

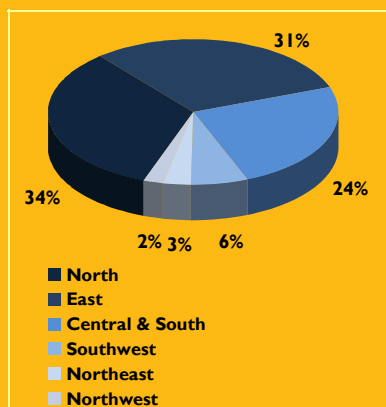


CHINA HOTEL MARKET SENTIMENT SURVEY

February 2009

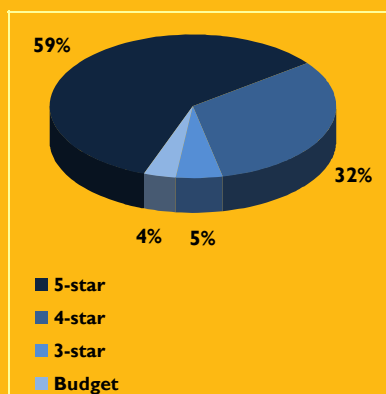
SHARE OF RESPONDENTS

BY REGION



SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



INTRODUCTION

The Horwath HTL China Hotel Market Sentiment Survey, part of a global initiative, has been designed to provide the China hotel industry a quick assessment of the market outlook for the coming 12 months. The survey focuses on the outlook for occupancy, average room rates and total revenue.

Hoteliers have also been asked to make comments on the impact of key factors that drive room night demand growth as well as rate the outlook for each major demand segment.

This report summarizes the outcome of the survey, gathered from responses across 23 provinces and municipalities. Of the 304 respondents, 34 percent of them came from North China (Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia), followed by East China (Shanghai, Zhejiang, Jiangsu, Anhui, Fujian, Jiangxi and Shandong) at 31 percent, then Central & South China (Guangdong, Guangxi, Hainan, Hubei, Hunan and Henan) at 24 percent. The other regions accounted for a much smaller proportion of survey respondents.

In regards to the star classification of the participating properties, the majority of the contributions were from 5-star hotels (59 percent), followed by 4-star hotels at 32 percent. The 3-star and budget sections only accounted for a small portion of respondents at 5 percent and 4 percent respectively.

At the current point in time, with the financial crisis affecting all corners of the world including China, it is not surprising to find most markets across China having a negative assessment of the outlook for 2009. This is in line with our survey findings of the Global Hotel Market Sentiment Survey conducted concurrently. The following analysis provides some useful insight as to the expectations for different hotel markets across China.



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SENTIMENT RANKINGS

| By Region | Score |
|--------------------|-------|
| 1. Southwest | 2.1 |
| 2. Northwest | -34.5 |
| 3. Central & South | -38.1 |
| 4. East | -40.1 |
| 5. North | -49.1 |
| 6. Northeast | -64.6 |
| By Key City | Score |
| Chongqing | 19.5 |
| Guangzhou | 1.6 |
| Sanya | -38.1 |
| Shanghai | -39.7 |
| Beijing | -49.7 |
| Shenzhen | -54.9 |
| Tianjin | -81.0 |

"A national sentiment score of negative 40.8 clearly indicates that hoteliers across China are expecting declines in performance in 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.

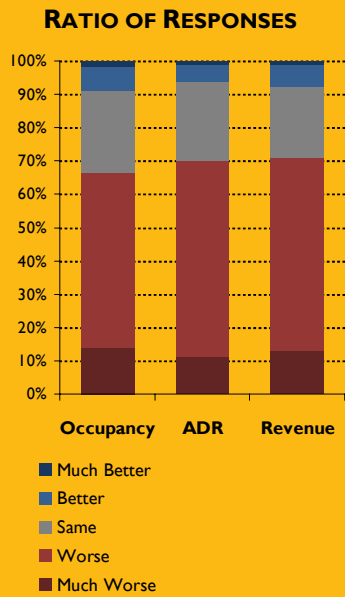
The purpose of creating a sentiment index or score is to better track changes in market sentiment in future surveys to be conducted by Horwath HTL.

The sentiments of hoteliers across all regions and key cities in China have been clearly affected by the global economic crisis, visible from the results. Similar to the global hotel market sentiment (negative 39.7), general sentiment of China hotel industry was rather pessimistic with a national average score of negative 40.8.

