

HONG KONG TOURISM BOARD WORK PLAN FOR 2012-13

PURPOSE

This paper presents the work plan of the Hong Kong Tourism Board (HKTB) for 2012-13. The paper also gives an overview of Hong Kong's tourism industry in 2011 and the outlook for 2012, which form the background for developing the objectives, strategic focuses and key initiatives of the HKTB for the year 2012-13.

BACKGROUND

2. As a statutory body, the HKTB is tasked with marketing and promoting Hong Kong as a preferred travel destination worldwide. Each year, the HKTB undertakes a structured planning process to map out its strategies and initiatives for the year ahead, taking into account various factors in the macro environment, such as global economic conditions and market trends, as well as relevant policy directions of the Government. The planning process also entails a series of formal consultation with stakeholders of the local industry, including travel agencies, airlines, hotel owners and management, retailers, food and beverage caterers, attraction operators, as well as academics.

2011 TOURISM PERFORMANCE OVERVIEW

Key Indicators

3. Sustaining the recovery and upward trend in 2010, Hong Kong's tourism industry continued to achieve significant growth in 2011, as led by the soar of travel aspirations resulting from the continued improvement of the global economy and the appreciation of most major currencies against the Hong Kong dollar. This created favourable opportunities for the development of Hong Kong's tourism. Notwithstanding a receding European economy owing to the debt crisis, the Asian market, particularly Mainland China, still recorded steadfast economic growth, and became the growth drivers of Hong Kong's tourism. The table below summarises various indicators of the tourism performance in 2011:

	2011 Tourism Performance	2010 Tourism Performance	2011 Vs. 2010
Total Arrivals ('000)	41,921	36,030	+16.4%
Mainland ('000)	28,097*	22,684	+23.9%
Short-haul Markets ('000)	9,051*	8,654	+4.6%
Long-haul Markets ('000)	4,773*	4,692	+1.7%
Overnight Visitor Average Length of Stay (LOS)	3.6 nights*	3.6 nights	Unchanged
Overall Satisfaction Rating [^] (max: 10 pt)	8.3 pt*	8.3 pt	Unchanged
Overnight Visitor Per Capita Spending (HK\$)	\$7,333*	\$6,728	+9.0%
Tourism Expenditure Associated to Inbound Tourism ¹ (HK\$billion)	\$253.0*	\$210.0	+20.5%

* Estimation as at Dec 2011

[^] Excluding same-day, in-town visitors

4. In 2011, visitor arrivals to Hong Kong surpassed the 40-million mark within a single year for the first time to reach an all time high of 41.92 million, a year-on-year increase of 16.4%. Of these, 67.0% or 28.10 million came from Mainland China, 23.9% more than 2010. Visitor arrivals from the short-haul markets and long-haul markets also rose by 4.6% to 9.05 million and by 1.7% to 4.77 million respectively.

5. The satisfactory growth in visitor arrivals in 2011 could primarily be attributed to the increase in the number of vacation travellers, which went up by 25.0% to 23.57 million. In terms of individual markets, Mainland China, Taiwan, South Korea and various Southeast Asian markets all saw prominent growth. The year-on-year growth rates for Mainland China and Taiwan, for instance, were 32.6% and 22.5% respectively, reflecting the popularity of

¹ Tourism Expenditure Associated to Inbound Tourism (TEAIT) is calculated according to methodology recommended by the World Tourism Organization (UNWTO). The two components of TEAIT are: (1) Total Destination Consumption Expenditure – the sum of all payments made by visitors for goods and services consumed in Hong Kong, including accommodation, shopping, meals and entertainment. The information is collected from HKTb's Departing Visitors Survey; (2) Passenger International Transportation Expenditure – receipts of Hong Kong-based carriers for cross-boundary transportation of non-resident passengers by air, sea or land. The data is provided by the Census and Statistics Department of the Hong Kong Special Administrative Region (SAR) Government.

Hong Kong among vacationers in the region. Vacation arrivals from such long-haul markets as the US and Canada also increased 6.4% and 10.5% respectively, while those from Russia surged by 75%.

6. For business arrivals, these were affected by the economic uncertainties, which caused corporations in most long-haul markets to tighten their budgets for business travel. In Taiwan, same-day business arrivals to Hong Kong also declined due to increased direct cross-strait flights. Nevertheless, overall business arrivals to Hong Kong went up by 5.7%, as contributed by satisfactory increase in overnight MICE (meetings, incentives, conventions and exhibitions) arrivals, which already rose by 10.8% year-on-year as at November 2011.

7. Below summarises the performances of various market regions in 2011:

- (a) Mainland China – The continued expansion of the Mainland economy and the appreciation of the RMB versus the Hong Kong dollar prompted many Mainland residents to pay consumption visits to Hong Kong during 2011, causing arrivals from the market to increase by 23.9% year-on-year to 28.10 million. Of these, 52.7% or 14.80 million were same-day arrivals, 34.5% more than the previous year, while 13.30 million stayed overnight, a 13.9%-increase over 2010.

Among the total Mainland arrivals, 65.3% or 18.34 million travelled on the Individual Visit Scheme (IVS), representing a 28.8% increase year-on-year. Over 30% of these were Shenzhen permanent residents travelling on the one-year multiple-entry endorsement under the IVS. Business arrivals from the Mainland, many of which were MICE arrivals, also increased steadily.

- (b) Taiwan – During 2011, Taiwanese residents enjoyed greater convenience travelling to Hong Kong as a result of increased Hong Kong-Taiwan flights and measures implemented by the Hong Kong SAR Government, which extended the length of stay in Hong Kong for those holding a valid “Mainland Travel Permit for Taiwan Residents”, and allowed the holders to make prior entry registration on their own through the Internet at no extra cost.

Same-day business arrivals from Taiwan continued to drop with the further expansion of direct cross-strait flights. Notwithstanding this, the economic loss was offset by the growth of vacation arrivals by 22.5%, with those staying overnight increased by almost 10%. Overall, total

arrivals from Taiwan were maintained at a similar level of 2010 or some 2.15 million.

In September 2011, the HKTB opened an office in Taipei, which serves to reinforce HKTB's promotional efforts in Taiwan and foster deeper exchange between the Taiwanese and Hong Kong travel trade. Riding on the official opening, the HKTB kick-started a 'Hong Kong Wine and Dine Month' promotion in Taiwan to promote Hong Kong's culinary strength, so as to entice more overnight Taiwanese visitors to the city.

- (c) Southeast Asia – Economic stability in most Southeast Asian countries and increased flights to Hong Kong helped make Hong Kong a popular destination for short break vacation among consumers in the region. In 2011, visitor arrivals from the market region climbed up by 9.3% to 3.2 million, with double-digit growth for Indonesia and Singapore.
- (d) South Korea – Travel sentiments among the South Korean consumers have been stimulated by increased flight capacity and the appreciation of the Korean WON, as well as the implementation of five-day week since mid-2011. In 2011, visitor arrivals from the country surged by 14.7% to 1.02 million, the first time that visitor arrivals from South Korea exceeded one million within a single year. Among the Korean arrivals, more than half belonged to the young segment.
- (e) Japan – Outbound travel sentiment in Japan was dampened by the earthquake and the subsequent nuclear plant crisis in March 2011, leading to a prominent drop in arrivals to Hong Kong in the second and third quarters of the year. As the impact began to wear off in the second half of the year and coupled with the strong Japanese Yen, positive growth was recorded in the fourth quarter. For the full year, arrivals from the country totalled 1.29 million, merely 2.4% less than in 2010.
- (f) Long-haul markets – The slowdown in the American economic recovery had not dampened the travel desire of the wealthy seniors and professionals. In 2011, visitor arrivals from the US and Canada went up by 3.5% and 1.9% respectively, offsetting the fall in business arrivals from the countries. In Europe, however, the unresolved debt crisis and high unemployment rate weakened consumers' propensity for outbound travel and led to a drop in arrivals from several European countries.
- (g) Emerging markets – Among the emerging markets, Russia achieved the best performance due to visa-free arrangement and increased flights to Hong Kong, with growth of 51.6% year-on-year. In India, following a

significant increase of some 45% in arrivals in 2010, the market began to soften in 2011. The competitively priced vacation packages launched by Thailand to attract visitors of neighbouring regions also drew away Indian consumers, leading to a decrease of 5.8% in arrivals to Hong Kong during the year. In the Middle East, the political situation there hampered travel propensity and caused a 5.9% decline in arrivals. Meanwhile, the number of arrivals from the Netherlands rose slightly by 1.0% amidst the European debt crisis, while that of Vietnam showed a drop of 21.7% owing to the cancellation of visa-on-arrival arrangements for Vietnamese travellers by the Macao SAR Government.

The breakdown of visitor arrivals by markets in 2011 is set out in Attachment I.

