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## INDUSTRY AND REGULATORY OVERVIEW

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**Certain information and statistics relating to our industry provided in this section and elsewhere in this prospectus have been derived from official government sources. There can be no assurance that these sources have compiled such data and information on the same basis or with the same degree of accuracy or completeness as is found in other industries or other jurisdictions. Moreover, neither we nor any of our advisors, nor the Underwriter nor any of their advisors, have independently verified this information or these statistics. We make no representation as to the accuracy, completeness or fairness of such official government information.**

**We commissioned HVS to prepare a market research report on the hotel industry, parts of which have been extracted into this industry overview. HVS Global Hospitality Services is a global consulting and services organisation focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. HVS Consulting & Valuation provides consulting, valuation and research services in the worldwide hotel industry, including market and business research, opportunity assessment, competitor analysis and competitive benchmarking, market entry and growth strategies. The amount of fees of US\$72,000 payable to HVS is not contingent on our Company's approval of its work.**

Please see below for a short summary of the sources mentioned in this section:

The Economist Intelligence Unit is part of the Economist Group and is a provider of country, industry and management analysis. Founded in 1946, the Economist Intelligence Unit is a research and advisory firm with more than 40 offices worldwide and offers three kinds of business intelligence: (i) country analysis on more than 200 markets; (ii) industry trends in six key sectors; (iii) latest management strategies and best practices. It provides monthly country reports, five-year country economic forecasts, country risk service reports, industry reports, reports on the 'liveability' of the world's major cities and Quality-of-Life Index.

We have not paid any fees to the Economist Intelligence Unit, Hong Kong Tourism Board, China National Tourism Administration, Tourism Malaysia and Malaysian Valuation and Property Services Department.

Our competitors fall into two broad categories – public companies and private companies. According to HVS, international hotel chains that are publicly traded companies do not break their operating data down to specific hotels and information such as RevPAR and ARR and therefore such information is not available for specific hotels in the markets in which we operate.

As such, we are not in a position to provide specific disclosure on the RevPAR and ARR data of our competitors, and have instead provided general disclosure on industry-wide RevPAR and ARR trends as currently set out in this section.

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## INDUSTRY AND REGULATORY OVERVIEW

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### HOTEL INDUSTRY — HONG KONG

#### HONG KONG

As a special administrative region in China, Hong Kong maintains a strong identity as a global financial centre and popular destination for visitors from around the world.

#### Key Economic Indicators — Hong Kong

Economic indicators	2005	2006	2007	2008	2009	2010F	2011F	2012F
GDP growth (%) . . . . .	7.1	7.0	6.4	2.1	-2.7	4.6	3.4	3.4
Personal disposable income (US\$ million). . . . .	135,288	141,506	152,693	158,009	154,963	158,005	160,882	163,855
FDI (US\$ billion). . . . .	523.2	742.4	1,177.5	816.2	858.2	908.2	951.2	996.2

Source: Economist Intelligence Unit, March 2010

Hong Kong, as one of the most open and trade-dependent economies in the world and a “gateway to China”, is likely to secure strong economic growth in the long-term. The signing of the Closer Economic Partnership Agreement (CEPA) in 2003 with mainland China allows Hong Kong to have preferential access to China’s service industries.

Hong Kong has established itself as the financial centre for capital raising in the primary markets for domestic Chinese companies. Currently, the government foresees greater integration with the Pearl River Delta economies as the biggest potential for sustained growth. With a cooling in, and a diminishing role of, construction activity, Hong Kong has the opportunity to become the service industry’s base to spur the tertiary sector in China. The Hong Kong tourism market is becoming increasingly important as visitors from China benefit from the Individual Visitation Scheme and Hong Kong’s hotels, restaurants and retail outlets are a focal point of mainland consumer spending.

Given the broad appeal of Hong Kong as a tourism destination, the majority of visitors come for multi-purpose or entirely for leisure. Vacation was the single largest purpose of visit to Hong Kong in 2009.

## INDUSTRY AND REGULATORY OVERVIEW

### Number of Visitors

#### *Number of Visitors to Hong Kong — International and Mainland China*

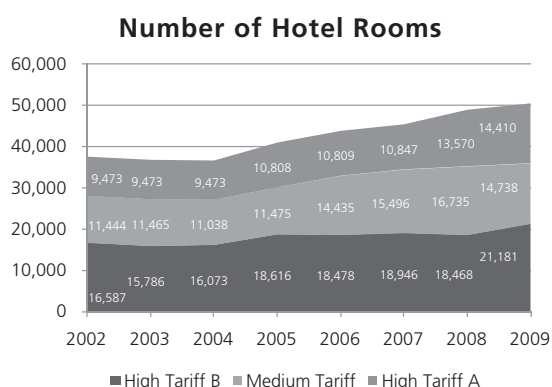
Year	International	% Change	Mainland China	% Change	Total	% Change	Overseas % Share	Mainland China % Share
2000	9,273,632	–	3,785,845	–	13,059,477	–	71.0	29.0
2001	9,276,749	0.0	4,448,583	17.5	13,725,332	5.1	67.6	32.4
2002	9,741,183	5.0	6,825,199	53.4	16,566,382	20.7	58.8	41.2
2003	7,069,628	-27.4	8,467,211	24.1	15,536,839	-6.2	45.5	54.5
2004	9,564,768	35.3	12,245,862	44.6	21,810,630	40.4	43.9	56.1
2005	10,818,017	13.1	12,541,400	2.4	23,359,417	7.1	46.3	53.7
2006	11,659,782	7.8	13,591,342	8.4	25,251,124	8.1	46.2	53.8
2007	12,683,504	8.8	15,485,789	13.9	28,169,293	11.6	45.0	55.0
2008	12,644,613	-0.3	16,862,003	8.9	29,506,616	4.7	42.9	57.1
2009	11,633,923	-8.0	17,956,731	6.5	29,590,654	0.3	39.3	60.7
<b>Growth 2000-09</b>	<b>25.5%</b>		<b>374.3%</b>		<b>126.6%</b>			
<b>CAGR 2000-09</b>	<b>2.6%</b>		<b>18.9%</b>		<b>9.5%</b>			

Source: Hong Kong Tourism Board

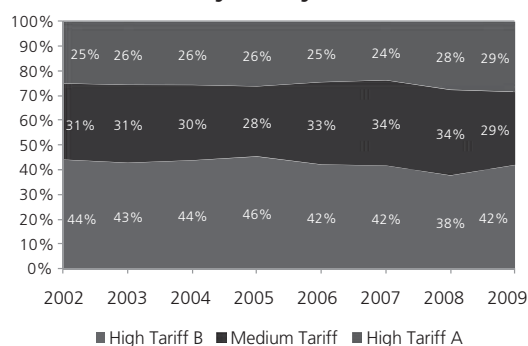
Hong Kong recorded strong growth in the number of visitors, mainly attributable to travellers from mainland China under the IVS. The number of visitors from mainland China increased nearly four-fold between 2000 and 2009. Notably the number of international visitors remained generally stable, given the mature nature of the destination as well as the onset of the financial and economic crisis in key source markets. The above visitor figures include overnight and same-day visitors.

### Hotel Market

#### *Hotel Supply in Hong Kong*



#### **Market Share Analysis (by Number of Rooms)**



Source: Hong Kong Tourism Board

## INDUSTRY AND REGULATORY OVERVIEW

Since 2002, High Tariff B and Medium Tariff Hong Kong hotels registered a moderate increase in supply, at a CAGR of 3.6% and 3.7%, respectively, compared with 6.2% in High Tariff A Hong Kong hotels.

In terms of market share by number of rooms, High Tariff B Hong Kong hotels accounted for 42% and Medium Tariff Hong Kong hotels for 29% of the total inventory in 2009, a decrease from 44% and 31% in 2002, respectively.

