

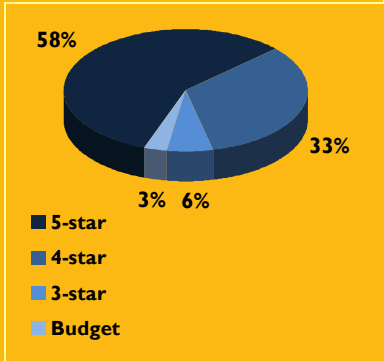


SHANGHAI HOTEL MARKET SENTIMENT SURVEY

February 2009

SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



INTRODUCTION

The Horwath HTL Shanghai Hotel Market Sentiment Survey, part of a national assessment, has been designed to provide the Shanghai 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 and compares the Shanghai market sentiment with that of other markets across China. Of the 38 respondents from Shanghai, the majority of them were from 5-star hotels (58 percent), followed by 4-star hotels at 33 percent. The 3-star and budget sections only accounted for a small portion of respondents at 6 percent and 3 percent respectively. The composition of the participating properties from Shanghai in terms of star classification is generally consistent with that across China.

At the current point in time, with the financial crisis affecting all corners of the world including Shanghai, it is not surprising to find most respondents from Shanghai having a negative assessment of the outlook for 2009. This is in line with our survey findings of the China Hotel Market Sentiment Survey conducted concurrently.



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SENTIMENT RANKINGS

| By Key City | Score |
|--------------------|--------------|
| 1. Chongqing | 19.5 |
| 2. Guangzhou | 1.6 |
| 3. Hefei | -15.8 |
| 4. Sanya | -38.1 |
| 5. Shanghai | -39.7 |
| 6. Xi'an | -40.0 |
| 7. Hangzhou | -44.0 |
| 8. Suzhou | -44.0 |
| 9. Beijing | -49.7 |
| 10. Shenzhen | -54.9 |
| 11. Tianjin | -81.0 |
| 12. Dalian | -84.3 |

"An overall average sentiment score of negative 39.7 clearly indicates that hoteliers of Shanghai 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 key 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.

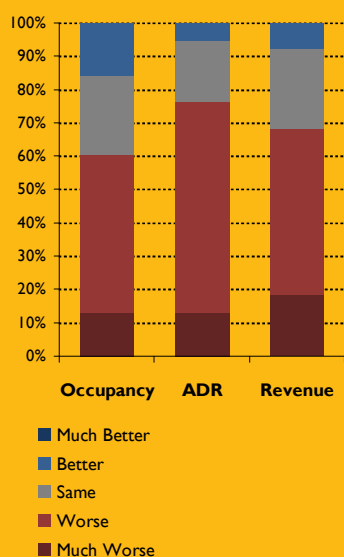
The purpose of creating a sentiment index or score is to better track changes in market sentiment in future surveys to be conducted by Horwath HTL.

The sentiments of hoteliers across key cities in China have been clearly affected by the global economic crisis, visible from the results. Amongst the 12 cities we have focused on, except Chongqing and Guangzhou, all other cities registered negative scores ranging from negative 15.8 to negative 84.3, with half of them falling between negative 38.0 to negative 50.0.

Shanghai ranked 5th with a score of negative 39.7, clearly indicating that hoteliers in Shanghai are expecting declines in performance in 2009. Compared to Beijing and Shenzhen, however, the general sentiment of Shanghai hotel industry was relatively less pessimistic.

Within the Shanghai market, both 5-star and 4-star submarkets expected a bleak outlook in 2009, with 5-star submarket registering slightly lower sentiment score of negative 41.9, compared to that of 4-star submarket at negative 36.6.