8. The increase in visitor arrivals, combined with the appreciation of most major currencies against the Hong Kong dollar, stimulated visitor spending. In 2011, the Total Expenditure Associated to Inbound Tourism (TEAIT) surged by 20.5% year-on-year to HK\$253.0 billion. The per capita spending of both overnight and same-day visitors also went up by 9.0% to HK\$7,333 and by 4.0% to HK\$1,920 respectively.

9. As in 2010, visitor satisfaction remained at 8.3 points out of 10 points, while the average length of stay among overnight visitors stood at 3.6 nights in 2011. Overnight visitors from both Mainland China and the long-haul markets made the longest stay at 3.9 nights, also the same as in 2010.

10. In marketing Hong Kong worldwide in 2011, the HKTb adopted a highly flexible and nimble approach, capitalising on the favourable factors in the macro environment. Resources were deployed to 20 key source markets, with due consideration of their latest development. The HKTb also strived to work closely with the tourism and related sectors in launching a variety of promotions. Highlights of HKTb's initiatives in 2011-12 are set out in Attachment II.

11. While launching various initiatives, the HKTb also made strenuous efforts to seek commercial sponsorship, so that it could expand the scale of its mega events and inject new elements into the events. Between the five years from 2007 to 2011, the amount of commercial sponsorship increased from about HK\$9 million to some HK\$42 million. In 2011-12, the HKTb organised a total of 10 major promotions, which cost HK\$98 million. Of this amount, the HKTb bore only one-third, while the remaining was supported by commercial sponsors and other sources. In recent years, the HKTb has also strived to enter into sponsorship agreements lasting for more than one year with the sponsors, with a view to maintaining steady sponsorship income.

Consolidating Past Achievements for the Future

12. Over the past few years, the HKTB has continuously enhanced and formulated a clear set of strategies and marketing directions, based on which its work plan and detailed initiatives are drawn up each year. The objective of the HKTB is to ensure the sustainable and stable development of Hong Kong's tourism. Besides driving further growth of visitor arrivals, the HKTB also strives to create business opportunities for the tourism and related sectors by stimulating greater visitor spending. To achieve this objective, the HKTB has re-aligned market prioritisation and increased market investment to propel the growth of targeted source markets. Efforts have also been made to open up new visitor sources, which serve to diversify risks and reduce the impact of market fluctuations, as well as uphold Hong Kong's image as an international cosmopolitan and world-class travel destination.

13. In terms of its promotions, the HKTB is committed to continuously enhancing Hong Kong's tourism appeal, by developing new tourism products in collaboration with the travel trade. Making use of major promotions and creative promotional channels, the HKTB endeavours to increase consumers' interest and gain international exposure for Hong Kong. Below are the related strategies:

- (a) Focus marketing resources in high-volume markets and maintain balanced consumer portfolio
- (b) Strengthen destination appeal, generate news and excitement through new thematic platform, tactical campaigns and mega events
- (c) Adopt new communication approach to maximise consumer reach and impact
- (d) Drive multi-destination co-operation
- (e) Build business opportunities through effective trade support and partnership
- (f) Grow MICE business
- (g) Build cruise demand
- (h) Enhance service quality and visitor's satisfaction and uphold corporate governance

Looking into 2012, the HKTB will follow these strategic foci in laying down its work plan. It will continue to create new initiatives and maximise their effectiveness, with a view to promoting the steady development of Hong Kong's tourism.

OUTLOOK FOR 2012

14. The global economy is expected to be sluggish in 2012. According to the Economist Intelligence Unit², the world GDP is forecast to grow at 3.3%, compared to 3.8% in 2011, while the International Monetary Fund (IMF)³ made a forecast of 4.0%, the same as 2011. Meanwhile, the United Nation's *World Economic Situation and Prospects*⁴ projected that the world GDP will increase by 2.6% in 2012, compared to 2.8% in 2011 and 4% in 2010. The report also mentioned that 2012 will be a key year, while the global economy either makes a slow recovery or falls back into recession.

15. Among the world economies, the American economy is expected to remain weak, while various European countries have adopted contractionary fiscal policies as a result of the debt crisis. Compounded with the aggravating problems of unemployment and inflation, these are expected to impair consumers' confidence and travel propensity. The US Conference Board⁵ announced in the fourth quarter of 2011 that the Consumer Confidence Index dropped to 39.8 (the base is 100), the lowest since March 2009.

16. In contrast, the economic outlook for Mainland China and various short-haul markets is relatively more optimistic. Mainland China is expected to achieve 8% growth in its GDP, while positive growth is also foreseen for other short-haul markets. The enlarging middle-class populations in the region's developing and emerging economies, such as India, are going to raise demand for leisure, entertainment and travel.

17. On the exchange rate, most currencies are expected to maintain their strength vis-à-vis the Hong Kong dollar, although Euro, the Australian dollar and the Canadian dollar may soften while the British Pound may depreciate further. On the contrary, appreciation of the currencies of most short-haul countries is expected, which will favour inbound travel to Hong Kong.

18. Other than the above economic factors, Taiwan, the US and South Korea will conduct their presidential elections in January 2012, November 2012 and December 2012 respectively. Based on past experience, nationals of these countries may defer their travel plans in order to take part in the elections, thus impacting arrivals to Hong Kong.

² Forecast made by the Economist Intelligence Unit in November 2011

³ Forecast made by the IMF in September 2011

⁴ Published by the Department of Economic and Social Affairs of the United Nations on 1 December 2011

⁵ The Consumer Confidence Index was released by the Conference Board on 25 October 2011

Risks and Opportunities

19. The paragraph below sets out some key parameters and influences that underpin the total arrivals of 2012 and the planning of the HKTB:

Risks

- (a) Global economic development: Economic uncertainties, high unemployment rates and inflation are going to weaken the confidence of global consumers, especially those in the long-haul regions. Many travellers are going to shift their preference from long-haul travel to regional or even domestic travel. Consumers will also be price-sensitive and tend to prefer low-budget travel or multi-destination itineraries.
- (b) Regional competition: Asia Pacific has become the growth engine of global tourism. To grow their business, travel destinations in the region, including Mainland China, are heavily investing in the development of new tourism infrastructure and marketing programmes. In particular, Japan and Thailand are expected to launch large-scale campaigns, so as to make up for the loss of arrivals caused by natural disasters in 2011. South Korea and India are also expected to intensify promotions to sustain their strong growth in 2011. Meanwhile, the Taiwanese travel trade is also stepping up promotions to Mainland visitors with new tourism products, following the implementation of the Individual Visit Scheme for Mainland visitors to Taiwan in 2011.
- (c) Hong Kong's hub position: The increase in direct flights between Mainland China and other international destinations is weakening Hong Kong's position as a travel hub, as visitors no longer need to change flights in Hong Kong. In 2011, for instance, the passenger capacity of direct flights between the Mainland and Australia rose by 47%, while the number of direct flights between key Mainland cities, including Beijing and Shanghai, and international destinations, such as the US and the UK, has also been increasing in the past few years.
- (d) Emissions Trading Scheme: The European Union has announced that the Emissions Trading Scheme and the levies under the Scheme will be applied to all flights of all airlines to and from European airports starting in 2012. The levies on carbon emissions are expected to be transferred to the passengers, causing prices of air tickets between Hong Kong and European cities to go up, further affecting European visitors' travel propensity.

Opportunities

- (a) Growth of intra-regional travel: Since visitors are more inclined to short-haul travel, Hong Kong is expected to benefit from the boom in intra-regional travel. The *World Travel Trends Report 2010/2011*⁶ published by the International Tourism Bourse (ITB) suggests that 76% of Asians who plan to travel will choose destinations within the region. Only 13% and 10% will go to Europe and the Americas respectively.
- (b) Favourable currency exchange rates and increased flights to Hong Kong: As aforementioned, most major currencies will maintain their strength against the Hong Kong dollar. Also, flight capacity from Hong Kong to key markets, including Southeast Asia, Russia and the US will increase, with additional routes provided by low-cost carriers. Both factors are going to help draw visitors to Hong Kong.
- (c) New attractions and tourism facilities: As part of their expansion plans, Ocean Park and Hong Kong Disneyland are going to add further new facilities in 2012 and 2013 on top of those in 2011. These new facilities, including Polar Adventure in Ocean Park, as well as Grizzly Gulch and Mystic Manor in Disneyland, will help increase Hong Kong's appeal as a family destination. In addition, the first berth and terminal building of the new cruise terminal at Kai Tak will begin operation in mid-2013, helping to accelerate the development of cruise business.
- (d) Enhanced transportation to the Mainland: Following the opening of the Guangzhou-Shenzhen section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link in December 2011, visitors in Central China can travel even more conveniently to Hong Kong via Shenzhen. The new transport infrastructure will encourage more Mainland visitors to come to Hong Kong, and help enhance Hong Kong's position as a travel hub in the Pearl River Delta region.

