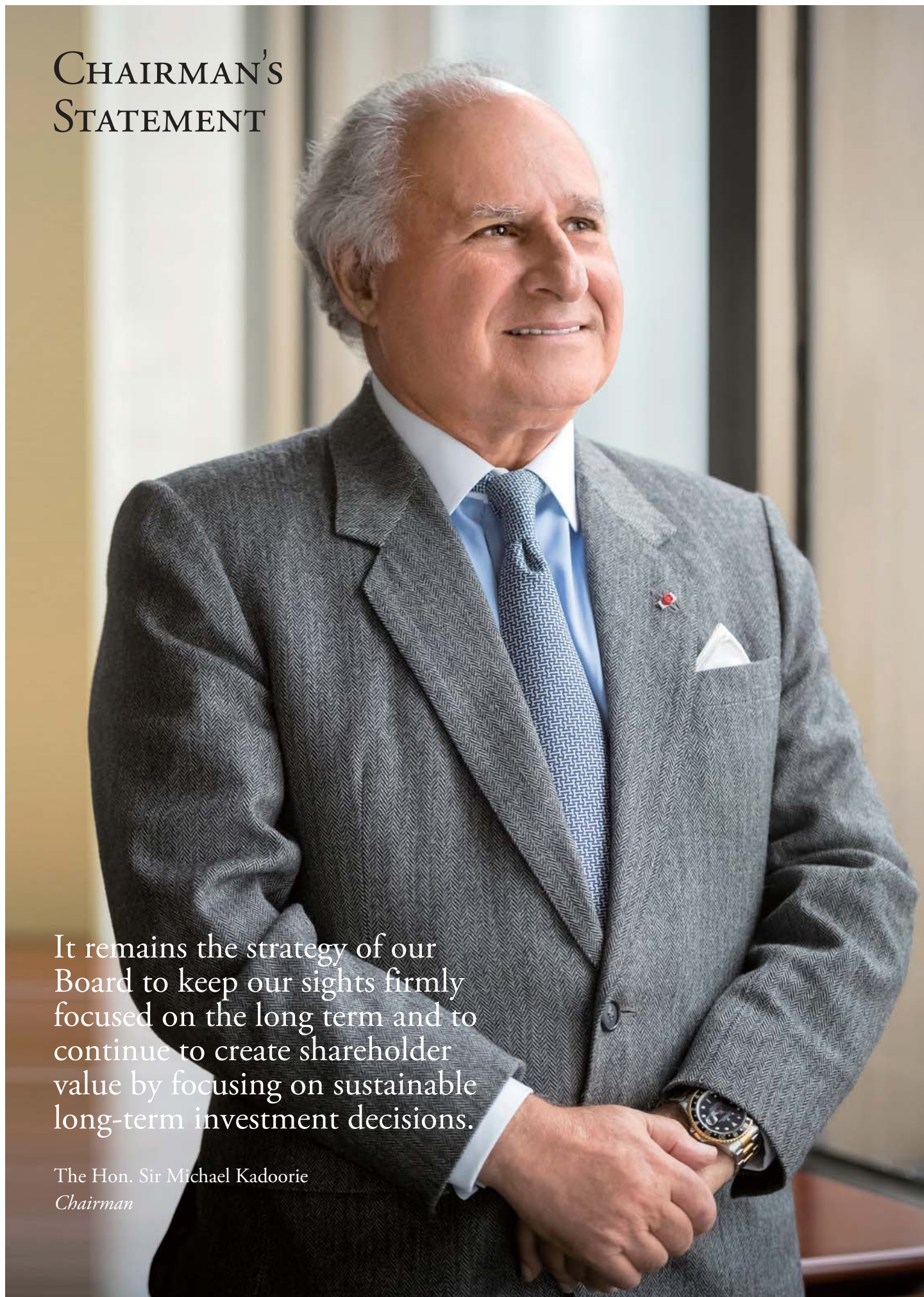


CHAIRMAN'S STATEMENT

It remains the strategy of our Board to keep our sights firmly focused on the long term and to continue to create shareholder value by focusing on sustainable long-term investment decisions.

The Hon. Sir Michael Kadoorie
Chairman



Dear Shareholders,

I am extremely proud that The Hongkong and Shanghai Hotels is celebrating its 150th anniversary in 2016. Our company is currently the oldest company on the Hong Kong Companies Registry; it was one of the first companies to list on the Hong Kong Stock Exchange, and we believe it is also the world's oldest hotel group in continuous operation. Despite such a long history, we are still at a youthful stage in terms of our company's exciting development and expansion plans.

