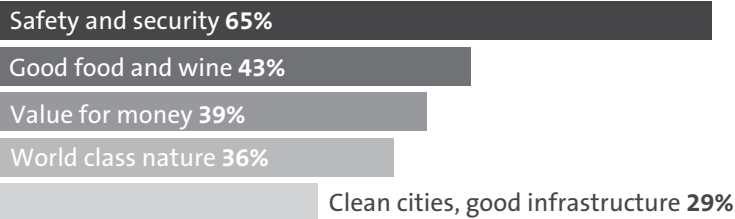


Market overview

In 2016, Hong Kong was Australia's 10th largest inbound market for visitor arrivals, ninth largest market for total spend and 11th for visitor nights.

Key importance factors for holiday destination choice¹



Aviation routes from Hong Kong to Australia²



fpw: flights per week

Which airlines³ do visitors from Hong Kong use to travel to Australia?

| Airline | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------------|------|------|------|------|------|
| Cathay Pacific Airways (HK) | 47% | 46% | 47% | 47% | 44% |
| Qantas Airways | 31% | 29% | 27% | 31% | 33% |
| Singapore Airlines | 6% | 6% | 8% | 7% | 6% |
| Hong Kong Airlines | 0% | 0% | 0% | 0% | 3% |
| Scot | 0% | 0% | 2% | 3% | 2% |
| Air Asia X | 2% | 3% | 3% | 1% | 2% |
| Jetstar (Australia) | 1% | 1% | 1% | 1% | 1% |
| Emirates | 1% | 1% | 1% | 1% | 1% |
| Others | 13% | 14% | 10% | 8% | 8% |



Over \$1bn

Potential to be worth by 2020



249,300

Visitor arrivals³
(↑ 14 per cent)



Holiday^{o§}

51%



Visiting friends & relatives^{o§}

26%



Business^{o§}

11%



Education^{o§}

7%



\$1.2bn

Total spend⁴
(↑ 3 per cent)



Average nights stayed^o



Median nights stayed^o



Nov-Dec and Jun-Jul
Booking peak period



Lunar New Year, Jul and Dec
Travel peak period

Notes: ^{*}Average nights: the sum of all nights divided by the sum of all visitors. ^{**}Median nights: the midpoint length of stay for which 50% of visitors stay less and 50% stay longer. ^oData refers to an average of 2012-2016. [§]Refers to share of arrivals of respective purpose. Sources: 1. Tourism Australia, Consumer Demand Project, 2016. 2. Department of Infrastructure and Regional Development, December 2016. 3. Department of Immigration and Border Protection, December 2016. 4. Tourism Research Australia, International Visitor Survey, December 2016.

HONG KONG MARKET PERFORMANCE

» The charts on this page provide a trend overview of visitor arrivals and spend over the last 10 years by main purpose of visit, by first and repeat leisure^Δ visitors and also a snapshot of age demographic split of leisure visitors and spend.

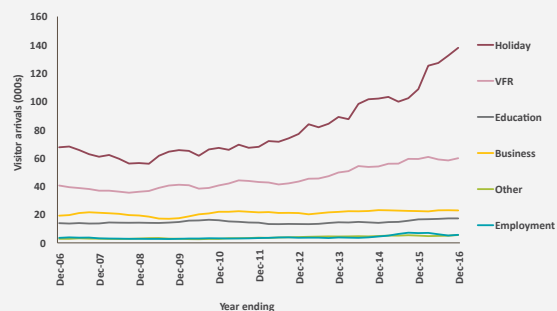
Visitor arrivals¹



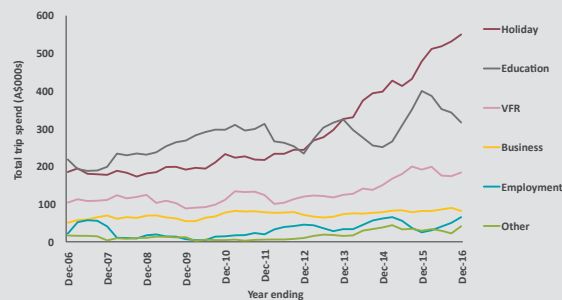
Visitor spend²



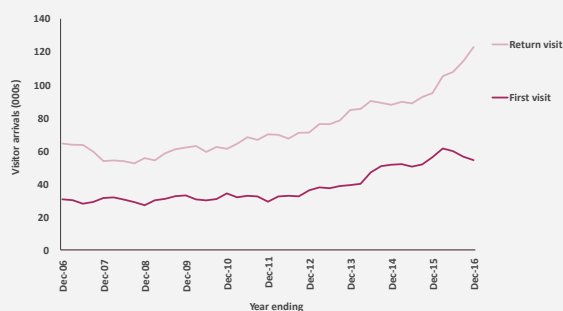
Visitor arrivals by main purpose of visit¹