Consumer Travel Patterns

20. Besides the above factors, the HKTB has also taken into consideration consumers' latest travel trends and patterns:

⁶ The *World Travel Trends Report 2010/2011* was published by the ITB in December 2011

- (a) Inclination towards vacation in short-haul destinations: The proliferation of low-cost carriers has promoted intra-regional and short-haul travel. An increasing number of visitors are going on vacation during long weekends. Their travel preferences have also shifted from sightseeing to an experience-based vacation combining shopping, dining and culture. In the light of these trends, many destinations are actively creating new tourism products, including mega events and distinctive local events, as well as itineraries themed on culture and history, leisure and adventure, to inspire visitors' interest and create novelty experiences for them.
- (b) Online booking and itinerary planning: The Internet has become the main channel for consumers to collect travel information. Besides using information on travel websites for booking and planning their itineraries, many travellers enjoy sharing their experiences on forums and social networking sites. The high penetration rate of smartphones and tablet computers only helps to heighten the digital trend, triggering the flux of mobile applications for travellers.

Projections

21. According to the United Nations World Tourism Organization (UNWTO)⁷, global tourism will grow at a mild rate of 3% to 4% in 2012, lower than the 4% to 4.5% range in 2011. Asia is forecast to lead such growth, given the region's sustainable economy, which will stimulate consumers' travel sentiments. As for global air travel capacity, the International Air Transport Association (IATA)⁸ forecasts that this will increase at 4% in 2012, versus 6.1% in 2011.

22. As conditions in the macro environment worsen, and as the base of Hong Kong's visitor arrivals gets bigger, the HKTb believes that it is important to further enhance Hong Kong's destination appeal besides expanding the sources of arrivals. In order to encourage longer stay and greater spending by visitors, it is essential to provide them with an even more diverse range of quality tourism products. After considering the aforementioned factors and market trends, as well as analyses and predictions of various reputable international organisations, the HKTb has come up with the following forecast for various key indicators in 2012:

⁷ Forecast made by the UNWTO in November 2011

⁸ Forecast made by IATA in December 2011

Key Tourism Industry Performance Indicators	2012 Forecast	Vs. 2011
Total Arrivals ('000)	44,233	+5.5%
Mainland ('000)	30,221	+7.6%
Short-haul Markets ('000)	9,328	+3.1%
Long-haul Markets ('000)	4,684	-1.9%
Overnight Visitor Average Length of Stay (LOS)	3.5 nights	-0.1 night
Overall Satisfaction Rating^ (max: 10 pt.)	8.3 pt	unchanged
Overnight Visitor Per Capita Spending (HK\$)	\$7,505	+2.4%
Tourism Expenditure Associated To Inbound Tourism (HK\$ billion)	\$269.1	+6.4%

^ Excluding same-day, in-town visitors

2012-13 WORK PLAN

Focus Investment in 20 Key Markets Worldwide to Maintain Balanced Portfolio and Reduce Impact of Market Fluctuations

23. Notwithstanding the grim outlook for the global economy, the HKTB will continue to invest in market promotions. This is important not only for maintaining Hong Kong's market presence, but also ensuring that Hong Kong is ready to capture the opportunities once the economy rebounds. As previously mentioned, the HKTB has re-aligned the market prioritisation in the previous few years. In 2012-13, the HKTB will follow the prioritisation in making the resource allocation, and invest in 20 key source markets, including the emerging markets of Vietnam and the Netherlands added in 2011. The visitor arrivals of these 20 markets accounted for approximately 95% of all arrivals to Hong Kong.

- (a) In the short-haul regions, seizing the opportunities presented by the tourism growth in Asia, the HKTB will focus its promotions on various key markets, including Mainland China, Southeast Asia and South Korea, which have become Hong Kong's biggest sources of visitor arrivals.

The HKTB will join forces with the travel trade to arouse the interest of the target visitor segments in these markets in visiting Hong Kong.

(b) In the long-haul regions, despite volatile economic conditions in the US and Europe, a number of visitor segments, including the wealthy middle-aged, the seniors and the ethnic Asians, still present opportunities for development. To capture these, the HKTB will sustain its promotional efforts in the regions for maintaining Hong Kong's exposure.

24. In 2012-13, the HKTB will increase its investment in visitor source markets by almost 4% to HK\$182.5 million (including exchange reserve), which accounts for about 52% of its overall budget for promotion (HK\$349.8 million). While Mainland visitor arrivals make up 67% of all arrivals to Hong Kong, the HKTB is determined to maintain a balanced visitor portfolio so as to uphold Hong Kong's standing as an international and world-class travel destination. Therefore, the HKTB is planning to allocate 70% of its resources on the international markets and 30% on the Mainland market. The HKTB will flexibly deploy resources to the markets, taking into account their development potential. The HKTB will also stay alert to changes in the macro environment, so as to minimise the risks arising from unforeseen incidents. Below summarises the distribution of resources in different visitor source markets:

Mainland China	Short-haul Markets	Long-haul Markets	Emerging Markets
South China Central China East China North China	Taiwan Japan South Korea Singapore Malaysia Thailand Indonesia The Philippines	USA Canada UK Germany France Australia	India Russia The Middle East Vietnam The Netherlands
2012-13 Budget (Proportion)			
HK\$55.1m (30%)	HK\$51.1m (28%)	HK\$43.4m (24%)	HK\$30.90m (17%)

Note: The remaining 1% of marketing budget is allocated for non-key markets (e.g. Central and South Americas and Italy) and exchange reserve.

Increase Investment in non-Southern China Regions

25. In the light of sustainable economic growth in Mainland China and the strong RMB, the HKTB will vigorously drive a greater number of Mainland visitors in 2012. Promotions will be launched in 42 high-potential Mainland cities, which contribute some 94% of all Mainland arrivals to Hong Kong.

Meanwhile, the ratio of investment in the non-Southern China regions will be further raised from 71% in 2011-12 to 76%, so as to open up new visitor sources, especially in second- and third-tier cities.

26. In South China, targeting visitors who travel under the IVS, the HKTb will encourage them to make multiple consumption visits to Hong Kong. In East, Central and North China, the HKTb will reinforce Hong Kong's cosmopolitan image and encourage consumers to go on vacation in the city. The HKTb will ride on four key mega events, namely the Hong Kong Dragon Boat Carnival, Hong Kong Summer Spectacular, the Hong Kong Wine and Dine Festival and Hong Kong WinterFest, to draw Mainland visitors to Hong Kong during the peak travel seasons of summer and winter. Key strategies include:

- (a) Increase the online counters of "Quality and Honest Hong Kong" tours and enhance consumer education to encourage more visitors to select these quality tours.
- (b) Co-operate with three major Mainland travel portals, namely Ctrip, eLong and Mangocity, to devise and promote Hong Kong tourism products, and motivate free and independent visitors to make travel booking or group purchase through the portals.
- (c) Partner with national and cable TV channels in the Mainland to produce TV programmes themed on Hong Kong. Also, promote Hong Kong's appeal to consumers in second-tier cities in collaboration with provincial TV stations, such as Hunan TV and Zhejiang TV.
- (d) Leveraging on the increased flights between Hong Kong and second- and third-tier Mainland cities, including Chengdu, Ningbo, Xi'an and Wenzhou, in 2012, actively work with the travel trade in these cities to launch tourism products. Furthermore, collaborate with Taiwan and Macau to devise multi-destination itineraries for enticing residents in these Mainland cities to make their first visit to Hong Kong.

Strengthen Promotional Effort in Short-haul Markets

27. As mentioned, the short-haul markets, including Taiwan, Japan, South Korea and Southeast Asia, will be the HKTb's primary foci in 2012-13. Currently, visitor arrivals from these markets make up roughly 22% of all visitor arrivals to Hong Kong.

- (a) Taiwan: According to the MasterCard Survey on Consumer Purchasing Priorities – Travel conducted by MasterCard in August 2011, 84% of the Taiwanese travellers plan to travel within the region in the coming 12 months, and Hong Kong is among their first choice of destination. In addition, information from the travel trade indicates that the number of flights between Hong Kong and Taiwan will increase in 2012. Riding on these trends, the HKTB will increase investment in the market and promote vigorously to the family and young visitor segments, so as to sustain the upward trend of overnight visitor arrivals from the island.

In addition, the HKTB will promote Hong Kong's shopping and dining excellence to the Taiwanese travellers, especially during the Hong Kong Summer Spectacular and the Hong Kong Wine and Dine Month. According to the Visa Global Travel Intentions Survey conducted by Visa in 2011, Taiwanese visitors have a keen interest in Hong Kong's shopping experience and extensive food choices. Meanwhile, the HKTB will strengthen its promotional effort in second-tier cities, including Taichung and Kaohsiung, and launch tactical promotions together with the travel trade.

- (b) South Korea: The implementation of five-day work week in 2011 and five-day school week in 2012 is expected to encourage more South Korean consumers, especially families, to engage in short-haul travel. During the summer, the HKTB will organise large-scale promotions targeting the young female visitor segment between June and August. The HKTB will also lure the young and the family visitor segments with the Hong Kong Halloween Treats, the Hong Kong Wine and Dine Month and Hong Kong WinterFest. Simultaneously, the HKTB will work with the Korean and Hong Kong travel trade to launch tactical promotions.