As we reflect on the traditions of the past and the achievements we have celebrated in recent years, it remains the strategy of our Board to keep our sights firmly focused on the long term and to continue to create shareholder value by focusing on sustainable long-term investment decisions. We believe that our rich history gives us a fuller understanding of our shared identity, culture and values, enabling us to manage change responsibly, to safeguard the best of the past and to keep innovating to meet the demands of the next generation.

In 2015, the year in review, our Group celebrated a significant milestone in April with the grand opening of our first hotel in Europe, The Peninsula Paris. The grand opening party was an extravaganza of colour, music and had an international guest list of stars befitting of the *Belle Epoque* era when the hotel first opened in 1908.

I am very proud of the way in which this magnificent hotel has delivered on the long-term vision of our Group which is to own and operate a small number of the world's best hotels. The Peninsula Paris is truly an exceptional property and in its first full year of operation has been recognised by international media as among the best of its kind in the world and the best hotel in Paris. More details can be read in Our Brand on page 87.

Unfortunately, 2015 saw "the best of times and the worst of times" in Paris. The senseless tragedies of the terrorist attacks in January and November shocked the world, and our hearts went out to the families and friends of the innocent people affected by these dreadful events. Our businesses in Thailand, which had recently started to recover from the political uncertainties of the past two years, were also impacted by the terrorist attack in Bangkok in July. Our Board remains most concerned about the global terrorist threat and its effect on the tourism industry in the short to medium term. The Board and senior management have implemented several initiatives to enhance our security and mitigate other significant emerging risks, as listed on pages 93 and 134.

Our company has always been at the forefront of innovation. As technology evolves, it also brings many opportunities to shape the future of the entire travel industry and the guest experience. Today's elite travellers expect not only unsurpassed luxury but also the most sophisticated technology, seamless connectivity, convenience and fast service at the touch of a button. Despite the advance of technology, we firmly believe that personalised attention to detail will always be the most important aspect of good service when one is travelling away from home. We endeavour to strike a balance between high-tech service and the warm personal touch that represents The Peninsula hospitality. More details about our Group's strategy on innovation can be read on page 88.

**We endeavour to strike a balance
between high-tech service and the warm
personal touch that represents
The Peninsula hospitality.**

To remain competitive and continue offering the best facilities and services to our guests, improving our existing assets continues to be a key strategy of the Company. In 2015 we commenced significant renovations to The Peninsula Chicago and The Peninsula Beijing, with these projects due to be completed in 2016 and 2017 respectively. These new hotels will showcase the best of Peninsula service and standards, including the latest in-room technology.

In our home market of Hong Kong, we faced a challenging year. Tourist arrivals continued to decline, particularly from mainland China and to a lesser extent from Japan, and the outlook for the coming year remains uncertain. I am pleased that despite these difficulties, 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. The Financial Statements can be viewed on pages 155 to 211.

We continue to seek new opportunities to develop a select number of additional Peninsula hotels. However, we will only pursue opportunities where we can develop hotels in exceptional locations and to the high standards which are the hallmark of the Peninsula brand. Such opportunities are rare, especially when coupled with the need to ensure that these projects deliver acceptable returns to the company as an owner-operator. With this objective, we are making progress with our partners in London and Myanmar for the development of hotels to be called The Peninsula London and The Peninsula Yangon. In 2015, I am delighted that we signed a conditional agreement with our partners in Turkey for a proposed luxury hotel development in Istanbul.

To remain competitive and continue offering
the best facilities and services to our guests,
improving our existing assets continues to be
a key strategy of the Company.

Corporate responsibility and sustainability is an integral part of all our business activity. In line with our move towards integrated reporting, we have taken steps to enhance our sustainability reporting. 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. The Sustainable Luxury Vision 2020 puts sustainability at the heart of the Company's business model and brand. With seven areas of focus 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.

Despite the current uncertainties, the benefit of 150 years of history gives us confidence in the long-term future. Our properties and hotels have survived the turbulence of war, military occupation, stock market crashes and other crises, and we have emerged resilient. We look forward to creating delightful experiences for our guests and creating value for our shareholders for many decades to come.

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.



The Hon. Sir Michael Kadoorie
16 March 2016