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## INDUSTRY OVERVIEW

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*The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Ipsos Report prepared by Ipsos, which was commissioned by us. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Share Offer other than Ipsos, and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.*

### SOURCE OF INFORMATION

We have commissioned Ipsos, an independent industry research company, to conduct an analysis of, and to report on, market landscape and competitive analysis of the travel agent industry in Macau and Hong Kong, at a fee of HK\$395,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is wholly-owned by Ipsos Group S.A. which was founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999. Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,000 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

The information in the Ipsos Report is derived from data and intelligence obtained by (i) conducting desk research covering official government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (ii) performing client consultation to obtain background information of our Group; and (iii) conducting primary research by interviewing key stakeholders and industry experts. The information and data gathered by Ipsos have been analysed, assessed and validated using Ipsos' in-house analysis models and techniques. The methodology used by Ipsos is based on information sourced from multiple levels, which allows such information to be cross-referenced for accuracy.

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section. Except as otherwise noted, all of the information, data and forecast contained in this section are derived from the Ipsos Report, various official government publications and other publications.

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## INDUSTRY OVERVIEW

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### ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are used in the Ipsos Report:

- (1) The economy of Macau and the PRC will not experience significant and substantial recession in near future; and
- (2) The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the tourism industry and travel agent industry in Macau, and car rental services industry in Macau and the PRC during the forecast period.

### MACROECONOMIC OVERVIEW OF MACAU

In general, the GDP of Macau was undergoing economic recovery in 2017 and recorded GDP of approximately MOP395.2 billion in 2017 after a decrease for four consecutive years from approximately MOP471.7 billion in 2013 to approximately MOP362.3 billion in 2016. The decline was principally owing to the integration and alteration of political environment and economic slowdown in Mainland China which discouraged tourism and entertainment and leisure spending in Macau from Chinese visitors.

The GDP of Macau is expected to slowly recover from approximately MOP420.1 billion in 2018 to approximately MOP517.3 billion in 2022 at a CAGR of approximately 5.3%, as a result of expected growth in the gaming industry and the construction industry.

### OVERVIEW OF THE TOURISM INDUSTRY IN MACAU

#### Recent development

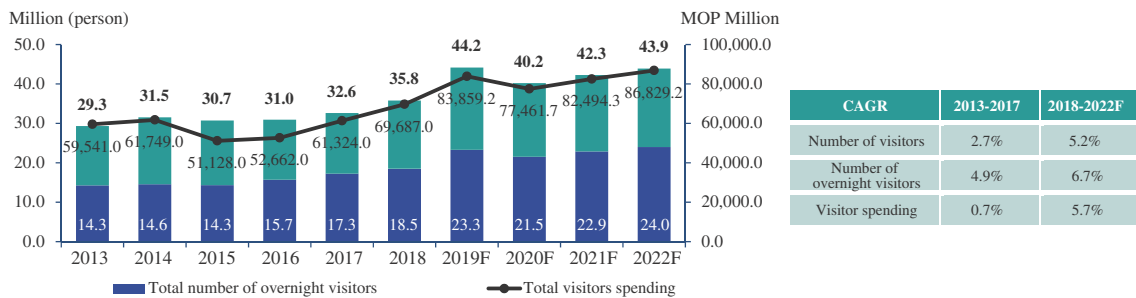
Macau is a popular international tourist destination which was ranked the fourth most visited city in Asia in 2017, totalling approximately 32.6 million tourist arrivals in 2017. The tourism industry has been one of the key contributors to Macau's economic development, which accounted for approximately 62.2% of Macau's total GDP on average during the period from 2013 to 2017. The total number of visitors in Macau increased from approximately 29.3 million in 2013 to approximately 35.8 million in 2018, at a CAGR of approximately 4.1%. In the entire tourism industry in Macau, gaming industry has played an important role to attract a large number of Mainland Chinese tourists due to Macau's distinct legal right to operate gaming activities in Mainland China, and the introduction of Free Individual Travel Scheme in 2003, which relaxed the visa policy for Mainland Chinese tourists to visit Macau.

Tourists from Mainland China remained the largest group of visitors in Macau during 2013 to 2018, which contributed more than 60% of the total number of visitors. The decrease in number of visitors in 2015 as compared to 2014 was mainly attributable to a decrease in number of tourists from Mainland China of approximately 4.2%. Total visitor spending in Macau fluctuated during the period from 2013 to 2018, which was mainly attributable to the number of visitors in Macau and their consumption power. The integration and alteration of political environment in Mainland China and

## INDUSTRY OVERVIEW

restriction on Renminbi remittance and withdrawal in Macau has discouraged some high spending tourists from Mainland China spending on casinos, luxurious hotels and retail stores in Macau. It is expected that the number of visitors to Macau will increase during the forecast period between 2019 and 2022 after the HZMB was completed in 2018.