Visitor spend by main purpose of visit²



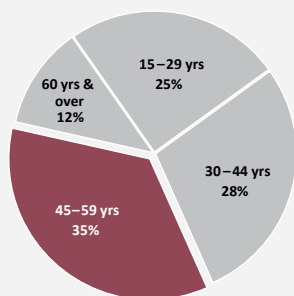
First and repeat leisure visitor arrivals²



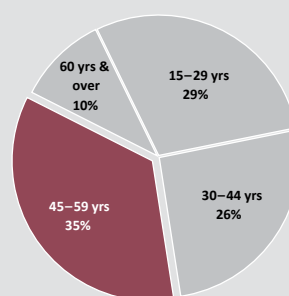
First and repeat leisure visitor spend²



Leisure arrivals by age^{2†}



Leisure spend by age^{2†}



Notes: ^ΔLeisure refers to main purpose of visit of holiday and visiting friends and relatives. [†] Age profile data refers to an average of 2012-2016.

Sources: 1. Department of Immigration and Border Protection, December 2016. 2. Tourism Research Australia, International Visitor Survey, December 2016.

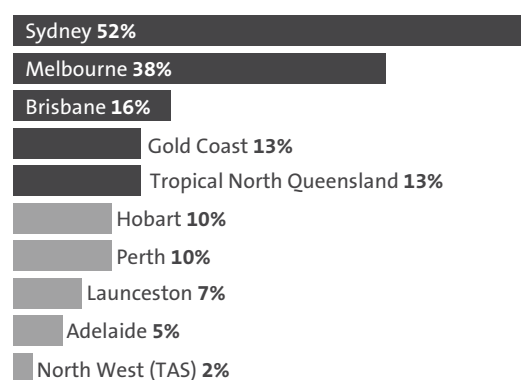
HONG KONG MARKET PERFORMANCE

» The following^o table provides a summary of arrivals, spend and the proportion of repeat visitors to Australia by main purpose of visit: holiday, visiting friends and relatives, business and education.

| | HOLIDAY | VISITING FRIENDS AND RELATIVES | BUSINESS | EDUCATION |
|------------------------------------|-----------------------------|--------------------------------|----------------------------|---------------------------|
| Arrivals ¹ | 102,900 (51% [§]) | 53,200 (26% [§]) | 22,300 (11% [§]) | 15,200 (7% [§]) |
| Spend per trip ² | \$4,100 | \$3,000 | \$3,400 | \$19,200 |
| Spend per night ² | \$151 | \$169 | \$391 | \$137 |
| Repeat visitors ² | 56% | 84% | 77% | 80% |
| Average nights stayed ² | 29 | 19 | 9 | 147 |
| Median nights stayed ² | 9 | 10 | 5 | 130 |

» The following provides an overview of top 10 regions visited by leisure visitors and the number of stopovers made in Australia by leisure visitors.

Top 10 regions visited by leisure visitors^{o**2}



Overnight stopovers made in Australia by leisure visitors^{o**2}



Read as: 30% of leisure travellers from Hong Kong visited 3-5 regions (and made at least one overnight stay).

Notes: ^o Data refers to an average of 2012-2016. [§] Refers to share of arrivals of respective purpose of visit. ^{*} Leisure refers to main purpose of visit of holiday and visiting friends and relatives. [^] Percentages will not add to 100% as one person can visit multiple regions. The data refers to visitors that made at least one overnight stay.
Sources: 1. Department of Immigration and Border Protection, December 2016. 2. Tourism Research Australia, International Visitor Survey, December 2016