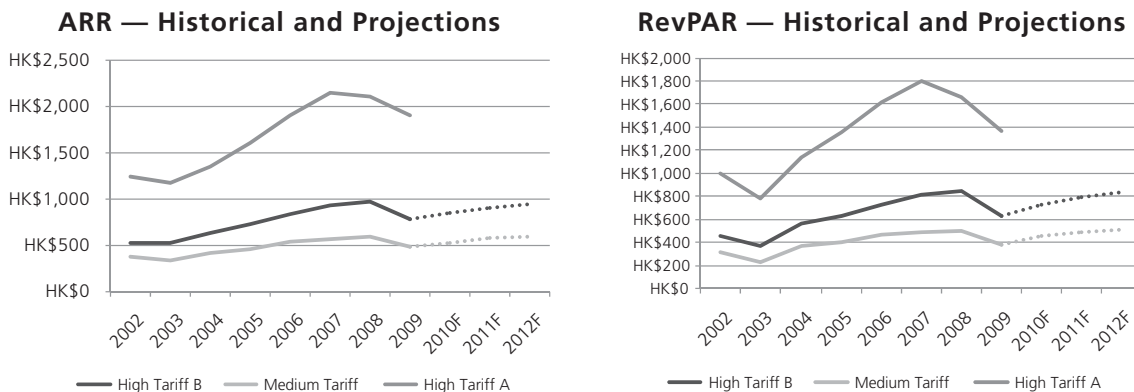
### Occupancy

The Hong Kong hotel market benefitted from very high occupancy levels between 2004 and 2007. With the onset of the global financial crisis and the outbreak of H1N1, occupancy levels declined by late 2008 for high-end hotels and by 2009 for the general market. High Tariff B and Medium Tariff hotels registered comparable occupancy trends.

Hong Kong remains one of the most resilient hotel markets in the world with exceptionally high occupancy levels and HVS forecasts a recovery to historical levels by 2012.

In terms of actual market share (by accommodated room nights). High Tariff B hotels registered an increasing market share by accommodated room nights in 2009, mainly attributable to an increase in supply.

### ARR and RevPAR



Source: Hong Kong Tourism Board, HVS

The High Tariff B category recorded the strongest growth in average rate between 2002 and 2009 at a CAGR of 5.8%.

RevPAR experienced rapid growth between 2003 and 2007, following the outbreak of severe acute respiratory syndrome, or SARS and benefitting from the global economic expansion. The downward trend in 2009 affected High Tariff A category the most, indicating higher volatility than High Tariff B hotels and Medium Tariff hotels.

## INDUSTRY AND REGULATORY OVERVIEW

### ***New Hotel Supply in Hong Kong***

Following a period of limited supply growth, Hong Kong expects an increase of 59 hotels and approximately 10,000 rooms between 2010 and 2013. HVS anticipates that the majority of the new hotels and rooms supplied to be oriented towards the High Tariff A and High Tariff B category.

### **Operating Performance**

#### ***Gross Operating Profit Margins — Hong Kong Hotels***

	<b>2006–2009</b>
High Tariff B .....	52%–62%
Medium Tariff .....	48%–60%

Source: HVS

The gross operating profit margins for High Tariff B and Medium Tariff Hong Kong Hotels are forecast to be 54%-60% and 45%-55% in 2010-2012, respectively, compared to 52%-62% and 48%-60% in 2006-2009, respectively.

The number of high-spending PRC visitors continues to grow as more frequent travel is permitted and becomes affordable. Visitors to Hong Kong is composed of a well-rounded mix of corporate, MICE and leisure visitors.

Hong Kong historically enjoyed very healthy occupancy levels in its hotel market; a trend that is anticipated to continue, especially in the High Tariff B and Medium Tariff categories. The forecast of ARR and RevPAR performance for High Tariff B and Medium Tariff Hong Kong hotels also shows solid growth.

## **HOTEL INDUSTRY — CHINA**

### **CHINA**

#### **Key Economic Indicators — China**

<b>Economic indicators</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010F</b>
GDP Growth (%) .....	10.4	11.7	13.0	9.6	8.7	9.6
Personal Disposable Income (US\$ billion) .....	1,016	1,183	1,472	1,872	2,109	2,397
FDI (US\$ billion) .....	272.1	292.6	327.1	474.9	576.1	684.8

Source: Economist Intelligence Unit, March 2010

## INDUSTRY AND REGULATORY OVERVIEW

China's economic development can be characterised by high growth of GDP, low inflation and continuous fast-growing inflows of foreign direct investment. Since the adoption of the open reform policy in the 1980s, the Chinese economy has grown rapidly. Led by three main industries, especially the secondary industry, and driven by the rapid expansion of foreign trade export and strong fixed asset investment, China's GDP experienced high single-digit to double-digit growth between 2005 and 2009.

For international visitors, sightseeing and leisure remain the most popular purposes for visits to China, followed by meetings and business, driven by a wide range of cultural, natural, and metropolitan treasures and a vibrant economy.

### Visitor Arrivals

#### *Number of Visitors to China<sup>1</sup> — International and Domestic*

Year	International	% Change	Mainland China	% Change	Total	% Change	Overseas % Share	Mainland % Share
2000	10,160,400	-	744,000,000	-	754,160,400	-	1.3	98.7
2001	11,226,400	10.5	784,000,000	5.4	795,226,400	5.4	1.4	98.6
2002	13,439,500	19.7	878,000,000	12.0	891,439,500	12.1	1.5	98.5
2003	11,402,855	-15.2	870,458,136	-0.9	881,860,991	-1.1	1.3	98.7
2004	16,932,506	48.5	1,102,000,000	26.6	1,118,932,506	26.9	1.5	98.5
2005	20,255,100	19.6	1,212,000,000	10.0	1,232,255,100	10.1	1.6	98.4
2006	22,210,300	9.7	1,394,000,000	15.0	1,416,210,300	14.9	1.6	98.4
2007	26,109,700	17.6	1,610,000,000	15.5	1,636,109,700	15.5	1.6	98.4
2008	24,325,337	-6.8	1,710,000,000	6.2	1,734,325,337	6.0	1.4	98.6
2009	21,937,500	-9.8	1,900,000,000	11.1	1,921,937,500	10.8	1.1	98.9
<b>Growth 2000-09</b>	<b>115.9%</b>		<b>155.4%</b>		<b>154.8%</b>			
<b>CAGR 2000-09</b>		<b>8.9%</b>		<b>11.0%</b>		<b>11.0%</b>		

Note:

1 Excluding Hong Kong, Macau and Taiwan

Source: China National Tourism Administration

China registered impressive growth in visitor arrivals, both internationally and domestically with compound average growth rates at 8.9% and 11.0%, respectively, underline the dynamic character of this emerging market. The number of international visitors are generally more volatile, as they are linked to the global economy and visa restrictions. As a result, the setback in the number of domestic visitors during SARS in 2003 was less severe as compared to the number of international visitors. A similar trend can be observed in 2008 and 2009 with the impact of the financial crisis.

The number of international visitors is expected to recover in the near term, driven by the Shanghai Expo and improving regional demand. Long haul markets are still recovering from the financial crisis and are expected to face a longer recovery period. Many companies have relocated staff to Asia from Europe or North America, which also drives regional demand.

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## INDUSTRY AND REGULATORY OVERVIEW

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### Hotel Market

#### *Hotel Supply in China*

The star-rated hotel room inventory in China approached 1.6 million in 2008. The compound annual growth observed over the period reviewed is highest among four-star hotels, at 17.1%, followed by five-star hotels, at 15.9%; one- to three-star hotels experienced 7.5% growth. HVS anticipates the four- and five-star segments to continue to gain market share in the medium term.

#### *Hotel Performance in China*

Given the strong economic growth in China and positive signals from market participants, HVS forecasts occupancy levels to recover in the short-term. Given the severity of the downturn and significant increase in supply in the five-star category, it is expected that the five-star category will experience a longer recovery period. Meanwhile, four-star hotels will show resilience.

In terms of ARR, HVS projects modest growth, given operators' priority to rebuild occupancy levels.

As compared to the peak level in 2005, RevPAR levels in the five- and four-star hotel segments experienced a decline until 2008, which is attributable to increases in supply in excess of demand. RevPAR projections indicate a recovery by 2012 in the four- and five-star hotel categories to the performance levels recorded in 2007.

