

Boao Forum on International Tourism 2010 –

Real Estate and Tourism Session

Theme: Trends in the development of tourism and real estate industries

Subject: Concerted effort for the development of Hainan

20 March 2010

Hilton Sanya, Sanya, Hainan Province

The honourable Vice-Governor Jiang Sixian, dear guests,

Good morning. First of all, I must thank the organizers for giving me this opportunity to share with you my views on the future development of the tourism and real estate industry in Hainan at this esteemed event of the 1st Boao Forum on International Tourism, graced by the presence of senior Central Government officials, experts in economics and top management of real estate companies. For my part, I would like to share my experience in hotel and property investment as an entrepreneur.

Tourism as the driving force of all-rounded economic development: a global trend

Currently, China's average employment rate for the tertiary sector stands at approximately 32%, which is still a long way off the average level of 70% for developed countries. According to the reports of the National Bureau of Statistics, the tertiary sector has outgrown traditional industries in GDP in a number of major cities in China, providing massive job opportunities for university graduates and other members among rural as well as urban populations.

Past experience suggests that a robust tourism sector could orchestrate thriving growth across the board in a local economy, as the arrival of tourists energizes economic activities on all fronts. That's why all large cities in the world have been expediting the construction of large-scale infrastructure facilities to support and drive the development of tourism.

As business and leisure travelers become more sophisticated, they have higher expectation of travelling services. To be an international tourism city with strong appeal, one must develop new tourism themes to broaden its customer base.

For example, Hong Kong, Macau, Taiwan, as well as destinations in Europe, North America and the rest of Asia, have been making major efforts to drive the development of international trade conferences and exhibitions on the back of their existing tourism themes, in a move to upgrade themselves in international standing and physical appearance in tandem with the global trend of MICE in tourism.

Tourism as a facilitator of world peace and exchanges between people of different nationalities

My interest in the hotel and tourism business is in part owing to my love for travelling. People may travel for business, leisure or with their families, but I dare say almost everyone loves travelling.

This explains why many countries and regions are making major efforts to develop tourism, which almost always provides immense business opportunities. More profoundly, tourism necessarily enhances communication between different races, cultures and regions and enhances the understanding and union between different peoples. Hence, it is a useful facilitator of world peace and harmony.

Fostering unique tourist features

In 2002, Galaxy Entertainment Group (“GEG”) under K. Wah Group was awarded a gaming concession by the Macau SAR Government, becoming the only Hong Kong-based company to have secured this license. At the time, Macau was largely regarded by the international tourism market as a casino city in the East. The city and its U.S. investors aimed to build Macau into another Las Vegas, but our development strategy for Macau begged to be a little different.

We adopted the three-pronged strategy of “conservation”, “upgrade” and “innovation”: conserving the historic features of Macau, “upgrading” the traditional approaches in operations and services with scientific management concepts learned from Western countries, and “innovating” an integrated holiday resort with elements in convention and exhibition, entertainment and family leisure.

From a tourist point of view, every destination or city has its unique historic culture and intrinsic appeal. Today, the Historic Centre of Macau has been included in the UNESCO World Heritage List. Precisely because of its historic features and the rapid development of China trade, Macau has grown into a tourist destination with spectacular charm.

Likewise, corporations with international planning abilities should be invited to invest in Hainan, a destination enjoying climatic features similar to those of Hawaii or Florida. The government could support by building for the future and devising environmental planning to make the best out of the natural advantages of this beautiful island and develop it into an important landmark in global tourism attracting domestic as well as international visitors.

From MICE to MICEE – dominant trends in international tourism

Meanwhile, MICE (Meetings, Incentives, Conventions and Exhibitions) has become a major trend and driving force for global tourism, as it brings along high-spending corporate business travelers and generates enormous benefits for local economies. We need to look no further than this magnificent forum we are joining here today, attended by close to 2,000 guests from different parts of the world, as the best proof that Hainan is an ideal location for the development of MICE tourism.

Under the MICE blueprint, GEG has further introduced the element of “Entertainment” in Macau, where our principal project in operation is StarWorld Hotel opened 3 years ago in the city centre.

As for the integrated entertainment and holiday resort occupying a 550,000 square metre site in Cotai, the first phase with approximately 3,000 hotel rooms will be opened in early 2011. Famous international retail brands will be solicited in a strategic move to meet the preferences and needs of different tourists, while large-scale convention and exhibition facilities, venues for premium cultural and artistic performances, and the garden, artificial adventure rapids and white-sand beach facilities extending over a 52,000 square metre site will also be built to actualise the MICEE tourism model.

China needs to develop its own hotel brands

Today, we see a host of hotels under international brand names standing along Sanya's Yalong Bay. At the moment, domestic hotels still need to rely on the management experience of international hotel brands. In the long run, however, as our nation aims to sustain economic growth through the stimulation of domestic demand, we Chinese must build our own premium hotel brands, because only Chinese know best what their fellow Chinese tourists need.

I have invested in and operated many hotels in Hong Kong and the United States since the 1970s. In the early years, I introduced the practice of "franchised hotels" to Hong Kong, which was a brand new concept then. As Hong Kong did not have any experience in the management of premium hotels at that time, we must rely on the proven management expertise of Western countries. Thereafter, we started to build our own hotel management teams. Now, K. Wah has taken over the management of its 20-plus hotel properties in Hong Kong, Macau and the United States.

What's more, we have created our own hotel brand with the building of StarWorld Hotel, our flagship 5-star hotel in Macau. Over the years the hotel has received numerous international awards, including the "5-Star Diamond Award" amidst strong international competition. I am very proud that we have achieved this as a Chinese brand, and I believe that it augurs well for the future development of China's hotel industry.

Conclusion: Joining hands in the development of Hainan

There are a lot of things concerning the tourism and hotel industry that we could talk about. I was just trying to touch upon a few aspects with my humble knowledge. I sincerely wish that we could work together in a concerted effort to build on Hainan's advantage and develop the island into an exemplary tourist destination in the 21st century that would bring significant contributions to the nation's development in the long term.

Thank you.