

LETTER FROM THE CHAIRMAN



The Hon. Sir Michael Kadoorie
Chairman

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Dear Shareholders,

Having been established in 1866, The Hongkong and Shanghai Hotels, Limited has an impressive heritage as the oldest Hong Kong registered company still active today, and we believe it is also the world's oldest hotel group that has remained in continuous operation. It is this continuity of management, uncompromising standards of integrity, commitment to quality, and belief in the long term that underpins our success. We are proud of the value the group has delivered over more than a century and a half – to our shareholders, employees, guests, and to the cities and communities in which we operate around the world. We are committed to preserving and improving our assets for future generations. This philosophy forms the basis of our investment and sustainability strategy as one of the world's finest luxury hospitality brands.

In 2018, the year under review, our commitment to the long term remains steadfast, reflecting our vision to own and operate a small group of the world's best hotels and commercial properties. We continually invest in our people and training to ensure that the service we deliver is exemplary. I am pleased that the Peninsula continues to be recognised as one of the finest luxury hotel brands in the world, with a history dating back 90 years to 1928 when The Peninsula Hong Kong first opened its doors. In February 2019, all ten Peninsula hotels were awarded Forbes Five-Star ratings. We believe we are the only hotel group in the world to achieve this for all of its hotels.

During the year, many of our key markets experienced uncertainty and, as always, we faced strong competition in the luxury sector. To remain competitive, we continually evaluate how to better serve our guests and to improve their experience. We seek to respond quickly to new demands and expectations, using data to our advantage, and managing actual and potential risks.

Today's true luxury is time. We are working to improve the entire guest journey from reservation to checkout and even beyond the walls of our hotel. We invest in technology and enhanced services to ensure the guest's stay with us is seamless, giving back precious hours. In 2018, we launched a new Kaleidoscope Lab programme to attract innovative startups and bring new technology ideas into our group.

Unfortunately, in the world of increasing digitisation and high-tech convenience, we face increasing threats from cybersecurity and this remains a key concern of the Board. More details about our approach to risk management can be read on pages 154 to 161.

Letter from the Chairman



I am delighted to report that in 2018 our Group's performance was strong and we delivered a pleasing set of results in the face of intense competition in many of our key markets. The Financial Statements can be viewed on page 185 to 251.

In our home market of Hong Kong, the city had a robust year for overnight tourist arrivals and the market for luxury retail stabilised, which is reflected in the pleasing results of The Peninsula Hong Kong. In October, we received approval from the Chief Executive in Council for an additional ten-year operating right for the Peak Tram, paving the way for the HK\$684 million upgrade project, which will greatly benefit visitors to Hong Kong and its international image.

We continue to make good progress with the development and construction of our Peninsula hotel projects in London, Yangon and Istanbul. More details can be read on page 68. Construction is well under way in London and we expect to have a topping-out ceremony by mid-2019.

It is important to us that our company has a positive influence in the local communities in which we operate, and we have outlined our social and environmental performance and the impact of our businesses in our Corporate Responsibility and Sustainability Report. One significant highlight was the banning of plastic straws in our global operations from 1 November 2018, which is a further step in our journey towards eliminating waste and single-use plastics.

I am proud that The Peninsula Hotels are among the most admired in luxury hospitality. I attribute much of this to the steadfast leadership within the company, a commitment to the long term and the passion and 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 I sincerely thank you, our shareholders, for your contribution to this journey.

The Hon. Sir Michael Kadoorie
14 March 2019