### Operating Performance

#### *Gross Operating Profit Margins — China Hotels*

<b>Category</b>	<b>2006–2009</b>
Five-star hotels.....	40%–48%
Four-star hotels.....	28%–36%

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Source: HVS

### **HOTEL INDUSTRY RESEARCH — SHANGHAI**

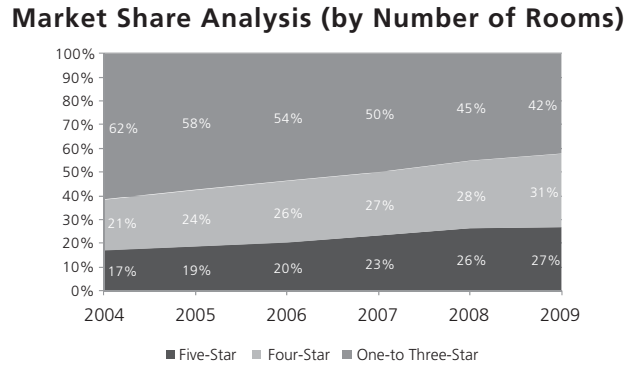
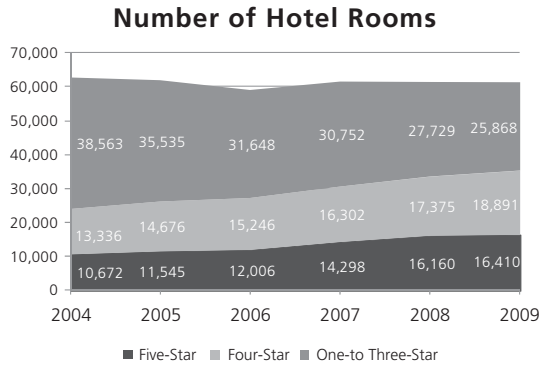
Shanghai remains China's highest performing hotel market. With a mix of high-profile domestic and international demand, high quality hotels and diverse urban attractions, the city continues to command a premium over the majority of its peers.

#### **Number of Visitors**

Although the majority of visitors to Shanghai are from the domestic market, the rapid growth in the number of international visitors underlines the popularity of the city as a destination for both leisure and business. The number of international visitors registered a CAGR of 14.8% between 2000 and 2009 and accounted for 4.8% of total visitor arrivals in 2009.

**Hotel Market**

***Hotel Supply in Shanghai***



Source: China National Tourism Administration, HVS

The star-rated hotel room inventory in Shanghai was approximately 61,169 rooms in 2009. As the number of rooms in the one- to three-star categories decreased, mainly due to redevelopment, Shanghai reoriented its supply towards the higher end of the market, further supported by the construction boom across the city.

In terms of market share by number of rooms, five-star hotels recorded a 27% and four-star hotels a 31% share in 2009, up from 17% and 21% in 2004, respectively.

***Occupancy***

The five-star hotel category posted improving occupancy performance between 2004 and 2007. However, given the onset of the financial crisis, increasing supply and travel restrictions, occupancy levels decreased in 2008 and 2009.

In terms of actual market share (by accommodated room nights), the five-star hotel category registered the most significant increase followed by the four-star hotel category.

***ARR and RevPAR***

In terms of ARR, both five- and four-star hotel categories are projected to remain stable with occupancy steadily increasing.

RevPAR levels have declined in the five- and four-star hotel category from 2005 to 2009 as supplies increased.



## INDUSTRY AND REGULATORY OVERVIEW

### ***New Hotel Supply in Shanghai***

As a result of the strong hotel market performance in 2005 and 2006 and World Expo 2010 in Shanghai, hotel development experienced increased activity. This trend is expected to continue into the foreseeable future with the addition of 55 hotels and more than 14,000 rooms by the end of 2011, equating to an increase of 23%. The majority of this inventory will enter the market in the four- and five-star hotel categories.

Shanghai is home to China's most important hotel market. Supply in the city is focused more on high-end hotels. Forecasts indicate growth in four- and five-star hotel occupancy rates as new supply is absorbed by the market.

### **HOTEL INDUSTRY RESEARCH — CHENGDU**

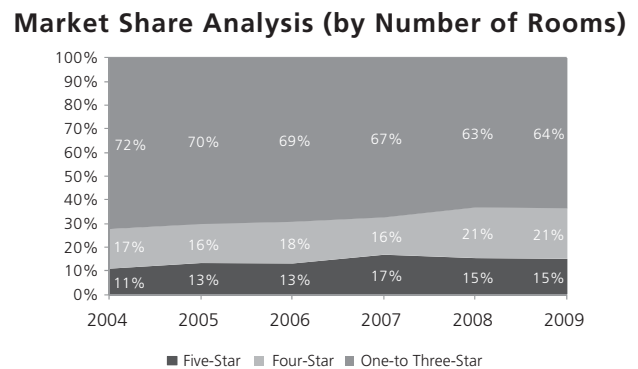
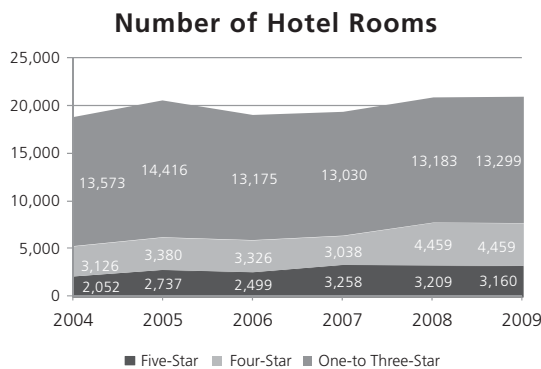
As one of two key cities in China's western provinces, Chengdu is benefitting from strong growth in business activity and a diverse cultural and natural environment.

#### **Visitor Arrivals**

Although the majority of visitor arrivals to Chengdu are from the domestic market, growth in the number of international visitors underlines the popularity of the city as a destination for both leisure and business. The number of international visitors registered a CAGR of 10.7% between 2000 and 2009, yet accounted for only 1.2% of total visitors in 2009. The number of visitors experienced a decrease in 2008 as a result of the Sichuan earthquake followed by a strong recovery in 2009. HVS anticipates a full recovery of international visitation to levels registered in 2007 within the short-term.

#### **Hotel Market**

##### ***Hotel Supply in Chengdu***



Source: China National Tourism Administration, HVS

The star-rated hotel room inventory in Chengdu was approximately 20,918 rooms in 2009. Supply in the five- and four-star hotel categories experienced a CAGR of 9.0% and 7.4%, respectively, compared to a generally stable supply in the one- to three-star hotel categories.

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## INDUSTRY AND REGULATORY OVERVIEW

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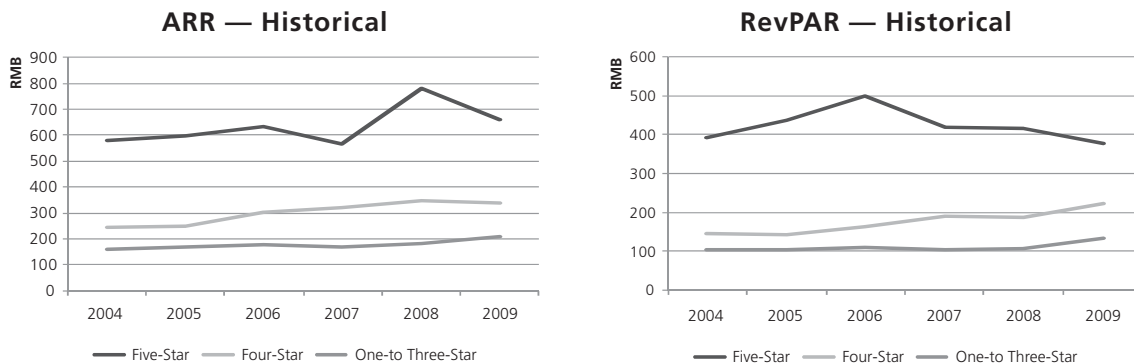
### Occupancy

Five-star hotels registered rising occupancy levels between 2004 and 2006 driven by strong demand fundamentals. The entry of new supply into the market, exacerbated by the Sichuan earthquake, resulted in poor occupancy performance in 2008 and modest recovery in 2009. Occupancy levels in the four-star hotel category were among the lowest until 2009, when four-star hotels registered the highest occupancy in the market.

