

# LETTER FROM THE CHAIRMAN



The Hon. Sir Michael Kadoorie  
*Chairman*

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## DEAR SHAREHOLDERS,

Our company was incorporated as ‘The Hongkong Hotel Company, Limited’ on the second of March 1866, making it the oldest Hong Kong registered company still active today. Indeed, at 150 years old in 2016, we believe it is the world’s oldest hotel group in continuous operation.

Anniversaries are a time to pause and reflect; a time to recall the events and individuals whose legacies have shaped us. They are also a time to invest in the future and to shape the destiny that lies ahead of us for future generations.

We opened our first hotel in Hong Kong in 1868, in an era of rickshaws and sedan chairs, ocean liners and steamships. The glamorous age of travel was just beginning and there was a robust demand for accommodation for affluent tourists in the style and luxury they were accustomed to back home. Our company – as an innovative pioneer even in its earliest days – met this demand. The Hongkong Hotel, The Repulse Bay Hotel and later The Peninsula Hotel, known as “the finest hotel east of Suez”, helped seal Hong Kong’s reputation as “the Riviera of the Orient”. In 1888, we added another stellar attraction to Hong Kong’s tourism scene by opening Asia’s first funicular railway, the Peak Tram. In 1891, my grandfather, Sir Elly Kadoorie, purchased 25 shares in the Hongkong Hotel Company – and thus began my family’s long and enduring association with the business.

During the past 150 years we have experienced numerous highs and lows in Hong Kong and around the world in the markets where we operate – from stock market crashes and financial crises, riots, strikes, diseases such as SARS which led to plummeting hotel occupancy, even military occupation during the second world war – and yet time and again the company has emerged even stronger and more resilient. If we continue meeting their needs, we believe our guests will always seek The Peninsula’s warm hospitality, luxurious comfort and personal attention to detail that has not changed since our earliest days of operation.



Today, more than a century after they were established, The Peninsula Hotel, the Peak Complex, the Peak Tram, and The Repulse Bay remain iconic tourist attractions and luxury properties. Our brand is established worldwide with hotels in Asia, the United States, and most recently in Europe.

In 2016, the year in review, our commitment to the long term remains as steadfast as it has been for more than a century, reflecting our vision to own and operate a small group of the world's finest hotels. This was a difficult year for our Group, with economic challenges and political uncertainty in some of our key markets caused by the "Brexit" vote in the UK, the US elections and the sad passing of His Majesty King Bhumibol Adulyadej of Thailand. The threat of global terrorism and its short-term impact on tourism continues to be a major concern for the Board, with several tragic terrorist attacks occurring in Istanbul during 2016, and we continue to closely monitor this situation.

*“We continue to build and expand for the future and to create shareholder value by investing in improving our existing assets”*

In our home market of Hong Kong, we saw a continued decline in overnight tourist arrivals and a difficult market for retail. However, we are confident in the long-term future of Hong Kong as a retail hub and we are reviewing the strategy for our Arcades, working in partnership with our tenants to attract more retail traffic.

I am pleased that despite the challenges, our Group performed relatively well and we delivered a satisfactory set of results in the face of intense competition in many of our key markets, and taking account of the disruption caused by our renovation programme in Beijing and Chicago. The Financial Statements can be viewed on page 170 to 224.

We continue to build and expand for the future and to create shareholder value by investing in improving our existing assets. 2016 was a year of considerable investment for our Group. We completed the renovation of The Peninsula Chicago and continued the extensive renovation of The Peninsula Beijing, which is due for completion by mid-2017.

We continue to make good progress with our projects in London, Myanmar and Istanbul. Most significantly, we changed the structure of our partnership with Grosvenor in London to assume 100% leasehold ownership of the project. This restructure will result in our Group funding all the remaining development costs, representing a significant increase in investment. More details can be read on page 45. Construction has already started on the site of The Peninsula Istanbul and all of the conditions in the shareholders' agreement have been met. We expect this hotel to be the first of our current development projects to open in 2019.

Behind our international reputation lies our ethos of community responsibility and a belief in the importance of integrity and sustainability. We have outlined our social and environmental performance and the impact of our businesses on the local communities in which we operate in this report and in our Corporate Responsibility and Sustainability Report. In our second year of moving towards integrated reporting, we have taken steps to enhance our sustainability reporting. The Sustainable Luxury Vision 2020 puts sustainability at the heart of the company's business model and brand. Covering all divisions of the business, Vision 2020 represents our ambition to take luxury to the next level, and ensures that our company will continue to succeed and have a positive influence on its local communities for decades to come.

I am proud that The Peninsula Hotels are among the most admired in luxury hospitality. I attribute much of this to steadfast leadership within the company, a commitment to the long term and the hard work of all our staff, who are the company's most valuable assets. On behalf of the Board, I would like to express my deep appreciation and heartfelt thanks for the leadership of Clement Kwok and his management team, and for the hard work and dedication of the entire Group for their efforts in delivering a truly world-class service for our guests.

From generation to generation, we preserve for the future a unique heritage that has become synonymous with our company legacy, and that can be shared by all.



The Hon. Sir Michael Kadoorie  
20 March 2017