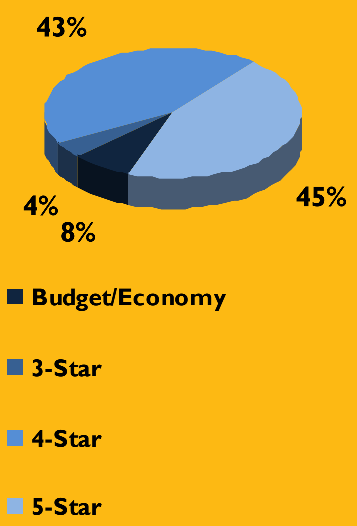
BEIJING
HOTEL MARKET SENTIMENT SURVEY

April 2010

SHARE OF RESPONDENTS



INTRODUCTION

The Horwath HTL Beijing Hotel Market Sentiment Survey, part of a national assessment, has been designed to provide the Beijing hotel industry a quick assessment of the future market outlook. The survey focuses on the outlook for occupancy, average room rates and total revenue.

In this survey, hoteliers have also been asked to make comments on their expectations for the year of 2010 in comparison to the last year, as well as comment on the impact of key factors that drive room night demand growth.

This report summarizes the outcome of the survey and compares the Beijing market sentiment with that of other markets across China. Of the 78 respondents from Beijing, the majority of them were from 5-star hotels (45 percent), followed by 4-star hotels at 43 percent. The number of respondents from the 3-star and budget sectors has slightly declined compared to the report in July 2009, combined at 12 percent. The composition of the participating properties from Beijing in terms of star classification is consistent with that across China, with 3-star properties in Beijing at 4 percent, compared to 5 percent of a total of 383 respondents across China.

Having been through one of the worst years in recent history, it is not surprising to find most markets across China, including Beijing, have a vastly improved outlook for 2010. This is in line with our survey findings of the China Hotel Market Sentiment Survey.. The following analysis provides some useful insight as to the expectations for different hotel markets across Beijing.

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SENTIMENT RANKINGS

By Key City	Score		
	Feb '09	Jul '09	Jan '10
1. Shanghai	-40	-70	65
2. Sanya	-38	-16	65
3. Shenzhen	-55	-66	52
4. Chongqing	20	48	52
5. Beijing	**-50**	**-64**	**51**
6. Suzhou	-44	-58	51
7. Guangzhou	2	-56	46
8. Hangzhou	-44	-11	37
9. Dalian	-84	-73	32

" Beijing ranked 5th with a score of positive 51, which had a big shift in sentiment through 2009."

RANKING SCORE KEY

Much Worse	-150.0
Worse	-75.0
Same	0
Better	75.0
Much Better	150.0

SENTIMENT RANKINGS

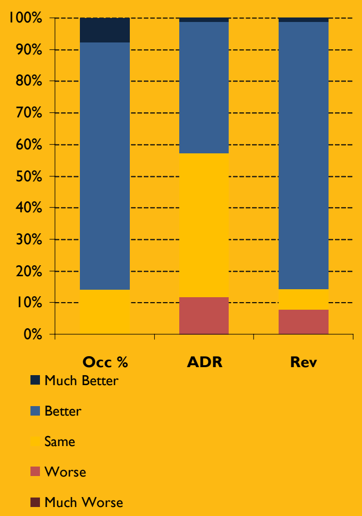
As a way to measure and compare the results across regions and cities in China, we have created an index to formulate an overall average sentiment score from all survey questions. Points were assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 150 to positive 150 in which a score of negative 150 denotes a sentiment of absolute pessimism; a zero score indicates unchanged expectations from the previous year whereas a positive 150 signifies a very optimistic outlook. The sentiment index or score allows trends to be observed over time.

After a deterioration of the market sentiment in the July 2009 China Survey, hoteliers across all regions and key cities in China have returned to a positive frame of mind in 2010. Naturally the positive outlook for 2010 is relative to the poor performances recorded across the region in 2009 and should be viewed in that context.

Beijing ranked 5th with a score of positive 51, which had a big shift in sentiment through 2009. This is clearly indicating that hoteliers in Beijing are eagerly expecting significant improvement performance in 2010.