**Total number of visitors, overnight visitors and total visitor spending in Macau from 2013 to 2022**



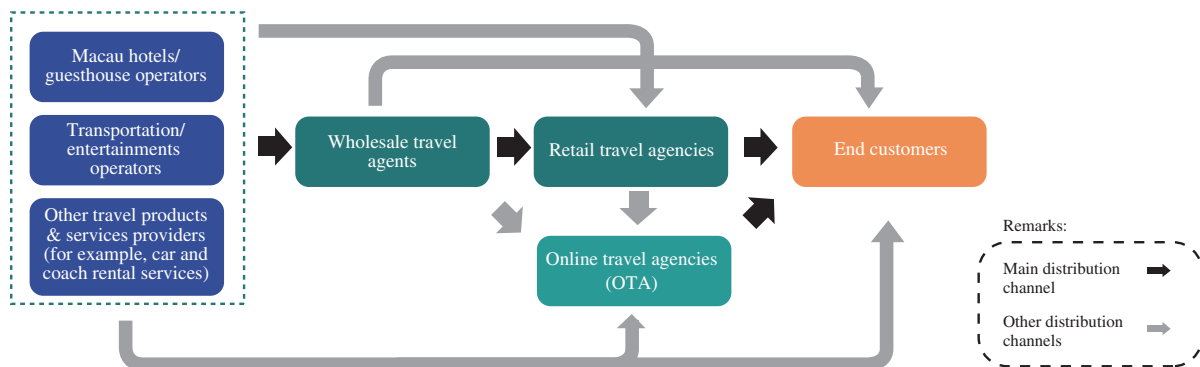
Note: “F” denotes forecast figures.

Source(s): DSEC Macau; Ipsos Research and Analysis

From 2013 to 2017, the total number of visitors to Macau showed a fluctuating trend, but generally remained stable at around 30 million visitors per year. Overall, the total number of visitors to Macau increased from approximately 29.3 million in 2013 to approximately 32.6 million in 2017, representing a CAGR of approximately 2.7%. Total number of visitors is projected to surge significantly by approximately 8.4 million visitors in 2019 as compared to 2018, which is significantly higher than growth rate in the historical period. According to DSEC statistics, the number of visitors increased significantly in the fourth quarter of 2018 and the increase remained strong in the first quarter of 2019, which was mainly attributable to the completion of HZMB in October 2018. Considered as an important infrastructure project, the HZMB attracted more tourists from Mainland China to visit Macau in the short-run, thus deriving a significant increase in the number of visitors in Macau in 2019. From 2020 to 2022, the increase in number of visitors is expected to normalise to match with the projection in the Macau Tourism Industry Development Master Plan (“**Master Plan**”) with a CAGR of approximately 4.5%.

### MARKET OVERVIEW OF THE TRAVEL AGENT INDUSTRY IN MACAU

#### Value chain of the travel agent industry in Macau



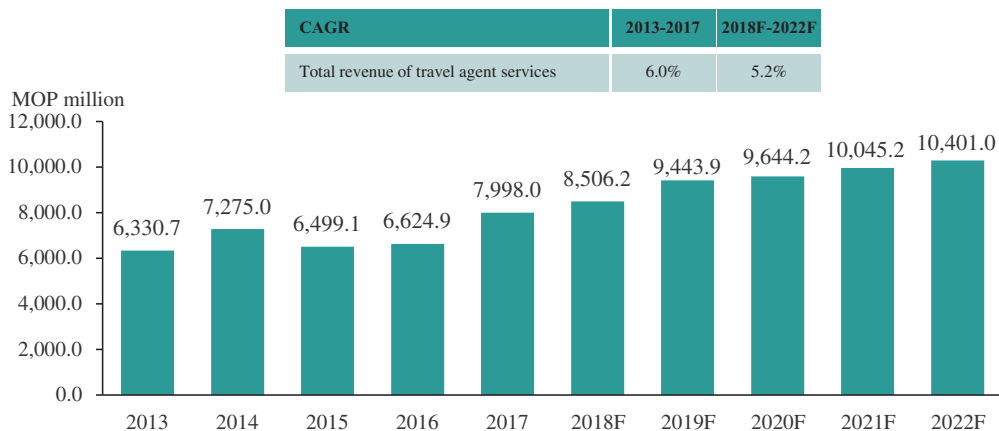
## INDUSTRY OVERVIEW

Supply chain of the travel agent industry typically involves (i) suppliers of travel products and services, such as rooms from hotels; (ii) travel agents with a focus on wholesale or retail business, also online travel agents (OTAs); and (iii) end customers of travel products. The main distribution channel of suppliers such as hotel operators is through wholesale travel agencies, while retail travel agents and OTAs are other alternative distribution channels. In particular, the main distribution channel for hotel room selling in the travel agent industry, which is composed of licensed entities that carry out business of travel agency services, involves wholesale travel agents selling to retail travel agencies the hotel rooms they purchased from hotel operators at a designed rate with contractual terms. The contractual terms involved between hotels and wholesale travel agents depends on the operation size of the hotels. Large-scale hotels (with 1,000 rooms or above) generally distribute around 60% to 70% of their rooms through their associated wholesale agents and small to medium-scale hotels (with less than 1,000 rooms) distribute about up to 80% to 90% of their rooms to wholesale travel agents. Usually, wholesale travel agents are required to pay an upfront deposit to hotel operators to secure the hotel rooms, and the amount of the deposit varies depending on the bargaining power between hotel operators and the wholesale travel agents.