Hoteliers in all regions except Southwest China expected a bleak outlook in 2009, with Northeast China registering the lowest score of negative 64.6. Market sentiment in Southwest China was positive but generally leaning towards neutral grounds, registering the highest average score of 2.1 amongst all regions.

On provincial basis (including four municipalities), Sichuan registered the highest score at 24.1, indicating the province's strong confidence in recovering from the earthquake occurring in May 2008. Lowest scores were recorded by Guangxi (negative 89.9), Tianjin (negative 81.0) and Liaoning (negative 64.6).

Amongst the key cities across China, the top three cities which recorded the highest scores were Chongqing (19.5), Guangzhou (1.6) and Hefei (negative 15.8) while Dalian (negative 84.3), Tianjin (negative 81.0) and Shenzhen (negative 54.9) rounded up the bottom three. Shanghai ranked 5th after Sanya with a score of negative 39.7 while Beijing ranked 4th from bottom with a score of negative 49.7.



“66 percent of the respondents stated that market-wide occupancy performance would get worse than 2008. Only 9 percent said it would be better”

MARKET PERFORMANCE RANKING

| | Occ. | ADR | Rev. |
|-----------------|-------|-------|-------|
| Southwest | 4.2 | 13.2 | 17.6 |
| Central & South | -41.9 | -41.9 | -44.1 |
| East | -47.1 | -59.3 | -57.6 |
| Northwest | -50.0 | -87.5 | -62.5 |
| North | -68.5 | -69.4 | -75.0 |
| Northeast | -91.7 | -83.3 | -91.7 |

MARKET PERFORMANCE

The first survey question dealt with the contributors’ outlook on their markets’ performance in 2009 as opposed to 2008.

In response to expectations on market-wide occupancy performance, 66 percent of the hoteliers replied that it would get worse, 25 percent believed that it would remain the same, while only 9 percent stated that it would get better.

Most believed a dreary outcome in terms of ADR performance, as 70 percent stated that market-wide ADR performance was expected to be worse than the previous year. 24 percent stated that ADR would achieve the same results as the previous year while only 6 percent were buoyant about their markets’ performance in terms of ADR.

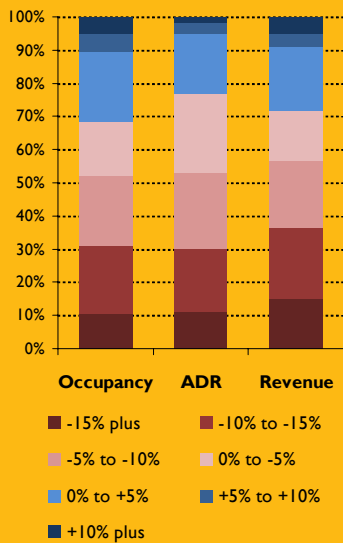
Total revenue followed the same trend wherein majority or 71 percent of the respondents had bleak sentiments about the market’s future revenue performance. 22 percent stated that revenue would follow last year’s trend and merely 7 percent were optimistic about 2009’s performance.

The index was used to gauge the average responses of the respondents with regards to their outlook on market performance. All regions, except Southwest China (11.7), yielded negative results, with Northeast China registering the lowest score of negative 88.9.

Across all provinces and municipalities, Chongqing (33.3), Sichuan (28.6), Tibet (25.0) and Inner Mongolia (25.0) were all optimistic about their market-wide performance in 2009. On the other hand, Liaoning (negative 88.9), Tianjin (negative 83.3), Hebei (negative 75.0) and Guangxi (negative 75.0) recorded the lowest scores at or below negative 75.0.

Amongst the key cities across China, the top three cities with highest scores were Chongqing (33.3), Guangzhou (negative 15.6) and Hefei (negative 29.2) while the bottom three were Dalian (negative 105.0), Tianjin (negative 83.3) and Beijing (negative 72.6). Shanghai ranked 5th with a score of negative 55.3, followed by Shenzhen (negative 57.1).

RATIO OF RESPONSES



"53 percent believed that ADR would drop by at least 5 percent."

