



1ST QUARTER 2012

THE HVS QUARTERLY HONG KONG, MACAU, CHINA & TAIWAN UPDATE

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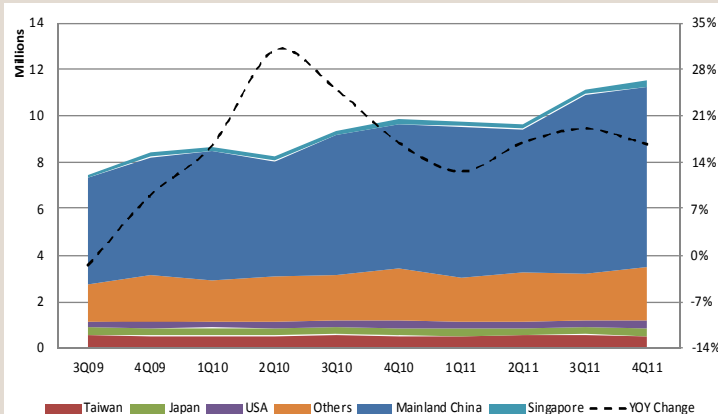
An HVS Quarterly Hotel Market Update

Despite turbulence in the global economy, 2011 was a triumphant year for the region, with markets setting new records one after the other.

HONG KONG

Total visitor arrivals to Hong Kong amounted to 11.4 million in the last quarter of 2011, reflecting a 16.7% year-on-year (YOY) increase and setting a new record for visitor arrivals in a single quarter. Mainland Chinese remain the key driving factor behind robust growth, with arrivals growing by 24.7% to reach a record high of 7.7 million, representing approximately 67.0% of total visitor arrivals. Feeder markets continued to diversify in the last quarter among neighbouring countries in the region. Among the top five feeder markets, Singapore posted 10.3% YOY growth, driven by favourable exchange rates. The Philippines and South Korea also recorded double-digit growth YOY. Facilitated by the recovery from the Tōhoku earthquake and a strong yen, travel sentiment among Japanese visitors improved in the last quarter, registering 5.9% growth YOY. Hong Kong also set a new milestone for visitor arrivals: full-year total visitor arrivals

HONG KONG VISITOR ARRIVALS



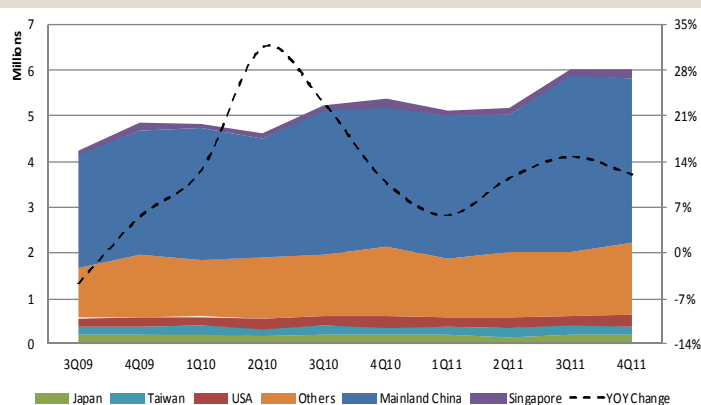
Source: Hong Kong Tourism Board

topped 41.9 million, representing 16.4% growth YOY. The top five feeder markets for 2011 remained the same as for the previous year: China, Taiwan, Japan, USA and South Korea.

Hong Kong's economy and tourism industry have benefited tremendously from the territory's proximity to China over the past few years and are currently greatly dependent on the Chinese market. Given the unsteady global economic environment and recent economic data that further indicated a slowdown in China's economy, Hong Kong's economic and tourism industry growth is expected to moderate in 2012.

Furthermore, the city faces increasing competition from neighbouring markets such as Macau and

HK OVERNIGHT VISITOR ARRIVALS



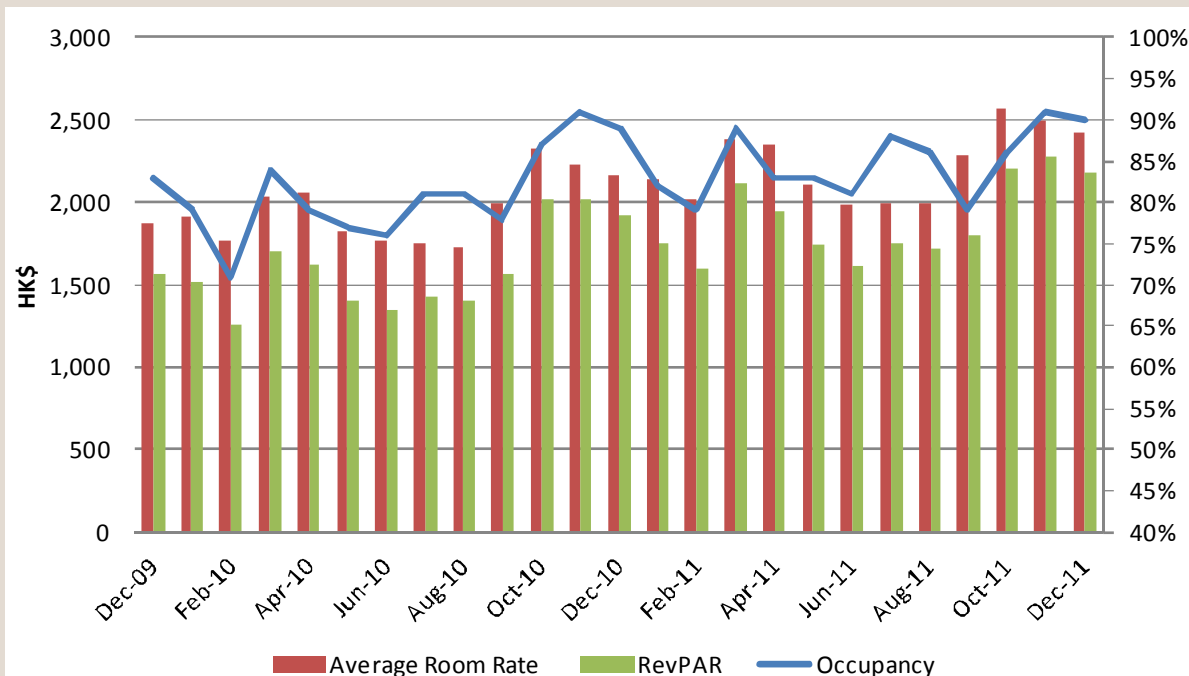
Source: Hong Kong Tourism Board

Taiwan, which are both popular destinations for mainland Chinese visitors. The Hong Kong Tourism Bureau estimates visitor arrival growth to slow to single digits in 2012.