HONG KONG AVIATION LANDSCAPE



1.5 million
Inbound seats



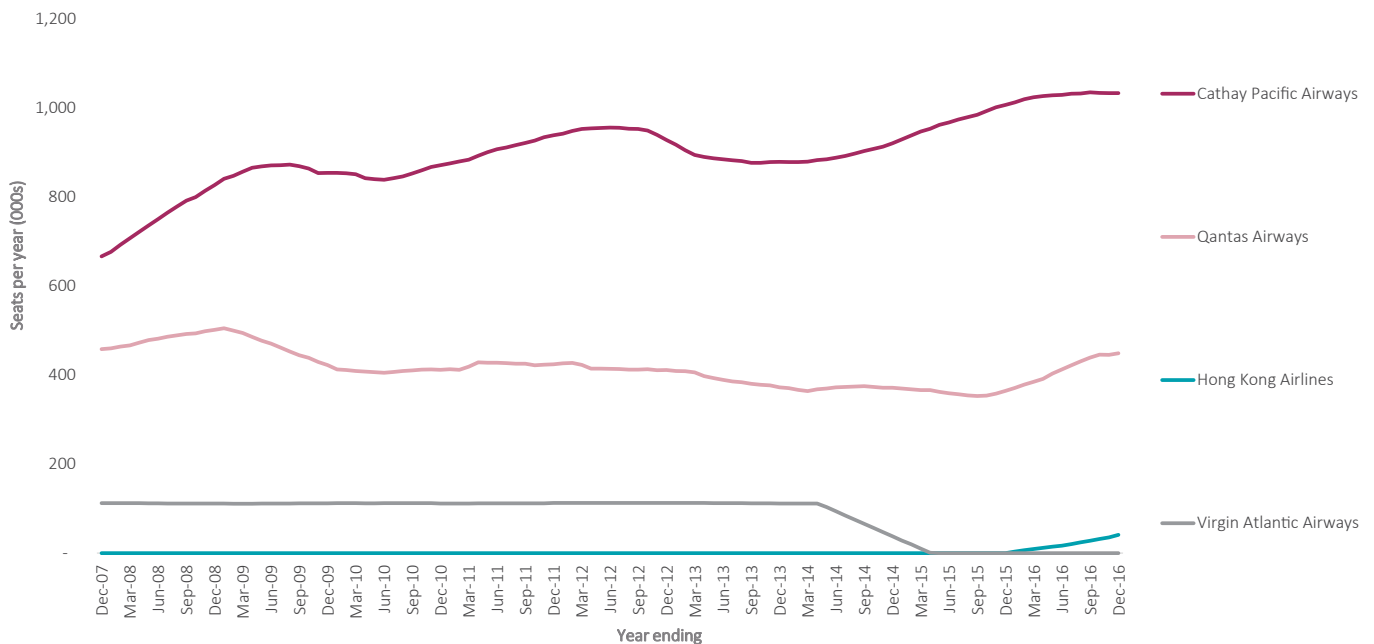
11%
year on year



104 Flights
per week

- » The Hong Kong – Australia route has seen minimal capacity expansion for most of the last five to eight years, with growth constrained (from Hong Kong's end) under bilateral agreements and Hong Kong's international airport infrastructure. The situation has turned around in 2016, with capacity growing 11 per cent year on year.
 - » Capacity growth was brought about by the new Hong Kong Airlines' triangular services Hong Kong-Gold Coast-Cairns and doubling of Qantas' Hong Kong-Sydney frequency to 14x weekly. Cathay Pacific has also announced plans to upgauge another of its daily service to a Boeing 777-300ER by end of October 2017, which will then see three of Cathay's four daily flights being operated by the larger aircraft.
 - » Cathay Pacific has lost inbound passenger share with its share declining to 44 per cent (-three percentage points) in 2016, while Qantas' share improved to 33 per cent (growth of two percentage points). See table on page 1 for more information.
 - » At the back of strong capacity growth in 2016, inbound average load factors fell three percentage points to 86 per cent, still a strong load, with capacity particularly tight during January/February (Chinese New Year), April, July and October. This is in part due to Australians returning home during school holidays.
 - » Virgin Australia together with HNA Aviation, Hong Kong Airlines and HK Express have applied for authorisation of its proposed alliance to the Australian Competition and Consumer Commission.
- Subject to authorisation, the airlines plan to introduce new direct services between Australia and Hong Kong and Australia and mainland China, code share on each other's flights between Australia and Hong Kong, between Australia and mainland China and on each other's domestic networks and also cooperate in relation to route planning, sales, distribution and marketing, frequent flyer programs, lounge access and other activities.

Direct aviation capacity from Hong Kong to Australia



Sources: Department of Infrastructure and Regional Development, Aviation Statistics.

