i>		
Asia	141.4	132.4
Europe, Middle East and Africa ('EMEA')	239.7	137.8
America	73.0	46.7
	<u>454.1</u>	<u>316.9</u>
 <i>From contracts with customers:</i>		
Recognised at a point in time	140.8	111.5
Recognised over time	295.2	185.6
	436.0	297.1
 <i>From other sources:</i>		
Rental income	18.1	19.8
	<u>454.1</u>	<u>316.9</u>

3. EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION) AND OPERATING LOSS FROM SUBSIDIARIES

	2022	2021
	US\$m	US\$m
	<u> </u>	<u> </u>
<i>By business activity:</i>		
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 (<i>note 7</i>)		
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	-
	<u>(63.5)</u>	<u>(73.3)</u>
EBITDA from subsidiaries	15.6	(30.8)
Underlying depreciation and amortisation from subsidiaries	(58.2)	(68.5)
Operating loss	<u>(42.6)</u>	<u>(99.3)</u>
<i>By geographical area:</i>		
Asia	(8.7)	(8.6)
EMEA	82.8	59.7
America	5.0	(8.6)
Underlying EBITDA from subsidiaries	<u>79.1</u>	<u>42.5</u>

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. 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						
<i>By business activity:</i>						
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
<i>By geographical area:</i>						
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						
<i>By business activity:</i>						
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)
<i>By geographical area:</i>						
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.

5. TAX

	2022	2021
	US\$m	US\$m
Tax (charged)/credited to profit and loss is analysed as follows:		
Current tax	(12.0)	(2.5)
Deferred tax	9.9	(5.1)
	<u>(2.1)</u>	<u>(7.6)</u>
<i>By business activity:</i>		
Hotel ownership	5.3	(5.8)
Hotel & Residences branding and management	(7.4)	(1.8)
	<u>(2.1)</u>	<u>(7.6)</u>
<i>By geographical area:</i>		
Asia	(0.2)	(2.0)
EMEA	(5.2)	(4.8)
America	3.3	(0.8)
	<u>(2.1)</u>	<u>(7.6)</u>
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)
	<u>(2.1)</u>	<u>(1.9)</u>

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. (*note 7*).

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 of associates and joint ventures (*note 4*).

6. (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 US\$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 (note 7)	57.1			73.3		
Underlying profit/(loss) attributable to shareholders	7.6	0.60	0.60	(68.1)	(5.39)	(5.39)

7. NON-TRADING ITEMS

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include 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 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.

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

	2022	2021
	US\$m	US\$m
Change in fair value of investment property under development (<i>note 9</i>)	(104.1)	(73.9)
Change in fair value of other investments	-	0.6
Gain on asset disposals	47.0	-
	<u>(57.1)</u>	<u>(73.3)</u>

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.

8. TANGIBLE ASSETS

	2022	2021
	US\$m	US\$m
Opening net book value	1,098.2	1,181.5
Exchange differences	(58.5)	(42.3)
Additions	12.8	14.0
Disposals (<i>note 7</i>)	(90.3)	-
Transfer to investment properties	(0.6)	-
Depreciation charge	(45.3)	(55.0)
Closing net book value	<u>916.3</u>	<u>1,098.2</u>

9. INVESTMENT PROPERTIES

	2022	2021
	US\$m	US\$m
Opening fair value	2,462.0	2,528.3
Exchange differences	0.6	(15.0)
Additions	26.4	22.6
Transfer from tangible assets	0.6	-
Transfer from right-of-use assets	87.1	-
Decrease in fair value	(104.1)	(73.9)
Closing fair value	<u>2,472.6</u>	<u>2,462.0</u>

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.

At 31st December 2022, investment properties comprised a commercial investment property under development of US\$2,384.9 million (2021: US\$2,462.0 million) and a completed residential investment property of US\$87.7 million (2021: nil).

10. BORROWINGS

	2022	2021
	US\$m	US\$m
Bank loans	599.8	726.5
Other borrowings	2.2	3.8
	<u>602.0</u>	<u>730.3</u>
Current	2.2	2.5
Long-term	599.8	727.8
	<u>602.0</u>	<u>730.3</u>

11. DIVIDENDS

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

12. CAPITAL COMMITMENTS

At 31st December 2022, total capital commitments of the Group amounted to US\$512.2 million (2021: US\$550.3 million).

13. 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 ('JMHS'). Both JMHS 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 JMHS'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 JMHS. 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 JMHS, 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 JMHS, 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 JMHS, 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.

There were no other related party transactions that might be considered to have a material effect on the financial position or performance of the Group that were entered into or changed during the year.

The outstanding balances with associates and joint ventures are included in debtors as appropriate.

Mandarin Oriental International Limited

Principal Risks and Uncertainties

The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement, Group Chief Executive's Review and other parts of the Company's 2022 Annual Report (the 'Report').

1. Reputational Risk and Value of the Brand

The Group's brand equity and global reputation is fundamental in supporting its ability to offer premium products and services and to achieving acceptable revenues and profit margins. 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.

2. Concentration Risk

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.

3. Commercial Risk

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.

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

3. Commercial Risk *(continued)*

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.

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.

4. Environmental and Climate Risk

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.

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

4. Environmental and Climate Risk *(continued)*

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.

5. Financial Strength and Funding

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.

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

5. Financial Strength and Funding *(continued)*

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 and a note to the financial statements in the Report.

6. Governance and Misconduct

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 whistle-blowing 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.

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

6. Governance and Misconduct *(continued)*

Mitigation *(continued)*

- Maintain Professional Indemnity, Crime and General Liability insurance policies with adequate coverage.

7. Health, Safety and Product Quality

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.

8. IT and Cybersecurity

The Group's business is ever more reliant on technology in their operations and face increasing cyber-attacks from groups targeting both individuals and businesses. As a result, the privacy and security of customer and corporate information are at risk of being compromised through a breach of our or our suppliers' IT systems or the unauthorised or inadvertent release of information, resulting in brand damage, impaired customer trust, loss of competitiveness or regulatory action.

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

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

8. IT and Cybersecurity *(continued)*

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.

9. Pandemic

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.

10. Political and Economic Risk

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.

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

10. Political and Economic Risk *(continued)*

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.

11. People and Talent

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.

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

11. 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.

12. Compliance with and Changes to Laws and Regulations

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.

Mandarin Oriental International Limited
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 the Company's 2022 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

Dividend Information for Shareholders

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

Mandarin Oriental International Limited
About Mandarin Oriental Hotel Group

Mandarin Oriental Hotel Group is an international hotel investment and management group with luxury hotels, resorts and residences in sought-after destinations around the world. Having grown from its Asian roots over 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.

- end -

For further information, please contact:

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Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2022 can be accessed via the Mandarin Oriental corporate website at '<https://www.mandarinoriental.com/en>'.