RATIO OF RESPONSES



"60 percent stated that market-wide occupancy performance would get worse than 2008. Only 16 percent said it would be better"

MARKET PERFORMANCE RANKING

| | Occ. | ADR | Rev. |
|--------------------|--------------|--------------|--------------|
| 1. Chongqing | 25.0 | 45.0 | 30.0 |
| 2. Guangzhou | -9.4 | -18.8 | -18.8 |
| 3. Hefei | -50.0 | -12.5 | -25.0 |
| 4. Sanya | -32.1 | -53.6 | -42.9 |
| 5. Shanghai | -43.4 | -63.2 | -59.2 |
| 6. Shenzhen | -64.3 | -53.6 | -53.6 |
| 7. Suzhou | -62.5 | -62.5 | -62.5 |
| 8. Hangzhou | -65.6 | -56.3 | -75.0 |
| 9. Xi'an | -60.0 | -90.0 | -60.0 |
| 10. Beijing | -70.6 | -70.6 | -76.8 |
| 11. Tianjin | -100.0 | -50.0 | -100.0 |
| 12. Dalian | -105.0 | -105.0 | -105.0 |

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, 60 percent of the Shanghai hoteliers replied that it would get worse, 24 percent believed that it would remain the same, while only 16 percent stated that it would get better.

Most believed a dreary outcome in terms of ADR performance, as 77 percent stated that market-wide ADR performance was expected to be worse than the previous year. 18 percent stated that ADR would achieve the same results as the previous year while only 5 percent were buoyant about their markets' performance in terms of ADR.

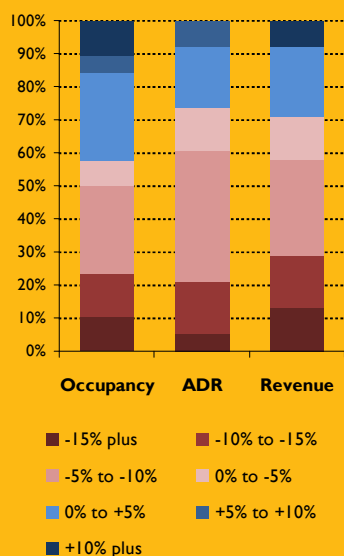
Total revenue followed the same trend wherein majority or 68 percent of the respondents from Shanghai had bleak sentiments about the market's future revenue performance. 24 percent stated that revenue would follow last year's trend and merely 8 percent were optimistic about 2009's performance.

The index was used to gauge the average responses of the respondents with regards to their outlook on market performance. Amongst the 12 cities, only Chongqing was optimistic about the market-wide occupancy, ADR and total revenue performance in 2009. All other cities expected the three market performance indicators to decrease.

Shanghai ranked 5th with an average score of negative 55.3, with sentiments in market occupancy, ADR and revenue registering negative 43.4, negative 63.2 and negative 59.2 respectively.

Within the Shanghai market, the 5-star submarket was less pessimistic with an average sentiment score of negative 53.9, compared to that of the 4-star submarket at negative 63.6. For the 5-star submarket, ADR registered the lowest sentiment score of negative 63.2, followed by revenue (negative 59.2) and occupancy (negative 39.5). For the 4-star submarket, the lowest score was recorded by revenue at negative 75.0, followed by ADR (negative 68.2) and occupancy (negative 47.7).

RATIO OF RESPONSES



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

HOTEL PERFORMANCE RANKING

| | Occ. | ADR | Rev. |
|--------------------|-------------|--------------|--------------|
| 1. Chongqing | 83.3 | 41.7 | 83.3 |
| 2. Guangzhou | 37.5 | 12.5 | 50.0 |
| 3. Hefei | 0.0 | 16.7 | 8.3 |
| 4. Sanya | 0.0 | -14.3 | -21.4 |
| 5. Shanghai | -7.9 | -26.3 | -27.6 |
| 6. Hangzhou | -31.3 | -12.5 | -18.8 |
| 7. Xi'an | -30.0 | -40.0 | -30.0 |
| 8. Shenzhen | -48.2 | -40.7 | -50.0 |
| 9. Suzhou | -50.0 | -41.7 | -50.0 |
| 10. Beijing | -33.3 | -57.8 | -58.4 |
| 11. Dalian | -50.0 | -80.0 | -80.0 |
| 12. Tianjin | -100.0 | -83.3 | -100.0 |