In the last quarter of 2011, 52.4% of visitors to Hong Kong stayed overnight – a trend that is further declining as a result of an increasing number of same-day visitor arrivals from China, and travellers' struggles in finding hotel accommodation as marketwide occupancy climbed to approximately 92.0%. Overnight visitor arrivals from Singapore registered the strongest

growth rate at 7.3% YOY in the last quarter. For the full year of 2011, overnight visitor arrivals grew by 11.1% to 22.3 million, representing 53.2% of total visitor arrivals. This figure is slightly lower than the 55.7% recorded in 2010.

HONG KONG HIGH-TARIFF A MARKET PERFORMANCE



Source: Hong Kong Tourism Board

The high-end hotel market in Hong Kong posted record RevPAR performance for eight out of 12 months in 2011, with November achieving the second-highest monthly RevPAR performance on record. YOY monthly average rate growth ranged from 10.6% to 16.9%. Average rate peaked in October at HK\$2,564, driven by strong demand from the mainland Chinese market. Occupancy performance strengthened in the last quarter and passed the 90% mark in November and December, a slight improvement from 2010.

The high-tariff A market registered 84.8% occupancy performance in 2011, a 3.6 percentage point growth YOY. The average rate also climbed 13.4%, driven by strong occupancy levels. RevPAR performance for the full year registered at an all-time high of HK\$1,895 in 2011.

In 2012, an estimated 29 new hotels totalling 5,854 rooms are expected to enter the Hong Kong market. The outlook for occupancy levels remains positive, given the healthy demand from China. The anticipated slowdown in China's economy and a soft global economy will prevent rapid expansion in corporate travel budgets. Reliant on market compression, average rate growth in 2012 is anticipated to remain healthy, with potential softening towards the end of the year.

MACAU

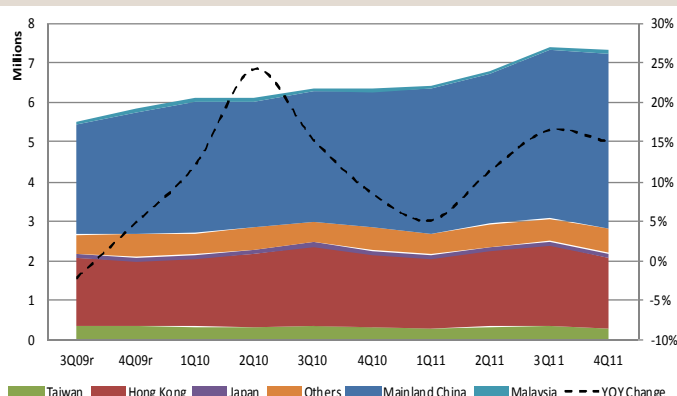
More than 4.4 million mainland Chinese visitors visited Macau in the last quarter of 2011, the highest ever. Strong visitor arrivals from mainland China was supported by increased capacity at gaming tables and the appreciation of the Renminbi. Hong Kong visitor arrival levels were mature and resilient. Demand from Japan increased in the last quarter as sentiment improved, with Japanese visitor arrivals recording 11.0% YOY growth.

Travel demand from Southeast Asian countries such as the Philippines, Singapore and Vietnam posted double-digit YOY growth in the last quarter.

Thailand, on the other hand, saw visitor arrivals decline by 18.2%, due to flooding in its key centres of economic activity. Mainland China, Hong Kong and Taiwan remained the top three feeder markets for Macau in 2011. South Korea surpassed Malaysia and Japan to become the fourth-largest feeder market, owing to a strong Korean won and the increased accessibility of Macau.

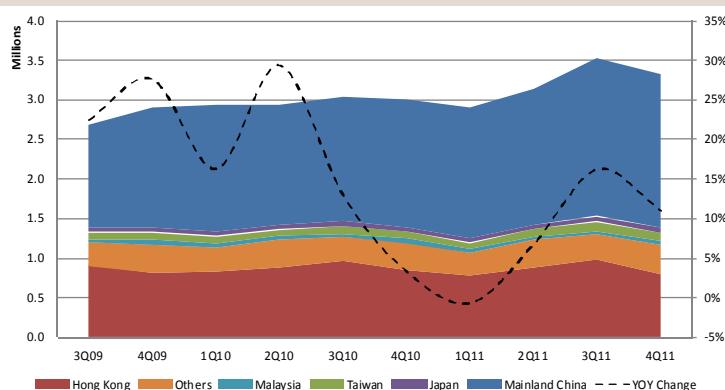
The year 2011 was the best year ever for Macau in terms of visitor arrivals. Total visitor arrivals grew by 12.2% YOY in 2011 to 28 million. This is mainly attributable to strong gaming demand, increased capacities, favourable exchange rates, increased accessibility and tourism promotion campaigns. Overnight arrivals represented around 45.4% of total arrivals in the last

MACAU VISITOR ARRIVALS



Source: Macau Government Tourism Office

MACAU OVERNIGHT VISITOR ARRIVALS

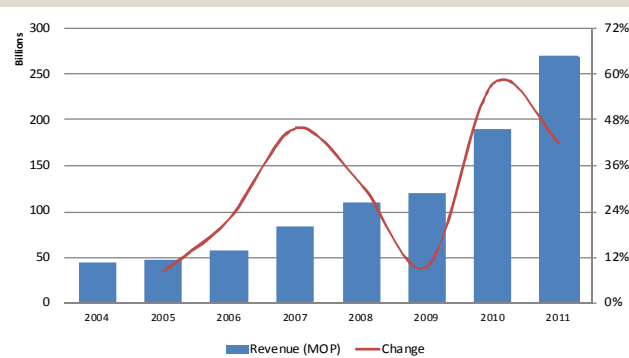


Source: Macau Government Tourism Office

quarter of 2011, down from 48.2% in the previous quarter. Total overnight arrivals were up 11.0% YOY in the last quarter, fuelled by demand growth from the mainland Chinese market, which in turn registered 20.8% YOY growth. Full-year overnight visitor arrivals growth slowed to 8.4% in 2011, compared to 14.7% YOY growth in 2010. Although capacity was added to the market, strong marketwide occupancy levels in excess of 85.0% have limited overnight visitor arrivals growth since the fourth quarter of 2010. Markets that registered double-digit growth rates in 2011 include China, Taiwan, South Korea and Russia.

Macau's gaming industry expectedly broke another record in 2011. Total gross gaming revenue in 2011 was MOP269 billion, a 41.9% increase YOY. Strong regional demand drove gaming industry growth, spearheaded by the core China and Hong Kong markets. VIP baccarat tables for Chinese and Hong Kong high rollers remained key revenue centres. Nevertheless, industry expansion slowed in 2011, as compared to 57.5% YOY growth in 2010. Though facing increasing competition from Singapore, Vietnam and the Philippines, Macau's standing as the world's largest gaming market will remain unrivalled for the foreseeable future, as it has the most favourable access to the vast Chinese market.

