

# Hong Kong Tourism Symposium 2004

## China Market: Challenges and Opportunities

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Limited

# Surge in Arrivals

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Since individual travel policy relaxation –  
Impressive growth in Mainland Chinese arrivals, mainly from Guangdong province

HKTB arrival figures:

2002/03	+24.1% (despite SARS impact)
Jan 2004	+48.5%

KA passenger count sold in PRC markets:

2002/03	up more than 18% (despite SARS impact)
Jan-Feb 04	up nearly 34%

# China Market Opportunities

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- Continued, sustained strong growth in the economy:

2003 GDP	+9.1%
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2004 GDP forecast	+8-9%
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- Rising disposable income
- More free time – golden week holidays
- Changes in lifestyle and consumption patterns and habits (travel as a form of recreation)

# Rapid growth in outbound market

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Large outbound travel opportunity:

- 16 million outbound trips in 2002
- Reported 20 million outbound in 2003 despite SARS
- Growth of 140% in 5 years (since 97)
- More destinations with Approved Destination Status
- Asian destinations still dominate the list
- Expect annual growth of 20% per annum



# China Market Opportunities for Hong Kong

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- SAR status – must see destination for PRC citizens
- Existing and new attractions
- HK – the leading hub for the PRC
- Attractive stopover destination for PRC travelers
- Further relaxation of individual travel to Hong Kong– Jiangzu, Zhejiang, & Fujian to be added in the near term

# China Market Challenges

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- Increasing destinations achieving ADS – destination competition, external and internal in Mainland China
- Outbound travel centers on a few peaks – difficulty in capturing peak period demand
- Hotel room capacity in Hong Kong
- Improve product quality while maintaining price competitiveness
- Inducing repeated travel to Hong Kong
- Hong Kong as a destination

# China Market Challenges

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- Relaxation of individual leisure travel (F permit) Beijing/Shanghai vs. Guangdong Province

No of approved F permit - Aug/Sep – Dec 03:

Guangdong	average 3800 per day
Beijing	average 380 per day
Shanghai	average 500 per day

\* Estimated average figures

# China Market Challenges

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- The hassle of traveling to HK vs travel to other inland cities, permits, poor cross boundary infrastructure
- Long lead-time for F permit application – 10 working days
- Travel habit – Group vs. FIT
- Only residents of a handful of cities permitted to travel to HK on individual travel. Must eventually cover all provincial cities in Mainland China



# China Market Challenges Airline Industry

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Sales/marketing issues:

- Marketing clutter
- Distribution and difficulties in reaching out to catchment areas
- Product development
- Lack of credit/payment infrastructure, reduces internet effectiveness as distribution channel

# China Market Challenges Airline Industry

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PRC airport infrastructure issues:

- Airport capacity (esp. during holiday peak periods)
- Military airports closed to non Mainland based airlines
- Lack of CIQ facilities at regional airports
- Availability of “international” facilities

# China Market Challenges Airline Industry

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All eyes” on PRC market:

- More competition as international airlines all add capacity to/fm PRC
- Increasing non stop service into/out of PRC
- Major alliances pursue PRC carriers to expand network reach

# China Market

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Opportunities and Challenges

End