HOTEL PERFORMANCE RANKING

| | |
|-----------------|-------|
| Southwest | 25.0 |
| Northwest | -19.4 |
| Central & South | -21.8 |
| East | -26.1 |
| Northeast | -37.0 |
| North | -48.0 |

HOTEL PERFORMANCE RANKING

| | Occ | ADR | Rev. |
|-----------------|-------|-------|-------|
| Southwest | 25.0 | 22.2 | 27.8 |
| Northwest | -16.7 | -25.0 | -16.7 |
| Central & South | -21.3 | -20.1 | -23.9 |
| East | -21.8 | -26.2 | -30.2 |
| Northeast | -33.3 | -38.9 | -38.9 |
| North | -33.2 | -54.9 | -56.0 |

HOTEL PERFORMANCE

The second question asked each respondent to estimate the growth or decline in hotel performance for 2009 compared with 2008.

When asked if they still expect growth in their properties' performance in 2009, 52 percent of the hoteliers stated that their hotels would likely suffer a decline of at least 5 percent in occupancy. In the same way, 53 percent believed that ADR would drop by at least 5 percent while 57 percent replied that revenues would follow the same trend.

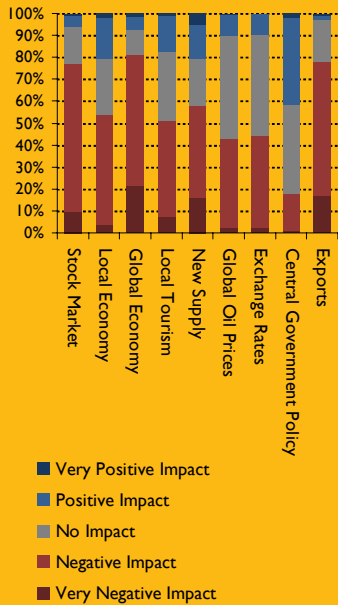
Although the majority of the respondents expected a declining trend for their properties' performance in 2009, there are still a few hoteliers who believed that performance would improve. Approximately 32 percent, 23 percent and 28 percent of the respondents forecasted improvements in occupancy, ADR and total revenue respectively. However, most of the respondents with a positive market outlook for 2009 expected a marginal increase of less than 5 percent.

Amongst all regions, Southwest China yielded the highest score in the sentiment index at 25.0, indicating that generally equal proportions of respondents believed that their 2009 performance would improve as those who expected a declining trend. Except Southwest China, all other regions had a bleak outlook for 2009, with North China registering the lowest score at negative 48.0.

Across all provinces and municipalities, Chongqing recorded the highest score at 69.4, followed by Inner Mongolia (58.3), Hunan (50.0) and Gansu (50.0) while Guangxi (negative 100.0), Tianjin (negative 94.4) and Yunnan (negative 54.2) registered the lowest scores.

Amongst the key cities across China, the top three cities which recorded the highest scores were Chongqing (69.4), Guangzhou (33.3) and Hefei (8.3) while Tianjin (negative 94.4), Dalian (negative 70.0) and Beijing (negative 49.9) rounded up the bottom three. Shanghai ranked 5th with a score of negative 20.6 while Shenzhen ranked 5th from bottom with a score of negative 46.3.

RATIO OF RESPONSES



“Global economy will likely have the most harmful impact on market performance.”

FACTORS AFFECTING PERFORMANCE RANKING

| | |
|----------------------------------|-------|
| 1. Central Government Policy | 18.1 |
| 2. Global Oil Prices | -26.2 |
| 3. Local Economic Growth Trends | -26.9 |
| 4. Currency Exchange Rates | -27.7 |
| 5. Local Tourism Trends | -30.1 |
| 6. New Competitive Supply | -36.4 |
| 7. Local/ Global Stock Market | -60.2 |
| 8. Decline in Exports | -68.4 |
| 9. Global Economic Growth Trends | -70.3 |

FACTORS AFFECTING PERFORMANCE

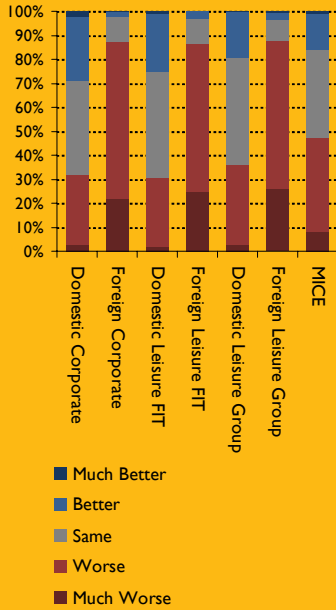
Each hotelier was also asked to gauge their attitude towards nine factors, namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices, (7) currency exchange rates, (8) central government policy and (9) decline in exports, and how these will impact hotel market performance in 2009.