HONG KONG AVIATION LANDSCAPE

Weekly services to Australia

| Operating Airlines | Flights per week | Route | Alliance/ code share partner (on route) |
|--------------------|------------------|-------------------------------|-----------------------------------------------------------------------|
| Cathay Pacific | 4-5 | Hong Kong- Adelaide | British Airways, Finnair |
| | 7 | Hong Kong-Brisbane | British Airways, Finnair, Japan Airlines |
| | 3-4 | Hong Kong-Cairns-Brisbane | Austrian Airlines, British Airways, Finnair, Lufthansa, Qatar Airways |
| | 18-21 | Hong Kong-Melbourne | Austrian Airlines, British Airways, Finnair, Lufthansa, Qatar Airways |
| | 8-10 | Hong Kong-Perth | British Airways, Finnair, Japan Airlines, Qatar Airways |
| | 24-28 | Hong Kong-Sydney [^] | British Airways, Finnair Lufthansa, Qatar Airways |
| Hong Kong Airlines | 3-5 | Hong Kong-Cairns-Gold Coast | |
| Qantas | 7 | Hong Kong-Brisbane | British Airways, Finnair, Jet Airways |
| | 7 | Hong Kong-Melbourne | British Airways, Finnair, Jet Airways |
| | 14 | Hong Kong-Sydney | Finnair, Jet Airways |

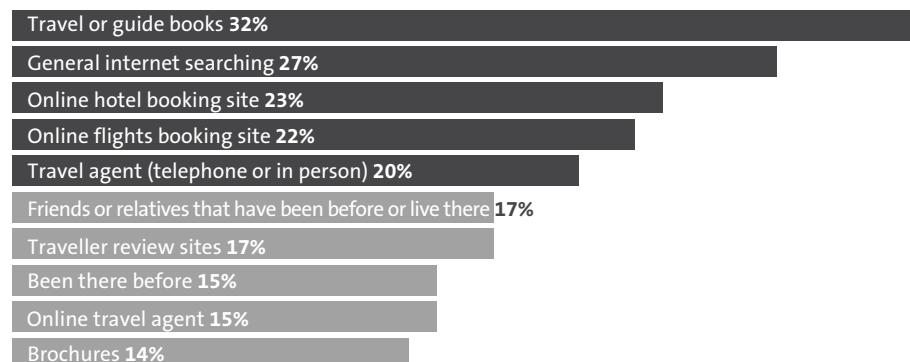
Sources: Department of Infrastructure and Regional Development, International Airlines Timetable Summary (Northern Summer), 2017

HONG KONG

PLANNING AND BOOKING INFORMATION SOURCES

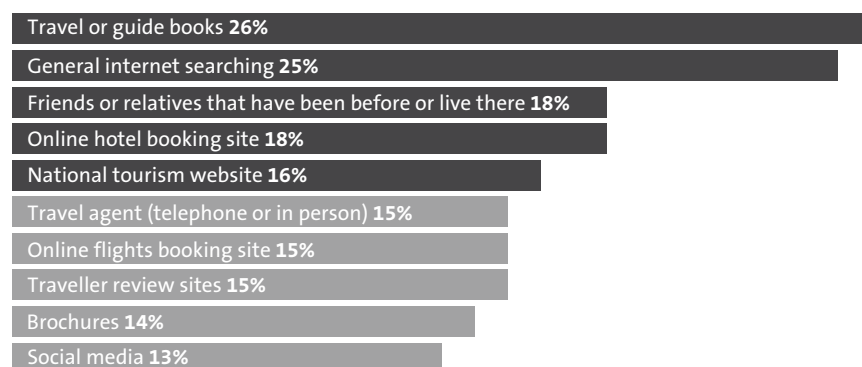
The following charts highlight the information sources that Hong Kong consumers use to plan and book their holidays.

Preferred sources for early planning and holiday inspiration



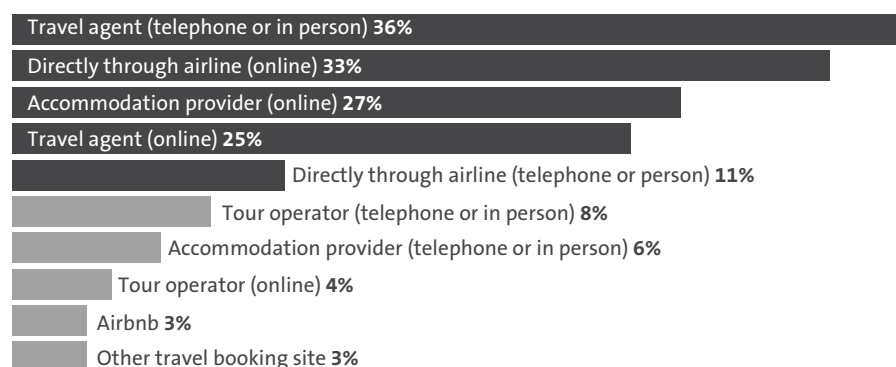
Read as: 32% of respondents indicate 'travel or guide books' as a preferred source during the early stages of planning a holiday.