HOTEL PERFORMANCE

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

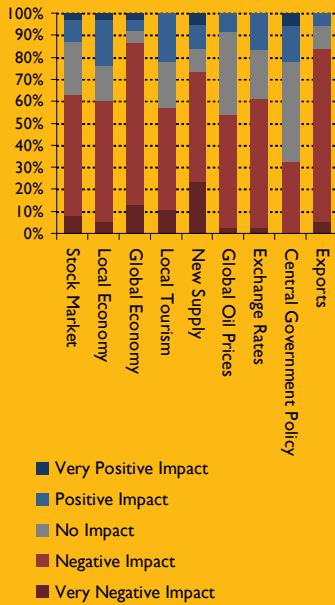
When asked if they still expect growth in their properties' performance in 2009, 50 percent of the hoteliers from Shanghai stated that their hotels would likely suffer a decline of at least 5 percent in occupancy. In the same way, 61 percent believed that ADR would drop by at least 5 percent while 58 percent replied that revenues would follow the same trend.

Although the majority of the respondents from Shanghai expected a declining trend for their properties' performance in 2009, there are still many hoteliers who believed that performance would improve. Approximately 42 percent, 26 percent and 29 percent of the respondents from Shanghai forecasted improvements in occupancy, ADR and total revenue respectively. While the majority of the respondents with a positive market outlook for 2009 expected a marginal increase of less than 5 percent, approximately 11 percent and 8 percent anticipated significant growth of more than 10 percent in their properties' occupancy and total revenue respectively.

Amongst the 12 cities, Shanghai ranked 5th with an average score of negative 20.6, indicating that most respondents had a bleak outlook for their properties' performance in 2009. Hoteliers of Shanghai had more negative assessment of the outlook for their properties' ADR (negative 26.3) and total revenue (negative 27.6), compared to occupancy (negative 7.9).

Within the Shanghai market, the 5-star submarket recorded lower average sentiment score of negative 21.9, compared to that of the 4-star submarket at negative 16.7. For the 5-star submarket, occupancy was perceived to suffer less significant decrease with a sentiment score of negative 10.5, compared to ADR (negative 26.3) and revenue (negative 28.9). On the other hand, hoteliers from the 4-star submarket anticipated marginal growth in their properties' occupancy with a sentiment score of 4.5, while ADR and revenue were expected to decrease with sentiment scores of negative 31.8 and negative 22.7 respectively.

RATIO OF RESPONSES



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

FACTORS AFFECTING PERFORMANCE RANKING

| | |
|----------------------------------|-------|
| 1. Central Government Policy | -4.1 |
| 2. Local Economic Growth Trends | -29.6 |
| 3. Local Tourism Trends | -34.5 |
| 4. Currency Exchange Rates | -35.4 |
| 5. Global Oil Prices | -36.5 |
| 6. Local/ Global Stock Market | -41.4 |
| 7. New Competitive Supply | -57.2 |
| 8. Decline in Exports | -62.8 |
| 9. Global Economic Growth Trends | -67.1 |

FACTORS AFFECTING PERFORMANCE

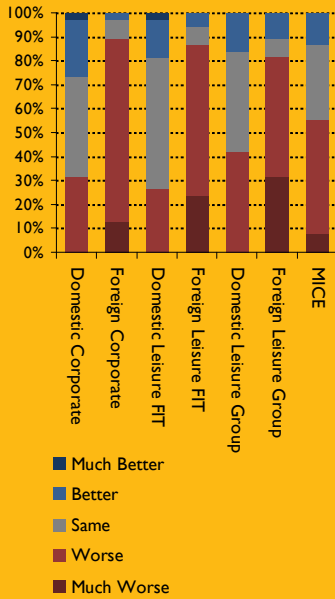
Each hotelier was also asked to gauge their attitude towards nine factors, namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices, (7) currency exchange rates, (8)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

Amongst the abovementioned factors, local economic growth trends, local tourism trends and central government policy had the highest positive response rates of 24 percent, 22 percent and 22 percent respectively. Global economy and decline in exports, due to concerns with regards to the worsening economic condition, had highest negative response rates of 87 and 84 percent respectively.

Utilizing the index, all factors registered negative results. The respondents from Shanghai perceived that the worsening economic crisis would likely have the most harmful impact on hotel market performance, which attained the lowest score of negative 67.1. This was followed by decline in exports (negative 62.8), new competitive supply additions (negative 57.2), local/global stock market (negative 41.4), global oil prices (negative 36.5), currency exchange rates (negative 35.4), local tourism trends (negative 34.5), local economic growth trends (negative 29.6) and central government policy (negative 4.1).