However, it is not an industry norm for wholesale travel agents to require upfront deposits and/or bank guarantees from retail travel agents. In the travel agent industry in Macau, the majority of the hotel room transactions between two travel agents do not require any deposit or bank guarantee. Upfront deposits or bank guarantees are often required between transactions between hotel operators and wholesale travel agent, which reflect their financial capability from placing deposits or bank guarantees to secure rooms for distribution services from hotel operators.

The total number of licensed travel agents increased from 211 agents in 2013 to 250 agents in 2015, followed by a decrease to 209 agents in 2016 and slight recovery to 210 agents in 2017. The fluctuation was principally caused by counting adjustments of number of travel agents by DSEC Macau beginning in 2016. Also, the fluctuating numbers of inbound visitors on package tour and outbound residents using services of travel agents have impacted the number of travel agents in Macau throughout the period of 2013 to 2017.

**Total revenue of the travel agent industry in Macau from 2013 to 2022**



*Note(s): "F" denotes forecast figure*

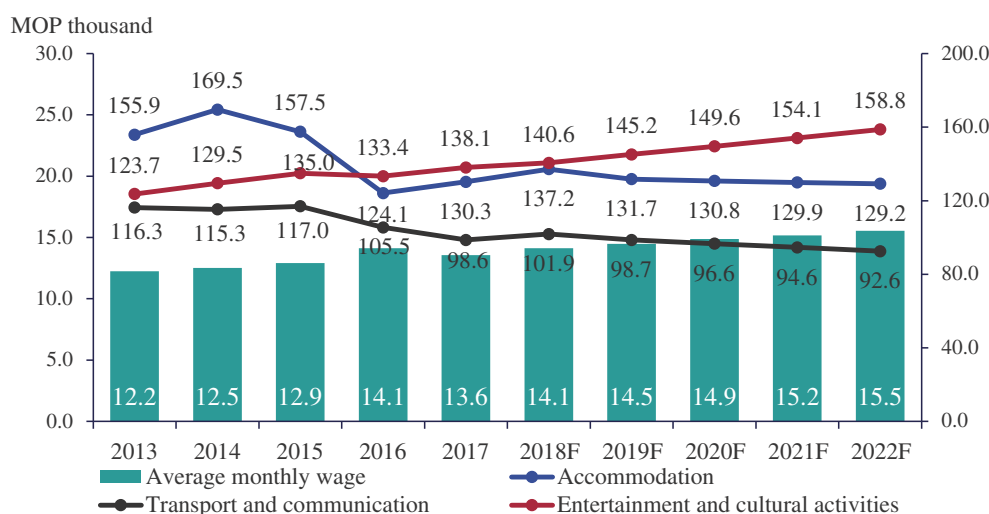
*Source(s): DSEC Macau; Ipsos Research and Analysis*

## INDUSTRY OVERVIEW

The total revenue of travel agent services in Macau fluctuated from 2013 to 2017, with an overall CAGR of approximately 6.0%. The fluctuation is directly associated with the overall performance of the tourism industry in Macau, such that the decrease in number of tourists and total tourist spending contributed to the downturn in the travel agent industry from 2014 to 2015. The performance correlated with the three key income sources of travel agents in Macau is mainly affected by the demand for package tours, hotel reservation service and passenger transportation tickets booking services, in which these three main sources contributed more than three-quarters of total travel agent revenue in 2017.

From 2018 to 2022, the revenue of travel agents is expected to increase from approximately MOP8,506.2 million in 2018 to approximately MOP10,401.0 million in 2022 at a CAGR of approximately 5.2%. This is mainly driven by Macau’s government’s initiatives and upgraded infrastructure, including the opening of HZMB. According to the Master Plan, for a high visitor growth scenario, the number of tourist arrivals is expected to grow by approximately 3% to 5% per annum till 2025, thus leading to an expected growth in demand for travel agent services. The forecasted growth per annum is slower than the historical CAGR of approximately 6.0% due to the expected increase in direct competition from online travel agents (OTAs) with growing internet penetration.

**Average monthly wage and price trend of key travel products in the travel agent industry in Macau from 2013 to 2022**



Note 1: Year ended 30 September 2010 as base year.

Note 2: Tourists price index of “Transport and communication” is recorded as a grouped item by DSEC Macau which cannot be separated. According to DSEC Macau, from 2013 to 2017, annual total receipts of communication industry in Macau was equal to less than 30% of total receipts of transportation industry. Therefore, above price index of “transport and communication” should be principally reflecting the price trend of transportation costs in the travel agency industry in Macau.

Note 3: “F” denotes forecast figures.