Preferred sources for seeking information



Read as: 26% of respondents indicate 'travel or guide books' as a preferred source for seeking information about a holiday destination.

Preferred sources used to book a holiday



Read as: 36% of respondents indicate booking via a 'travel agent (telephone or in person)' as a preferred source when booking a holiday.

Source: Tourism Australia, Consumer Demand Project, 2016

HONG KONG DISTRIBUTION

The travel distribution system in Hong Kong has taken a big step towards digital and online platforms, with traditional retail agencies promoting their online booking portals. OTAs aggressively market their services and airlines are offering direct special tickets on their own websites. Online booking has gained a greater percentage of conversion, but there is still a major bulk of consumer choosing to book through the extensive branch office networks of retail agencies, especially for the final payment of the booking.

Distribution system

WHOLESALERS/ LARGE AGENCIES

Commission level: 3% to 5%

- » There are a small number of key wholesalers that offer commissionable packages to outbound travel agents.
- » Jetour Holidays, Travel Circle International Service (trading as Kuoni) and Charming Holidays are the key wholesalers for group travel which offer programs to Australia. To ensure differentiation to major retail agents, this group of wholesalers promote niche and diverse products. Their business model also operates directly to consumers and had developed their own consumer brand and positioning to capture their market share.
- » Airlines in Hong Kong that fly to Australia have travel seller departments and act as the major wholesalers in the market for the free and independent travel (FIT) segment. These are: Qantas Holidays and SIA Holidays. They also have their own networks of retail agencies.

RETAIL AGENTS

Commission level: up to 3%

- » The Travel Industry Council in Hong Kong has 1,750 travel agent members, which includes 1,525 outbound agents as of March 2017.
- » Key outbound retail agents have extensive branch office networks which promote ticketing and commissionable packages.
- » Depending on airline pricing, retail agents adjust the inclusions and itineraries for Australia. Packages often have a limited 'shelf-life' and the frequent production of brochures and flyers provide an opportunity for different operators to become involved in tour programs at varying times of the year.
- » Wing On Travel and Hong Thai Travel are the two main retail agents in Hong Kong. They have an extensive network of branches and together account for 60 per cent of group business.
- » Major group retail agents in Hong Kong include: EGL Tours Company Limited, Goldjoy Holidays, Sunflower Travel, Premium Holidays, Miramar Travel and China Travel Service Limited.
- » Major package retail agents include Travel Expert, Wincastle Travel, H.I.S. (Hong Kong), Westminster Travel, Lotus Tour and Jebson Holiday.
- » Other retail agencies such as Amusing Travel Plan Limited, Maywood Travel Limited offer attentive, theme and special interest itineraries to compete with major retailers.
- » Throughout the year, these agencies drive tactical promotions with short lead times, promoting special value-add offers

AUSSIE SPECIALISTS

1,447 qualified Aussie specialists as of Mar-17

- » The Aussie Specialist Program (ASP) is the primary platform for Tourism Australia to train and develop front line travel sellers to best sell Australia.
- » As at March 2017, there were 1,447 qualified Aussie Specialists in Hong Kong.

HONG KONG DISTRIBUTION

ONLINE

- » Online Travel Agencies (OTAs) active in the market are Hutchgo.com.hk, Trivago.hk, Expedia.hk and new comers into the market are Ctrip.com.hk, TravelFlan and KKDay.com, who offer instant confirmation for airfares, hotel accommodation and attractions. They work with global distributors, hotel partners and inbound tour operators (ITOs).
- » Other new tourism platform like Tripwant based in Hong Kong focus in Asia Pacific outbound market. It is a free cloud computing solution integrating B2B2C and ONO, destination marketing and distribution for tour operators and DMO around the world. Tripwant facilitates interaction and tourism resources sharing between tour operators and end users through technology and innovative UX.
- » Traditional group retail agents have also increased their focus online in order to capture a larger market share of free and independent travellers, e.g. Wing On, Hong Thai, Miramar and EGL.

