

# CHAIRMAN'S STATEMENT

As pioneers of our industry, we continue to innovate, improve and invest in our assets to ensure we maintain our position as one of the finest luxury hotel brands in the world.



## Dear Shareholders,

2013 was a year that will go down in the long history of your company as a year of new frontiers and celebration of our traditions. We are very proud of our 148-year heritage but we take care not to rest on the laurels of history. As pioneers of our industry, we continue to innovate, improve and invest in our assets to ensure we maintain our position as one of the finest luxury hotel brands in the world.

Our long-term strategy is to own and operate a small number of the world's best hotels and I am happy to report that this year has been a notable one in progressing this approach and adding long-term value to shareholders. After decades of searching for an ideal site in London, we completed in July 2013 the acquisition of a 50 percent ownership interest in a commercial property at 1-5 Grosvenor Place, Belgravia, London, partnering with international property company Grosvenor. Together, we plan to redevelop this property into The Peninsula London, subject to obtaining various planning approvals.

One of the world's most exciting emerging markets is Myanmar and I am pleased that in 2013, we made the strategic decision to enter into this promising country. In April 2013, we signed non-binding heads of terms to acquire a 70% interest in a joint venture with Yoma Strategic Holdings Ltd, a Singapore-listed company, to redevelop a heritage-listed Victorian colonial building in Yangon, Myanmar into The Peninsula Yangon. Conditional definitive agreements were signed in January 2014.

In June 2013, we acquired the significant commercial property immediately adjacent to The Peninsula Paris on 21 avenue Kléber. We expect The Peninsula Paris to bring new life and excitement to the surrounding area of the 16<sup>th</sup> arrondissement after its opening later in 2014, thereby increasing property values in the neighbourhood.

Continuously improving our assets is a key strategy of the company, to maintain their quality and competitiveness in a keenly competitive environment. During the year, our existing portfolio of assets completed two substantial capital improvements including the refurbishment of The Peninsula Hong Kong and de Ricou Apartments of The Repulse Bay Complex.

The Peninsula Hong Kong, the flagship hotel of the company, celebrated its 85<sup>th</sup> Anniversary in 2013 with a series of activities leading up to a gala in December, attended by guests from Hong Kong and around the world. Other significant highlights included the 25<sup>th</sup> Anniversary of The Peninsula New York, the 15<sup>th</sup> Anniversary of The Peninsula Bangkok and the 125<sup>th</sup> Anniversary of the Peak Tram. These milestones culminated in the celebration of the long and illustrious heritage of the Company as encapsulated in the remake of the film *Tradition Well Served* that documents the story of the Company since its inception in 1866.

While 2013 was filled with both historical anniversaries and new frontiers for the Company, our ongoing businesses remained affected by varied conditions in the regions in which we operate.

There continues to be oversupply of luxury hotels in a number of our key markets, and there have been political uncertainties and natural disasters in Thailand and the Philippines. In the midst of this operating environment, the high level of quality of our properties and brand has helped us to maintain a competitive edge and

sustainable earnings. The Company's 2013 performance is further discussed in our Chief Executive Officer Mr. Clement Kwok's *Management Discussion & Analysis*.

As a significant "new frontier", I am delighted to report that preparations are being finalised for the much-anticipated opening of The Peninsula Paris in 2014, which will mark the Company's first entry into Europe. I believe this hotel will become an important landmark, and will bring a new level of distinction to the luxury hotel market in this discerning city.

Continuously improving our assets is a key strategy of the Company, to maintain their quality and competitiveness in a keenly competitive environment.

Corporate sustainability underpins our Group's businesses. In 2013, we unveiled our new Sustainable Luxury Vision 2020, setting out a blueprint for our business and our ambition to take luxury to the next level. Vision 2020, with over 50 measurable and time-bound goals, is the result of 15 months of planning that involved our management team and key stakeholder groups in a structured process of assessing the future trends that will affect our industry over the long term.

The achievements of 2013 reflect the dedication and leadership of our Chief Executive Officer and his senior management team, and the hard work and loyalty of each member of the HSH family, which the board gratefully acknowledges.

I would also like to express my gratitude for the wisdom and guidance offered by my fellow Directors and for the continued support of the shareholders of our Company.

2013 will be remembered as an important year in the 148-year history of The Hongkong and Shanghai Hotels, Limited. We should never forget that the future is built on the past, and we have a great legacy which provides the foundation for continued success.



**The Hon. Sir Michael Kadoorie**

17 March 2014