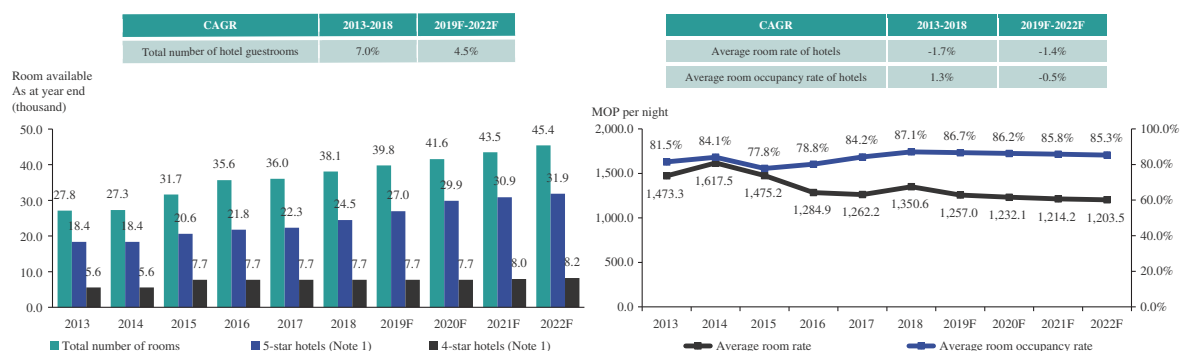
Source(s): DSEC Macau; Ipsos Research and Analysis

The average monthly wages of employee of the travel agent industry in Macau increased from approximately MOP12,249.4 in 2013 to approximately MOP14,118.8 in 2016, then decreased to approximately MOP13,557.0 in 2017, with an overall CAGR of approximately 2.6% from 2013 to

## INDUSTRY OVERVIEW

2017. It is expected to grow gradually from approximately MOP14,118.3 in 2018 to approximately MOP15,548.9 in 2022. From 2013 to 2017, the price index of hotel rooms and transport and communication experienced a decline, while that of entertainment and cultural activities climbed gradually, which indicated the trend of costs of products in the travel agent industry as products are being marked up based on their wholesale prices at a stable range of percentages. Price trends of hotel rooms and transport and communication dropped along with the downturn of the tourism industry in Macau from 2014 to 2016 in a bid to attract tourists, while the price of hotel rooms rebounded slightly in 2017 attributed to rebounded number of tourists and improved overall tourism industry performance in Macau. During the forecast period between 2018 and 2022, the price trend of entertainment and cultural activities is expected to maintain a gradual growth due to growing attractiveness of Macau for international performers to hold concerts and other exhibitions. The accommodation and transportation price is projected to fall along with increasing number of visitors traveling to Macau via land transportation as increasing visitor arrivals via land transportation in Macau will reduce average cost of transport tickets for travel agents given that land transport tickets are cheaper than sea and air transport tickets. It is expected that price trend of hotel rooms will decrease gradually given that (i) several large-scale 5-stars hotels in Macau will commence operations from 2019 to 2022; and (ii) hotels tend to lower room rate to maintain flow of visitors and attract visitors to spend more on entertainment and retail activities provided in their hotels due to increasing competition.

### Total number of guestroom, average room occupancy rate and room rate of hotels in Macau from 2013 to 2022



Note 1: As reference to the official rating of Macau Travel Authority

Note 2: "F" denotes forecast figure.

Source(s): DSEC Macau; Ipsos Research and Analysis

Total number of rooms available, including all rooms from hotels and guestrooms in Macau, increased from approximately 27,800 per day as at 31 December 2013 to approximately 38,700 per day as at 31 December 2018 at a CAGR of approximately 6.8%. The increasing number of operating hotels and guestrooms establishments, particularly in the constantly developing Cotai area of Macau, has increased the supply of hotel rooms in Macau. It also partially led to dropping average room rates since 2014 as a result of price competition among hotels in Macau. During the forecast period from 2019 to 2022, the total number of hotel rooms is expected to increase at a CAGR of approximately 4.5%. The number of hotel rooms is expected to be mainly driven by potential commencement of operation of several large-scale 5-stars hotels in 2019 and 2020. According to Master Plan, hotel rooms in Macau is forecasted to reach 51,900 a day under modest visitor growth scenario in 2025.

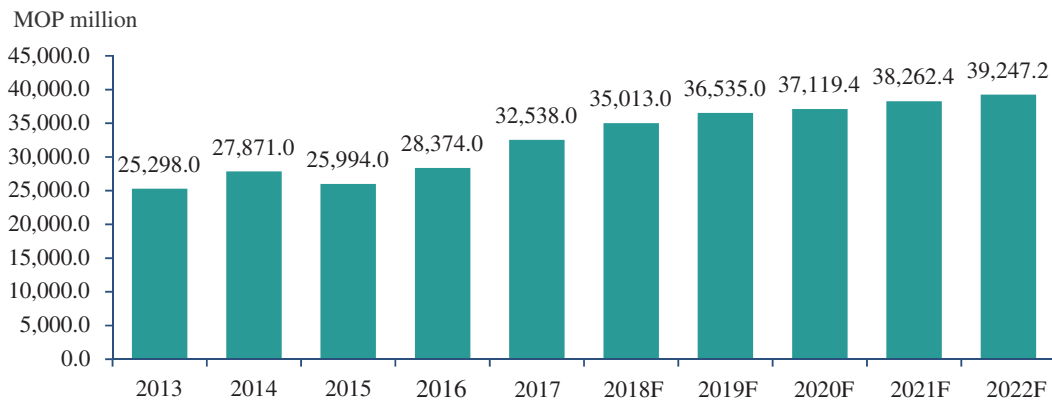
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## INDUSTRY OVERVIEW

