

CHAIRMAN'S STATEMENT



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Dear Shareholders,

Over the past 12 months, our Group has celebrated significant achievements despite the lingering effects of the global economic downturn, which began in the latter part of 2008 and continued to impact our businesses in 2009 and 2010.

In March 2010, we hosted 3,000 guests at the grand opening of The Peninsula Shanghai, a milestone achievement in the history of HSH. This hotel signifies a return to the city which has played an important founding role in the history of our Company. In the 1920s and 1930s, the Group owned four leading hotels in Shanghai. After an absence of 55 years, we have returned with a magnificent hotel complex that stands as a powerful expression of both the Group's heritage and our commitment to the future.

We have ended the financial year with an encouraging level of recovery across our businesses. The extent of the overall improvement compared with the previous 12 months has varied among the different markets in which we operate. While the United States and Japan continue to grapple with the recessionary fall-out, our businesses in China including Hong Kong have performed strongly and remain the backbone of the Group's earnings. We have maintained our focus on the bigger picture by using the time to refine and upgrade our properties and identify cost reductions as well as product and service enhancements. This will enable us to capture future opportunities that will inevitably accompany the upswing in the economic cycle.

Looking at our progress over the past 12 months, we are keenly aware of the importance of continuity, which in turbulent times provides a solid foundation for HSH to operate and much needed security for our staff. Continuity also provides the base from which we can uphold the values, culture and heritage of the Group. Indeed, the respect for the Group's longstanding history and heritage has permeated a range of special projects undertaken in 2010.

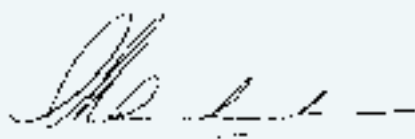
Over the past year, we have published two books and established, in conjunction with CLP Holdings, an important publicly-accessible archive known as the Hong Kong Heritage Project, reflecting our commitment to guests and the broader community in Hong Kong. HSH's history book, "Beyond Hospitality", details the development of the Group from the 1850s to 2010 and the impact our businesses have had on the evolution of Hong Kong and Shanghai into leading cities of the 21st century. With the Group celebrating 145 years of operation in 2011, both the book and the archive are timely reminders of the roles we have played in the region. In a further example of Peninsula family commitment, the staff at The Peninsula Hong Kong have produced, on their own initiative, a beautiful book and a deeply personal tribute titled "Our Hong Kong", which takes readers on a journey across the city, encountering sights, sounds and lifestyles as experienced by the staff members themselves.

More recently, the community spirit of the Peninsula 'family' was very much evident in response to the massive earthquake which struck Japan on 11 March 2011. When Tokyo ground to a halt and millions of people were unable to return home, The Peninsula Tokyo opened its doors to the public and provided food, shelter and facilities to those in need. At the time of writing, the hotel continues to respond to this crisis with compassion and strength and I am proud of and commend all our staff concerned.

We have entered the 2011 financial year with the next stages in our development clearly mapped out. A significant phased renovation plan at the Repulse Bay Complex in Hong Kong will soon be underway. In addition, we are finalising plans for a major renovation of our flagship hotel property, The Peninsula Hong Kong, where all 300 guestrooms will be upgraded in two phases of work commencing in 2012.

In Europe, we are continuing to work with our partner towards the 2013 opening of our latest hotel property – The Peninsula Paris. Our first hotel in continental Europe, it will occupy a magnificent historic building on Avenue Kleber in the exclusive 16th arrondissement, close to the Champs Elysées and the Arc de Triomphe.

It is from this solid basis of planning and growth that I look ahead with optimism. We have in place the business strategies, the teams of people and, most importantly, the commitment and culture to face with confidence the challenges presented by an increasingly complex market place. I would like to extend my sincere thanks to all staff, led by our Chief Executive Officer, Clement Kwok and guided by our Board of Directors who have generously shared their extensive knowledge and experience. The Group will continue on the journey it began 145 years ago in the same spirit of a family with a commitment to growth and development.



The Hon. Sir Michael Kadoorie
22 March, 2011