As the majority of new supply is forecast to enter the market in the four-star hotel category, HVS forecasts a moderation in occupancy levels. Occupancy for five-star hotels is forecast to recover and stabilise in the short-term as several new properties will enter the market in this category.

In terms of actual market share (by accommodated room nights), the four-star hotel segment registered the most significant increase, from 15% in 2004 to 22% in 2009. The five-star hotel segment lost earlier gains in market share between 2007 and 2009, from 19% to 14%. As a result of a strong increase in four-star hotels, HVS anticipates a continuing increase in market share. The five-star hotel category is expected to register more moderate growth attributable to a smaller pipeline.

### ARR and RevPAR



Source: China National Tourism Administration, HVS

Marketwide ARR for four-star hotels increased modestly over the period observed, from RMB221 in 2004 to RMB301 in 2009. The five-star segment posted a considerable price premium over the four-star hotel category throughout the period observed.

From their peaks in 2006, RevPAR levels in the five-star hotel category declined until 2009; the four-star hotel category exhibits an opposing trend, with RevPAR continuously improving.

### New Hotel Supply in Chengdu

Chengdu registered a relatively limited hotel supply in 2009, although ten new hotels are set to open providing approximately an additional 3,000 rooms between 2010 and 2011, equivalent to an increase of 14% over the total supply for the two-year period. However, the majority of supply is expected in the four-star hotel category and only limited supply in the five-star hotel category.

Four and five-star hotels are forecast to increase their market share. While new supply is mainly going to enter the market in the four-star hotel category, five-star hotels are forecast by HVS to enjoy better performance as international visitation increases.

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## INDUSTRY AND REGULATORY OVERVIEW

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### HOTEL MARKET RESEARCH — WUHAN

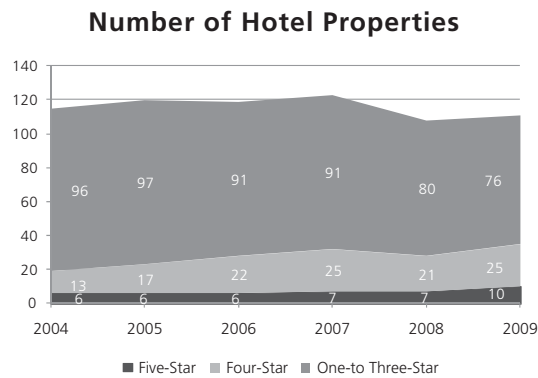
As the key city in central China, Wuhan is benefitting from its role as the political, economic, financial, cultural, educational and transportation centre in the region.

#### Number of Visitors

Although the vast majority of the visitors to Wuhan are from the domestic market, the number of international visitors grew in tandem. The number of domestic visitors was estimated at approximately 63.6 million in 2009, or 99.0% of the total number of visitors. In line with historic trends, HVS anticipates a continuation of the healthy growth trend in the number of visitors, both internationally and domestically.

#### Hotel Market

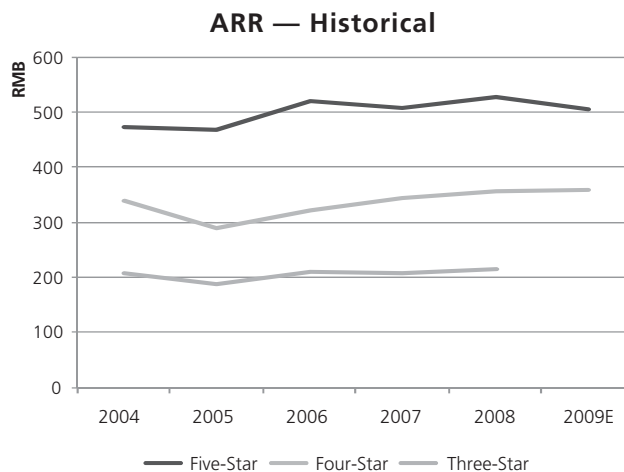
##### *Hotel Supply in Wuhan*



Source: China National Tourism Administration, HVS

The Wuhan hotel portfolio consists of 111 hotels in 2009. The number of five-star hotels increased from six to ten and the number of four-star hotels from 13 to 25 from 2004 to 2009, respectively.

#### ARR



Source: China National Tourism Administration, HVS

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## INDUSTRY AND REGULATORY OVERVIEW

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Both the five- and four-star hotel categories registered generally stable trends in ARR between 2004 and 2009, and forecast to remain stable.

### **New Hotel Supply in Wuhan**

As an area identified for future economic development and growth by the central government, Wuhan enjoyed increased property development activity, including hotels. In 2010 and 2011 alone, 13 new properties with around 2,500 rooms will enter the market. The majority of the new inventory is forecast to be in the five- and four-star hotel categories and will be situated in new districts where there is a lack of supply in quality hotels.

Wuhan's economy features a good mix of domestic and international corporations with a strong foundation in the auto industry. As the new supply is being absorbed in the new district, HVS anticipates marketwide performance to stabilise going forward.

### **HOTEL INDUSTRY — MALAYSIA**

#### **MALAYSIA**

Malaysia benefits from an emerging economy backed by a robust manufacturing and trade sector and further has a high biodiversity, appealing to tourists.

#### **Key Economic Indicators — Malaysia**

<b>Economic Indicator</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
GDP Growth (%) .....	5.3	5.8	6.2	4.6	-1.7
Personal Disposable Income (US\$ million) .....	68,130	74,251	87,067	100,236	96,039
FDI (US\$ billion) .....	44.5	53.8	76.7	84.1	88.2

Source: Economist Intelligence Unit, March 2010

In June 2009, Malaysia was jointly ranked in 10th position, with Sweden and Vietnam, as part of the Servcorp International Business Survey of countries perceived to have the ability to survive the global financial crisis the best. In general, Malaysia has remained relatively resilient to the global financial crisis as compared to most countries. Recent indicators and statistics also imply that Malaysia is likely to be on a speedier rebound post-crisis.

Leisure was the dominant purpose for visits to Malaysia in 2009, amounting to 77% of the total visits.

## INDUSTRY AND REGULATORY OVERVIEW

### Number of Visitors

#### *Number of Visitors to Malaysia — International and Domestic*

Year	International	% Change	Domestic	% Change	Total	% Change	International Share
2004 .....	20,009,307	–	27,789,756	–	47,799,063	–	41.9
2005 .....	21,438,462	7.1	29,926,418	7.7	51,364,880	7.5	41.7
2006 .....	22,457,333	4.8	31,900,491	6.6	54,357,824	5.8	41.3
2007 .....	25,394,612	13.1	36,253,589	13.6	61,648,201	13.4	41.2
2008 .....	28,275,844	11.3	40,610,310	12.0	68,886,154	11.7	41.0
2009 .....	28,443,149	0.6	32,920,247	-18.9	61,363,396	-10.9	46.4
<b>Growth 2004-09.</b>	<b>42.1%</b>		<b>18.5%</b>		<b>28.4%</b>		
<b>CAGR 2004-09...</b>		<b>7.3%</b>		<b>3.4%</b>		<b>5.1%</b>	

Source: Tourism Malaysia, HVS

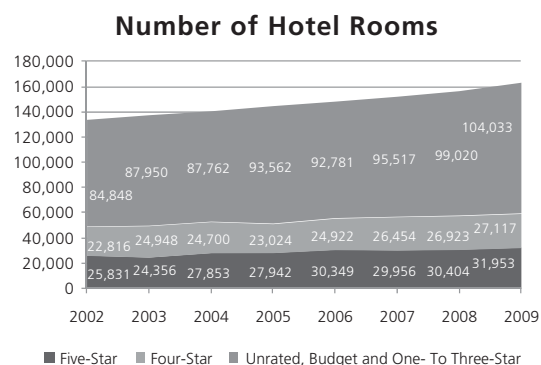
The number of international visitors to Malaysia registered healthy growth between 2004 and 2009, at a CAGR of 7.3%. Throughout the global financial crisis, the number of visitors to Malaysia continued to grow, attributable to an aggressive marketing campaign and political turmoil in alternative destinations. HVS anticipates moderate visitor arrival growth in the short term.