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Average room occupancy rate of hotels in Macau picked up along with the recovery of number of tourist inflow since 2015 and reached approximately 87.1% in 2018 after the sharp decline from approximately 84.1% in 2014 to approximately 77.8% in 2015. Besides the downturn of Macau tourism industry in 2015, the climbing rooms supply due to the launch of large-scale new hotels such as Galaxy Macau Phase II and Studio City Macau was another key reason which led to such sharp decline of average room occupancy rate of hotels in Macau. During the forecast period from 2019 to 2022, it is expected that due to commencement of operations of ten large-scale new 5-stars hotels in Macau, the supply of hotel rooms will increase, which leads to potential price competition on room rate and an increasing demand for hotel rooms distribution services from wholesale travel agents and promotion activities to increase occupancy rates of hotels. All of the ten new 5-stars hotels expected to commence operations from 2019 to 2022 are located in Cotai, and none of them is located in Macau Peninsula.

**Total revenue of the hotel industry in Macau, 2013 to 2022**



Note 1: "F" denotes forecast figure.

Source(s): DSEC Macau; Ipsos Research and Analysis

The revenue of the hotel industry in Macau increased from MOP25,298.0 million in 2013 to MOP32,538.0 million in 2017 at a CAGR of approximately 6.5%, mainly owing to the increase in the number of overnight visitors, with the slight fluctuation from 2014 to 2015 caused by changes in political environments and economic conditions in Mainland China. The revenue of the hotel industry in Macau is forecasted to increase at a CAGR of approximately 2.9% from 2018 to 2022. The gradual growth during the forecast period is largely attributed to gradual growth of hotel room sales and stably growth of other revenue sources such as food and beverages services and rental of spaces of malls, showrooms and MICE venues. The projected declining average room rate due to potential price competition between hotels in Macau is expected to slow down the growth of revenue of hotel room sales and hence impact the forecast growth of total revenue of hotel industry in Macau.

### Future development

Online booking platforms include both online platforms developed by traditional travel agents and OTAs, which provide convenient one-stop booking service of travel products. As more traditional agents expand their sales channels to online platforms, they would be able to tap into the online sales market. Even though hotels are increasingly selling rooms directly to customers through their own

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## INDUSTRY OVERVIEW

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online platforms, two and three-stars hotels, new hotels and small to medium-scale hotels which mostly provide less than 1,000 rooms per day continue to rely on travel agents attributed to limited marketing and advertising resources. While OTAs are increasingly popular due to extended customer reach, traditional travel agents would maintain their competitive advantage in the value of their after-sales services such as in-person support for last-minute changes in travel plans and the vast and long-term cooperation established with hotels.

### COMPETITIVE LANDSCAPE OF THE TRAVEL AGENT INDUSTRY IN MACAU

Our Company is a wholesale licensed travel agent mainly focusing on the provision of business-to-business domestic travel services to other travel agents.

The degree of competition is relatively high for the travel agent industry in Macau as the industry was fragmented with 227 licensed travel agents as at 30 June 2019, according to statistics of the MGTO. A majority of the travel agents had a relatively small percentage of market share in the industry. Travel agents are supervised by the MGTO and there is a licensing requirement to operate as a travel agent in Macau.

According to the Ipsos Report, five major players in the travel agents industry in Macau in 2018 (in terms of reputation of the agents in the industry and range of service provided) and their respective backgrounds are as follows. Due to lack of sufficient publicly accessible information, the ranking of our Group and the respective market share of the following market players in the travel agent industry in Macau were not provided in the Ipsos Report.

<b>Name of Company</b>	<b>Listing status</b>	<b>Overview</b>	<b>Range of products and services</b>
<b>Company A</b>	Private	The company provides broad range of travel products and services in Macau.	Sales and distribution of travel packages; hotels booking; transport tickets booking; entertainment tickets booking; dining bookings; car rental
<b>Company B</b>	Private	Carries out travel agent business in Macau.	Sales and distribution of travel packages; hotels booking; transport tickets booking
<b>Company C</b>	Private	The company is one of the largest Macau travel agent that provides both business-to business and business-to-customer services.	Sales and distribution of travel packages; transport tickets booking, entertainment ticket booking, visa booking



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## INDUSTRY OVERVIEW

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Name of Company	Listing status	Overview	Range of products and services
<b>Company D</b>	Private	The company is a member of International Air Transport Association (IATA). The group owns 29 travel agents in Hong Kong, Mainland China and Macau.	Sales and distribution of travel packages; transport tickets booking, sim card booking, dining tickets booking, car rental
<b>Customer A</b>	Private	The company engages in sales of travel products and services through both business-to-business and business-to-customer channels. The company has focused on enriching range of hotel rooms and other products while it does not offer tours or travel packages.	Hotels booking; transport tickets booking; entertainment tickets booking; dining bookings, car rental

*Source(s): Ipsos Research and Analysis*

Our Group recorded revenue (excluding the revenue generated from the Multi-purpose Car Rental Services) of approximately HK\$117.6 million for FY2017 and approximately HK\$160.3 million for FY2018, accounting a share of approximately 1.5% and 1.9% to the total revenue of the travel agent industry in Macau. For the sales and distribution of hotels rooms in Macau, our Group accounted for a market share of approximately 0.9% and 1.1% in terms of number of hotel rooms in Macau sold and distributed for FY2017 and FY2018, respectively, given that the daily number of hotel rooms available, including guesthouses, in Macau as at 31 December 2017 and 2018 were approximately 36,000 and 38,000 per day.