INBOUND TOUR OPERATOR

Commission level: 10% to 15%

- » ITOs handle all group business from Hong Kong to Australia and play a key role in developing new itineraries and products for the Hong Kong market.

HONG KONG DISTRIBUTION

Trends

Distribution



» Per Association of National Tourist Representatives in Hong Kong 19 existing members and Seychelles is the newest member set up office in Hong Kong.

- » Specialty tours for wedding, marathon, golfing, diving or skiing have significant growth in demand. Retail agencies are eager to organize this category of tours for its higher profit margin.
- » Tailor-made and small group segment emerge with partial land arrangement pre-organized such as hire car, hotel or apartment and slight parts of attraction. Most meals are not included into the itinerary and without tour escort.
- » Youth and study tours to western countries is another category of tours proven with continuous growth and demand, not only in summer vacation but year-round holidays from 5 to 7 days duration.
- » Family travel and travelers aged around 50-60 are an important segment with strong spending power.
- » There is a growing trend towards digital applications, apart from using QR codes for itinerary promotion, tradition print advertising is shifting towards online and social media advertising.
- » Cruising company is expanding their presence and promotion activity in the market, offering intra-region and fly cruise package to capture outbound travel market share.
- » Online booking consumes a big percentage on leisure travel bookings, however it loses its competitive edge for booking to travel during peak seasonal holidays by cause of inflexible ticket terms and fluctuation on air tickets and hotel rates and availabilities.

Planning and purchasing travel

- » The most common Australian travel package is seven to eight days through Eastern Australia for group travel, and three to five night trips for the FIT market. Australia is considered a popular Western destination in Hong Kong and attracts repeat visitation.
- » Competitive ticket-only promotion drive a new segment for Australia on conversion ahead of destination awareness and detailed itinerary planning.
- » Value-add offers are key drivers, mature frequent travelers are prepared to spend more for higher quality products and services, such as five-star hotels or a business class upgrade with a competitive price.
- » Weekends combined with public holiday are the most demand travel pattern, Hong Kong consumers tend to take frequent short breaks instead of a long break holiday.
- » Printed materials such as guide books for destination information are still popular but there is a trend towards destination apps and electronic guidebooks.
- » Caused by the slow economic development, at one end tourists are seeking for comfort/luxury travel products, at the other are people looking for thrills/budget travel.

Planning a visit to market

Top tips for sales calls



- » As the turnover rate for retail agency frontline staff is high, it is worthwhile for Australian products to arrange in-house training for committed travel agent partners on sales calls.
- » Value-add or competitive pricing offers during the low season travel period from March to June are useful to trigger tactical campaigns with travel agent partners.
- » The best time for sales calls targeting low season business is after Chinese New Year. To capture high season business and have products included in itineraries, visit the market after Easter for July and August high and shoulder season, and August or September for Christmas and Chinese New Year high season.
- » For more general information on sales calls and planning a visit to market, please see Tourism Australia's Planning for Inbound Success ebook at www.tourism.australia.com/inboundsuccess.

HONG KONG

FURTHER INFORMATION

Key trade and consumer events

| Event | Location | Date |
|-------------------------------------------------------------------------------------------------------------------------|------------|------------------------------------------------------|
| 2017 Greater China Travel Mission | TBC, China | November 2017 (TBC) |
| Inter Tour Expo 2017 (ITE & MICE Hong Kong) http://www.itehk.com/ITEHK/ | Hong Kong | 15-18 June 2017 7-10 June 2018 13-16 June 2019 |

Where to find more information

Tourism Australia's activities in Hong Kong are managed from its Hong Kong office. For more information visit Tourism Australia's corporate website at www.tourism.australia.com.

- » Australian State and Territory Tourism Organisations operating in Hong Kong include: Destination NSW, Tourism and Events Queensland, Tourism Western Australia and Tourism Tasmania.

Also see:

- » Hong Kong Country Brief published by the Department of Foreign Affairs and Trade at www.dfat.gov.au/geo
- » For the latest arrivals statistics, visit: <http://www.tourism.australia.com/statistics/arrivals.aspx>
- » For additional statistical reports refer to the ABS and TRA websites, www.abs.gov.au and www.tra.gov.au
- » For additional information on consumer research, visit: <http://www.tourism.australia.com/statistics/consumer-demand-research.aspx>

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