Singapore is the main source market for international visitors to Malaysia, which includes numerous same-day visitors. China is the second largest source market.

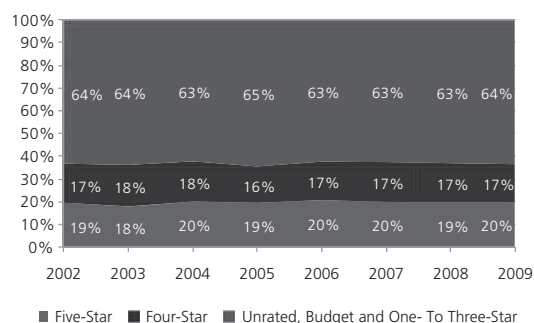
HVS anticipates demand from Asia, especially Mainland China and the Middle East to be key drivers of the number of international visitors in the medium term, and a recovery of the number of domestic visitors in the short term and moderate growth from international source markets.

### Hotel Market

#### *Hotel Supply in Malaysia*



#### **Market Share Analysis (by Number of Rooms)**



Source: Malaysian Valuation and Property Services Department, HVS

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## INDUSTRY AND REGULATORY OVERVIEW

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The hotel room inventory in Malaysia exceeded 160,000 in 2009. Between 2002 and 2009, nationwide supply registered only moderate growth, at a CAGR of 2.9%, with little deviation across categories.

In terms of market share by number of rooms, five-star hotels accounted for 20% and four-star hotels for 17% of the total inventory in 2009. We anticipate the market share breakdown to be stable going forward.

### ***Hotel Performance in Malaysia***

Between 2002 and 2009, occupancy levels for five-, four- and three-star hotels in Malaysia exhibited stable trends. The majority of hotels enjoyed healthy occupancy levels post-SARS.

We have been informed by HVS that no information is available regarding RevPAR and ARR in Malaysia.

Malaysia is forecast to remain a popular tourist destination. Based on its emerging economic status, HVS foresees a recovery in occupancy levels. The main driver of the recovery is expected to be domestic demand, which is forecast to be in line with historical levels in the short term. The rebound in domestic visitor arrivals is anticipated to drive occupancy levels at both four- and five-star hotels.

### **Operating Performance**

#### ***Gross Operating Profit Margins — Malaysia Hotels***

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	<b>2006–2009</b>
Four-star hotel .....	28%–38%
Five-star hotel.....	36%–46%

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Source: HVS

Malaysia's economy has been relatively resilient in the face of the global recession driven by a diversified economy – manufacturing, natural resources, IT and Islamic finance. With the development of appropriate facilities and infrastructure, MICE demand has become increasingly important. At the same time Malaysia enjoys healthy visitation from leisure travellers. Historically, performance of four- and five-star hotels has been relatively stable and is forecast to remain resilient.

## INDUSTRY AND REGULATORY OVERVIEW

### HOTEL INDUSTRY RESEARCH — GREATER KUALA LUMPUR

Greater Kuala Lumpur (“Kuala Lumpur”) is the heart of Malaysia and with a population of 7.2 million it is the fastest growing metropolitan region in the country, in terms of population as well as economy.

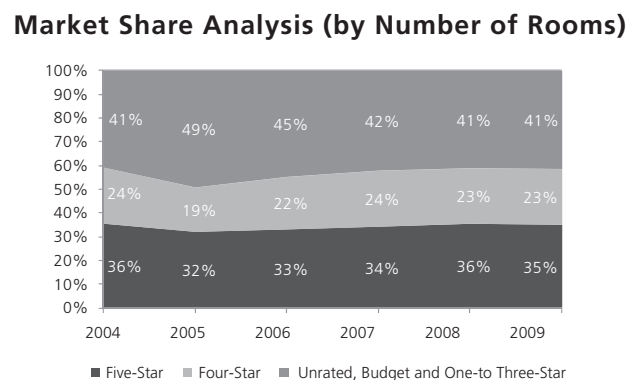
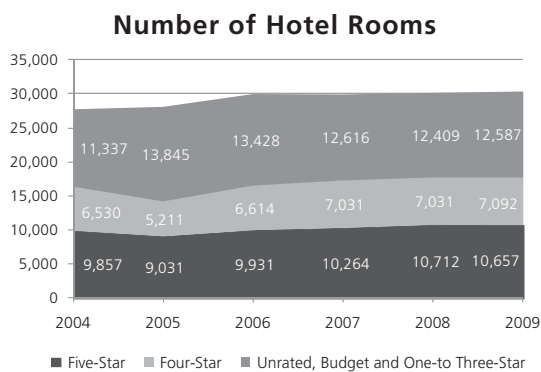
#### Number of Visitors

The majority of visitors to Kuala Lumpur are from the international market. The number of domestic visitors remains volatile and susceptible to external forces. Growth in the number of international visitors generally slowed over the period reviewed. The number of visitors in 2009 was approximately 15.74 million, a decrease of 4.0% from 2008. HVS anticipates a robust recovery of the number of visitors in the short-term as domestic demand rebounds.

As the capital of Malaysia and the country’s largest city, Kuala Lumpur has an edge over most of its domestic rivals. Given its good connectivity by air, rail, sea and road transportation, Kuala Lumpur has also become a key tourism destination, accounting for more than one third of the number of visitors to the country. As a regional shopping centre, tourism has become one of the key sectors of the local economy. Business, finance and urban tourism are expected to be the main drivers of growth in the short-to-medium term.

#### Hotel Market

##### *Hotel Supply in Kuala Lumpur*



Source: Malaysian Valuation and Property Services Department, HVS

The total hotel room supply in Kuala Lumpur was approximately 30,336 rooms in 2009. The CAGR for marketwide supply between 2004 and 2009 registered 1.8% with limited deviation across categories.

In terms of market share by number of rooms, five-star hotels accounted for 35% and four-star hotels for 23% of total inventory in 2009. In general, market share ratios remained stable over the period reviewed, given limited growth in supply.

##### *Hotel Performance in Kuala Lumpur*

We anticipate a recovery in domestic demand in the short term which will help to support occupancy levels.

### ***New Hotel Supply in Kuala Lumpur***

HVS anticipates supply to be absorbed by the market as domestic demand recovers and international demand continues to grow, thus maintaining relatively healthy occupancy levels going forward.

Greater Kuala Lumpur is home to Malaysia's most significant economy with strong growth levels. As the nation's capital and most populous city, Kuala Lumpur has established itself as a key business and leisure destination. The local hotel market in Greater Kuala Lumpur registered stable performance historically and is forecast by HVS to continue this trend.

### **Development of Boutique Hotels**

Over the recent past a new trend emerged in the hotel industry. New hotels are more and more often characterised by a niche positioning that targets a certain consumer type, with design features often a strong component. There are four concepts: boutique hotel, themed hotel, lifestyle hotel and design hotel which tend to overlap and have soft boundaries.

In general, boutique hotels compete with traditional brands by featuring a differentiated product and creating brand awareness at the property level. These boutique hotels generally appeal to experienced and frequent travellers that have evolved from the standard hotel experience and are looking for new inspiration and distinct experiences. Boutique hotels typically drives premium pricing by its distinct design, small scale and have a very high service standard, rivalling luxury hotels in their own way.

In Asia, boutique hotels first caught on in Hong Kong and Shanghai. Several attempts have been made to apply these new concepts in other markets with varying degrees of success, as several success factors come into play, including the following:

- (1) location;
- (2) contemporary design;
- (3) distribution; and
- (4) service quality and management

In terms of competition, the boutique segment has carved out customers from the existing mainstream brands by offering an alternative lifestyle proposition. Although there are other boutique hotels in Hong Kong and the PRC, the Company does not necessarily directly compete with them as each boutique hotel has a very different 'lifestyle' offering. At this point, the boutique segment is not a mature segment and customer demand is correlated to the overall market including mainstream brands.



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## INDUSTRY AND REGULATORY OVERVIEW

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### Conclusion

Boutique, lifestyle and design hotels are generally conceptualised to obtain a price premium given their perceived value in differentiation and strong locations. As a result of their smaller size, boutique hotels cater more to the market of free independent travellers (FIT) and generally have faster construction and conversion times compared to hotels of similar quality.