- (c) Southeast Asia: The relatively stable political and economic conditions in most Southeast Asian countries, together with the increased flight capacity between these countries and Hong Kong and in turn the possibility of lower airfares, are expected to entice more visitors from the region to Hong Kong. In the year ahead, the HKTB plans to increase investment in the region, and intensify promotion, riding on various mega events and activities, especially those taking place in summer and winter. For instance, in Singapore, the HKTB will join hands with major shopping malls and TV stations to launch promotions in the summer, and co-organise food tours led by famous gourmets with a credit card company during the Wine and Dine Month. In Malaysia, the HKTB will co-operate with the local TV stations to recruit contestants for the Hong Kong Super Shopper contest, and invite celebrities and their families, as

well as bloggers to Hong Kong for a first-hand experience in winter. In the Philippines, the HKTb will promote the Halloween activities and other related itineraries to the consumers through online platforms and travel agencies.

Maintain Investment in the Long-haul Markets

28. In view of the volatile economic conditions in major long-haul markets, the HKTb will adopt a cautious approach in these markets, focusing its promotion on the young professionals, the middle-aged and the seniors. Alongside working with major TV stations to produce travelogues, the HKTb will also work with travel portals to encourage online booking of travel packages to Hong Kong.

29. To uphold Hong Kong's image as a premier travel destination in Asia, the HKTb will take part in international food and wine events in major long-haul markets, including France, the US, Australia and the UK. Besides showcasing the culinary excellence of Hong Kong and publicising the Hong Kong Wine and Dine Festival in November, the HKTb will take the opportunity to introduce Hong Kong's festive events and living culture to the participants of these events. In particular, the Bordeaux Wine Festival in June 2012, which will feature Hong Kong as the City of Honour, will provide the perfect platform to promote Hong Kong to the event's participants, who come not only from France, but also other parts of Europe and indeed from around the world.

30. To address long-haul visitors' preference for multi-destination travel, the HKTb will work even more closely with different Mainland cities to promote multi-destination itineraries featuring Hong Kong. For instance, it will organise road shows in the US and Canada with the Shenzhen Culture, Sports and Tourism Bureau, and launch promotions with the Hainan Tourism Administration in various German cities.

Accelerate the Development of Emerging Markets

31. The HKTb is committed to nurturing further development of the emerging markets in order to expand the sources of visitor arrivals for Hong Kong. In 2011, the HKTb launched into two new markets – Vietnam and the Netherlands – besides promoting in the emerging markets of India, the Middle East and Russia. While the performances of these markets have been affected by various unfavourable factors in the short term, they enjoy great potential for

development in the longer term given their economic prospects and consumers' demand for outbound travel.

32. Using a focused and targeted approach, the HKTB will launch promotions in the target cities and visitor segments of these markets at specific periods of the year. The HKTB is also planning to arrange for HKTB staff to station at the office of the representatives in these markets, so as to strengthen the communication and co-operation with the travel trade. In addition, efforts will be made to promote greater exchange and collaboration between the Hong Kong travel trade and their foreign counterparts, by organising trade missions and participation in large-scale travel trade shows in these markets. Strategies for the emerging markets are summarised as follows:

- (a) India: Resources will be focused on the four cities of Mumbai, New Delhi, Bengaluru and Chennai, which are all connected to Hong Kong by direct flights and contribute some 80% of all Indian arrivals to Hong Kong. During summer and winter, the HKTB will collaborate with airlines to launch travel packages and also with Macau to roll out multi-destination itineraries. Moreover, it will work with the local TV stations to develop travel programmes, and raise consumers' awareness of Hong Kong through celebrity endorsement and consumer promotions.
- (b) The Middle East: To minimise the risks posed by political unrest in the Middle East, the HKTB will concentrate on promoting in the United Emirates (Dubai and Abu Dhabi) and Saudi Arabia through collaboration with airlines. Meanwhile, online and public relations activities, such as media familiarisation tours to Hong Kong, will be organised to increase knowledge of Hong Kong among the local consumers.
- (c) Russia: Promotions will be launched in Moscow and St Petersburg. In view of the large increase of Russia-Hong Kong flights by 80% in 2012, consumer promotions will be intensified through radio programmes, outdoor advertisements and other channels. The HKTB will also continue its partnership with Hainan to promote the very popular Hong Kong-Hainan combo itineraries among the Russian travellers. Meanwhile, the HKTB will invite the travel trade to consider the possibility of arranging chartered flights from Russia to Hong Kong during the winter, which is one of the most popular travel seasons among Russian visitors.
- (d) Vietnam: Promotions will primarily be launched in Hanoi and Ho Chi Minh City. Besides appointing representative in the market, active effort will be made to launch tactical promotions with airlines, while

public relations activities, as well as radio promotions and outdoor advertisements will be initiated to raise consumer awareness of Hong Kong as a travel destination.

- (e) The Netherlands: Co-operation with the travel trade, including airlines and travel agencies, will be strengthened. Targeting the senior travellers, tactical advertisement will be rolled out. Road shows and training courses will also be launched to increase the Dutch travel trade's knowledge of Hong Kong. Within the year, a representative will be appointed in Amsterdam to execute promotions in the market.

Appendix III shows how resources are allocated to the various visitor source markets. The HKTB will review regularly the market prioritisation and adjust the deployment of resources flexibly to respond to the market changes promptly and to capture new market opportunities.

ADDRESSING LATEST MARKET TRENDS AND DEMANDS

Reinforce Hong Kong's Brand Image through the 'Hong Kong. Asia's World City' Platform

33. In 2011-12, the HKTB launched the 'Hong Kong. Asia's World City' platform to showcase Hong Kong's appeal as a world-class travel destination, including its international setting, cosmopolitan lifestyle, unique East-meets-West culture and great diversity of tourism attractions. Leveraging on this platform, the HKTB will launch promotions through different channels in 2012-13 to showcase Hong Kong's tourism strengths and create a compelling brand image of the city. Key initiatives include:

- (a) Launch new promotional videos and print advertisements themed on 'Hong Kong. Asia's World City' globally. Catering for the interest of different visitor segments, including the young, the family and the senior segments, the HKTB has created different versions of the video, which showcases the unlimited excitement of Hong Kong throughout the year from the visitor's perspective. Besides arranging broadcast in designated markets, the HKTB will upload the video onto its DiscoverHongKong.com website and other sharing sites. Plans are also at hand to screen the video on TV channels and websites in different markets with the support of media organisations.
- (b) Create new look and design of DiscoverHongKong.com website to align with the 'Hong Kong. Asia's World City' platform. Specifically, the

website will be re-designed with a more stylish interface that matches Hong Kong's cosmopolitan image and brand characteristics. Apart from enriching the content with photos, videos and articles of Hong Kong submitted by Internet users, new interactive features will be included. The enhanced website is expected to be launched in mid-2012.

Instil New Elements into Mega Events and Step up Promotions

34. As mentioned, the number of vacationers has been on the increasing trend, and many vacation travellers have shifted from sightseeing to experience-based travel that combines entertainment and culture. In view of this trend, the HKTb increased the number of promotional windows from six to 10 in 2011-12. Each of these windows featured at least one core tourism strength of Hong Kong, and bundled a series of events and activities along with HKTb mega event, allowing visitors to experience Hong Kong's living culture. Besides organising the first-ever Hong Kong Mid-Autumn Festival, the HKTb expanded the scale of the current mega events, and injected new elements into them, such as for the Hong Kong Wine and Dine Festival and the Hong Kong Dragon Boat Carnival. These events not only enriched visitors' experience, but also attracted the international media spotlight, helping to raise Hong Kong's profile worldwide. The Hong Kong Chinese New Year Celebrations, for instance, have been listed by *Forbes* magazine as one of the 10 best events in the world.

35. In 2012-13, the HKTb will make use of these 10 promotional windows to showcase Hong Kong's tourism appeal. The HKTb is actively seeking sponsorship for these events, so that it may inject further new elements into them and extend their duration or scale. Among the new elements under consideration are:

- (a) Hong Kong Cultural Celebrations (May): Consider feasibility of a parade by fishing boats on Victoria Harbour during the birthday of Tin Hau.
- (b) Hong Kong Dragon Boat Carnival (July): Plan to expand the scale of the beer garden and stage a large-scale BBQ or big roast party.
- (c) Hong Kong Mid-Autumn Festival (September): Explore possibility of expanding the lantern carnival in Victoria Park and the lantern design competition.
- (d) Hong Kong Wine and Dine Month (November): Increase the number of theme parties during the Hong Kong Wine and Dine Festival and the food and wine activities throughout November.
- (e) Hong Kong WinterFest (December): Consider possibility of setting up large-scale Christmas installations in Causeway Bay, on top of those in

Central and Tsim Sha Tsui. Also, explore new format for the New Year Countdown Celebrations.