MACAU GAMING REVENUE SETS NEW RECORD



Source: Macau Statistics and Census Service

CHINA

Total international visitor arrivals (excluding Hong Kong and Macau) to China grew at a moderate rate of 5.5% YOY in the last quarter of 2011. Asian markets were the main drivers, accounting for 52.2% of total visitor arrivals to China. The Japanese market posted healthy visitor arrival growth, with a 12.3% YOY increase in the last quarter. A favourable exchange rate also supported the Japanese market's growth. Other nations in the region, such as Mongolia, Philippines, Indonesia and India, also recorded double-digit growth in the last quarter of 2011. Kazakhstan continued its upward trend in the final quarter, posting 33.1% YOY growth. This increase is attributable to the increased collaboration between the two countries, particularly in the oil and gas industry. Kyrgyzstan, Sri Lanka and North Korea also saw robust visitor arrivals growth, all starting from a low base. The Russian market expanded at a modest rate in the last quarter; popular winter destinations in China for the Russian market were Sanya and Harbin, with the latter benefiting from its proximity to Russia and the annual Harbin Ice Festival. The European market recorded stable growth rates as business activities resumed after the summer holidays. All major European markets posted positive YOY growth, with the exception of France, Norway and Belgium.

Total international visitor arrivals growth significantly slowed to 3.5% YOY in 2011, compared to the 18.3% growth rate in 2010. The European debt crisis, the Tōhoku earthquake and the Fukushima Daiichi nuclear disaster resulted in a decrease in leisure demand from Europe and Japan, two major source markets for China.

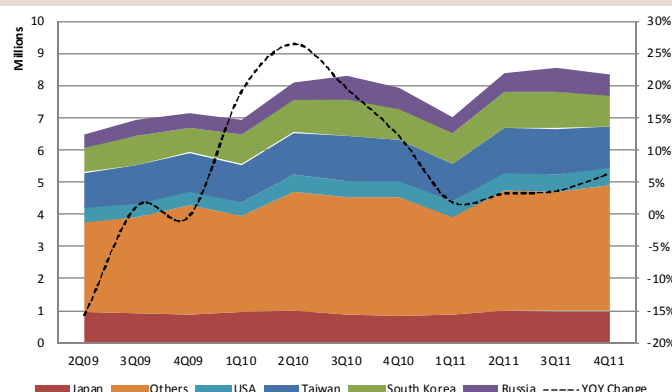
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TAIWAN

Total visitor arrivals to Taiwan increased by 16.4% YOY in the last quarter of 2011, reaching a record high of nearly 1.8 million visitor arrivals. All top five source markets for Taiwan posted double-digit growth rates YOY. The Singapore market posted the strongest YOY growth at 31.5%, driven by strong tourism promotional campaigns in Singapore and increased accessibility. Mainland China continued its upward trend, posting 27.6% growth YOY. Initiatives to bring back Japanese tourists to Taiwan after the nuclear disaster have paid off. The Japanese market remained strong, recording 24.8% growth YOY. The longstanding relationship between Taiwan and Japan, further supported by the open sky agreement signed in November, raise expectations for healthy growth in Japanese visitor arrivals in 2012. The USA, and Hong Kong and Macau, recorded 12.2% and 10.5% growth YOY, respectively. The Taiwan Tourism Bureau has shifted its promotional efforts away from long-haul markets to neighbouring Southeast Asian countries given their easy accessibility and proximity. Indonesia and the Philippines registered 39.6% and 20.9% growth YOY, respectively, in the last quarter. Long-haul markets such as the USA, Germany and France remained buoyant, posting increases of above 10.0% YOY.

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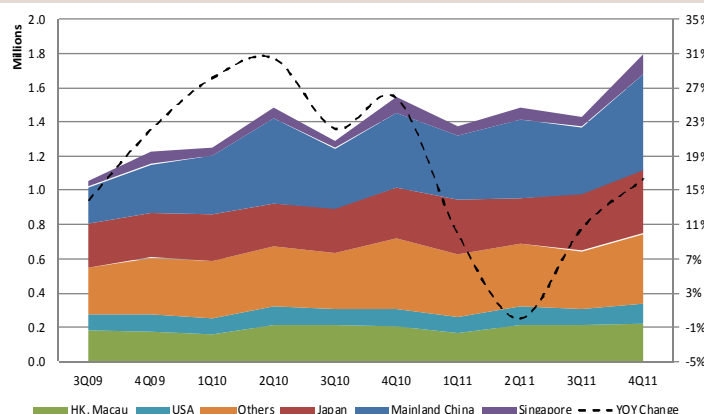
CHINA VISITOR ARRIVALS*



Source: China National Tourism Administration

* Excluding Hong Kong and Macau

TAIWAN VISITOR ARRIVALS



Source: Taiwan Tourism Bureau

Total visitor arrivals to Taiwan in 2011 surpassed the six million mark to reach 6.1 million in 2011, setting a new record. This reflected a 9.2% increase YOY, but it is a significant slowdown from the 26.7% growth rate in 2010. Seasonality is the main challenge for incremental visitor arrival growth to Taiwan. Favourable pricing during the shoulder season and a growing Chinese market is expected to support healthy visitor arrival growth in the coming year.

HOTEL MARKET PERFORMANCE

Hong Kong, Macau and Taiwan

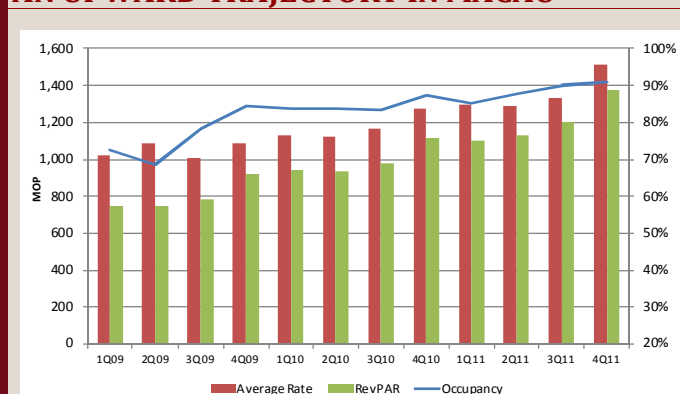
All five tracked markets in the area finished strong in the last quarter of 2011. Macau and Hong Kong recorded double-digit RevPAR growth YOY in the last quarter, benefiting from a deep Chinese source market.

