

Johnson
Stokes
& Master

Hospitality and Leisure

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Hospitality and Leisure Group



Industry update

Good news sandwich

"The best of times and worst of times."

"The more things change, the more things stay the same."

"Who moved my cheese?"

These are well worn expressions which can easily be applied to the Hotel Industry. Issues such as the Asian tsunami tragedy (now almost mirrored in the US by Hurricane Katrina and Hurricane Rita) summer bombings in London, sadly, as we write, more bombings in Bali, escalating fuel and energy costs ... , the emergence of low-cost airlines and new hotel brands which collectively or independently force the industry to react. As expected, Hoteliers respond fast with courage, boldness, creativity and flexibility. The industry also shows its ability to be resilient, to endure and to persevere.

Asian excitements

On a more positive note, there are many Asian excitements to come. Greater China is having a bonanza time for large scale tourism events. The Mainland of China is aggressively preparing for the Olympic Games in 2008 and finalising Olympic related construction in 2006. The impacts of WTO, CEPA and more free independent travellers add extra excitement to the hotel sector both within China and outside China. Hong Kong is launching its Discover Hong Kong

Year 2006. Hong Kong's Disneyland has just opened, Asia-World Expo opens its doors at the end of 2005/early 2006 and the new Tung Chung Cable Car will open in early 2006. The new Landmark Mandarin Oriental set new standards of luxury in Central when it opened in August 2005. This was followed shortly afterwards by the opening in September 2005 of the new majestic Four Seasons Hotel and Four Seasons Place (an all-suite hotel) creating further landmarks for Hong Kong's dynamic waterfront. The new Langham Place has also created a massive tour de force with its impressive new hotel, office and retail complex in Mongkok. The Langham Group can add "urban renewal" to its mission statement.

Many other hotels have recently opened or shortly will open increasing Hong Kong's hotel room supply from 39,000 to 53,000 in just a few years. Sounds exciting? Certainly. Macau, however, may top Hong Kong over the next 2-4 years in the race for the creation of super-sized hotel and casino resorts and more exhibition centre business. The work force in Macau allegedly will need to grow by an additional 100,000-125,000 workers over the next 3-4 years. This will lead to an increase in Macau's population by 20-25%. Watch out for potential inflation, staff shortages and staff training issues. Exciting? Certainly.

An Asian casino boom seems destined to follow as Singapore short-lists its candidates for two mega hotel-casino projects. Thailand and Vietnam are reportedly re-considering changes in legislation to permit and regulate this new cash-cow contributing industry. Rumours abound that even Hong Kong may give this a second thought.

In the Mainland of China, the casino boom is replaced with large-size mixed use developments appearing in primary, secondary and tertiary cities in large supply. The scale and number of developments will no doubt have an impact on an Owner's negotiation leverage with Hotel Operators and ultimately (in certain locations) on their financial feasibility as fears of over-supply may re-appear. We are just beginning to hear news of hotels in Mainland China with debt restructuring potential.

Meanwhile in Thailand, Vietnam, Macau, the Mainland of China (and even perhaps Hong Kong), we are now watching the creation of condo-hotels, time-share developments and hybrids of the two. An Asian hotel REIT seems a long way off but is at least perhaps "within sight" in a way that it never has been before.

JSM's response - New developments in JSM's Hospitality and Leisure Group

In meeting these "best of times", JSM's Hospitality & Leisure Group has expanded with 3 more partners becoming actively involved in our Hospitality & Leisure practice (Rosaline Cheung and Ellen Tsao in our Hong Kong office and John Marsden who is now relocating to our

Shanghai office). On 1 September 2005 we also opened our Phuket office to supplement the activities of our Bangkok office.

This year alone JSM's Hospitality and Leisure Group has received instructions to act on over 20 hotel projects in Greater China. This excludes hotel related activities conducted by our offices in Thailand and Vietnam. These projects cover the full life cycle of work from land acquisition, debt restructuring and joint venture work, construction, financing, IP, hotel management agreements, disputes, insolvency and the buying and selling of hotels and serviced apartments. We are particularly excited in seeing new time-share/condo hotel projects coming to life having acted on the fist of such developments in Vietnam with a few others "under-negotiation" due to appear in places near you soon!