Within the Beijing market, the 4-star submarket registered highest positive score of 56, while the 5-star submarket scored a slightly lower positive score of 49, 3-star and below showed their optimistic sentiment at the score of 44. This is a clear signaling that all submarkets in Beijing expect to see a return to growth.

RATIO OF RESPONSES



"Significantly, no hoteliers expect occupancy to decline."

EXPECTATION FOR 2010

Key Cities	Occ	ADR	Rev	Avg
Chongqing	63	43	63	57
Chengdu	66	56	66	63
Hangzhou	44	25	38	35
Wuhan	75	70	75	73
Sanya	73	60	83	72
Nanjing	61	27	61	50
Qingdao	83	25	75	61
Guangzhou	60	30	60	50
Suzhou	75	34	48	52
Beijing	**70**	**24**	**59**	**51**
Shenzhen	63	49	66	59
Shanghai	85	46	78	70
Tianjin	75	8	50	44

2010 MARKET OUTLOOK – WHAT IS YOUR ASSESSMENT OF THE HOTEL MARKET FOR 2010 VS. 2009?

Hoteliers were asked their expectation for performance levels in 2010 compared to that recorded in 2009, in relation to hotel occupancy (Occ), average room rate (ARR) and hotel revenues. The majority of respondents stated that they expected occupancy and total revenue to perform better in 2010 in comparison to 2009.

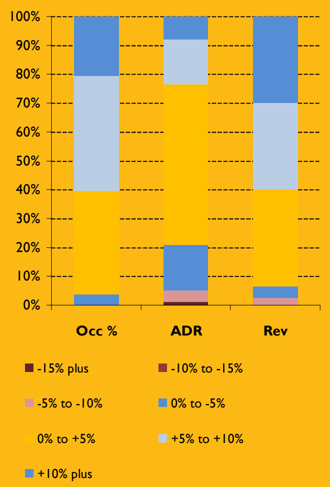
In response to the market wide occupancy performance for the coming year, 78 percent of the hoteliers replied that they expect better performance in occupancy levels compared with 2009, and 8 percent expect occupancy to be much better. A total of 14 percent expect that performance will be as same as 2009. Significantly, no hoteliers expect occupancy to decline.

The outlook for average daily rates is not as positive, with 46 percent of hoteliers replying that ADR will remain the same as it was in 2009, while 43 percent of respondents hold optimistic outlook. However, 12 percent of respondents still worried that ADR will perform further decline in 2010.

In terms of total revenue, a clear majority of 86 percent of respondents expect that hotel revenues will be higher or much higher compared to 2009, while 7 percent of respondents feel that their revenue level will remain the same. 8 percent hoteliers expect revenue will be lower than that recorded in 2009.

All cities we listed showed a positive outlook for 2010, especially leveling regards to occupancy. Most positive cities were Wuhan, Sanya and Shanghai with an average score above positive 70. Beijing recorded a positive average score of 51. Hoteliers in Beijing have more confidence in market occupancy growth but hold a more cautious outlook on the ADR performance in 2010, a similar sentiment reflected across the nation.

RATIO OF RESPONSE



" Beijing hoteliers showed higher expectations in the coming year"

EXPECTATION FOR 2010

Key Cities	Occ	ADR	Rev	Avg
Chongqing	68	74	76	73
Chengdu	56	56	69	60
Hangzhou	54	58	54	56
Wuhan	77	67	83	76
Sanya	80	75	88	81
Nanjing	64	41	59	55
Qingdao	89	56	94	80
Guangzhou	80	50	70	67
Suzhou	77	36	68	61
Beijing	**89**	**51**	**90**	**77**
Shenzhen	79	65	86	76
Shanghai	103	77	102	94
Tianjin	61	28	50	46

HOTEL PERFORMANCE EXPECTATION – FOR YOUR HOTEL, WHAT IS YOUR EXPECTATION FOR GROWTH/DECLINE FOR 2010 VS. 2009?

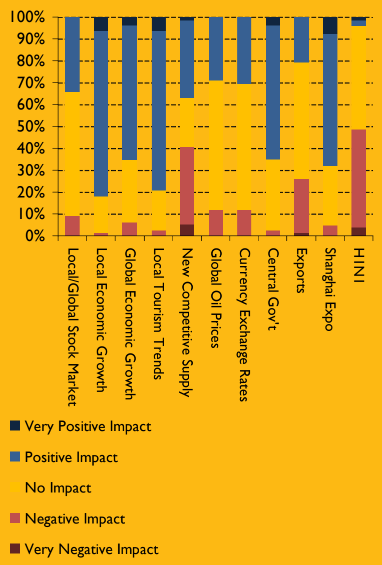
The second survey question asked hoteliers to give their expectation of how their respective hotels will fare in 2010 in comparison to 2009, in percentage terms.