- (f) Hong Kong Chinese New Year Celebrations (February): Consider organising a large-scale big bowl feast in West Kowloon alongside the Chinese opera performance during the Lunar New Year.

The following table summarises the mega events by the HKTB in 2012-13:

Brand	Hong Kong • Asia's World City				
	January to February	February to April	April to May	July	July to August
Activities	<p><u>Chinese New Year Celebrations</u></p> <ul style="list-style-type: none"> • Flower markets • International Chinese New Year Night Parade and stage performances • Fireworks display • Chinese New Year Race Day • Lunar New Year Cup • Hong Kong Well-wishing Festival 	<p><u>Arts and Culture</u></p> <ul style="list-style-type: none"> • Hong Kong International Arts Festival • Hong Kong International Film Festival <p><u>Sports Events</u></p> <ul style="list-style-type: none"> • Hong Kong Marathon • Hong Kong Sevens 	<p><u>Cultural Celebrations</u></p> <ul style="list-style-type: none"> • Cheung Chau Bun Festival • Birthday of Tam Kung • Birthday of Tin Hau • Birthday of Lord Buddha 	<p><u>Hong Kong Dragon Boat Carnival</u></p> <ul style="list-style-type: none"> • World Club Crew Championships • Beer garden • Asian Street Carnivals 	<p><u>Summer Spectacular</u></p> <ul style="list-style-type: none"> • Summer Pop – Live in Hong Kong concert • Hong Kong Super Shopper • Shopping privileges • Lan Kwai Fong Bierfest • Hong Kong Book Fair • Ani-Com & Games Hong Kong
	September	October	November	November to December	December
Activities	<p><u>Hong Kong Mid-Autumn Festival</u></p> <ul style="list-style-type: none"> • Lantern Wonderland • Lantern Carnival • Tai Hang fire dragon dance • Themed activities in Causeway Bay / Victoria Park • National Day fireworks display 	<p><u>Halloween Treats</u></p> <ul style="list-style-type: none"> • Special programmes at Hong Kong Disneyland, Ocean Park and Madam Tussauds • Lan Kwai Fong Halloween Street Party • Themed activities at shopping malls 	<p><u>Wine and Dine Month</u></p> <ul style="list-style-type: none"> • Hong Kong Wine and Dine Festival • Festival of Restaurants • Promotions at major dining districts • German Beer Fest • Hong Kong International Wine and Spirits Fair 	<p><u>Great Outdoors Hong Kong!</u></p> <ul style="list-style-type: none"> • Hong Kong Global Geopark of China • Hiking activities • Green tours 	<p><u>WinterFest</u></p> <ul style="list-style-type: none"> • Christmas lights • Ice Wonderland • New Year Countdown Celebrations • Seasonable programmes in Hong Kong Disneyland and Ocean Park • Shopping privileges • Hong Kong International Races • Dragon and Lion Festival

36. The HKTB will also team up with travel trade partners in different visitor source markets to package and promote the above events and activities. For example, during the peak summer travel season of the Mainland and short-haul markets, the HKTB will collaborate with fashion brands, TV stations and airlines to launch promotions targeting the female consumers in South Korea. In Southeast Asia, the HKTB will join hands with TV channels to organise shopping contests. At the same time, tactical promotions will be launched to drive visitor arrivals and tourism spending.

37. Apart from staging and promoting the above mega events, the HKTB will actively promote the activities organised by third-party organisations, including those supported by the Mega Events Fund, to extend the range of events and activities for visitors' enjoyment.

Strengthen Digital Marketing Effort to Expand Coverage and Increase Penetration Rate

38. With social media fast becoming a mainstream media channel, the HKTB has devised comprehensive digital marketing strategies. On top of the DiscoverHongKong.com website, the HKTB is also leveraging on such online channels as travel portals and social networking sites, including Twitter, Facebook, YouTube and *Weibo*, as well as Smartphone applications to extend the reach of its promotions to the wider audience. In 2012-13, the HKTB's initiatives in digital marketing include:

- (a) Launch a newly designed DiscoverHongKong.com website with enriched content and interactive features, as well as user-generated information from social networking sites.
- (b) Set up a global fan page of Hong Kong on Facebook and other social networking sites, through which the latest information on travelling in Hong Kong, including mega events, will be disseminated to the fan groups.
- (c) Exploit other social networking media, such as influential blogs, popular forums, and video-sharing sites as promotional platforms. For instance, bloggers will be invited to take part in Hong Kong's events and activities so that they can share their experience with their followers. The latter will also be encouraged to share the bloggers' articles on the Internet to create viral effect, helping to maximise exposure for Hong Kong.

39. In recent years, a large number of travel-related mobile applications have sprung up as a result of the popularity of smart phones, which can make use of high-speed data and the Global Positioning System. In 2011, the HKTB launched the DiscoverHongKong Mobile App Series in 2011, which was among the first travel application series in the world that utilise the augmented reality technology. In 2012-13, the HKTB will create further new applications using this technology, such as applications to help visitors explore Hong Kong's outlying islands. Applications suitable for tablet computers, including iPad, are also included in the plan. The HKTB has established a partnership with PCCW to provide visitors with free Wi-Fi services, so that they can browse the

HKTB's website and download the HKTB's mobile applications at over 9,000 Wi-Fi hotspots in the city, including most MTR stations, convenience stores and 1,000 phone booths.

Create Impactful TV Coverage on Hong Kong through Collaboration with Major International TV Stations

40. Other than digital marketing, public relations or PR publicity is another key promotional strategy of the HKTB, given that it offers cost-effective means of raising Hong Kong's profile, especially in the light of increasing advertising budget by neighbouring destinations. In 2012-13, the HKTB will strive to gain extra PR mileage by strengthening collaboration with the media worldwide to promote the mega events and activities in Hong Kong. For instance, the HKTB will work with international and regional TV channels, as well as renowned production houses, on arranging for famous food and lifestyle TV programmes to film in Hong Kong. Relevant PR activities will be launched to tie in with the broadcast of these programmes as well to spin off further publicity.

41. As mentioned, the HKTB will attend various large-scale international food and wine events, which attract not only visitors and gourmets from around the world, but also the international media. Leveraging on these events, the HKTB will initiate a number of PR activities to maximise exposure and publicity for Hong Kong.

42. Owing to the rapid development of the Internet, many local and international newspapers have launched online and mobile versions featuring news videos. In the coming year, the HKTB will produce more video news releases on Hong Kong's mega events, so that the public can access the information in a more interactive manner through the media.

RISE ABOVE COMPETITION AND TAP NEW BUSINESS OPPORTUNITIES

Promote Hong Kong as the Hub for Multi-destination Travel in the Region

43. In the past few years, the HKTB has established a close working relationship with Macau, as well as several Mainland provinces and cities, in promoting multi-destination itineraries to the regional and international visitors. In 2012-13, the HKTB will continue to pursue co-operation with the following cities:

(a) Key partners: Macau; six cities in Guangdong province, namely Shenzhen, Guangzhou, Zhuhai, Zhongshan, Kaiping and Shaoguan; and Hainan.

(b) Other partners: Yunnan, Guangxi, Beijing, Shanghai and Xi'an.

44. The HKTB will join these partnering cities to promote multi-destination itineraries featuring Hong Kong in selected markets, while highlighting Hong Kong's position as a "must-visit" city in the itineraries. In addition, the HKTB will encourage the travel trade to devise new itineraries featuring new attractions in the partnering cities, such as the Hengqin New Area Chimelong International Sea Resort Area and the new aerospace theme park at the Wenchang Satellite Launch Center in Hainan. Below are the key strategies for promoting multi-destination travel:

Develop New Itineraries

(a) Motivate the travel trade to develop new and distinctive multi-destination and excursion tour products through support programmes.

(b) Co-operate with the China National Tourist Authority, airlines and travel portals in the long-haul markets to encourage the inclusion of Hong Kong in the Beijing, Shanghai and Xi'an tours.

(c) Continue partnership with the Hainan Provincial Tourism Development Commission in launching joint promotions at travel trade shows in Russia to publicise Hong Kong plus Hainan combo itineraries, and include Macau in such itineraries to instil diversity. The HKTB is also liaising with the Hainan Provincial Tourism Development Commission and the travel trade to explore the possibility of chartered flights from Russia to Hong Kong during the winter, a popular travel season for the Russian travellers.

Strengthen Trade Promotions

(d) Take part in overseas travel trade shows with Guangdong Province and the Macau Government Tourist Office to promote multi-destination itineraries featuring Hong Kong and these destinations.

(e) Riding on the broadcast of the TV programme "Richard Bangs: Adventures with Purpose – Quest for Harmony" co-funded by Hong Kong, Macau and Guangdong Province in the US, launch promotions targeting the US travel trade to encourage the development of themed

itineraries. Also, promote these itineraries to the consumers in collaboration with the travel trade.

