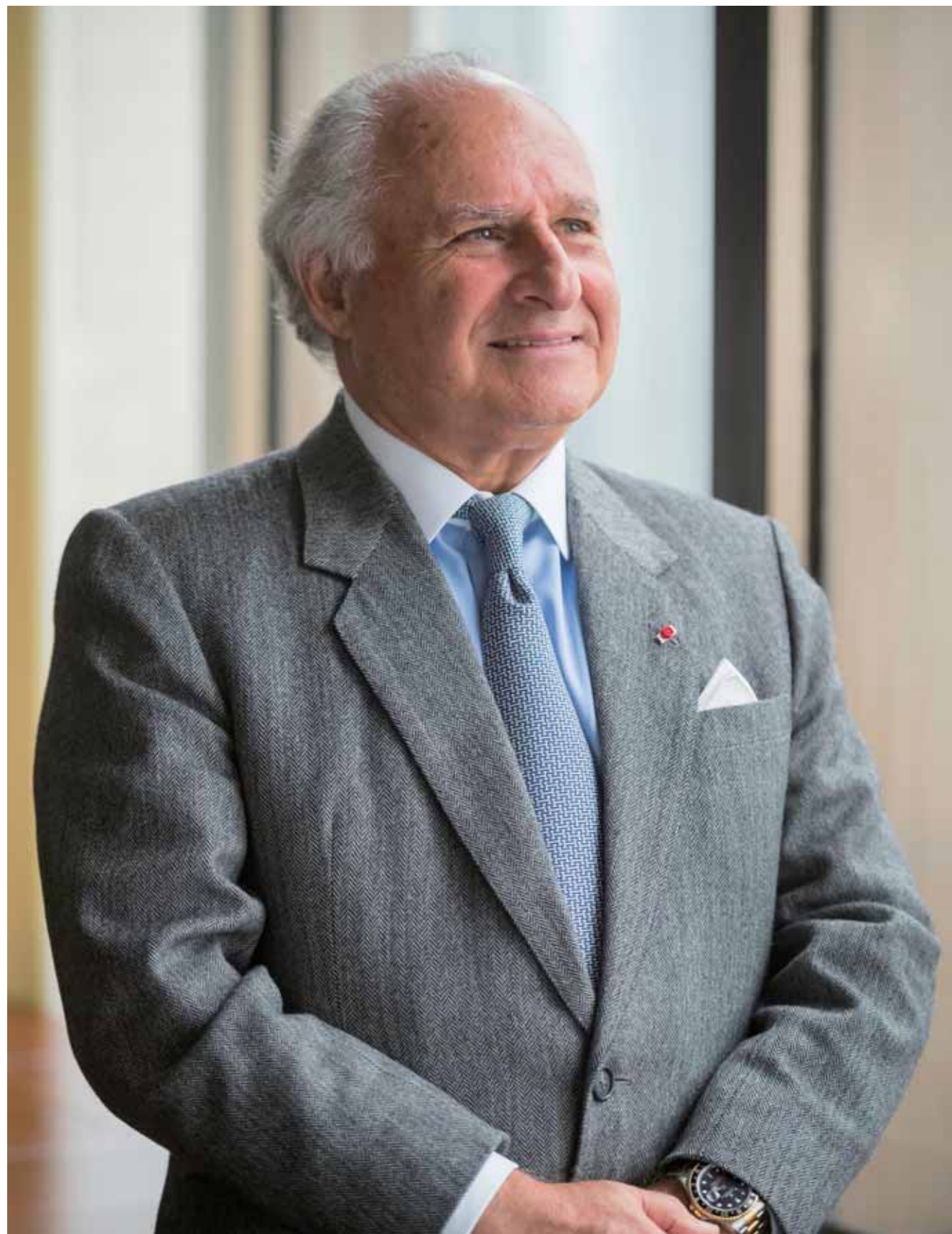


LETTER FROM THE CHAIRMAN



The Hon. Sir Michael Kadoorie
Chairman

“Our young people are Hong Kong’s future and I firmly believe they comprise the world’s most creative and innovative talent.”

Dear Shareholders,

We believe The Hongkong and Shanghai Hotels, Limited is the world’s oldest hotel group in continuous operation, having been established in 1866. With an enduring legacy of more than a century and a half, our company has experienced many highs and lows. Over this very long period, we have managed to overcome adversity with grace and courage, to emerge stronger and more resilient.