According to HVS, demand and opportunities do exist for boutique, lifestyle and design hotels in key cities in Asia. Well executed, a chain that identifies its positioning properly and is attuned to the needs and wants of that customer segment that is seeking out the distinct experience needs to scale and grow with this type of consumer.

### HOTEL INDUSTRY — SINGAPORE

Please see the section headed “Business — Competition” in this prospectus for further information.

### REGULATORY OVERVIEW OF THE HONG KONG HOTEL INDUSTRY

#### (a) Hotel and Guesthouse Licence

A hotel and guesthouse licence is a document issued by the Hotel and Guesthouse Accommodation Authority, Home Affairs Department, the only licencing authority to grant Hotel and Guesthouse Licences, which processes all applications for new licences for hotels and guesthouses, their renewal as well as their transfer, under the provisions of the Hotel and Guesthouse Accommodation Ordinance. Based on our enquiries, there is only one type of licence that will be issued by the Hotel and Guesthouse Accommodation Authority of the Home Affairs Department, which is the Hotel and Guesthouse Accommodation Licence.

According to the Hotel and Guesthouse Accommodation Ordinance, a “hotel” and “guesthouse” means any premises being held out in which sleeping accommodation is provided for any person presenting himself who appears able and willing to pay a reasonable sum for the services and facilities provided for a period of less than 28 continuous days. In the Ordinance, “hotel” and “guesthouse” have the same definitions. All new establishments must apply for a licence from the Hotel and Guesthouse Accommodation Authority before commencing operation, provided no certificate of exemption has been issued. In applying for a licence under section 8 of the Hotel and Guesthouse Accommodation Ordinance, an applicant first completes an application form (Form HAD 133) and submits the original and one copy to the Authority (as defined in the Hotel and Guesthouse Accommodation Ordinance) together with the necessary supporting documents.

On receipt of the application, the Authority will contact the applicant for inspection of the premises. The Authority will then issue a letter listing all required upgrading works, enclosing a “Report of Completion” Form. Upon completion of all the works, the applicant must complete the “Report of Completion” and return it to the Authority together with all the certificates and relevant documentation. Upon receipt of the Report of Completion, the Authority will contact the applicant for a final inspection of the premises. Subject to the results of a satisfactory inspection, a licence will be issued. It is the Company’s experience that, if processed quickly, a licence can be obtained in about two to three months. For the hotels located in Hong Kong belonging to the Group, our licence applications have generally taken between three to five months.

When all works are completed to the satisfaction of the Authority and all required certificates and documents have been checked to be in order, the Authority will notify the applicant for payment of the prescribed fee and collection of the licence. The licences are subject to renewal upon their expiration and the validity period of such licences range from 12 to 84 months. A holder of a licence should apply for a renewal not less than three months prior to the expiry of the licence. It is the responsibility of the applicant to ensure that their premises complies with the lease conditions, deed of mutual covenant and other regulations or laws of Hong Kong.

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## INDUSTRY AND REGULATORY OVERVIEW

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As at the Latest Practicable Date, each of our eight hotels currently in operation in Hong Kong has obtained a hotel and guesthouse licence as required under the Hotel and Guesthouse Accommodation Ordinance, save for our Lan Kwai Fong Hotel @ Kau U Fong, which we have submitted an application for, but have not received, a renewed hotel licence, prior to the expiration of its previous hotel licence. We have been advised by our legal advisor as to Hong Kong title issues that under the Hotel and Guesthouse Accommodation Ordinance, if the application for renewal of a hotel licence is made before the expiry of the hotel licence and the hotel licence expires prior to the determination of such application, unless such application is withdrawn, or the hotel licence is cancelled or suspended by the Hotel and Guesthouse Accommodation Authority, the hotel licence shall remain in effect, as if the hotel licence had not been expired, until the determination by the relevant government authority of such application.

### **(b) Building Authority**

The Building Authority is the Director of Buildings under the Buildings Ordinance, which heads the Buildings Department. The Buildings Department is responsible for the enforcement of the Buildings Ordinance and conducts various roles and functions, including, but not limited to, considering and approving the alteration and addition of works for existing buildings, scrutinizing and approving building plans, carrying out audit checks on construction works, monitoring the site safety and issuing occupation permits upon completion of new buildings.

An occupation permit is a document issued by the Building Authority under the provisions of the Buildings Ordinance and stipulates the designated use of the property. It may be issued in respect of the whole or part of a new building. If any material change is intended to be made to the use of the premises which would contravene the designated use specified in the occupation permit, one month's notice must be given to the Building Authority of the intended change and the Building Authority may prohibit such change of use where, in its opinion, the building is not suitable by reason of its construction for the intended use. The occupation permit is important because it will confirm that the statutory requirements of the Buildings Ordinance have been complied with and will also show the permitted use of the building. It must be produced by the vendor to prove title. All our hotels in Hong Kong which are under operation have received an occupation permit.

As at the Latest Practicable Date, we owned and operated eight hotels in Hong Kong. Of our eight operating hotels in Hong Kong, four of our hotels were converted from commercial or residential buildings, namely, Cosmopolitan Hotel, Cosmo Hotel, Central Park Hotel and Dorsett Far East Hotel, as further described below:

- (i) Cosmopolitan Hotel was converted from office use into hotel use in accordance with alteration and addition plans approved by the Building Authority on 9 December 2002.
- (ii) Cosmo Hotel was converted from office use into hotel use in accordance with the alteration and addition plans approved by the Building Authority on 9 March 2005.
- (iii) The conversion of office use to hotel use of Central Park Hotel involved non-structural works under section 41(3) of the Buildings Ordinance. The Building Authority confirmed on 14 May 2004 that the change of use from office to hotel only required the approval of the Hotel and Guesthouse Accommodation Authority of the Home Affairs Department which granted the Hotel and Guesthouse Licence to Central Park Hotel.
- (iv) Dorsett Far East Hotel was converted from residential and commercial use into hotel use in accordance with the alteration and addition plans approved by the Building Authority on 12 September 2006.

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## INDUSTRY AND REGULATORY OVERVIEW

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Of our remaining four operating hotels in Hong Kong, three hotels, namely, Lan Kwai Fong Hotel @ Kau U Fong, Dorsett Kowloon Hotel and Cosmo Kowloon, in Hong Kong obtained the relevant licences from the Building Authority for the demolition and subsequent construction of the hotel. Lastly, Dorsett Seaview Hotel was acquired as an existing hotel and as such no Building Authority approval was required.

For our hotels under development in Hong Kong, the occupation permit and relevant licences will be obtained prior to commencement of business.

### **(c) Food and Beverage**

A general restaurant licence or light refreshment licence is a document issued by the Food and Environmental Hygiene Department depending on the type of food served on the premises. All food and beverage providers must apply for a licence from the Food and Environmental Hygiene Department before providing food and beverages to the public. A provisional licence, which is valid for six months, will be issued to enable licensees to operate their restaurant on a provision basis following certification of compliance of essential requirements, pending the issue of a full licence.

A liquor licence is a document issued by the Liquor Licensing Board. An individual must apply for a liquor licence from the Liquor Licensing Board before serving alcohol in their establishment, the Liquor Licensing Board will only consider granting a liquor licence upon obtaining a general restaurant licence or light refreshment licence. Liquor licences are generally valid for one year. Licences are subject to renewal upon their expiration. A holder of a licence should apply for renewal not more than three months and not less than two months prior to the expiry of the liquor licence.

### **(d) Deed of Mutual Covenant and Multi-storey Buildings**

In Hong Kong, multi-storey buildings are extremely common. The Hong Kong government does not issue a separate government lease for each unit in a multi-storey building. Generally, a document called a "deed of mutual covenant" notionally divides the building and land granted under the government lease or conditions of grant into a number of equal undivided shares. The owners of units in such a building own collectively both the land and the building on it. The land and building are held by the co-owners as tenants in common in the proportion of these undivided. The deed of mutual covenant contains the co-owners' agreement as to the manner of regulating their co-ownership of the land and building and the effective maintenance and management of the building. Under a deed of mutual covenant, each co-owner is allocated a number of shares which entitles that co-owner to the exclusive use and occupation of the co-owner's unit(s) to the exclusion of other co-owners, and gives each co-owner certain rights and obligations in relation to the use, maintenance and repair of the common parts and facilities of the building(s), to which each co-owner is bound to contribute a proportionate share of the associated costs and expenses by reference to the undivided shares or management shares allocated to its unit(s).