However, the market size of wholesale travel agent industry in Macau is not available, given that: (i) there is no licence requirement or restriction in Macau for a registered travel agent to only provide either wholesale or retail services, therefore all registered travel agents in Macau can provide either or both services; and (ii) there is no available information to accurately assess the number of hotel rooms being sold through wholesale travel agent, retail travel agent, direct selling, or other sales channels. Although wholesale travel agent remains the most important channel for hotel room selling, retail travel agent can also purchase small amount of rooms from hotel operators and resell to other agents for non-distribution purpose, such as offloading unmarketable rooms to other agents. Therefore, market size of wholesale travel agent service is not available.

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## INDUSTRY OVERVIEW

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### **Market drivers and opportunities**

*Macau is planned to diversify tourism products which will drive up demand for services provided by travel agent industry*

The government is diversifying Macau's non-gaming tourism products, such as devising the Master Plan to promote Macau as a City of Gastronomy. The plan mainly focuses on assessing current performance and planning for improvements in the aspects of enhancement of tourism related goods and services quality, establishment of urban development and tourism carrying, and industry cooperation within and beyond traditional tourism related industries for enhancing economic diversification and competitiveness. These efforts will raise Macau's reputation as a diverse travel destination and attract a wider source of visitors, leading to higher demand for travel agent services, in particular multi-destination tour packages, hotel reservations and tourists transportation services in terms of hotel reservation services. It is expected that the demand for rooms distribution services provided by wholesale travel agents will increase along with the commencement of operations of several large-scale hotel projects in the coming years in Macau. During the forecast period from 2019 to 2022, the number of hotel rooms in Macau is expected to increase from approximately 39,800 to 45,400, and occupancy rate of hotel rooms is projected to slightly decrease from approximately 86.7% to 85.3%.

*The Macau government's effort in promoting multi-destination travel and enhancing infrastructure supports*

The development of the Guangdong-Hong Kong-Macau Bay Area and the Belt and Road initiative led to frequent joint promotion of cities through events like destination promotions and exhibitions, which is expected to raise Macau's reputation as a joint-travel destination and attract more tourists. Besides, the opening of the HZMB in October 2018 serves as a new fast connection between the three places. Running alongside Hong Kong's international airport, travel time from Hong Kong's international airport to Macau is shortened to around 45 minutes. The bridge does not only project to boost both inflow and outflow tourism of Macau, but also create demand for car rental pick up services offered by travel agents.

### **Entry barriers**

*Established supplier and customer relationships*

Suppliers and corporate customers of travel products in the travel agent industry in Macau, such as hotels and casinos, often collaborate only with travel agents that have a long-term and credible relationship. It is also partially because the products and services of travel agents are often provided to high spending clients, therefore hotels and casino tend to have assurance on products and services quality. Eventually, requirement of established relationship with hotels, casino and other travel service and product providers creates the largest barrier that prevent new entity from entering the travel agent industry in Macau.

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## INDUSTRY OVERVIEW

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### *Financial requirement*

A certain amount of capital would be locked up as deposit to hotel operators when travel agents engage with hotel operators in direct agreement for hotel rooms distribution and sales. The amount of deposit varies in a range from MOP several tens thousands to several hundred thousands, depending on the number of rooms that the travel agents plan to secure from hotels. This financial requirement is particularly for wholesale travel agents which often engage with hotel operators for rooms distribution services.

### *Higher entry barrier to establish a business-to-business travel agent which negotiate directly with travel products operators*

Although there is no licence or regulation barrier for travel agents to either enter the industry as business-to-business or business-to-customer agents, it is considerably more difficult to establish a business-to-business travel agent which tend to directly negotiate with hotels and other travel products operators as the first layer travel agents in the industry. It often requires stronger financial capability, proven track record, industry reputation and scale of operators and secure larger number of travel products, especially hotel rooms.