A STRONG FINISH FOR ALL KEY MARKETS IN 2011

Market		1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Hong Kong	Occupancy (%)	79.1	68.1	76.1	87.6	84.9	84.0	85.9	91.6	87.8	87.7	89.6	91.9
	Average Room Rate (HK\$)	1,070	984	937	1,102	1,108	1,106	1,091	1,360	1,302	1,286	1,281	1,558
	RevPar (HK\$)	847	670	714	966	940	929	937	1,246	1,143	1,127	1,147	1,432
	RevPAR YOY Change (%)	-19.8	-34.1	-26.1	-13.3	11.0	38.7	31.4	29.0	21.6	21.3	22.4	14.9
Macau	Occupancy (%)	72.8	68.8	78.3	84.6	83.8	83.5	83.5	87.3	85.0	87.6	90.0	90.8
	Average Room Rate (MOP)	1,027	1,088	1,006	1,091	1,129	1,120	1,168	1,276	1,302	1,291	1,336	1,516
	RevPar (MOP)	747	748	788	922	946	936	975	1,114	1,107	1,131	1,202	1,377
	RevPAR YOY Change (%)	-3.4	-1.9	6.1	8.7	26.6	25.1	23.8	20.8	17.0	20.9	23.3	23.6
Taipei	Occupancy (%)	67.9	67.5	70.3	77.7	72.4	75.9	69.6	83.1	75.9	71.1	71.0	83.3
	Average Rate (TW\$)	3,447	3,574	3,401	3,517	3,515	3,706	3,441	3,662	3,683	3,932	3,684	3,964
	RevPar (TW\$)	2,341	2,412	2,391	2,731	2,544	2,813	2,395	3,042	2,794	2,794	2,616	3,304
	RevPAR YOY Change (%)	-13.8	-15.3	-1.2	-1.0	8.7	16.7	0.2	11.4	9.8	-0.7	9.2	8.6
Kaoshiung	Occupancy (%)	61.2	69.7	60.4	67.3	63.0	70.5	66.6	73.6	60.9	65.7	64.7	74.7
	Average Rate (TW\$)	2,460	2,239	2,380	2,194	2,506	2,170	2,276	2,226	2,497	2,307	2,487	2,328
	RevPar (TW\$)	1,507	1,560	1,437	1,478	1,579	1,531	1,516	1,639	1,520	1,515	1,609	1,738
	RevPAR YOY Change (%)	-4.8	3.4	-10.2	-1.3	4.8	-1.9	5.5	10.9	-3.8	-1.0	6.1	6.1
Taichung	Occupancy (%)	54.9	57.8	57.1	68.9	62.9	69.3	67.4	79.6	67.4	72.3	66.1	80.7
	Average Rate (TW\$)	2,403	2,180	2,220	2,173	2,390	2,178	2,240	2,249	2,423	2,269	2,354	2,406
	RevPar (TW\$)	1,319	1,259	1,268	1,497	1,504	1,509	1,509	1,790	1,633	1,641	1,555	1,942
	RevPAR YOY Change (%)	-16.8	-10.2	-13.9	-6.6	14.0	19.8	19.0	19.5	8.6	8.7	3.1	8.5

Source: HKTB, MOT, MGOT

AN UPWARD TRAJECTORY IN MACAU



Source: Macau Government Tourism Office

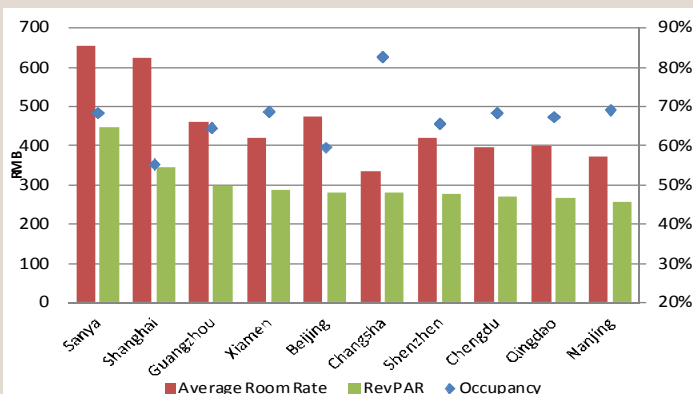
Macau's hotel market continued to boom with the support of its gaming industry and the opening of new upscale hotels. Occupancy gradually increased from the low-70s in Q3 2009 to 91% in Q4 2011. The opening of the City of Dreams in 2009 added approximately 1,400 rooms to the market that were readily absorbed by surging demand; the opening of Galaxy Macau in Q2 2011 further induced demand. Average rate also saw a continuous increase during the period observed, supported by the addition of upscale hotels such as Grand Hyatt, Crown Towers, Mandarin Oriental, Okura and Banyan Tree between 2009 and 2011.

Supported by strong occupancy levels, average rate increased by 18.8% to MOP1,516 in Q4 2011, resulting in a RevPAR gain of 23.6%. Macau is expected to have an additional 5,700 hotel rooms added to its inventory in 2012. The Holiday Inn and Conrad Cotai Macau is expected to open in Q1 2012, while the Sheraton Cotai is scheduled to open in Q3 2012. Occupancy and average rate levels are likely to be affected, as demand growth shows signs of slowing.

China

In 2011, Sanya overtook Shanghai to become the best-performing hotel market in China. Sanya also posted the strongest RevPAR growth YOY at 23.6%. Shanghai dropped to second place as demand softened after the World Expo. The oversupply situation in the Shanghai market is expected to exert pressure in the short-term, but is expected to be gradually absorbed by healthy demand based on resilient economic growth. Guangzhou maintained its third-place position, thanks to its mature manufacturing and trade industries. Beijing has the largest hotel market in China, and its hotel performance continues to improve, backed by a well-performing, developed economy. However, the city's large hotel room inventory limits rapid marketwide occupancy growth. In Xiamen, hotel RevPAR performance increased by 22.3% in 2011, making Xiamen the best-performing market among second-tier cities. As a popular destination with numerous attractions, the relatively small size of the hotel market drove occupancy levels close to 70.0%. Changsha remains to be the market with the highest occupancy level, at 83.0%, given its relatively limited supply and strong domestic consumption. Shenzhen is a relatively stable market, with hotels in the area registering 8.9% RevPAR growth YOY in 2011. Its proximity to Hong Kong and advancing financial industry continue to support hotel performance. Hotel markets in Chengdu, Qingdao and Nanjing are of similar sizes and did not experience a drastic increase in rated hotel supply in 2011. Secondary cities in China are expected to welcome an increasing number of high-end hotels in the coming two to three years. Oversupply will likely suppress occupancy levels but support average growth in the medium-term. Notably, RevPAR between the third and tenth best-performing markets varied by only RMB50, reflecting rate-sensitive demand.