### **(e) Hotel Television (Transmission) Licence**

A hotel television (transmission) licence is a document issued by the Office of Telecommunications Authority under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong). A person is required to obtain a telecommunications licence to establish or maintain a means of telecommunication. The person who wants to establish and maintain a telecommunications system for the provision of television entertainment and information services within a hotel is required to apply for a hotel television (transmission) licence. Only hotels licenced by the Office of Licensing Authority under the Hotel and Guesthouse Accommodation Ordinance will be considered by the Telecommunications Authority for the issue of a hotel television (transmission) licence.

### REGULATORY OVERVIEW OF THE PRC HOTEL INDUSTRY

The hotel industry in China is subject to a number of laws and regulations, including laws and regulations relating specifically to hotel operation and management as well as those relating to environmental and consumer protection. The principal regulation governing foreign ownership of hotel businesses in the PRC is the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄), which came into effect as of December 1, 2007. Under this regulation, the construction and operation of top-grade hotels is categorised under the restricted foreign investment industry, and the remaining types of hotel businesses not mentioned in this regulation are permitted for foreign investment. There are no regulatory ceilings on room rates in China. The market-based pricing is permissible for the hotel industry and room rates may be determined at the sole discretion of hotel management. As compared to other industries in China, the regulation of the hotel industry in China is still developing and evolving. As a result, most legislative action has consisted of general measures such as industry standards, rules or circulars issued by different ministries rather than detailed legislation. Many of these standards, rules and circulars date from the late 1990's, and it is expected that they may be amended, revised or expanded in the coming years as the hotel industry in China matures. This section summarises the principal PRC regulations currently relevant to our business and operations.

#### (a) Hotel Operation

In November 1987, the Ministry of Public Security (公安部) issued the Measures for the Control of Security in the Hotel Industry (旅館業治安管理办法), and in June 2004, the State Council (國務院) promulgated Decision of the State Council on Establishing Administrative License for the Administrative Examination and Approval Items Really Necessary To Be Retained (國務院對確需保留的行政審批項目設定行政許可的決定). According to the regulations above, operators engaging in the hotel operation business are subject to the examination and approval by the local public security bureau and shall obtain a Special Trade Licence (特種行業許可証) for hotel operation.

The Measures for the Control of Security in the Hotel Industry impose certain security control obligations on the operators. For example, the hotel must examine the identification card of any guest to whom accommodation is provided and is required to duly register the guest. The hotel must also report to the local public security authority if it discovers anyone violating the law, behaving suspiciously or an offender wanted by the public security authority.

In April 1987, the State Council (國務院) promulgated the Public Area Hygiene Administration Regulations (公共場所衛生管理條例), according to which, a hotel must obtain a public area hygiene licence before opening for business. In February 2009, China adopted the PRC Law on Food Safety (中華人民共和國食品安全法), according to which any hotel that provides food must obtain a food distribution licence. In April 1998, the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) enacted the Fire Prevention Law (中華人民共和國消防法), which was amended in October 2008. The Fire Prevention Law (中華人民共和國消防法) requires that public gathering places, including hotels, pass a fire prevention safety inspection by the local public security fire-fighting department prior to the commencement of business. In January 2006, the State Council (國務院) promulgated the Regulations for Administration of Entertainment Places (娛樂場所管理條例), and in March 2006, the Ministry of Culture (文化部) issued the Circular on Carrying out the Regulations for Administration of Entertainment Places (關於貫徹《娛樂場所管理條例》的通知), under these regulations, hotels that provide entertainment facilities, such as discos or ballrooms, are required to obtain a licence for entertainment business operations. The above regulations also set forth obligations concerning public security, hygiene, fire prevention, and other

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## INDUSTRY AND REGULATORY OVERVIEW

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standards relating to the operation of public facilities. The relevant administrative authorities may impose penalties and even shut down hotels that violate the provisions.

In 2003, the National Tourist Administration (國家旅遊局), promulgated the Standards on the Assessment of the Star Rating of Tourist Hotels (中國旅遊飯店星級的劃分與評定標準) (the “Star Rating Standards”). Under the Star Rating Standards, all hotels that have operated for more than one year are eligible to apply for a star rating assessment. There are five ratings that range from one star to five stars for tourist hotels and are assessed based on the level of facilities, management standards and quality of service provided. A star rating, once granted, is valid for five years.

### **(b) Consumer Protection**

In October 1993, China adopted the Law on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) (the “Consumer Protection Law”). Under the Consumer Protection Law, a business operator providing a commodity or service to a consumer is subject to a number of requirements, including the following:

- (1) to ensure that commodities and services meet with certain safety requirements;
- (2) to disclose serious defects of a commodity or a service and adopt preventive measures against damage occurrence;
- (3) to provide consumers with accurate information and to refrain from conducting false advertising;
- (4) not to set unreasonable or unfair terms for consumers or alleviate or release itself from civil liability for harming the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices or other means; and
- (5) not to insult or slander consumers or to conduct searches on consumers or articles carried by consumers or to infringe upon the personal freedom of a consumer.

Business operators may be subject to civil liabilities for failing to fulfill the obligations discussed above. These liabilities include restoring the consumer’s reputation, eliminating the adverse effects suffered by the consumer, and offering an apology and compensation for any loss incurred. The following penalties may also be imposed upon business operators for the infraction of these obligations: issuance of a warning, confiscation of any illegal income, imposition of a fine, an order to cease business operation, revocation of its business licence or imposition of criminal liabilities under circumstances that are specified in laws and statutory regulations.

In December 2003, the Supreme People’s Court (最高人民法院) enacted the Interpretation of Some Issues concerning the Application of Law for the Trial of Cases on Compensation for Personal Injury (關於審理人身損害賠償案件適用法律若干問題的解釋), which further increases the liabilities of a business operator engaged in the operation of hotels, restaurants, or entertainment facilities and subjects such operators to compensatory liability for failing to fulfill their statutory obligation to a reasonable extent or to guarantee the personal safety of others.

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## INDUSTRY AND REGULATORY OVERVIEW

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### **(c) Environmental Protection**

In accordance with the PRC Environmental Protection Law (中華人民共和國環境保護法) passed by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 26 December 1989 and effective on the date of promulgation, the competent administrative department of environmental protection of the State Council (國務院) has formulated the national environmental quality standards. For projects not being specified in the national environment quality standards, the governments of provinces, autonomous regions and municipalities directly under the central government may formulate local environmental quality standards and report them to the competent administrative department of environmental protection of the State Council (國務院) for record.

Enterprises discharging any pollutants in their daily operations and manufacture shall observe the national discharge standards which are regulated by the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部), which has established various discharge standards, as amended and revised from time to time, with regards to discharge of water pollutants, solid pollutants, gas exhaust, noises and other pollutants. Further, in June 2002, China adopted the Law on Promoting Clean Production (中華人民共和國清潔生產促進法) which regulates service enterprises such as restaurants, entertainment establishments and hotels and requires them to use technology and equipment that conserve energy and water, serve other environmental protection purposes, and reduce or discontinue the use of consumer goods that are a waste of resources or pollute the environment.

### **(d) Trademarks**

Both the PRC Trademark Law (中華人民共和國商標法), adopted in 1982 and revised in 2001, and the Implementation Regulation of the PRC Trademark Law (中華人民共和國商標法實施條例) adopted by State Council (國務院) in 2002, give protection to the holders of registered trademarks and trade names. The Trademark Office (商標局) under the State Administration for Industry and Commerce (國家工商行政管理總局) handles trademark registrations and grants a term of ten years to registered trademarks. Trademark license agreement must be filed with the Trademark Office or its regional counterpart.

## **REGULATORY OVERVIEW OF THE MALAYSIA HOTEL INDUSTRY**

Generally, in order to operate a hotel business in Malaysia, the procedural aspect is divided into two stages, namely:

Stage 1 – Pre-operational approvals; and

Stage 2 – Additional approvals.