All cities had positive sentiment scores for their respective hotel performance outlook. For question 2, the average China sentiment score was positive 71. Beijing hoteliers showed higher expectations that their respective hotels to perform better than market in the coming year with a score of positive 77.

As with the general outlook for question 1, in all key cities, hoteliers were more optimistic in regards to occupancy growth than ADR. Among the key cities, Shanghai is the most optimistic city, scoring 94, which should be mainly attributed to their positive outlook for the World Expo.

Beijing recorded a positive score of 77. Over 60 percent of hoteliers expect to see an improvement in occupancy growth of at least 5 percent and over 60 percent of hoteliers expecting to see hotel revenue increase over 5 percent. However, as can be seen, the majority of Beijing hoteliers do not expect to see any increase in ADR for 2010.

RATIO OF RESPONSES



"Over 80 percent of respondents expect a positive impact from local economic trends in 2010"

FACTORS AFFECTING PERFORMANCE RANKING	
1. Local/Global Stock Market	19
2. Local Economic Trends	65
3. Global Economic Growth Trends	47
4. Local Tourism Trends	62
5. New Competitive Supply	(6)
6. Global Oil Prices	13
7. Currency Exchange Rate	14
8. Central Government Policy	50
9. Decline in exports	(5)
10. Shanghai Expo	53
11. H1N1	(36)

FACTORS EFFECTING PERFORMANCE – HOW EACH OF THE FACTORS BELOW ARE EXPECTED TO INFLUENCE HOTEL MARKET PERFORMANCE IN 2010?

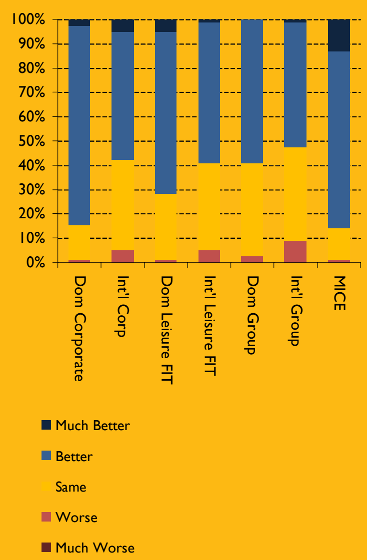
Each hotelier was also asked to gauge their attitude towards eleven factors and how these will impact their hotels' performance in 2010.

1. Local/global stock market performance
2. Local economic growth trends
3. Global economic growth trends
4. Local tourism trends
5. New competitive supply additions
6. Global oil prices
7. Currency exchange rates
8. Central Government Policy
9. Decline in exports
10. Shanghai Expo
11. H1N1 virus

Beijing hoteliers ranked Local economic trends to be the most positive of the 11 factors listed for 2010 with a sentiment score of 65 and over 80 percent of respondents expecting a positive impact. Local tourism trends also are also cause for optimism with 80 percent of respondents indicating that local tourism trends would have a positive impact on performance in 2010, with a sentiment score of positive 62.

Most negative was the H1N1 virus at a score of negative 36, although 47 percent expected that H1N1 would have no impact on performance. New competitive supply is expected to continue to have a negative impact on performance levels in 2010 with about 40 percent of respondents expecting new supply to negatively impact performance.

RATIO OF RESPONSES



"The majority of the Beijing hoteliers had a positive outlook about the future performance of all demand segments"

MARKET SEGMENT PERFORMANCE	
1. Domestic Corporate	64
2. Foreign Corporate	43
3. Domestic Leisure FIT	57
4. Foreign Leisure FIT	41
5. Domestic Leisure Group	42
6. Foreign Leisure Group	34
7. MICE	73

MARKET SEGMENT PERFORMANCE – HOW ARE EACH OF THE MAJOR DEMAND SEGMENTS EXPECTED TO PERFORM IN 2010 VS. 2009?