- (f) Intensify promotions of multi-destination itineraries to the travel trade and consumers in Japan, South Korea, Vietnam and other short-haul markets through collaboration with the Shenzhen Culture, Sports and Tourism Bureau, and organise road shows in the US and Canada targeting the travel trade.

Intensify Consumer Promotions

- (g) Targeting the consumers, the HKTB and its partnering tourism administrations and organisations will jointly fund promotions on travel portals and public relations activities. A dedicated “Beyond Hong Kong” page will also be added to the HKTB’s DiscoverHongKong.com website to promote multi-destination itineraries featuring Hong Kong.

Boost MICE arrivals

45. For MICE tourism, despite the volatile economic environment, the HKTB expects there will be further growth in 2012, given the sustainable development of the Mainland economy, the favourable exchange rates of most currencies against the Hong Kong dollar, as well as Hong Kong’s advantageous position as the gateway to Mainland China. Among the four MICE segments, limited growth is expected for meetings and incentive travel, and the key sources of arrivals will be Mainland China, India and other short-haul markets. Conventions and exhibitions, on the other hand, will show better resilience to the economic slowdown because most events have already been confirmed last year or even a few years ago. In 2012, Hong Kong will be the host city of several large-scale conventions and exhibitions, including the FDI World Dental Congress, the Junior Chamber International Asia-Pacific Conference, and the Asian Attractions Expo, which are expected to bring 12,000, 5,000 and 4,000 participants respectively.

46. In the light of the macro environment, the HKTB’s key strategy for MICE in 2012-13 is to drive more Mainland and overseas MICE visitors to come and participate in the events. Besides actively working with event organisers on attendance generation, the Meetings and Exhibitions Hong Kong (MEHK) office of the HKTB will launch special promotions together with attraction operators and MICE venue providers in Hong Kong. Indeed, the HKTB plans to allocate half of its MICE promotional budget on attendance-generation programmes. Major initiatives include:

Meetings and Incentive Travel

- (a) Focus promotions in Mainland China, Taiwan, India, Southeast Asia and Australia. Build partnership with organisers in these markets through large-scale road shows and encourage them to bring their meetings and incentive activities to Hong Kong.
- (b) Organise awards for motivating top MICE agents in Mainland China and Taiwan to recommend Hong Kong as the destination of corporate events to their clients.
- (c) Work with the Hong Kong travel trade to actively promote Lantau Island as a MICE hub, so as to encourage more organisers to hold their meetings and incentive activities on the island.

Mega Conventions

- (d) Roll out support programme to assist organisers in enhancing promotions of their events so as to boost attendance.
- (e) Strengthen collaboration with organisers and local chapters of professional associations, targeting large-scale conventions with over 5,000 participants, as well as those in six industry sectors, namely medical, medical science, social science, computer science, engineering and sports-leisure-culture.
- (f) Work with the local travel trade to provide participants of large-scale conventions with special offers on air tickets and accommodation, as well as pre- and post-conference leisure tours, so that delegates can enjoy a rewarding business-cum-leisure experience in Hong Kong.

Exhibitions

- (g) Actively work with organisers of exhibitions to substantiate the offers in the “Business Right Here!” programme. Focusing on the peak exhibition periods in 2012 (March to June and September to December), provide tour packages, special offers and hospitality services to give participants extra incentive of visiting Hong Kong.
- (h) Provide customised support services to organisers, so as to secure recurrent events and attract new exhibitions to Hong Kong.

Build Cruise Demand

47. To pave way for the commissioning of the new cruise terminal at Kai Tak in mid-2013, the HKTB will raise its budget for cruise tourism promotion in 2012-13, with a view to further capturing the potential of cruise tourism and strengthening Hong Kong’s position as a cruise hub in Asia. Key initiatives include:

- (a) Strengthen strategic partnerships with cruise companies and launch a new promotion fund to support advertising and promotions, in order to encourage cruise liners to berth in Hong Kong or even make Hong Kong their home port.
- (b) Further stimulate the cruise demand by consumers in South China. For instance, organise cruise promotion and education activities targeting retirees and families, two high-potential cruise visitor segments. Launch a new consumer website to introduce the cruise products of Hong Kong and enrich the Cruise South China website.
- (c) Invite cruise itineraries planners, as well as ports in Guangdong, Hainan, Guangxi, Shanghai, Tianjin, Vietnam, Japan and South Korea to attend fora where they can get together and discuss the planning of regional itineraries. Encourage cruise companies to choose Hong Kong as one of the stops in their itineraries.
- (d) Conduct market study in collaboration with cruise operators and partnering ports on possible new cruise products, such as Hong Kong-Taiwan-Japan-South Korea and Hong Kong-Hainan-Vietnam-Philippines itineraries, so as to find out the tastes and preferences of different visitor segments and markets and devise effective promotion of the new products.
- (e) Develop new land tours featuring Hong Kong's mega events, culture and history in partnership with cruise operators and land tours operators, so as to increase visitors' spending onshore. Also, upgrade hospitality programmes for cruise visitors.
- (f) Highlight the latest development of the new cruise terminal at Kai Tak at international fora, including cruise trade shows, so as to pave way for the opening of the cruise terminal in mid-2013.

Strengthen Trade Support and Explore New Collaborative Format

48. Over the past few years, the HKTB has adopted various measures to deepen its working relationship with the local travel trade. In 2012-13, the HKTB will further strengthen the support and co-operation with its trade partners. Through a series of joint ventures, the HKTB will join hands with the travel trade to devise new tourism products and open up new markets, which will also serve to expand the network and synergy effect of the promotions in the markets, and help to consolidate the long-term partnership with the trade. Major initiatives include:

- (a) Promote mega events: Encourage the local travel trade to develop itineraries featuring HKTB's mega events. For example, provide special offers to travel agencies with a view to motivating them to include the HKTB mega events in the inbound tours, and work with airlines, cross-border bus companies and major shopping malls to provide visitors with information on these events.
- (b) Tap into emerging markets: Focus co-operation with airlines on promotions in the emerging markets. Encourage the Hong Kong travel trade to take part in travel trade shows and related activities in these markets, and step up publicity to boost attendance at the Hong Kong pavilion in the shows. Also, offer assistance to the travel trade to apply for the SME funding schemes offered by the Hong Kong Government for tapping into the emerging markets.
- (c) Develop multi-destination products: Organise travel missions to partnering cities to facilitate exchange between the Hong Kong travel trade and their counterparts in the cities, and seminars in targeted markets to publicise multi-destination products.

49. In addition to the above, the HKTB will, along with the travel trade partners, review the format of participation in travel trade shows in visitor source markets. Simultaneously, the HKTB will strive to seek for joint participation in the shows with other tourism marketing organisations and airline partners, and organise more activities for the travel trade to network and build business.

50. To enhance visitors' experience in Hong Kong and instil diversity into the tourism products of Hong Kong, the HKTB will urge the local travel trade to develop new products, such as food and wine-themed tours during the Hong Kong Wine and Dine Month, and green tourism products featuring the Hong Kong Global Geopark of China.

51. The HKTB is planning to launch a new PartnerNet in June 2012 to tighten its network with the travel trade and create new business opportunities. Catering for the travel trade in different markets, the new PartnerNet will include 13 versions in nine languages, additional interactive functions, as well as automation service for registered trade partners to manage their own profile, business information and attractive offers. There will also be a business-to-business e-Marketplace at a later stage.

Enhance Quality Service

52. To consolidate Hong Kong's image as a premier travel destination, the HKTB will intensify its efforts to promote quality tourism services in 2012-13:

Quality and Honest Hong Kong tours

- (a) Through widespread promotion in the past few years, the coverage of Quality & Honest Hong Kong tours has been extended to more than 80 travel agencies in 28 Mainland cities, providing a total of 83 service counters, including 55 online counters. In 2012-13, the HKTB will further expand the online coverage and promote these tours via different channels.
- (b) Following the opening of the Guangzhou-Shenzhen section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the HKTB will strengthen promotion of the Quality & Honest Hong Kong tours to the Central China consumers travelling to Shenzhen on the express rail link.

Quality Tourism Services Scheme

- (c) The HKTB will widely publicise the Quality Tourism Services (QTS) Scheme in the target source markets, especially Mainland China. Consumer awareness will be raised through consumer fairs, while the travel trade will be provided with more information through road shows and digital channels, such as the HKTB website, e-newsletters and the new PartnerNet.
- (d) Following the first-ever QTS Merchant Awards in 2011, the HKTB will organise once again the longstanding merchant award programme to recognise those who have been accredited by the scheme for 10 years or more.

Uphold Corporate Governance

53. While conducting marketing promotions in the visitor source markets, the HKTB will strive to enhance its corporate governance, such as conducting regular audit reviews to ascertain compliance, ensuring stringent internal control, and regularly reviewing and further enhancing its financial policies and procedures. The HKTB will also identify areas of improvement through consultation with the academics and other stakeholders, so as to enhance its accountability. Based on the strategic foci of 2012-13, the HKTB has drawn up a set of objectives and results for measuring the effectiveness of its promotions and hence ensuring efficient use of public resources.

