

2010 First Annual Summit of Hotel Owners in the Greater China Region and the Forum for Hotel Industry Development

15 March 2010

Grand Hyatt Guangzhou

Deputy Secretary General Jiang Qikang, Executive Director Mr Anthony Lau, Deputy Director Maria Helena de Senna Fernandes, President Zhang Xuerong, Executive Chairman Li Huasheng, representatives of partner units, dear guests,

First of all, I must thank the Alliance of China Hotel Owners for its arrangement, so that I could come to Guangzhou today to share with fellow hotel operators my views on the development of China's hotel industry. It is also a great honour for me to have the chance to meet with government officials, experienced hotel operators and prominent academics here.

In the following, I would give a brief introduction to the background and objectives of The Federation of Hong Kong Hotel Owners (the "Federation") and its contributions to the hotel industry in Hong Kong.

The Federation was founded in 1983 as a non-profit-making organisation and registered with limited liability in 1984. Membership is by invitation and members join in the capacity of holding companies of hotel operations. Our members account for approximately 90% or more of the hotel rooms in Hong Kong.

The Federation has been founded with the aim of protecting the interests of hotel owners, as well as promoting and supporting the long-term development strategy of the hotel and tourism industry. Meetings of the

executive committee of the Federation are held on a quarterly basis, while the management committee meets every month. Working committees might also be set up where necessary to conduct research on special projects, such as the making of general policy recommendations to the government. The opinions of the Federation are highly regarded by various sectors.

In terms of general policies, the government instituted the office of Commissioner for Tourism after repeated requests by the Federation. The Federation had also recommended the reform of the former Hong Kong Tourist Association to focus on marketing, abolish its membership system and broaden the representation of the council. Hong Kong Tourist Association was subsequently renamed Hong Kong Tourism Board.

In connection with long-term tourism development, the Federation has recommended the construction of world-class performance venue and sporting facilities to host international performances and tournaments. We have also proposed the building of the multi-purpose exhibition halls to enhance the image of Hong Kong and entice visits by high-spending visitors.

In terms of the improvements to the business environment, we facilitate communications between the sector and the government. Our major achievements in recent years are summarised as follows:

1. In view of the profound impact of the Hotel and Guesthouse Accommodation Ordinance on hotels built prior to the enactment of this ordinance, the Federation conducted a series of negotiations with relevant government authorities to fight for a transitional period and interim measures for the industry, so that these hotels could take steps to comply with requirements under the ordinance.

2. The Buildings Department agreed to relax the plot ratio restrictions for hotels following active lobbying by the Federation to reflect their operational needs, allowing more flexible use of space by hotels.
3. The Federation negotiates collective revaluation of rates on behalf of its members where necessary. The initiative saves individual members from administrative red tape while increasing the Federation bargaining power in negotiations with government authorities, which actually welcomes the practice of collective appeal as it reduces the government's administrative burden.
4. The Federation successfully convinced the government to exempt hotel room levy, enabling hotel owners to save millions of tax dollars while enhancing the competitiveness of Hong Kong hotels.
5. Proposed mandatory implementation of the Building Energy Code: the Federation convinced the Environment Bureau to exclude hotels from the category of commercial buildings, such that neither hotel buildings completed before the ordinance came into effect nor those completed afterwards were subject to mandatory regular energy audits, resulting in significant savings for hotel owners. The government also agreed not to include compliance with this ordinance as a condition for the grant of hotel licenses.
6. The Federation called on the Home Affairs Department to increase its effort in banning unlicensed guesthouses and disguised premises for short-term accommodation, in order to protect the image of the industry and the safety of travellers.
7. The Federation made recommendations to the government for improvements to the SPA, liquor and restaurant licensing regimes for hotels, generated tremendous support from the industry.

The Federation furnishes research reports on special topics for members from

time to time, with a view to keeping members updated and giving investors and owners a clearer picture of what lies ahead. For example, the Federation produced the “Manpower Shortage at Operative Level of the Hotel Industry in Hong Kong” and “Hong Kong Exhibition Industry – Opportunities & Challenges” in 2005. The Federation also offers strong support to the training of professionals in the service industry by other institutions, such as the School of Hotel and Tourism Management of the Hong Kong Polytechnic University, School of Hotel and Tourism Management of The Chinese University of Hong Kong, Vocational Training Council and Chinese Culinary Institute, where high-calibre talents have been trained to serve in the respective sectors.

Building on our solid foundation, the Federation will continue to strive for a better business environment for fellow members of the industry, facilitate communication between hotel operators and the government, as well as express our views on or disapprovals for outdated or unreasonable government policies or regulations.

The tourism sectors in the Mainland and in Hong Kong have been better positioned to launch Multi-destination Travel products and expand the market created by the “Individual Visit Scheme” (“IVS”) since the Central Government entered into the “Closer Economic Partnership Arrangement” (“CEPA”) with the Hong Kong SAR. The objective of CEPA of bringing mutual benefits to Hong Kong and the Mainland has been achieved, as evidenced by the following statistics released by the Hong Kong Government in September 2009: 43,000 job positions for Hong Kong from 2004 to 2008 as a result of IVS and trading in services under CEPA; Retail spending in excess of HK\$58 billion by Mainland tourists visiting Hong Kong via IVS; approximately HK\$46 billion in revenue generated by Hong Kong companies from their businesses in the Mainland

under CEPA; approximately 50,000 job positions created in the Mainland under CEPA; and more than 40 million Mainland tourist arrivals in Hong Kong under IVS.

The Federation is glad to see that the implementation of large-scale infrastructure projects in Hong Kong, such as the Hong Kong – Zhuhai – Macao Bridge, the Cruise Terminal and Express Rail Link Hong Kong Section, as well as the vigorous launch of a wide range of measures by the Hong Kong government to develop tourism and attract tourists from new markets such as Russia, India, the Middle East and other countries. Committed efforts have also been made to build Hong Kong into a convention and exhibition centre, regional cruise hub and centre for wine trade. The competitive as well as complementary relationship among Hong Kong, Zhuhai and Macau would serve to enhance the service standard of hotels in these cities, resulting in the arrival of more visitors. In view of the challenges presented by neighbouring regions, such as the recently launched Resorts World Sentosa in Singapore, the Federation is looking to the government to provide clearer indications of its policy and direction for the development of tourism, so that closer cooperation can be fostered for the further benefit of the industry.

With the strong support of the Central Government, as well as the construction of tourism-related infrastructure, such as the Express Rail Link and the Cruise Terminal, we believe that tourists from the Greater China region will continue to increase in number and variety. Therefore, projects for the development of hotels of different classes are also increasing every year. Currently, Hong Kong is providing nearly 60,000 hotel rooms and the occupancy rate consistently stands at about 80%, so the Federation believe there are sufficient rooms to meet the demand.

To ensure sustainable growth for hotels in the Greater China, members of the region's tourism industry should join hands to promote tourist attractions in the Pearl River Delta region and enhance communication and understanding among different cities through various channels, in order to identify opportunities for cooperation. For their part, hotels should strive to improve the quality of their services, on top of advanced equipment and facilities. Brand reputation and business success for a hotel only come with efficient and high-quality services.

Last but not least, the Federation would like to stress that, while the Mainland and Hong Kong differ in business environment, political system and culture and each partner unit operates with unique features, the hotel industry nevertheless holds out immense potential given China's gradual convergence with the world in economic development. In this connection, the Federation is committed to further exchanges with our fellow hotel operators in the Mainland, Macau and Taiwan.

I wish you all success at the conference. Thank you.