We continue to be "at your service" in "opening doors and closing deals in Asia".

*Andrew MacGeoch
Hospitality and Leisure Group
4 October 2005*



AsiaWorld-Expo will be Hong Kong's biggest and newest exhibition and event venue. Located adjacent to the Hong Kong International Airport, AsiaWorld-Expo is due to open in late 2005

© AsiaWorld-Expo

Our Experience

Set out below are some of the types of work undertaken by JSM's Hospitality and Leisure Group. This list is by no means exhaustive, but gives a flavour of the role JSM has played in this market.

1. Real estate, development and management issues

The commercial and real estate lawyers in our Hospitality and Leisure Group have had a very active time serving the industry. Examples of recent work include:



© Sun Hung Kai Properties Limited

Ritz-Carlton and "W" hotel projects in Hong Kong and Shanghai

advising Sun Hung Kai Properties on the appointment of Ritz-Carlton and Starwood Group for developing Ritz-Carlton and "W" brand hotels respectively in Hong Kong and Shanghai



© Mandarin Oriental Hotel Group

The Landmark Mandarin Oriental

advising Hongkong Land on hotel management agreements for its boutique 113-room hotel opened in August 2005



© Macau Government Tourist Office

Joint venture in Macau

advising Hongkong Land on its joint venture with Shun Tak to develop a 2.6 million sq. ft mixed use development including retail, serviced apartments, residential and a hotel to be managed by Mandarin Oriental



© Swire Properties Ltd

Development in Guangzhou

advising Swire Properties on all aspects of its joint venture with Guangzhou Daily News to develop a 4 million sq. ft mixed use development to include 2 hotels, retail, offices and cultural facilities



© AsiaWorld-Expo

AsiaWorld-Expo

drafting and negotiating documentation for tendering, selection and appointment of a developer and operator for this international exhibition centre



Le Méridien Cyberport

advised and negotiated management agreements on behalf of the HKSAR Government



Theme park in Hong Kong

advising on construction, development and operational matters



Sheraton Krabi Beach Resort

advised owners and negotiated management agreements on their behalf



Hotel and mixed use projects in Mainland China
advising owners on land acquisition, joint ventures and management contracts for hotels and mixed use developments in Mainland China



Serviced suites and apartments in Hong Kong, Mainland China, Thailand and Vietnam
advising owners on development, management and regulatory matters



© Furama Resort
Danang, Vietnam

Hotel projects in Vietnam
advising owners and luxury brand operators on land acquisition, joint ventures and management agreements for hotel resort projects in Vietnam



Gaming and casino projects
advising on gaming legislation, land acquisition and development issues, joint venture, management and other related issues for gaming & casino projects in Macau, Vietnam and Thailand



Timeshare projects and strata sale of hotel rooms and villas in Hong Kong, Thailand and Vietnam
advising owners on land acquisition, development, ownership structuring, management and sales



Sale of hotels
advising owners and lenders on sales of hotels in Hong Kong, Mainland China, Thailand and Vietnam



© Indochina Land Holdings

The Nam Hai, Vietnam is a 5-star resort and villa complex developed for high-end tourists. Located on Vietnam's famous China Beach, The Nam Hai is scheduled to open in the first quarter of 2006



**"Real Estate Law Firm
of the Year"**

*Asian Legal Business Awards
2002, 2003, 2004 and 2005*



**"Insolvency Law Firm
of the Year"**

*Asian Legal Business Awards
2002 and 2003*



© Regent International Hotels

Regent Ningbo will be the centerpiece of major redevelopment of the Ningbo Economic and Technical Development Zone, Mainland China. This 325-room hotel is due to open in 2006