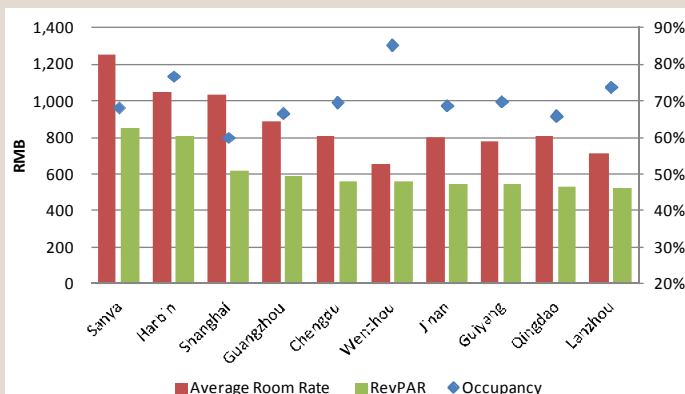
TOP 10 HOTEL MARKETS - 2011



Source: China National Tourism Administration

In the five-star hotel market, Sanya topped the table again, driven by continued demand growth and stable supply. Notably, while Sanya welcomed some 1,500 upscale hotel rooms in 2011, these hotels are not officially ranked yet and are not

TOP 10 FIVE-STAR HOTEL MARKETS - 2011



Source: China National Tourism Administration

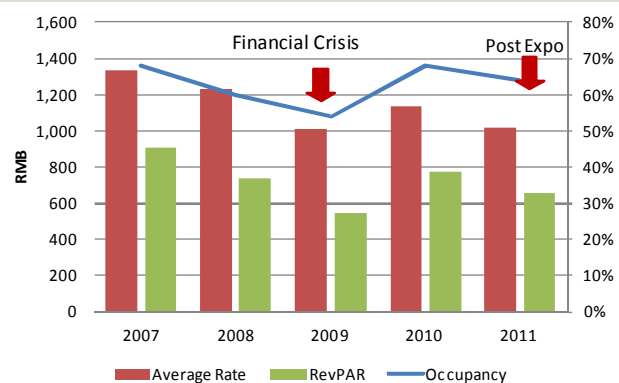
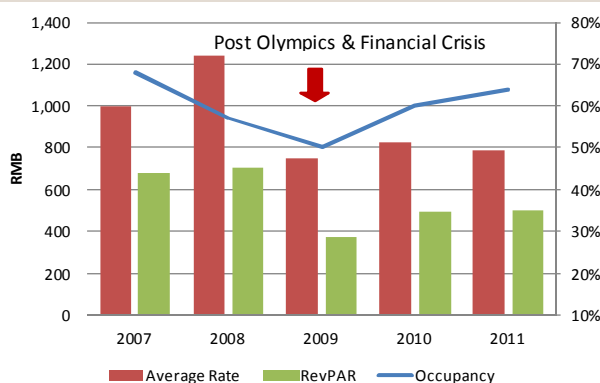
included in the performance presented here. Harbin has the second-strongest five-star hotel market due to limited supply (with only two five-star hotels). Guangzhou and Chengdu are relatively mature markets and their five-star hotel markets are largely supported by the MICE industry and various trade shows. Wenzhou, Jinan, Guiyang and Lanzhou have small five-star hotel markets (ranging from one to three properties) and hence showed healthy performance. Qingdao has a relatively small five-star hotel market among second-tier cities with economies of similar size. Its colonial culture and a growing marine industry support business and international leisure travel to Qingdao.

The two largest five-star hotel markets in China, Beijing and Shanghai, experienced a "post-event" impact one after the other. Occupancy levels in Beijing dropped from the high-50s in 2008 to just above 50% in 2009, attributable to the post-Olympic demand drop and the global financial crisis. Average rate fell by 39% and bottomed out in 2009. Beijing is on the recovery track, with occupancy levels gradually reaching

the low-60s in 2011. Average rate grew to above 2009 levels, but it was slightly lower than figure recorded in 2010 due to increased supply.

The five-star hotel market in Shanghai was adversely impacted by the surge in supply between 2007 and 2011. Occupancy levels bottomed out in 2009, exacerbated by the global financial crisis. The six-month World Expo and global economic recovery fuelled occupancy growth in 2010. Conversely, occupancy levels in 2011 decreased modestly by four percentage points, while average rate dropped by 10.1%. Similar to Beijing, oversupply will continue to impact Shanghai's five-star hotel market. However, the rate of recovery for Shanghai in the short-term is anticipated to be faster than previously witnessed in Beijing, driven by its standing as China's financial centre and a larger base of international visitors.

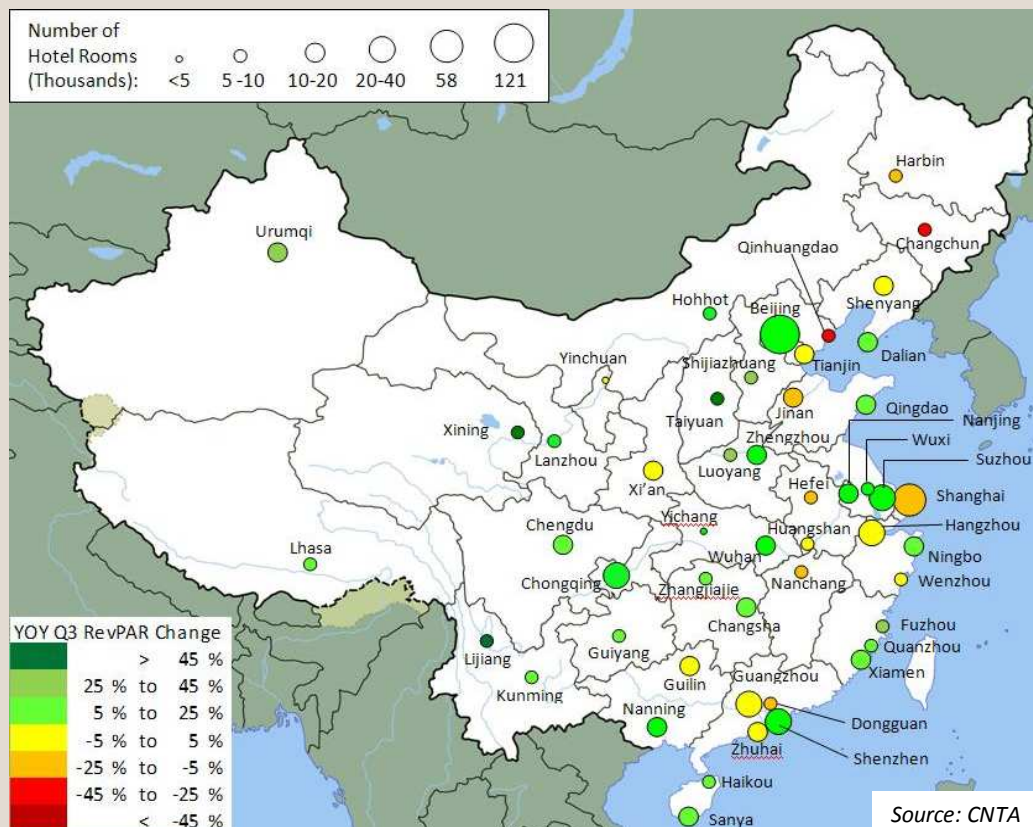
BEIJING ON THE RECOVERY TRACK; SHANGHAI EXPERIENCES A POST-EXPO DROP



Source: China National Tourism Administration

4th Quarter YOY RevPAR Change and Size of Overall Hotel Market in 50 Cities in China

