

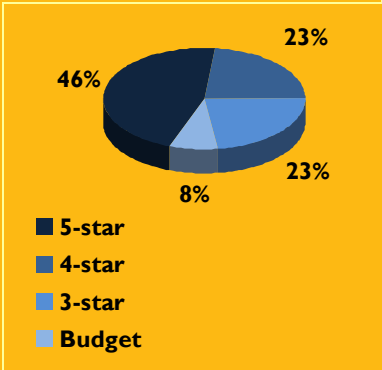


SHENZHEN HOTEL MARKET SENTIMENT SURVEY

February 2009

SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



INTRODUCTION

The Horwath HTL Shenzhen Hotel Market Sentiment Survey, part of a national assessment, has been designed to provide the Shenzhen 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 Shenzhen market sentiment with that of other markets across China. Of the 28 respondents from Shenzhen, 5-star hotels accounted for the largest proportion of 46 percent, followed by 4-star and 3-star hotels, each accounting for 23 percent. The budget section only accounted for a small portion of respondents at 8 percent.

At the current point in time, with the financial crisis affecting all corners of the world including Shenzhen, it is not surprising to find most respondents from Shenzhen 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 54.9 clearly indicates that hoteliers of Shenzhen 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.

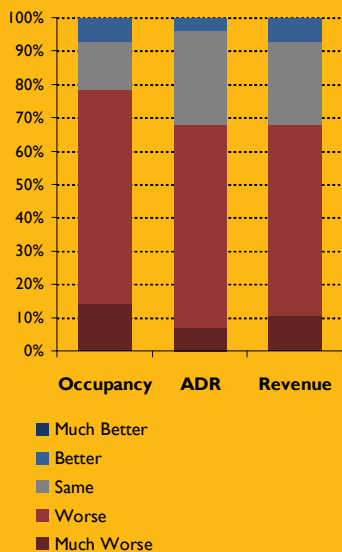
The purpose of creating a sentiment index or score is to better track changes in market sentiment in future surveys to be conducted by Horwath HTL.

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.

Shenzhen ranked 3rd from bottom with a score of negative 54.9, clearly indicating that hoteliers in Shenzhen are expecting declines in performance in 2009. Compared to Beijing and Shanghai, the general sentiment of Shenzhen hotel industry was even more pessimistic.

Within the Shenzhen market, all submarkets expected a bleak outlook in 2009, with 3-star submarket registering the lowest sentiment score of negative 68.1, followed by 4-star submarket (negative 47.9) and 5-star submarket (negative 44.7).

RATIO OF RESPONSES



"79 percent stated that market-wide occupancy performance would get worse than 2008. Only 7 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, 79 percent of the Shenzhen hoteliers replied that it would get worse, 14 percent believed that it would remain the same, while only 7 percent stated that it would get better.

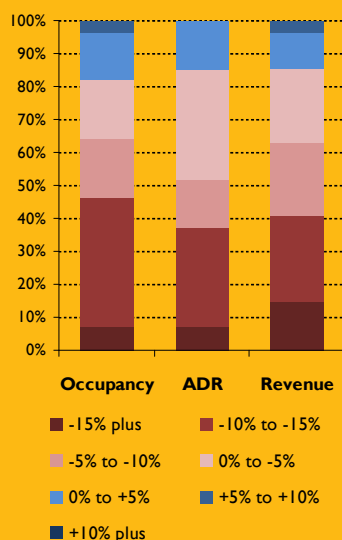
Most believed a dreary outcome in terms of ADR performance, as 68 percent stated that market-wide ADR performance was expected to be worse than the previous year. 28 percent stated that ADR would achieve the same results as the previous year while only 4 percent were buoyant about their markets' performance in terms of ADR.

Total revenue followed the same trend wherein majority or 68 percent of the respondents from Shenzhen had bleak sentiments about the market's future revenue performance. 25 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. 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.

Shenzhen ranked 6th with an average score of negative 57.1, with sentiments in market occupancy, ADR and revenue registering negative 64.3, negative 53.6 and negative 53.6 respectively. The 3-star submarket was most pessimistic with an average sentiment score of negative 79.2, compared to that of the 4-star (negative 41.7) and 5-star (negative 47.9) submarkets. For the 5-star submarket, ADR registered slightly higher sentiment score of negative 43.8, compared to that of occupancy and revenue both at negative 50.0. For the 4-star submarket, the highest score was recorded by revenue at negative 25.0, followed by occupancy and ADR both at negative 50.0. Sentiment scores of occupancy, ADR and revenue registered negative 87.5, negative 75.0 and negative 75.0 respectively.

RATIO OF RESPONSES



"52 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, 64 percent of the hoteliers from Shenzhen stated that their hotels would likely suffer a decline of at least 5 percent in occupancy. In the same way, 52 percent believed that ADR would drop by at least 5 percent while 63 percent replied that revenues would follow the same trend.

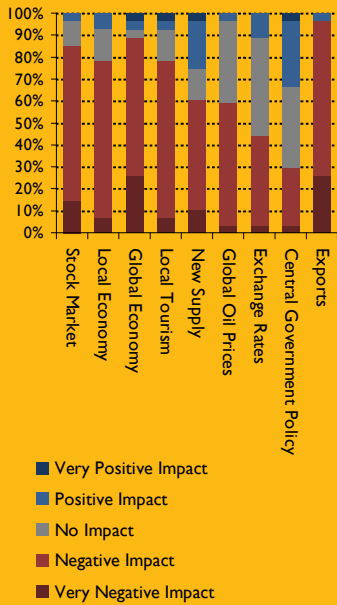
Although the majority of the respondents from Shenzhen expected a declining trend for their properties' performance in 2009, there are still a few hoteliers who believed that performance would improve. Approximately 18 percent, 15 percent and 15 percent of the respondents from Shenzhen forecasted improvements 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 the 12 cities, Shenzhen ranked 8th with an average score of negative 46.3, indicating that most respondents had a bleak outlook for their properties' performance in 2009. Hoteliers of Shenzhen had more negative assessment of the outlook for their properties' total revenue (negative 50.0), followed by occupancy (negative 48.2) and ADR (negative 40.7).