Town planning and planning regulatory issues

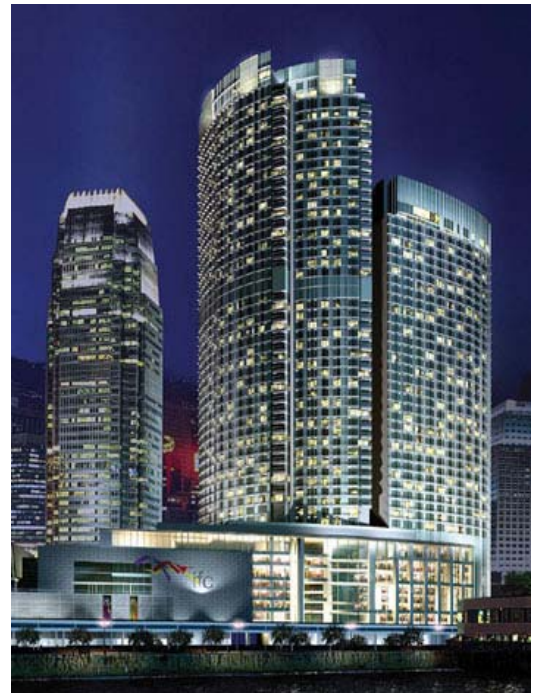
- Hotel concessions under the Buildings Ordinance and the Building (Planning) Regulations in Hong Kong
- Hotel accommodation tax and licensing issues under the Hotel and Guesthouse Accommodation Ordinance in Hong Kong
- Satellite television licensing issues for hotels in Hong Kong
- Owner and operator liabilities arising out of SARS type situations

Hotel management agreements

Advising owners and hotel-operators in negotiating management agreements in respect of the following brands:

- Four Seasons
- Ritz-Carlton
- Marriott
- Conrad
- Raffles
- Langham
- Hyatt
- St. Regis
- "W"
- Westin
- Sheraton
- Regent
- Shangri-La
- Mandarin Oriental
- Le Méridien
- Furama
- Alila Group
- GHM

for hotels and resorts in Hong Kong, Macau, Mainland China, Thailand and Vietnam



© Sun Hung Kai Properties Limited

Four Seasons Hotel and Four Seasons Place are six-star world class luxury hotels with 400 rooms and 536 suites respectively. Opened in September 2005, the two hotel towers are the largest hotel facilities in Hong Kong

2. Finance

Members of JSM's Hospitality and Leisure Group regularly advise banks/syndicates in financing investors in the acquisition of hotels, resorts and pleasure and luxury cruise ships and in financing owners of such assets for working capital purposes.

We also advise on corporate restructuring, insolvency matters, debt restructuring and the re-possession of hotels.



© JW Marriott Hotel Hong Kong

JW Marriott Hotel is a luxurious hotel with over 600 rooms and suites located in the heart of the central business district in Hong Kong

Re-financing of existing loans for hotels in Hong Kong

Recent examples include:

- Conrad, Marriott and Island Shangri-La at Pacific Place
- Regal Group of hotels in Hong Kong
- Great Eagle Hotel
- Nikko Hotel
- Hyatt Regency
- Shangri-La Kowloon
- Caravelle Hotel in Vietnam

Financing the acquisition of hotels

Recent examples include:

- Park Hotel
- former News Agency building in Hong Kong
- financing the acquisition of a real property which will be developed as a high-rise five stars hotel with a casino

3. Construction

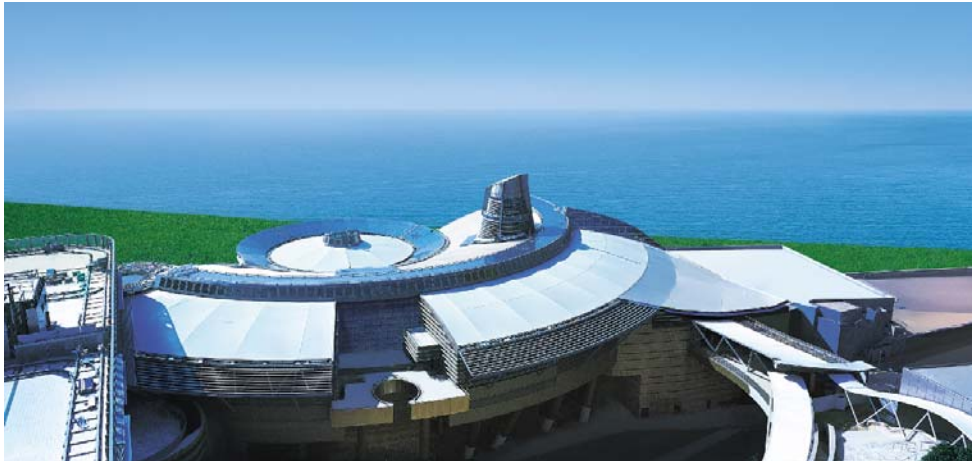
The Hospitality and Leisure Group advises on, drafts and negotiates the full range of construction documents for developers, owners and contractors. Recent examples include:

Drafting and negotiation of construction documentation

- AsiaWorld-Expo at the Hong Kong International Airport
- Theme park in Hong Kong
- Cyberport, Hong Kong

Construction advice

- Casino/hotel projects for Galaxy, Macau
- Furama Resort, Danang
- The Westin Resort, Macau



Cyberport Hong Kong

© Hong Kong Cyberport Management Co. Ltd.

4. Dispute resolution

JSM's Hospitality and Leisure Group handles a range of dispute resolution processes for construction related disputes and disputes arising out of the operation of hotels. Whilst specific details of the following examples must be kept confidential, we have advised on:

Rent review arbitration

for a luxury hotel in Hong Kong

Rating and valuation disputes and appeals

for a number of hotels in Hong Kong

Construction dispute resolution

- a luxury hotel in Thailand
- a resort in Vietnam
- a number of hotels in Hong Kong

Insurance claims

advising hotels, restaurants and insurers on business interruption and third party liability claims

5. Other services

The Group also advises on other industry related matters including:



intellectual property
registration, enforcement and licensing matters



employment
matters, pension and MPF schemes



insurance matters
for hotels and leisure related businesses



establishment of **private equity funds** investing in real estate, infrastructure and hotel sector projects



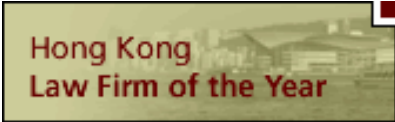
securitisation of hotel revenue streams

Members of the Hospitality and Leisure Group

JSM's Hospitality and Leisure Group is the largest in Asia consisting of 30 partners (each supported by their respective assistant solicitors). The Group has acted on over 500 hotel matters in the region over the last 10 years or so. Our experienced practitioners represent owners, developers, operators, financiers and other prominent participants in the hotel and leisure industry.

We assist the industry in providing advice on a full spectrum of issues which can arise during the development, construction, pre-opening preparation and post-opening operation of hotel and resort projects. The Group has concluded hotel and leisure acquisitions, sales, development and management contracts, resolved disputes, closed financings and re-financings of hotels and resorts located in Hong Kong, Macau, other parts of Mainland China, Thailand and Vietnam. Members of the Group are also regular writers and speakers on hotel and leisure related topics.

About Johnson Stokes & Master



Hong Kong
Law Firm of the Year

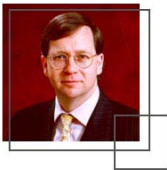
*Awarded by IFLR
2000/2001/2002/2003/2004
at Asian Legal Business Awards
2002/2003/2004/2005
China Law Awards
2003/2004
and
Asian Law Awards
2000/2001*

Johnson Stokes & Master is the largest law firm in Hong Kong and a leading commercial law practice in Asia. Founded in Hong Kong in 1863, we are a full-service commercial law practice with over 230 lawyers based in our offices in Hong Kong, Beijing, Shanghai, Bangkok, Phuket (a new office opened on 1 September 2005), Hanoi and Ho Chi Minh City. Perhaps more important than this is our culture. A clear focus on our clients' goals and concerns has driven our success. Combined with an excellent technology system, we provide high quality legal advice and client care in a timely, efficient and cost effective manner.

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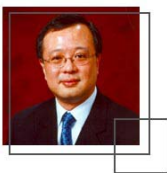


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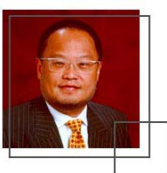
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