COST MANAGEMENT

54. The HKTB's projected marketing budget for the Mainland and overseas markets and the Head Office in 2012-13 is HK\$349.8 million (including overseas representative fees and exchange reserve). Out of this budget, approximately 52% (HK\$182.5 million) will be allocated to promotions by the Worldwide Offices, 3.8% more than the revised estimates in 2011-12.

55. As for the remaining 48%, a significant portion is for initiating global and regional promotions at the Head Office, and for implementing mega events and other initiatives, such as marketing of the QTS scheme and provision of visitor information and services, at the destination. Attachment IV sets out the detailed breakdown.

56. The HKTB will continue to adopt a prudent approach in investing its marketing resources and vigorously control cost. Currently the HKTB has a worldwide network of 16 offices and has representatives in five different markets. The staff headcount of the HKTB has been adjusted following the establishment of the Taipei office in September 2011. In 2012-13, the HKTB will maintain the headcount in its Head Office and Worldwide Offices at 338 established posts.

FINDING NEW INCOMES

57. In addition to enhancing its promotional activities through innovative and cost-effective channels as mentioned above, the HKTB will continue to solicit sponsorship for the staging of its mega events and promotions. It also aims to increase the revenue from advertising in HKTB publications and website.

58. The HKTB has an established mechanism for seeking sponsorship for mega events. In addition to identifying potential sponsors from the business community and travel trade activities, the HKTB has made plans to place advertisements in major newspapers starting from this year to invite sponsorships by local corporations. Furthermore, after the staging of each mega event, the HKTB will immediately follow up with the sponsoring organisations and discuss further co-operation, with the objective of securing sponsorship agreement lasting for more than one year. The HKTB has already started liaison with different organisations on sponsorship for the mega events in 2012-13. The HKTB aims to achieve over HK\$56.20 million of commercial sponsorship income (cash and in-kind) in 2012-13, an increase of 25.4% over the amount in 2011-12. In the event that the HKTB is unable to

identify suitable sponsors, the HKTB will kick-start the contingency mechanism in place and consult the Board and its Product and Event Committee.

CONCLUSION

59. In conclusion, the HKTB will invest prudently according to the market prioritisation and flexibly deploy its resources in 2012-13. Apart from identifying and nurturing new visitor segments, the HKTB will work even more closely with the travel trade to devise new products and raise Hong Kong's profile globally, so as to promote sustainable growth of Hong Kong's tourism.

**Hong Kong Tourism Board
January 2012**

2011 Total Arrivals by Market

(’000)	2011*	2010	Vs 2010
The Americas	1,823	1,749	+4.2%
USA	1,213	1,171	+3.5%
Canada	412	404	+1.9%
Central America	51	49	+4.6%
South America	147	125	+17.8%
Europe, Africa and the Middle East	2,195	2,174	+0.9%
Europe	1,801	1,758	+2.4%
United Kingdom	505	516	-2.0%
The Netherlands	108	107	+1.0%
Nordic Countries	137	138	-0.9%
Germany	223	230	-3.0%
France	235	240	-2.2%
Italy	117	119	-1.3%
Iberia	82	76	+7.8%
Russia	132	87	+51.6%
Europe Others	262	245	+6.7%
South Africa	81	77	+4.5%
Africa Others	114	127	-10.7%
The Middle East	199	212	-5.9%
Australia, New Zealand and South Pacific	756	769	-1.6%
Australia	645	651	-0.9%
New Zealand	100	108	-7.1%
South Pacific Others	11	10	+9.2%
North Asia	2,307	2,208	+4.5%
Japan	1,285	1,317	-2.4%
South Korea	1,022	891	+14.7%
South & Southeast Asia	3,752	3,501	+7.2%
Southeast Asia	3,201	2,928	+9.3%
Indonesia	522	453	+15.3%
Malaysia	633	579	+9.4%
The Philippines	661	603	+9.6%
Singapore	784	710	+10.5%
Thailand	487	450	+8.2%
Vietnam	80	102	-21.7%
S.E.A. Others	34	31	+9.8%
India	500	531	-5.8%
Other Asian & Indian Sub.	51	42	+20.9%
Taiwan	2,148	2,165	-0.8%
Macau	843	780	+8.1%
World excl. China	13,824	13,346	+3.6%
The Mainland	28,097	22,684	+23.9%
TOTAL	41,921	36,030	+16.4%

*Provisional data

KEY INITIATIVES OF HKTB IN 2011-12

Strategic Focus	Key Initiatives
<p>(a) Focus and prioritise marketing resources in 20 key source markets</p>	<ul style="list-style-type: none"> ▪ Launched promotions in two new markets – Vietnam and the Netherlands. ▪ In Central and North China, intensified promotion of “Quality and Honest Hong Kong” tours. ▪ In Taiwan, set up the Taipei office in September 2011. ▪ Targeting the family visitors in Mainland China and Taiwan, launched a promotional campaign themed on Hong Kong’s cartoon character McDull during the summer. ▪ In the long-haul markets, publicised “multi-destination” itineraries in collaboration with the tourism organisations of Macau and cities in the Pan Pearl River Delta. ▪ Showcased Hong Kong’s culinary excellence, especially in wine and food pairing, in various markets through a series of public relations (PR) activities. Among these was the two-week “Hong Kong. Live in London!” promotion held in September. ▪ In India, expanded promotional coverage from New Delhi and Mumbai to two new cities, namely Bengaluru and Chennai, so that all Indian cities connected to Hong Kong by direct flights are covered. ▪ In Russia, co-operated with the local travel trade to promote Hong Kong tour packages through such channels as outdoor advertisements and expanded online channels.
<p>(b) Strengthen destination appeal, generate new news and excitement through new thematic platform, tactical campaigns and mega events</p>	<ul style="list-style-type: none"> ▪ Launch a four-week-long regional TV campaign in February 2012 to broadcast the “Hong Kong • Asia’s World City” video on major regional channels, namely Discovery Channel, National Geographic, CNN and Travel & Living. ▪ Increased the number of promotional windows from six to 10 to cover different periods of the year; expanded the scale of the mega events and injected new elements into them: <ul style="list-style-type: none"> ○ Co-organised spending stimulation programmes with a credit card company during summer to encourage visits and spending. ○ Instilled new elements into the Hong Kong Dragon Boat Carnival, such as special race categories in the Hong Kong International Dragon Boat Races and a 30-metre-long dragon

Strategic Focus	Key Initiatives
	<ul style="list-style-type: none"> boat installation at the beer garden. ○ Introduced the “Festival of Restaurants” to enrich the dining and related offers for visitors and local residents during the Hong Kong Wine and Dine Month in November. ○ Installed brand new large-scale Christmas installations during Hong Kong WinterFest, including a carousel in Central and an outdoor ice-skating area in Tsim Sha Tsui East. ○ Staged the Hong Kong Mid-Autumn Festival for the first time, in which the “Lee Kum Kee Lantern Wonderland” featuring the world’s largest sculpture made from lanterns was set up in Victoria Park. ▪ Actively promoted tourism-related events and activities organised by third-party organisations, including the Dragon and Lion Festival and the Well-wishing Festival.
<p>(c) Adopt new communication approach to maximise consumer reach and impact</p>	<ul style="list-style-type: none"> ▪ Designed mini-sites for the promotional windows to promote the mega events and related activities. ▪ Uploaded promotional video clips, such as an innovative video on the Cheung Chau Bun Festival, onto the Internet and encouraged sharing on social networking sites, so as to achieve viral promotional effect. ▪ Created the DiscoverHongKong Mobile App Series, which is among the first travel app series in the world that utilises the augmented reality or AR technology. ▪ Adopted a new format and “fashion” as the theme of the Hong Kong Super Shopper contest to demonstrate Hong Kong’s trend-setting edge and superb position as both a shoppers’ paradise and a fashion capital. Contestants from 11 visitor source markets were flown to Hong Kong for the competition, while media representatives from selected markets were invited to film the event for publicity purpose. ▪ Held PR activities in a number of markets to publicise the Hong Kong Wine and Dine Festival in October: <ul style="list-style-type: none"> ○ Set up a Hong Kong pavilion at the Bordeaux Fete le Vin in France and the Food and Wine Classic Aspen in the US. ○ Besides France and the US, invited Hong Kong-based Michelin-star chefs to showcase Hong Kong’s culinary flavours in Germany, the UK and Taiwan.