Amongst the abovementioned factors, central government policy has the most positive response as 42 percent of the hoteliers stated that government policy would have a positive impact on performance, as most respondents expected the RMB 4 trillion economic stimulus package to boost domestic demand. Global economy, due to concerns with regards to the worsening financial crisis, had the highest negative response rate of 82 percent.

Utilizing the index, all factors, with the exception of central government policy, registered negative results. The respondents perceived that the global economy would likely have the most harmful impact on hotel market performance, which attained the lowest score of negative 70.3. It was also perceived by hoteliers in Beijing (negative 75.0), Shanghai (negative 67.1), Tianjin (negative 100.0), Chongqing (negative 37.5), Guangzhou (negative 56.3), Hangzhou (negative 103.1), Suzhou (negative 75.0), Xi’an (negative 75.0) and Sanya (negative 75.0) as the top factor that would negatively affect performance.

For some cities, in addition to the global economy, multiple factors were perceived to have the worst impact, such as decline in exports for Guangzhou, Sanya and Xi’an; new competitive supply for Suzhou; and stock market for Sanya and Xi’an. For Shenzhen and Hefei, decline in exports recorded the lowest scores at negative 88.9 and negative 50.0 respectively. For Dalian, stock market and exports were perceived to have the most negative impact on performance with a score of negative 105.0.

RATIO OF RESPONSES



"Over 85 percent stated that international demand would get worse."

| MARKET SEGMENT PERFORMANCE | |
|----------------------------|-------|
| 1. Domestic Corporate | -3.5 |
| 2. Domestic Leisure FIT | -5.2 |
| 3. Domestic Leisure Group | -15.1 |
| 4. MICE | -28.9 |
| 5. Foreign Corporate | -80.3 |
| 6. Foreign Leisure FIT | -81.2 |
| 7. Foreign Leisure Group | -82.5 |

MARKET SEGMENT PERFORMANCE

The last question dealt with each participant's opinion with regards to seven market segments, namely (1) domestic corporate, (2) foreign corporate, (3) domestic leisure FIT, (4) foreign leisure FIT, (5) domestic leisure group, (6) foreign leisure group and (7) MICE, and how each segment is expected to perform in 2009.

The majority of the hoteliers held a bleak outlook for international demand in 2009, as over 85 percent of respondents stated that performance across foreign corporate, foreign leisure FIT and foreign leisure group would get worse.

Employing the scoring system, all segments were expected to perform worse than the previous year as they all yielded negative results. Amongst the seven market segments, a majority of the contributors believed that domestic corporate would be the least affected with the highest score of negative 3.5. This was followed by domestic leisure FIT (negative 5.2) and domestic leisure group (negative 15.1).

Key cities across China, including Shanghai, Shenzhen, Hangzhou, Sanya and Dalian generally follow the same trend, with more negative outlook on foreign markets than domestic demand. For example, Shanghai registered much lower scores on foreign corporate (negative 75.0), foreign leisure FIT (negative 78.9) and foreign leisure group (negative 77.0) than domestic corporate (negative 2.0), domestic leisure FIT (negative 3.9) and domestic leisure group (negative 19.7).

Tianjin expected domestic corporate, foreign corporate and domestic leisure FIT to be the most affected segments with an index of negative 100.0.

On the other hand, some cities including Beijing, Chongqing, Guangzhou, Suzhou, Xi'an and Hefei were actually optimistic about the domestic markets. For example, Guangzhou anticipated a better performance from domestic corporate (46.9), domestic leisure FIT (56.3), domestic leisure group (9.4) and MICE (18.8); Beijing expected a marginal increase of demand from domestic corporate (7.9) and domestic leisure FIT (6.2).

CONCLUSIONS

In conclusion, hoteliers across China generally had negative assessment of the outlook for 2009 with regards to market-wide occupancy, ADR and total revenue as well as their properties' performance. Global economic growth trends, decline in exports and local/global stock market performance were perceived to have the most harmful impact on hotel market performance, while the central government policy was expected to have positive influence. The survey respondents anticipated all demand segments to perform worse than the previous year, with more negative outlook on foreign markets than domestic demand.

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