The last question dealt with each participant's opinion with regard to primary market demand segments which were Corporate, Leisure FIT, Leisure Group and MICE (Meetings, Incentive, Conference, and Exhibition) and how they are expected to perform in 2010.

The majority of the Beijing hoteliers had a positive outlook about the future performance of all demand segments, with over 50 percent of respondents expecting a better performance for these demand segments, which should be attributed to a return to economic growth across the globe, a strong domestic market and the continued benefit from a positive central government policy.

Despite the positive outlook, hoteliers in Beijing are not as optimistic towards demand growth from international demand sources, with all scoring lower sentiment rankings than their respective domestic counterparts. The leisure group segment also scored low in comparison to the other demand segments.

The Beijing 5-star submarket generally followed the same trend. Foreign leisure group and foreign leisure FIT registered lowest sentiment scores of positive 24 and 40. On the contrary, hoteliers showed a very optimistic outlook for the MICE demand of the 5-star submarket, with sentiments scores of 71. The high expectation of MICE demand growth indicated that Beijing hoteliers are looking forward of more conventions, exhibitions and trade shows under the positive economic environment in 2010.

CONCLUSIONS

In conclusion, hoteliers in Beijing recorded significant improvement in their sentiment towards the market outlook since the last survey in July 2009, with all respondents managing to record an overall sentiment score that was positive. The MICE, domestic corporate and domestic leisure FIT demand segments were expected to have the most positive influence on demand growth in 2010, indicating that hoteliers are relatively optimistic about the domestic market. The survey respondents showed more conservative expectation on international segments, especially on both foreign leisure FIT and group segments.

Horwath HTL Office Locations

Asia Pacific

Auckland, New Zealand
Auckland@HorwathHTL.com

Beijing, China
Beijing@HorwathHTL.com

Hong Kong, SAR
HongKong@HorwathHTL.com

Honolulu, USA
Hawaii@HorwathHTL.com

Jakarta, Indonesia
Jakarta@HorwathHTL.com

Kuala Lumpur, Malaysia
KL@HorwathHTL.com

Mumbai, India
vthacker@HorwathHTL.com

Shanghai, China
Shanghai@HorwathHTL.com

Singapore, Singapore
Singapore@HorwathHTL.com

Sydney, Australia
vzographou@HorwathHTL.com.au

Tokyo, Japan
Tokyo@HorwathHTL.com

Europe

Amsterdam, Netherlands
info@horwath.nl

Andorra la Vella, Andorra
vmarti@HorwathHTL.com

Barcelona, Spain
fsoler@HorwathHTL.es

Belfast, UK
michael.williamson@asmhorwath.com

Budapest, Hungary
budapestoffice@horwathconsulting.net

Dublin, Ireland
post@horbc.ie

Frankfurt, Germany
office@HorwathHTL.de

Kiev, Ukraine
vyasinetskaya@HorwathHTL.es

London, UK
VMarti@HorwathHTL.es

Madrid, Spain
vmarti@HorwathHTL.com

Moscow, Russia
Moscow@horwathconsulting.net

Oslo, Norway
Per-Erik.Winther@horwath.no

Paris, France
pdoizelet@HorwathHTL.fr

Rabat, Morocco
glanfray@HorwathHTL.fr

Rome, Italy
vnaschi@HorwathHTL.it

Salzburg, Austria
kploberger@horwathhtl.at

Tunis, Tunisia
glanfray@horwathhtl.fr

Zagreb, Croatia
sanja.cizmar@horwath.hr

North/Central America

Atlanta, USA
mbeadle@horwathhl.com

Dallas, USA
rbesse@horwathhl.com

Denver, USA
jmontgomery@horwathhl.com

Los Angeles, USA
ynathraj@horwathhl.com

Mexico City, Mexico
bbasave@horwath.com.mx

Montreal, Canada
pgaudet@horwathhtl.com

Palm Beach, USA
staylor@horwathhl.com

San Francisco, USA
jhiser@HorwathHTL.com

Santo Domingo, Dominican Republic
sotero@horwath.com.do

Toronto, Canada
horwath@hhgi.com

South America

Buenos Aires, Argentina
ochudnobsky@HorwathHTL.com

Africa

Cape Town, South Africa
Capetown@HorwathHTL.co.za

Middle East

Beirut, Lebanon
kamelac@horwathac.com