CHINESE MARKETS CONTINUED TO GROW, BUT GROWTH RATES HAVE SLOWED



Marketwide Performance of 15 Key Markets in China

SURGING REVPAR IN GUANGZHOU, OVERSUPPLY PRESSURE IN SHANGHAI

		2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	4Q YOY Change
Beijing	Occupancy (%)	56.5	61.7	59.4	51.4	60.2	67.4	59.6	0.3 pp
	Average Rate (RMB)	437	418	456	460	472	458	505	10.8%
	RevPAR (RMB)	247	258	271	237	284	308	301	11.3%
Chengdu	Occupancy (%)	69.8	70.8	68.8	59.2	69.2	73.8	71.3	2.5 pp
	Average Rate (RMB)	325	344	389	386	411	370	414	6.3%
	RevPAR (RMB)	227	243	268	228	284	273	295	10.2%
Chongqing	Occupancy (%)	57.3	58.1	62.4	55.7	63.0	61.8	65.1	2.7 pp
	Average Rate (RMB)	283	246	288	268	284	286	297	3.1%
	RevPAR (RMB)	162	143	180	149	179	177	193	7.6%
Guangzhou	Occupancy (%)	63.9	62.1	66.1	59.9	65.0	64.5	68.6	2.4 pp
	Average Rate (RMB)	411	309	556	419	519	392	512	-7.9%
	RevPAR (RMB)	262	192	367	251	337	253	351	-4.5%
Sanya	Occupancy (%)	55.8	51.3	65.5	78.6	61.9	58.4	74.9	9.4 pp
	Average Rate (RMB)	547	423	666	917	538	497	670	0.6%
	RevPAR (RMB)	305	217	436	720	333	290	502	15.0%
Shanghai	Occupancy (%)	73.4	77.9	59.5	47.4	57.8	57.1	58.8	-0.7 pp
	Average Rate (RMB)	688	684	709	634	640	595	629	-11.3%
	RevPAR (RMB)	505	533	422	300	370	340	370	-12.3%
Shenzhen	Occupancy (%)	62.9	61.8	66.5	61.2	66.4	65.8	69.1	2.6 pp
	Average Rate (RMB)	393	389	400	414	419	412	441	10.3%
	RevPAR (RMB)	247	240	266	253	278	271	304	14.6%
Suzhou	Occupancy (%)	55.1	57.8	55.5	43.2	53.3	51.2	56.4	1.0 pp
	Average Rate (RMB)	328	305	360	364	357	366	391	8.6%
	RevPAR (RMB)	180	177	200	157	190	187	220	10.5%
Ningbo	Occupancy (%)	62.7	61.8	61.9	55.7	61.1	60.7	63.1	1.2 pp
	Average Rate (RMB)	310	322	324	320	340	334	341	5.3%
	RevPAR (RMB)	194	199	201	178	208	203	215	7.3%
Nanjing	Occupancy (%)	69.2	68.6	71.1	63.4	71.7	68.9	72.6	1.4 pp
	Average Rate (RMB)	320	329	354	367	368	373	383	8.1%
	RevPAR (RMB)	221	226	252	232	264	257	278	10.3%
Wuxi	Occupancy (%)	62.1	61.4	63.6	54.1	62.9	58.3	61.0	-2.6 pp
	Average Rate (RMB)	286	275	297	328	325	320	347	16.8%
	RevPAR (RMB)	177	169	189	178	205	186	212	12.0%
Hangzhou	Occupancy (%)	69.5	72.2	68.9	56.2	67.4	63.3	63.2	-5.8 pp
	Average Rate (RMB)	338	323	360	350	362	367	395	9.9%
	RevPAR (RMB)	235	233	248	197	244	232	250	0.8%
Wenzhou	Occupancy (%)	66.9	64.7	66.1	67.1	66.5	69.5	65.1	-1.0 pp
	Average Rate (RMB)	286	256	334	292	343	341	341	2.3%
	RevPAR (RMB)	192	166	221	196	228	237	222	0.7%
Qingdao	Occupancy (%)	63.4	77.3	61.6	57.9	71.3	79.6	60.6	-0.9 pp
	Average Rate (RMB)	355	419	338	342	380	479	395	16.8%
	RevPAR (RMB)	225	324	208	198	271	381	239	15.0%
Dalian	Occupancy (%)	60.6	67.6	52.8	41.5	58.6	79.6	60.6	7.9 pp
	Average Rate (RMB)	294	342	313	274	304	479	395	26.2%
	RevPAR (RMB)	178	231	165	114	178	381	239	45.0%

Source: China National Tourism Administration

ASIA-PACIFIC AND THE CHINA OUTBOUND MARKET

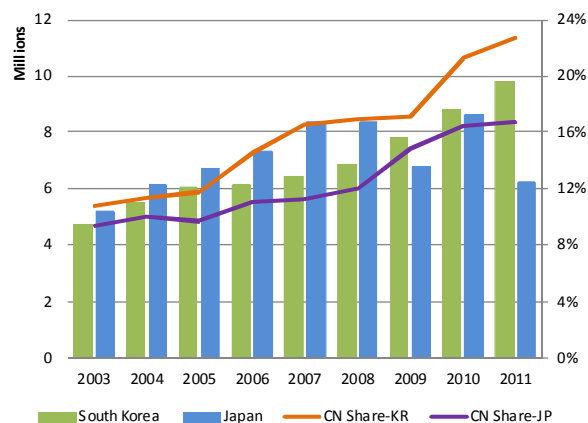
Most markets in Asia-Pacific saw healthy visitor arrivals growth in 2011, much supported by a strong and fast-growing Chinese outbound market.