Strategic Focus	Key Initiatives
<p>(d) Drive multi-destination co-operation</p>	<ul style="list-style-type: none"> ▪ In Malaysia, Singapore and Indonesia, initiated promotions to the travel trade through collaboration with the tourism administrations of Macau, Guangzhou, Zhongshan and Jiangmen. ▪ In Melbourne and Sydney of Australia, teamed up with the Tourism Administration of Guangdong Province (GDPTA) and the Macau Government Tourist Office (MGTO) to launch road shows. ▪ In Russia, co-hosted trade seminars on multi-destination travel with the Hainan Tourism Administration and the MGTO during the Moscow International Travel & Tourism (MITT) Exhibition to promote combo itineraries featuring Hong Kong and these two Chinese destinations. ▪ In Germany, attended the International Tourism Bourse (ITB) Berlin with the tourism administrations of Shaanxi and Yunnan and the GDPTA. ▪ Also at the ITB Berlin, promoted multi-destination itineraries featuring Hong Kong and Macau in partnership with the MGTO, and organised trade seminars with the Hainan Tourism Administration to introduce the complementary tourism assets of Hong Kong and Hainan. ▪ In South Korea, Japan and Vietnam, promoted itineraries featuring Hong Kong and Shenzhen together with the Shenzhen Culture, Sports and Tourism Bureau. ▪ Co-funded the production of the TV programme “Richard Bangs: Adventures with Purpose – Quest for Harmony” with the MGTO and the GDPTA, introducing the tourism appeal of the Pearl River Delta to the US consumers.
<p>(e) Build business opportunities through effective trade support and partnership</p>	<ul style="list-style-type: none"> ▪ Nurtured the development of the emerging markets through collaboration with the Hong Kong travel trade: <ul style="list-style-type: none"> ○ In June, attended trade meetings in Moscow and St Petersburg. ○ In August, organised a travel mission to Mumbai, Bengaluru, Chennai and New Delhi. ○ In September, took part in the ITE Ho Chi Minh City for the first time, and organised the first-ever travel mission to Vietnam in November. ○ In February 2012, attended the SATTE in New Delhi for the first time. ○ Also in February 2012, organised a travel mission to the Dubai, Abu Dhabi and Riyadh in the Middle East. ○ In March 2012, attended the MITT in Russia.

Strategic Focus	Key Initiatives
	<ul style="list-style-type: none"> ▪ Rolled out special offers for visitors in partnership with the trade: <ul style="list-style-type: none"> ○ To celebrate the International Women’s Day, co-printed 50,000 booklets of coupons containing offers from QTS merchants with the Guangdong Women’s Federation, and arranged for distribution to the Federation’s members to encourage them to visit the city between March and June 2011. ○ Bundled special offers on shopping, dining and sightseeing under the “Child Goes Free” programme. Families with children in targeted short-haul markets, including Mainland China, Southeast Asia, Taiwan, South Korea, India and the Middle East could obtain these privileges at consumer travel shows in the respective markets or through booking Hong Kong travel packages at assigned travel agencies.
<p>(f) Grow MICE business</p>	<ul style="list-style-type: none"> ▪ Large-scale conventions: <ul style="list-style-type: none"> ○ Focused on bidding for large-scale conventions and in six industry sectors, namely medical, science, computer science, engineering, social science and sports-leisure-culture. ○ Worked closely with the Hong Kong chapters of international organisations to bid for their large-scale conventions. ○ Arranged familiarisation tours for organisers of large-scale conventions. ▪ Exhibitions: <ul style="list-style-type: none"> ○ Bundled tailor-made offers provided by the travel trade, including discounts on tour packages, dining and shopping privileges and hospitality programmes, for participants of exhibitions to boost buyers’ attendance. One such example is the “Business Right Here!” programme. ○ Raised Hong Kong’s profile at overseas travel trade meetings and through organising familiarisation tours for the travel trade in targeted markets, so as to bring new exhibitions to Hong Kong. ▪ Meetings and incentive travel: <ul style="list-style-type: none"> ○ Increased the number of targeted markets from four (Mainland China, India, Japan and South Korea) to 10 (to include the US, the UK, Australia, Taiwan, Singapore and Malaysia). ○ In September, launched the “Lantau Island: An Inspirational MICE Destination” initiative in partnership with MICE-related trade partners

Strategic Focus	Key Initiatives
	<p>based in Lantau Island. Under the initiative, MICE offerings on the island were re-packaged for promoting to organisers of meetings and incentive travel, with a view to turning Lantau Island into a MICE hub in Hong Kong.</p> <ul style="list-style-type: none"> ▪ Heightened use of the Internet as a platform for reinforcing the image of Hong Kong as a MICE hub: <ul style="list-style-type: none"> ○ Disseminated news on the latest activities of the Meetings and Exhibitions Hong Kong (MEHK) office, as well as MICE tourism development and products of Hong Kong on online forums and social networking sites. ○ Publicised Hong Kong's MICE strengths on websites popular among the travel trade.
(g) Build cruise demand	<ul style="list-style-type: none"> ▪ Spread news and information on Hong Kong's cruise tourism via the media in South China, raising awareness of Hong Kong as a cruise destination among the consumers in the region. ▪ Shared news of cruise development in Hong Kong and Asia at large with the global MICE trade at international trade events, such as Cruise Shipping Miami, so as to encourage the inclusion of Hong Kong in the itineraries of international cruise liners.
(h) Enhance service quality and visitor's satisfaction and uphold corporate governance	<ul style="list-style-type: none"> ▪ Quality & Honest Hong Kong tours <ul style="list-style-type: none"> ○ Enlarged the coverage of the tours to over 80 travel agencies in 28 Mainland cities, which provided altogether 83 dedicated service counters, including 55 online counters. ▪ Quality Tourism Services Scheme <ul style="list-style-type: none"> ○ Intensified promotion of the Quality Tourism Services (QTS) Scheme during the road shows launched by the QTS Association in Shanghai, Chengdu, Changsha and Guangzhou between April and May 2011. ○ Organised the first QTS Merchant Awards to give recognition to those merchants who have been accredited by the Scheme for a long time and those who have shown outstanding performances, thus encouraging the trade to uphold their service standards.

2012-13 PROPOSED MARKETING BUDGET

	2012-13 Proposed Budget (HK\$M)	2011-12 Revised Estimates (HK\$M)
<i>Mainland China</i>	<i>55.1</i>	<i>53.4</i>
South China	13.4	15.3
Central China	11.0	9.8
East China	13.8	12.3
North China	16.9	16.0
<i>Short-haul Markets</i>	<i>51.1</i>	<i>46.0</i>
Japan	13.7	14.1
Taiwan	11.7	11.0
South Korea	11.3	9.7
Singapore	3.7	2.6
The Philippines	3.5	3.0
Malaysia	2.8	2.5
Indonesia	2.3	1.0
Thailand	2.1	2.1
<i>Long-haul Markets</i>	<i>43.4</i>	<i>51.1</i>
USA	15.6	17.3
Australia	10.2	10.5
United Kingdom	7.1	12.3
Canada	4.0	4.5
Germany	3.5	3.5
France	3.0	3.1
<i>Emerging Markets</i>	<i>30.9</i>	<i>22.9</i>
India	12.5	10.7
Russia	6.5	4.5
The Middle East	5.6	3.8
Vietnam	3.5	2.3
The Netherlands	2.8	1.6
<i>Non-key Markets & Exchange Reserve</i>	<i>2.0</i>	<i>2.4</i>
Total Marketing Budget for Source Markets	182.5	175.8
Total Marketing Budget for Head Office	167.3	176.0
Total Proposed Marketing Budget	349.8	351.8

Remarks: Due to rounding, the total may differ from the sum of individual figures.

2012-13 PROPOSED MARKETING BUDGET
(by Strategic Focus)

Strategic Focus	Head Office (HK\$M)	Worldwide Offices (HK\$M)	Total (HK\$M)
1. Reinforce Hong Kong's brand image through the 'Hong Kong, Asia's World City' platform	1.2	7.5	8.7
2. Instil new elements into mega events and step up promotions	48.8¹	56.9	105.7
3. Strengthen digital marketing & public relations effort to expand coverage and increase penetration rate	22.2	45.3	67.5
4. Promote Hong Kong as the hub for multi-destination travel in the region	1.2	6.0	7.2
5. Boost MICE attendance	31.9	17.5	49.4
6. Build cruise demand	14.6	0.9	15.5
7. Strengthen trade support & partnership and explore new collaborative format	10.2	26.2	36.4
8. Enhance quality services and uphold corporate governance <i>(Includes promoting Quality & Honest Hong Kong tours and the Quality Tourism Services Scheme)</i>	37.2	13.3	50.5
9. Others (a) Agency rep. fee (b) Exchange reserve (c) Reserve for non-key markets	-	9.0	9.0
Grand Total²	167.3	182.5	349.8

¹ The amount is earmarked by the HKTB out of its total marketing budget in 2012-13 for organising and staging the mega events during the year, which projected expenditure amounted to \$106.2 million. The HKTB will actively seek sponsorship from different sources to cover part of the expenses.

² Remarks: Due to rounding, the total may differ from the sum of individual figures.