## MARKET OVERVIEW OF THE CAR RENTAL SERVICES INDUSTRY IN MACAU

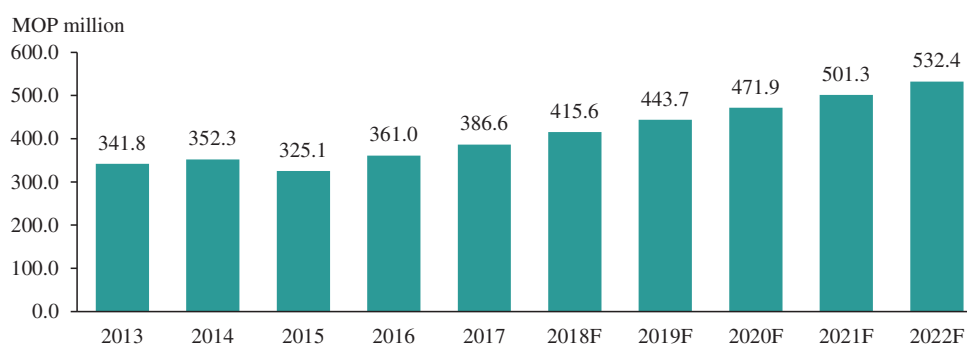
### **Macau**

The car rental services in Macau can be generally categorised by types of purpose, namely tourism and transportation purposes and can be provided by chauffeur driven and self-drive. Chauffeur driven is where a driver is hired to transport a passenger between destination or on an hourly basis, whereas self-drive rent-a-car services do not include a driver. In 2018, the ratio of chauffeur driven services and self-drive rent-a-car services provided in the car rental services industry in Macau was approximately 78% and 22%. While Macau positions itself as a “World Centre of Tourism and Leisure”, the “Tourism Quality in Macau” survey conducted in 2017 by the Macau’s Tourism Department ranked Macau as an area of transportation with the lowest satisfactory level among visitors. Visitors commonly encounter issues such as trouble hailing a taxi, a lack of comprehensive public transportation infrastructure that connects different parts of the city and bus overcrowding in Macau. Along with increasing per capita disposable income, car rental is regarded as an alternative among visitors who prefer a more comfortable and convenient transportation to travel in Macau. Besides individual customers, car rental operators also rent their car fleets to corporate customers such as hotels and tour operators to transport their valuable clients. Measuring demand from both individual and corporate customers, the revenue of in-city car rental services industry in Macau recorded an increase from approximately MOP341.8 million in 2013 to approximately MOP352.3 million in 2014, but experienced a downturn in growth in 2015 due to the change in political environment in PRC. The industry quickly recovered in subsequent years, recorded an overall positive CAGR growth of approximately 3.1%, from 2013 to 2017. Moving forward, continuous growth of tourism, global expansion of cooperation and the development of the Greater Bay Area are expected to increase travel and car-related expenditures, which ultimately will benefit the car rental market industry in the upcoming years. With the continuous growth of tourism and new opportunities open to car rental, the total revenue of car rental market is expected to further grow from approximately MOP415.6 million in 2018 to approximately MOP532.4 million in 2022, at a CAGR of approximately 6.4%.

## INDUSTRY OVERVIEW

### Total revenue of the in-city car rental services industry in Macau from 2013 to 2022

CAGR	2013-2017	2018F-2022F
Revenue of the in-city car rental services in Macau	3.1%	6.4%



Note(s):

- In the context of this report, taxis, coaches and motorcycles are excluded.
- “F” denotes forecast figure

Source(s): DSEC Macau; Macau Tourism Industry Development Master Plan Comprehensive Report; Ipsos Research and Analysis

The opening of the HZMB has also opened a new stream of business to the car rental industry. Car rental operators which have obtained the (i) bridge permit (cross-border hire car) from Macau government, and (ii) private service (limousine - cross-border hire car permit from Hong Kong government) are allowed to provide cross-border car rental services, crossing the HZMB between Hong Kong and Macau. As at 30 June 2019, a total of 40 bridge permits have been issued by the Macau government and 60 bridge permits by the Hong Kong government to cross-border passenger service companies, car rental services companies and travel agents. Cross boundary car rental services are limited to only chauffeur driven rental services. Given the cross-border permits have only been recently launched, the Macau government will observe the performance after running a certain period of time before deciding whether further permits will be issued. Each permit for the provision of cross boundary car rental services issued by the Macau government has a validity of three years and can be renewed once, hence, bringing the maximum validity period of one permit to six years. Despite it is not mentioned that the Macau government has any plans of making any new issuance of permits, upon the expiry of the permit the Macau government may make new arrangement.

### Key costs of the car rental services industry in Macau from 2013 to 2018

	2013	2014	2015	2016	2017	2018	CAGR 2013- 2018
Average price of car rental services (MOP/hour)	1,336.0	1,385.0	1,332.0	1,457.0	1,530.0	1,603.0	5.5%
Average selling price of fuel (MOP/Litre)	13.4	13.4	11.7	11.4	12.3	13.1	-0.5%
Average wage of the land transport drivers of passengers/cargo (MOP/month)	18,200.0	19,530.0	22,910.0	24,160.0	23,420.0	23,790.0	5.5%

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## INDUSTRY OVERVIEW

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*Note:* Average price of the car rental services is represented by the price of limousine cars and non-limousine cars. Limousine cars refer to high-end and premium with long-wheel base vehicles driven by chauffeur mainly for VIP guests of casino and junket, and generally ranged from MOP 824 per hour to MOP 11,700 per hour. Non-limousine cars refer to sedans and 7-seat vans, and can be chauffeur-driven or self-drive. The price of chauffeur-driven non-limousine cars generally ranged from MOP 200 per hour to MOP 900 per hour while self-drive non-limousine cars generally ranged from MOP 50 per hour to MOP 117 per hour.

*Source(s):* DSEC Macau; Ipsos research and analysis

The price of the car rental services industry in Macau recorded at approximately CAGR of 5.5% from approximately MOP1,336.0 in 2013 to approximately MOP1,603.0 in 2018. The price fluctuated along with the inflationary rate of and the demand in the car rental services industry.