Japan and South Korea

Visitor arrivals to Japan declined by 27.8% in 2011 to approximately 6.3 million. Visitor arrivals registered a compound annual growth rate of 2.2% between 2003 and 2011, reflecting a destination of established source markets. The top feeder market to Japan was South Korea, accounting for nearly 27% of total visitor arrivals. Visitor arrivals growth from China (excluding Hong Kong and Macau) has accelerated since 2009, due to the lifting of visa restrictions in that year, stronger economic ties and the growing popularity of Japan as a leisure destination. Japan became a more affordable destination for Chinese visitors with rising income levels. Taiwan, Hong Kong and the USA are the other major source markets.

Total visitor arrivals to South Korea set a new record in 2011, reaching nearly 9.8 million and reflecting 11.3% YOY growth. The South Korean market is growing rapidly; visitor arrivals registered a compound annual growth rate of 9.5% between 2003 and 2011. Japan is the largest source market for South Korea, accounting for approximately 34% of total visitor arrivals; China is the second-largest and fastest-growing market. The Chinese market expanded by 20% per annum, on average, between 2003 and 2011, attracted by the shopping opportunities in South Korea, particularly the duty-free shops, and gaming in Jeju and Seoul. Chinese visitor arrivals jumped by 40% in 2010, attributable to the visa-waiver programme for employees of top 500 Chinese companies, scholars, professionals and elite graduates.

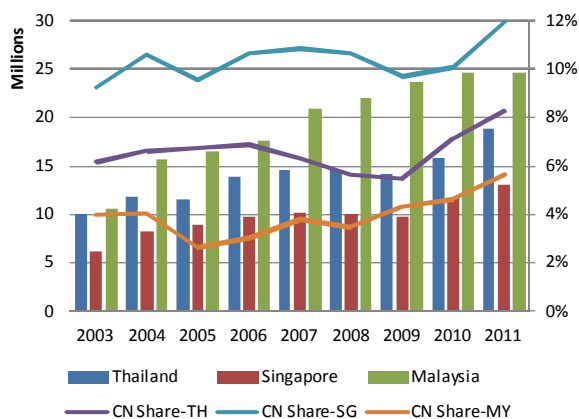
JAPAN AND SOUTH KOREA



Source: JNTO & KTO

Southeast Asia

THAILAND, SINGAPORE, MALAYSIA



Source: TAT, STB & TM

Malaysia, Thailand and Singapore are the three largest tourism markets in Southeast Asia.

Visitor arrivals to Malaysia rose 0.6% in 2011 to 24.7 million. Malaysia registered a compound annual growth rate of 11.2% between 2003 and 2011 – the strongest among the three markets. Due to the ease of cross-border travel, the largest feeder market to Malaysia is Singapore, which accounted for more than half of total visitor arrivals. As one of the top five feeder markets, Chinese visitor arrivals increased by 23.8% in 2011, driven by a simplified visa application process. Between 2003 and 2011, the Chinese market expanded at a compound annual growth rate of 16.2%.

Thailand set a new record for visitor arrivals, posting a 19.8% increase YOY in 2011 despite a flood that affected large parts of the country. The increase is partially due to political events

that affected visitor arrival numbers in 2010, concurrent with an increase in direct air access routes to popular destinations

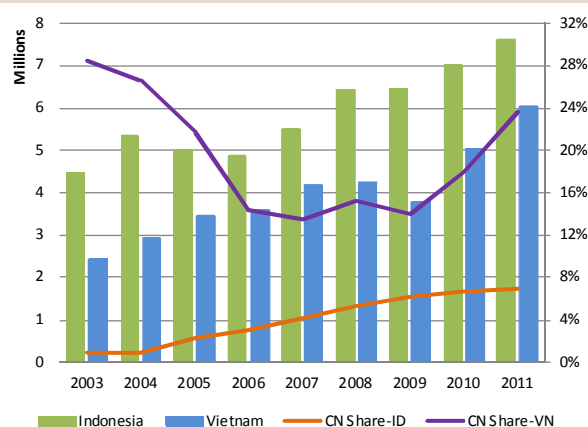
such as Phuket and Koh Samui in 2011. About 1.57 million Chinese visited Thailand in 2011, making China the second-largest source market after Malaysia. Increased air accessibility and tourism promotion campaigns have attracted a growing number of mainland Chinese visitors, in addition to the amazing value the destination offers. While shopping in Bangkok is one of the key attractions for Chinese visitors, an increasing number of travellers are drawn to beach destinations such as Phuket and Koh Samui.

Visitor arrivals to Singapore increased by 13.2% in 2011 to 13.1 million, setting a new record. Growth was primarily driven by regional markets whose economies were less affected by the Europe debt crisis. Marina Bay Sands and Resorts World Sentosa continued to draw visitors to the city-state. China is the second-largest feeder market to Singapore after Indonesia. Singapore's popularity among Chinese travellers has increased significantly since the introduction of large-scale gaming to the city-state. The share of Chinese travellers increased from 10% in 2010 to 12% in 2011.

Indonesia welcomed approximately 7.6 million visitors in 2011, an 8.5% increase from 2010. Growth was mainly driven by regional markets such as China, Taiwan and South Korea. Top feeder markets were Singapore and Malaysia, given their geographic proximity to Indonesia. China emerged as the top feeder market to Indonesia in 2008, and it surpassed Japan in 2011 in terms of visitor arrivals (530,000). The share of mainland Chinese visitors gradually increased between 2003 and 2011 to reach 7%.

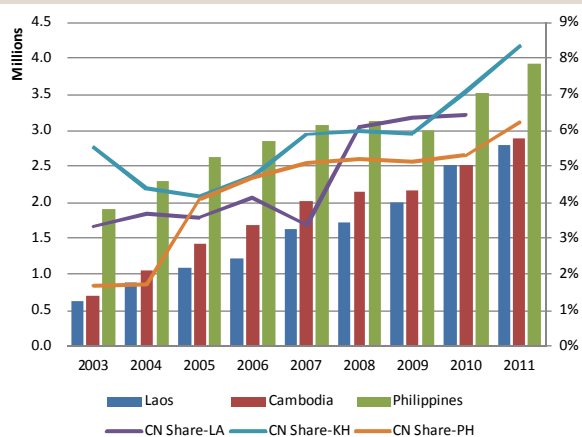
More than six million travellers visited Vietnam in 2011, setting a new record and reflecting 19.1% YOY growth. Increased air accessibility and growing investment interest in Vietnam supported visitor arrival growth. China has traditionally been the largest source market for Vietnam. However, the share of Chinese visitors has decreased since 2003 as Vietnam opened up to more countries. Nevertheless, the number of Chinese visitors has increased significantly since 2009 due to the opening of sea links between the two nations, allowing increased weekend trips to Vietnam. The emerging gaming industry in Vietnam also appeals to the Chinese market.