Hoteliers believed that global economic growth trends (negative 78.9) would have the most negative impact on the Shanghai 5-star submarket, while hoteliers of the 4-star submarket were most concerned about new competitive supply additions, which registered the lowest sentiment score of negative 102.3.

RATIO OF RESPONSES



"Over 80 percent stated that international demand would get worse."

| MARKET SEGMENT PERFORMANCE | |
|----------------------------|-------|
| 1. Domestic Corporate | -2.0 |
| 2. Domestic Leisure FIT | -3.9 |
| 3. Domestic Leisure Group | -19.7 |
| 4. MICE | -37.5 |
| 5. Foreign Corporate | -75.0 |
| 6. Foreign Leisure Group | -77.0 |
| 7. Foreign Leisure FIT | -78.9 |

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 Shanghai hoteliers held a bleak outlook for international demand in 2009, as foreign corporate, foreign leisure FIT and foreign leisure group demand segments had negative response rates of 90 percent, 87 percent and 82 percent respectively.

Employing the scoring system, all segments were expected to perform worse than the previous year. Amongst the seven market segments, a majority of the contributors from Shanghai believed that foreign demand sources would be the most affected. Hoteliers were less worried about the domestic market and expected a marginal decrease of demand from domestic corporate and domestic leisure FIT segments, with sentiment scores of negative 2.0 and negative 3.9 respectively.

The Shanghai 5-star submarket generally followed the same trend. Foreign corporate, foreign leisure FIT and foreign leisure group registered lowest sentiment scores of negative 86.8, negative 86.8 and negative 78.9 respectively, followed by MICE at negative 43.4. Domestic corporate, domestic leisure FIT and domestic leisure group were perceived to be less affected with sentiment scores of negative 31.6, negative 11.8 and negative 23.7 respectively.

On the other hand, hoteliers from the 4-star submarket held positive outlook for the domestic markets, with domestic corporate, domestic leisure FIT and domestic leisure group registering sentiment scores of 34.1, 20.5 and 6.8 respectively. Besides, compared to the 5-star submarket, the 4-star submarket held less pessimistic outlook for international demand segments, with foreign corporate, foreign leisure FIT and foreign leisure group registering sentiment scores of negative 54.5, negative 61.4 and negative 47.7 respectively. The MICE segment recorded sentiment score of negative 27.3.

CONCLUSIONS

In conclusion, hoteliers from Shanghai 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 new competitive supply additions were perceived to have the most harmful impact on hotel market performance, while the central government policy was expected to have the least negative influence. The survey respondents anticipated that international segments would perform worse than the previous year, whether it be the international corporate, leisure FIT and leisure group segments. On the other hand, hoteliers were relatively optimistic about the domestic market, especially domestic corporate and domestic leisure FIT for the 4-star submarket.

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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
Sydney@HorwathHTL.com

Tokyo, Japan
Tokyo@HorwathHTL.com

EUROPE

Amsterdam, Netherlands
hoogendoorn@horwath.nl

Andorra la Vella, Andorra
jparis@HorwathHTL.es

Barcelona, Spain
ppitarch@HorwathHTL.es

Belfast, UK
michael.williamson@asmhorwath.com

Budapest, Hungary
budapestoffice@horwathconsulting.net

Dublin, Ireland
post@horbc.ie

Frankfurt, Germany
knospe@HorwathHTL.de

Kiev, Ukraine
HRodriguez@horwath.com.ua

London, UK
vmarti@HorwathHTL.es

Madrid, Spain
vmarti@horwathconsulting.com

Moscow, Russia
Moscow@horwathconsulting.net

Paris, France
pdoizelet@HorwathHTL.fr

Rabat, Morocco
glanfray@HorwathHTL.fr

Rome, Italy
aiadecola@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
horwath@horwath-lariviere.com

Palm Beach, USA
staylor@horwathhl.com

San Francisco, USA
jhiser@HorwathHTL.com

Santo Domingo, Dominican Republic
sotero@codetel.net.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