### **Stage 1 – Pre-operational approvals**

The licences/approvals required before a hotel operator can operate business activities in the hotel depends on the following:

- (i) the types of business activities that will be carried out in the hotel; and
- (ii) the governing local authority of the hotel.

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## INDUSTRY AND REGULATORY OVERVIEW

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The following is the example of the licences/approvals that is required to be obtained for the operation of the following list of business activities in a hotel:

1. Lounge : licence for the operation of lounge (issued by the relevant governing local authority)
2. Public House/Bar : public house/beer house licence (issued by the relevant governing local authority)
3. Restaurant : licence for the operation of restaurant in the hotel (issued by the relevant governing local authority)
4. Souvenir shop : licence for the operation of a souvenir shop in the hotel (issued by the relevant governing local authority)
5. Drug store/Pharmacy : licence for the operation of a drugstore/pharmacy in the hotel (issued by the relevant governing local authority)
6. Signboard advertisement : advertisement licence (signboard) (issued by the relevant governing local authority)
7. Public performance : public performance licence (issued by the relevant governing local authority)
8. Entertainment (ie. concert, expo etc.) : entertainment licence (issued by the relevant governing local authority)
9. Money changer : money changer licence (issued by the Central Bank of Malaysia)

In furtherance to the above, to operate a hotel business in Malaysia, the hotel operator is required to register the said premises as tourist accommodation premises. This particular requirement is governed by the Malaysian Tourism Industry Act 1992.

Apart from the above, before a hotel can commence operations, the following must be obtained:

- (i) certificate for occupation (issued by the relevant governing local authority);
- (ii) fire certificate (issued by the director-general of the Fire and Rescue Department Malaysia); and
- (iii) certificate issued by Suruhanjaya Tenaga acknowledging the registration of electrical installation in the hotel.

### **Stage 2 – Additional approvals**

A hotel operator may apply for additional approvals depending on the number of business activities he intends to conduct in the hotel. For instance, Excise Act 1996 requires a hotel operator to apply for a public house licence to enable them to sell and serve liquor in the hotel premises. There are three classes of public house licences depending on the time liquor can be sold and served in the hotel premises, which are as follows:

- a. class 1: 10.00 am to 12.00 midnight;
- b. class 2: 10.00 am to 10.00 pm; and
- c. class 3: 10.00 am to 9.00 pm.

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## INDUSTRY AND REGULATORY OVERVIEW

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Notwithstanding the fact that there is a limitation on the time where a public house is allowed to sell and serve liquor in the hotel premise, a hotel operator however, is allowed to sell and serve liquor beyond the specified time during the festive seasons and for this purpose it is required to apply for a temporary public house licence extension of time).

In furtherance to the above, for a restaurant operating in a hotel that caters food/drinks for domestic and international Muslim visitors/tourists, a hotel operator is required to make an application to obtain the necessary "Halal certification" from the Department of Islamic Development and State Islamic Religious Department before the restaurant can serve food/drinks to their Muslim visitors/tourists.

For a hotel operator who intends to employ foreign artists and musicians, they are required to apply for visit pass (professional) to enable the artists and musicians to perform at the hotel.

A hotel operator is required to obtain an additional approval if they decide to employ an expatriate to work in the hotel and further, it is important to note that the expatriates are only allowed to work in the following three categories:

- (a) key post (ie. executive chairman, chief executive officer etc.);
- (b) executive posts (ie. management functions such as marketing manager, investment manager etc.); and
- (c) non-executive posts (ie. chef, product specialist etc.)

The list of approvals/licences required are not exhaustive as it is solely dependent on the types of business activities carried out in the hotel.

### **REGULATORY OVERVIEW OF THE SINGAPORE HOTEL INDUSTRY**

Hotels in Singapore fall under the purview of the Hotels Licensing Board created by the Hotels Act (Cap. 127) and the Hotels Licensing Regulations thereunder.

In addition, a hotel may, depending on the activities proposed to be undertaken by the hotel, be subject to a myriad of different laws under the purview of various governmental agencies depending on the subject matter.

The following is a brief non-exhaustive summary of the laws, regulations and permits that will generally be required by hotels operating in Singapore.

#### **(a) Hotel licensing and operation**

A hotel operator is required to apply for a certificate of registration to use the premises as a hotel. A person holding a post of chief executive officer or general manager of the hotel will also have to apply for a Hotel Keeper's Licence to enable that person to keep or manage the hotel.

Prior to the application for a certificate of registration, the following will have to be obtained:–

- (i) a Clearance Certificate (Temporary Occupation Permit) or Compliance Certificate (Certificate of Statutory Completion) from the National Environmental Agency ("NEA");
- (ii) a Temporary Fire Permit or Fire Safety Certificate from the Fire Safety Bureau;
- (iii) a Temporary Occupation Permit or Certificate of Statutory Completion from the Building and Construction Authority; and



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## INDUSTRY AND REGULATORY OVERVIEW

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- (iv) Grant of Written Permission from the Urban Redevelopment Authority (“**URA**”) as well as copies of all earlier relevant Grant of Written Permission from the URA.

### **(b) Food and beverage outlets**

A food shop licence, issued by the NEA under the Environmental Public Health Act has to be obtained in order to operate a retail food outlet.

In addition, a liquor licence issued by the Liquor Licencing Board is required if the hotels retails liquor, including beer.

A tobacco retail licence issued by the Health Sciences Authority is required for the retail of tobacco products.

A licence for importing food ingredients such as meat, fish, fruits, vegetables has to be obtained from the Agri-Food & Veterinary Authority of Singapore (“**AVA**”) if the hotel intends to import such items. The hotel will have to be registered with the AVA if it intends to import processed foods.

For operating a central kitchen the hotel may require a licence to operate a food processing establishment issued by the AVA.

Unless exempted, a public entertainment or arts entertainment licence is required under the Public Entertainments & Meetings Act for any entertainment that is provided in any place to which the public or any class of public has access, whether gratuitously or otherwise.

### **(c) Lifts**

Lifts have to be inspected prior to operation pursuant to the Building Maintenance and Strata Management (Lift and Building Maintenance) Regulations 2005, after which a Certificate of Lift Maintenance and Testing has to be lodged with the Commissioner of Buildings which is valid for 12 months.

### **(d) Electricity**

An electrical installation licence from the Energy Markets Authority will have to be obtained to use or operate any electrical wiring, fitting or apparatus used for the conveyance and control of electricity in any premises of approved load exceeding 45 kVA for non-domestic purposes.

### **(e) Swimming pool**

The hotel will have to apply for a swimming pool licence with the NEA if it intends to operate a public swimming pool.

As at the Latest Practicable Date, we have not breached any relevant regulatory requirements in the jurisdictions in which we operate in any material respect and have obtained all relevant and necessary permits and licences required for our operations in each of the jurisdictions in which we operate, save for (i) our Lan Kwai Fong Hotel @ Kau U Fong, for which we have submitted an application for, but have not received, a renewed hotel licence, prior to the expiration of its previous hotel licence and (ii) Tang Hotel Investments, Tang Suites, Kosmopolito Hotels International (S) and Tang Hotel as the construction and operations of our hotel in Singapore have not commenced as at the Latest Practicable Date. We have been advised by our legal advisor to Hong Kong title issues that under The Hotel and Guesthouse Accommodation Ordinance, if the application for renewal of a hotel licence is made before the expiry of the hotel licence and the hotel licence expires prior to the determination of such application, unless such application is withdrawn, or the hotel licence is cancelled or suspended, the hotel licence shall remain in effect until the determination by the relevant Government authority of such application.

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## INDUSTRY AND REGULATORY OVERVIEW

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For operations of the hotels in general, the general manager of each of the hotels are responsible for ensuring on-going compliance with the relevant regulatory requirements in such jurisdictions in which the relevant hotel operates. These general managers have experience in the hotel industry in the relevant jurisdiction in which the hotels operate. For the hotels under construction, our project development team ensures the relevant regulatory requirements are complied with. We expect to appoint an in-house legal counsel who will also oversee general compliance issues of the hotels on an ad-hoc basis and where necessary, separate legal advisers will be engaged to handle specific compliance issues.