

quarterly market report

China

January - March 2007

Market Highlights

# of outbound visitors:	34.52 million in 2006
% change from previous quarter:	+11.3% over 2005.
# of visitors to Canada:	144, 601 in 2006
% change from previous quarter:	+23.08% increase over 2005

Comments / Other information:

January 2007 visitor numbers continue to reflect the positive growth in the market with a 11.5% increase over January 2006

Quarterly figures of outbound tourists not available from CNTA - have used annual returns

Source : www.cnta.gov.cn and Stats Canada

Air Capacity

Summer 2007, Air Canada will double its daily Beijing -Vancouver service and increase frequencies on Shanghai -Toronto. The additional Beijing-Vancouver flight will operate from July 02 to September 30. The Shanghai - Toronto service will commence April 07 on a 3 days a week schedule, increasing to daily for the summer peak effective July 01. Air Canada will operate a total of 5 daily non stops between China and Canada this summer, with double daily Beijing-Vancouver, daily Beijing -Toronto, daily Shanghai-Vancouver and daily Shanghai-Toronto.

At the present time, there is no indication that other Chinese carriers will be entering the market or that Air China or China Eastern will be increasing capacity in 2007.

Economic / Political Environment

GDP growth:	10.7% in 2006
forecasted economic growth:	9.6% forecast in 2007
unemployment rate:	urban unemployment rate at 4.3%
inflation:	+2.4% Jan/Feb 2007 compared to same period in 2006. This within the 3% Government target
consumer price index:	+2.2% in January 2007 v January 2006 and +2.7% in February 2007 v February 2006
exchange rate:	1CAD = RMB 6.59 (Mar 19 2007) 1CAD = RMB 6.94 (Mar 19 2006)
net national disposable income:	Urban - CAD 1784 in 2006 +12.1% over 2005 Rural - CAD 544 in 2006 + 10.2% over 2005

Comments / Other information

China increased interest rates for the third time in 11 months and introduced other measures to avoid over heating in the economy. The Central Bank raised the benchmark one year lending rate by 0.27% to 6.39% on March 17. The trade gap in 2006 rose to a record USD 177.5 billion. The Chinese currency is permitted to move 0.3% against the USD each day but according to economic analysts is still considered to be undervalued.

Under the World Bank measurement criteria , China is now the world's fourth largest economy after USA, Japan and Germany.

Emerging Tourism Trends

China is the leading outbound tourism market in Asia and the number of ADS approved destinations continues to grow. As of January 1st 2007 there were 132 ADS approved countries with 86 being operational. The latest destinations approved for Chinese leisure traffic were Argentina, Uganda, Bengal, Venezuela and Andorra.

The appreciation of the Chinese currency continues to have a positive impact on overseas travel.

Small ski group activity to Whistler during Chinese New Year.

Strong interest in Canada Golf product - BC Golf Association attending GITF/Showcase Canada.

Agents expressing interest in drive programs in conjunction with Automobile Associations and local radio stations.

Market Development Activities

Without ADS, market development activities are restricted to those of CTC and are reported under CTC activities, below.

CTC Activities

Trade Development

January and March - partnered Beijing ANZ Holidays and Beijing Ocean Travel in workshops in 9 key cities.

March 05-March 13 - Fun in the Snow - 8 Travel Agents from Beijing/Shanghai/Guangzhou and Hong Kong to BC and Alberta.

CTC advertising included in product brochures of Shanghai CITS, Shanghai Jing Jiang, Shanghai CTS - Beijing CYTS, Beijing CITS (M.I.C.E.) and China Ocean Travel.

Facilitated and coordinated 140 MICE groups from Goodbaby Company to Eastern Canada - travelled March and all returned.

Working with agents on 2 large MICE groups - one of 1000 -1500 to BC and

the second of 2300 to BC.

Further MICE group of 200 confirmed for travel to BC and Alberta in Spring 2007. Pilot group of 20 to check visa issuance process and acceptance travelling in March.

Facilitating and coordinating with Travel Alberta and Calgary Stampede large group of tourists and performers to appear at Calgary Stampede 2007.

New editions of Canada Travel Guide, M.I.C.E brochure, Consumer collateral, Canada Map fold and Atlas produced in March in line with new Brand launch.

Developed new Showcase Canada website for travel shows in conjunction with the CTC E - marketing group.

Consumer Development

January - inserted our MICE Brochure into leading business magazine -World Business targeted at CEOs and senior management of large Chinese and joint venture companies.

CTC MICE brochure included in mail out by CITS - M.I.C.E to all corporate clients.

Media

January 22 - 24: Media workshops in Beijing/Shanghai and Guangzhou in partnership with BC Tourism, Travel Alberta and Ontario Tourism. Featured new CTC Brand launch and general Canada overview. To date 55 media have published reports with AEV of USD 270, 000.

February 01 - 09: TV crew from Travel Channel to Quebec for Winter Carnival.

March 12 - 19: Fun in the Snow - 6 print and radio media from Beijing/Shanghai/ Guangzhou - BC and Alberta.

March 19 - 22: GoMedia - 8 print and radio media from Beijing/Shanghai/ Guangzhou and Hong Kong.

Arranged CCTV crew to Montreal, Ottawa and Toronto in connection with Beijing Olympics.

Without ADS, the CTC and Chinese travel agents are not permitted to advertise or promote Canada as a leisure destination to Chinese consumers.

Public Relations

BC Tourism, Travel Alberta and Ontario Tourism have now signed contracts with Ruder Finn for PR representation in China along with the CTC - this provides a coordinated PR and media message approach in the market place.

Competitive Environment

Major long haul competitors - Australia and European countries continue to promote heavily in the China market.

Australia reporting it was the most popular long haul destination during Chinese New Year.

Chinese authorities continue to ease access for Chinese visitors to Hong Kong - visitors to Hong Kong from China reached 13.5 million in 2006 - an increase of 8.4% over 2005.

Asian countries, particularly Singapore and Malaysia also spending heavily to attract Chinese tourist dollars linked with increases in air capacity between the countries.

Future Outlook

At the present time there have been no further discussions between the Canadian and Chinese Governments with regard to ADS negotiations. At the time of writing, the Canadian Embassy in Beijing is waiting for the CNTA to respond to its latest request for a resumption of talks.

The CTC and Canadian partners will be participating in the Guangzhou International Travel Fair on 30/31 March and 01 April. Along with 45 Canadian industry partners, Canada will be the largest international presence at the show in line with extending Canada's tourism profile into Southern China.

In addition to the usual trade show activities, GITF will feature an all day media event and media lunch on March 30. In the evening of March 30 there will be a dinner reception for Canadian sellers, Chinese travel agents, Canadian companies, media and Canadian Consulate staff.

GITF will also feature pre show radio advertising driving consumers to the Canadian Pavilion plus a radio phone in program.

GITF will be followed by Showcase Canada, commencing April 3rd with 3 days of prescheduled B2B meetings and networking opportunities between the Canadian sellers and key travel agents from Beijing, Shanghai, Guangzhou, Chongqing and Tienjin.

The CTC would like to recognize our Canadian Partners who are contributing to these two events:

Air Canada, Brewster, Daricny Travel, Edmonton Tourism, Ontario Tourism, Ottawa Tourism, Tourism BC, Tourisme Montreal, Tourisme Quebec, Travel Alberta and Westjet.