In 2019, the year in review, our home market of Hong Kong experienced one of the most turbulent periods in its recent history. There were shocking scenes of conflict and social unrest on our streets. I was disheartened to witness the severe divisions forming in our society, some of which I fear may take generations to recover. At the time of writing in early 2020, an outbreak of COVID-19 coronavirus has had a devastating impact on the world. We sympathise with the families of those affected by this disease and our thoughts are with those who have lost their loved ones.

However, my faith in our home and in the long-term prospects for China remains undiminished. As I wrote in a Letter to the People of Hong Kong in September 2019, “Our city’s spirit that we have long valued is our ability to find solutions with mutual respect, understanding and open dialogue.” Our young people are Hong Kong’s future and I firmly believe they comprise the world’s most creative and innovative talent.

Business and government leaders alike have a responsibility to communicate with and engage our young people, give them hope, and to ensure they have opportunities for a brighter future. My son Philip and I participate in open-dialogue sessions with our staff from different backgrounds and professions, with the purpose of seeking their insights and candid views on the future. Our CEO Clement Kwok also regularly holds interactive dialogue sessions with colleagues, including the younger generation, to discuss a wide range of issues. As an immediate priority, we are also exploring a variety of initiatives in collaboration with other industry players to try to bring visitors back to Hong Kong at the appropriate time.

The negative impact of the events of the past year on Hong Kong’s economy has been substantial, particularly for the tourism sector. Our company’s financial results for 2019 were adversely affected by the social unrest and we believe 2020 will be extremely challenging due to the effects of the coronavirus. More details in the Operational Review and Financial Statements can be read on pages 37 and 173 respectively.

Over its long history, our group has been steadfast in delivering value to our people, our guests and to the cities and communities in which we operate around the world. I believe this is due to the continuity of management and the passion of our employees, our uncompromising standards of integrity, our commitment to the highest quality, and our firm belief in the importance of building a long-term sustainable legacy.

Around the world, environmental, social and governance criteria will play an increasingly critical role in the allocation of financial capital and investment decisions. We believe companies should deliver a sense of purpose and help to address social issues of importance to all of their stakeholders, not only their shareholders. We have outlined our social and environmental performance and the impact of our businesses in our Corporate Responsibility and Sustainability Report online.

In the diverse markets in which we operate, in addition to the global shock of the coronavirus, we are also facing geopolitical uncertainty, cybersecurity threats and climate change concerns. These developments inevitably bring increasing reputational and operational risks to our group, which remain a key concern of the Board. More details about our approach to risk management can be read on pages 140 to 147 of the Group Risk Committee Report.

Letter from the Chairman



A legal dispute is ongoing in Thailand with our Thai partner, the Phataraprasit shareholders, who own 50% of The Peninsula Bangkok and the Thai Country Club. The partners have been taking legal and other actions with the objective of terminating Peninsula’s management of The Peninsula Bangkok. HSH is vigorously defending our rights, which are based on legal agreements entered into more than 20 years ago, and we continue to try to work towards a mutually acceptable solution.

Looking to the future, we continue to create shareholder value by investing in new hotel projects and improving our existing assets. The Peak Tram is making good progress with its HK\$684 million upgrade project and the new tram and lower terminus will be formally launched in 2021. We are making significant progress with the development and construction of our Peninsula hotel projects in London, Istanbul and Yangon. We held a topping-out ceremony for The Peninsula London in June 2019 and this project is on track to becoming one of the most remarkable hotels in London when it opens in 2021. More details on these projects can be read on page 64.

During the year, our Board held an offsite meeting as part of its continued strategic review, in order to help us meet the ongoing challenges and safeguard our future. We will continue to seek opportunities to grow by leveraging our brand and through continued innovation. We are enhancing and investing in key strategic initiatives including corporate responsibility and sustainability, technology transformation, a workplace modernisation programme titled “WorkPlace 2025” and exploring ways to diversify and expand our business streams. We recognise innovation and agility start with corporate culture and we are putting an increased emphasis on talent development, with a mission to ignite potential and empower our people.

The achievements of 2019, despite a difficult business environment, reflect the passion and hard work of our people. 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. I would also like to express my gratitude to the wisdom and guidance offered by my fellow Directors.

We should always remember that the future is built on the past, and we have a great legacy which provides the foundation for our success, despite the challenges we face. I would like to sincerely thank each and every one of our shareholders for your support and contribution to this legacy.

A stylized, handwritten signature in blue ink, belonging to Sir Michael Kadoorie. The signature is fluid and cursive, with a prominent initial 'M' and a long, sweeping horizontal stroke at the end.

The Hon. Sir Michael Kadoorie
17 March 2020