Within the Shenzhen market, the 3-star submarket recorded the lowest average sentiment score of negative 61.1, followed by 4-star (negative 31.1) and 5-star (negative 27.8) submarkets.

For the 5-star submarket, ADR was perceived to suffer less significant decrease with a sentiment score of negative 20.8, compared to occupancy (negative 29.2) and revenue (negative 33.3). On the other hand, hoteliers from the 4-star submarket expected ADR to be most affected with a sentiment score of negative 40.0, followed by occupancy (negative 33.3) and revenue (negative 20.0). For the 3-star submarket, hoteliers expected occupancy, ADR and revenue to decrease with sentiment scores of negative 75.0, negative 41.7 and negative 66.7 respectively.

RATIO OF RESPONSES



“Decline in exports will likely have the most harmful impact on market performance.”

FACTORS AFFECTING PERFORMANCE RANKING

1. Central Government Policy	2.8
2. Currency Exchange Rates	-27.8
3. New Competitive Supply	-32.1
4. Global Oil Prices	-44.4
5. Local Tourism Trends	56.3
6. Local Economic Growth Trends	-58.9
7. Local/ Global Stock Market	-72.2
8. Global Economic Growth Trends	-77.8
9. Decline in Exports	-88.9

FACTORS AFFECTING PERFORMANCE

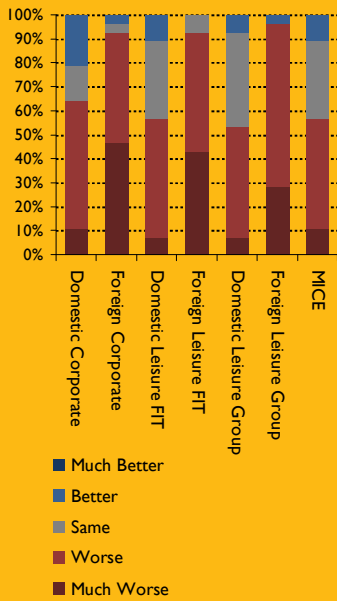
Each hotelier was also asked to gauge their attitude towards nine factors, namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices, (7) currency exchange rates, (8) 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 had the highest positive response rates of 33 percent. Decline in exports, due to concerns with regards to the worsening economic condition and Shenzhen’s high reliance on foreign trade markets, had highest negative response rate 96 percent.

Utilizing the index, all factors, with the exception of central government policy, registered negative results. The respondents from Shenzhen perceived that decline in exports would likely have the most harmful impact on hotel market performance, which attained the lowest score of negative 88.9. This was followed by global economic growth trends (negative 77.8), local/global stock market (negative 72.2), local economic growth trends (negative 58.9), local tourism trends (negative 56.3), global oil prices (negative 44.4), new competitive supply additions (negative 32.1), currency exchange rates (negative 27.8) and central government policy (2.8).

Hoteliers believed that global economic growth trends (negative 87.5) would have the most negative impact on the Shenzhen 5-star submarket, while both 4-star and 3-star submarkets were most concerned about decline in exports, with sentiment scores of negative 100.0 and negative 105.0 respectively.

RATIO OF RESPONSES



"Over 90 percent stated that international demand would get worse."

MARKET SEGMENT PERFORMANCE	
1. Domestic Corporate	-40.2
2. Domestic Leisure FIT	-40.2
3. Domestic Leisure Group	-40.2
4. MICE	-42.9
5. Foreign Leisure Group	-91.1
6. Foreign Corporate	-101.8
7. Foreign Leisure FIT	-101.8

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 Shenzhen hoteliers held a bleak outlook for international demand in 2009, as over 90 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. Amongst the seven market segments, a majority of the contributors from Shenzhen believed that foreign demand sources would be the most affected.

The Shenzhen 5-star submarket generally followed the same trend. Foreign leisure FIT registered lowest sentiment score of negative 93.8, followed by foreign corporate (negative 87.5), foreign leisure group (negative 68.8), MICE/domestic leisure FIT (both at negative 37.5), and domestic corporate/domestic leisure group (both at negative 31.3).

Compared to 5-star submarket, hoteliers from 4-star and 3-star submarkets had more negative assessment for the foreign markets. The 4-star submarket registered sentiment scores of negative 100.0, negative 100.0 and negative 87.5 for foreign corporate, leisure FIT and leisure group demand segments respectively. Domestic corporate, domestic leisure group and MICE demand segments all registered scores of negative 25.0, while domestic leisure FIT recorded highest score of negative 12.5.

Hoteliers from 3-star submarket were even more pessimistic about the foreign demand segments, with foreign corporate, leisure FIT and leisure group registering sentiment scores of negative 125.0, negative 112.5 and negative 137.5 respectively. Domestic corporate and domestic leisure group registered highest scores of negative 62.5, followed by domestic leisure FIT and MICE at negative 75.0.

CONCLUSIONS

In conclusion, hoteliers from Shenzhen 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. Decline in exports, global economic growth trends and local/global stock market 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 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 less pessimistic about the domestic market, but still held a bleak outlook for domestic demand in 2009.

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