The selling price of fuel in Macau recorded a CAGR of -0.5% from approximately MOP13.4 per litre in 2013 to approximately MOP13.1 per litre in 2018. The fluctuation of price fuel in Macau is reflective of the global crude oil price trend. From 2014 to 2015, Brent oil prices recorded a fall of 47.2%. One of the major reasons was due to an oversupply of shale oil in the US placing a downward pressure to the oil prices. While crude oil prices are still below the previous record of USD100.0 per barrel, prices have shown signs of recovery in 2017.

On the other hand, the average wage of the land transport drivers in Macau increased at a CAGR of 5.5% from approximately MOP18,200.0 in 2013 to approximately MOP23,790.0 in 2018. Besides constant inflationary pressure, drivers have been regarded as an occupation with long working hours and stressful working environment. Despite the constant increase in wages, new workforce is still reluctant to enter the job market of casino and government in Macau which offer much more lucrative pay and benefits causing the wage in the transportation market to experience a constant hike.

### COMPETITIVE LANDSCAPE OF THE CAR RENTAL SERVICES INDUSTRY IN MACAU

#### Macau

As at 30 June 2019, a total of four car rental services companies (including our Group) were licensed to provide self-drive rent-a-car services, as compared to 227 companies permitted to provide tourism-purpose car rental services in Macau. For travel agents, they could only provide car rental services solely for tourism-purpose under their travel licences. In 2018, our Group recorded a revenue of HK\$8.6 million for car rental services, accounting for a share of approximately 2.1% to the total revenue of in-country car rental services industry in Macau. As there is a substantial number of players in the market, the industry's degree of competition is relatively high among the top four players with their market share accounted for approximately 86.3% in 2018.

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## INDUSTRY OVERVIEW

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According to the Ipsos Report, the top car rental services operators (in terms of market share for in-city car rental in Macau in 2018) and their respective backgrounds are as follows:

Companies	Overview	Approximate market share
Company E	A private travel agent that provides chauffeur driven car hire, hotel reservation and flight ticket booking service	34.9%
Company F	A travel agent and car rental company that provides self-drive rent-a-car services	33.8%
Company G	A car rental company that provides self-drive rent-a-car services and chauffeur driven car hire	13.1%
Company H	A car rental company that provides self-drive rent-a-car services and chauffeur driven car hire	4.5%
Our Group	A travel agent and car rental company that provides self-drive rent-a-car services and chauffeur driven car hire	2.1%
Others		11.6%
<b>Total</b>		<b>100.0%</b>

*Notes:*

- (1) Our Group only commenced Multi-purpose Car Rental Services in Macau in May 2018. As at 30 June 2019, only four companies in Macau provide self-drive rent-a-car services, of which only two of them (including us and Company F) are authorised to provide both car rental services for tourism and self-drive rent-a-car services.
- (2) Company E only provides car hire under its travel agent licence.

*Source(s): Ipsos Research and Analysis*

### Market drivers and opportunities

#### *The opening of HZMB*

The HZMB connecting Hong Kong, Zhuhai and Macau shortens the commuting time by land between the three cities to approximately one hour. With the HZMB, it is more convenient for mainland Chinese living in the Pan Pearl River Delta (PPRD) to travel to Macau. HZMB along with the Guangdong-Hong Kong-Macau Greater Bay Area promotes closer cooperation between Guangdong province, Hong Kong and Macau. More mainland Chinese tourists, particularly from the Pan-Pearl River Delta, are expected to be drawn to Macau which translates to higher demand for transportation facilities including car rental services.

#### *Development of tourism and meetings, incentives, conventions and exhibitions (“MICE”) in Macau*

In Macau, the development of tourism and MICE primarily drive the demand for car rental services with tourist inflow from international regions. The total number of tourist arrivals to Macau increased from approximately 29.3 million in 2013 to approximately 32.6 million in 2017 at a CAGR of approximately 2.7%. MICE events also increased from 1,030 in 2013 to 1,381 in 2017 at a CAGR of approximately 7.6%. Moving forward, tourism and MICE are expected to continue driving the demand for car rental from both tourists and business professionals.

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## INDUSTRY OVERVIEW

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### **Entry barriers**

#### *High initial capital for new entrants*

A substantial capital investment is required for new entrants to enter the services industry in Macau, especially for those who intend to provide self-drive rent-a-car services to customers. To be eligible to operate self-drive rent-a-car rental services business in Macau, it is mandatory to own a fleet of at least 25 light passenger vehicles as required by the Macau government. In addition, high operating cost of maintaining a car fleet is expected to be a significant hurdle for new entrants too, reducing the overall incentives for potential entrants into the industry.

#### *Difficulty to enjoy economies of scale for new entrants*

In Macau, established car rental companies with a vertical coordination of channel partners enjoy the advantages of economies of scale. They can set competitive prices supported by their advantages of economies of scale to compete with new entrants who may have limited connections with channel partners, including travel agents and/or hotel operators, in Macau. Consumers are generally price-sensitive towards similar car choices and responsive to price changes in the car rental services. Therefore, price competition is not uncommon for car rental services operators to gain a bigger market share, making it difficult for new entrants to compete with established firms who already enjoy the advantages of economies of scale.