INDONESIA AND VIETNAM



Source: BPSRI, VNAT

LAOS, CAMBODIA AND THE PHILIPPINES



Source: LNTA, MOT, DOT

Laos has the smallest tourism market among Southeast Asian markets. The nation welcomed approximately 2.8 million visitors in 2011, an 11.4% increase from 2010. This growth was mainly supported by the improved accessibility of Laos and its diverse cultural offerings. China is one of the top five source markets for Laos, accounting for approximately 6% of total visitor arrivals (2010 figures). Increased bus services between Kunming and Laos have supported Chinese visitor growth in recent years.

Visitor arrivals to Cambodia grew by 14.8% in 2011 to 2.88 million – the highest on record – supported by the popularity of the Angkor Wat and increased airlift capacity. China is the third-largest source market (approximately 240,000 visitor arrivals) for Cambodia, after Vietnam and South Korea. The Chinese market has expanded at a faster rate since 2009, mainly attracted by the Angkor Wat temples, increased

investment interest and gaming in Phnom Penh. The government targets to attract one million Chinese visitors by 2020.

The Philippines set another record in 2011 with 3.9 million visitor arrivals, an 11.3% increase from 2010. This increase was mainly generated from the top two source markets, South Korea and the USA, which posted growth of 23.6% and 16.0%, respectively. The implementation of open sky policies in 2011 will allow more foreign carriers to operate in the Philippines and will continue to support visitor arrival growth. China is one of the fastest-growing source markets for the Philippines, with its share tripling between 2003 and 2011. The government expects to attract more Chinese visitors with its open sky policies. There have been talks about relaxing visa requirements for Chinese citizens, but no official timeline has been given yet.

Beach Destinations

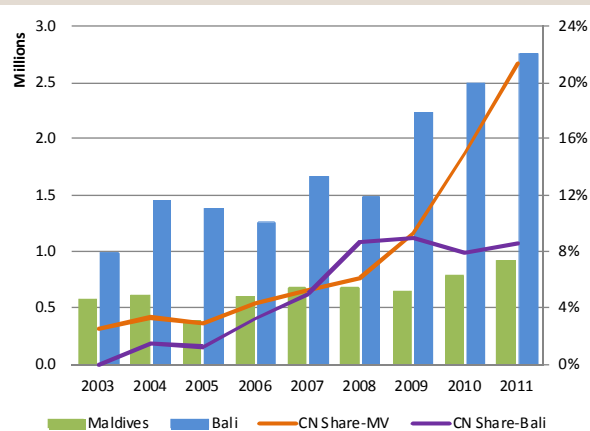
Bali accounts for approximately 35% of total international visitor arrivals to Indonesia. Visitor arrivals to Bali totalled 2.75 million in 2011, representing a 19.1% increase from 2010. China surpassed Japan as the second-largest source market for Bali, with approximately 240,000 visitor arrivals. The growth of the Chinese market is supported by increased direct flights, quality shopping, a growing interest in beach destinations and visa on arrival for Chinese citizens since 2007.

Total visitor arrivals to Maldives rose 17.6% in 2011 to 931,333. Growth was primarily driven by the Chinese market as the sluggish economic environment in Europe suppressed visitor arrival growth from core source markets. The share of Chinese visitors increased exponentially from 6% in 2008 to 21% in 2011, driven by friendly immigration policies (all Chinese nationals are granted visa on arrival for 30 days), favourable pricing during shoulder seasons, increased airlift and a paradise image that appeals to the Chinese market.

Conclusion

Much has been said about the China outbound tourism market and its potential economic impact in the past year. A large number of countries and companies have started tailoring their product and service offerings to the preferences of Chinese visitors. However, strict visa policies remain the key obstacle to attracting larger numbers of Chinese visitors. While some countries have waived visas altogether, significant progress in catering to Chinese visitors can be made by simplifying the visa application process. It is evident that Chinese outbound demand is real and growing. It is in the hands of respective governments to facilitate the visa process, should they decide to welcome and take a share of this lucrative market.

MALDIVES AND BALI



Source: MMA, BTB



NEWSLETTER 1ST QUARTER, 2012

ABOUT HVS

HVS is the world's leading consulting and services organization focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Established in 1980 by President and CEO Steve Rushmore, MAI, FRICS, CHA, the company offers a comprehensive scope of services and specialized industry expertise to help you enhance the economic returns and value of your hospitality assets.

Over the past three decades, HVS has expanded both its range of services and its geographical boundaries. The company's global reach, through a network of 30 offices staffed by 400 seasoned industry professionals, gives you access to an unparalleled range of complementary services for the hospitality industry. The company performs more than 2,000 assignments per year for virtually every major industry participant. HVS principals are regarded as the leading professionals in their respective regions of the globe.

In Asia-Pacific, HVS is represented by six offices in Hong Kong, Shanghai, Beijing, New Delhi, Mumbai and Singapore. HVS hosts two of the main annual industry events in the region, namely the China Hotel Investment Conference (CHIC) in Shanghai and Hotel Investment Conference South Asia (HICSA). HVS publishes a wide range of leading research, which can be found in [our online library](#).

The Hong Kong team has worked on a wide range of projects that include economic studies, hotel valuations, operator search and management contract negotiation, development strategies for new brands, asset management, research reports and investment advisory for hotels, resorts, serviced residences and branded residential development projects. HVS Hong Kong's clients include New World Development, The Wharf, Sun Hung Kai, Samsung, SK, Lotte, Taj Hotels and Resorts, Agile Property Holdings, Citibank, LaSalle Investment Management, amongst others.



Cathy Luo is an associate of HVS Hong Kong, working primarily on hotel consulting assignments, including market studies and feasibility studies in the Asia-Pacific region. Graduating with a Bachelor of Arts (Honours) degree in Hospitality Finance and Revenue Management from Glion Institute of Higher Education, Cathy has accumulated a number of working experiences in various hotel operation departments and has a

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Daniel J Voellm, Managing Director of HVS Hong Kong, has provided advice in major markets including China, South Korea, Hong Kong SAR, Taiwan, Thailand, Vietnam, Cambodia, Singapore, Indonesia and Maldives. Prior to heading the Hong Kong office, Daniel Voellm was Vice President at HVS' global headquarters in New York conducting a wide range of appraisals, market studies and underwriting due diligence

services in 22 states as well as Canada. Daniel brings a strong understanding of the hospitality industry to HVS. His experience in hotel and food and beverage operations in Germany, Switzerland, England and the United States is complemented by an Honours Bachelor of Science degree from Ecole hôtelière de Lausanne in Switzerland. Daniel works closely with key institutional and private owners of hotel properties, financiers, developers and investors, and has gained a strong understanding of their investment requirements and approaches to assessing market values of investment properties. Daniel further advises on property and concept development and strategy.