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Panel on Commerce and Industry

Meeting on 21 September 2021

**Updated background brief on the convention and exhibition industry
in Hong Kong**

Purpose

This paper provides background information on the convention and exhibition ("C&E") industry in Hong Kong, and summarizes the views and concerns expressed by members of the Panel on Commerce and Industry ("the Panel") on the subject during relevant discussions in recent years.

Background

2. The C&E industry is vital to Hong Kong as an international business and trading centre. The industry promotes the overall economic development, trading, as well as Hong Kong brands across a multitude of industries. By attracting high-spending overnight business visitors to Hong Kong, the industry also creates additional employment opportunities in the city and business opportunities for the local tourism, retail, catering, and entertainment industries.

3. At present, there are two major C&E facilities in Hong Kong, namely the Hong Kong Convention and Exhibition Centre ("HKCEC") in Wan Chai and the AsiaWorld-Expo ("AWE") on Lantau Island. HKCEC, jointly owned by the Hong Kong Trade Development Council ("HKTDC") and the Government, was opened in 1988, and expanded in 1997 and 2009 respectively. Phase 1 and Phase 2 (including the Atrium Link Extension) of HKCEC provide about 91 500 square metres ("m²") of rentable C&E space. HKCEC, located in the downtown area, has been a popular venue for consumer products related trade fairs in Hong Kong. AWE, jointly owned by the Government and the Airport Authority Hong Kong ("AA"), was opened in December 2005, offering about

70 000 m² of rentable C&E space. Its column-free, high ceiling design is suitable for hosting exhibitions involving large exhibits.

Demand for convention and exhibition facilities in Hong Kong

4. The Administration commissioned a consultancy study in 2014 to assess the demand for C&E facilities in Hong Kong for the 15-year period between 2014 and 2028. The results indicated that by 2028 there will be a shortfall of about 130 000 m² of C&E space in Hong Kong at peak periods. The consultant recommended maximizing venue utilization especially during off-peak seasons in the short to medium term, and increasing C&E facilities in the medium to long term.

5. Regarding new C&E facilities, the consultant recommended the construction of a new convention centre above the Exhibition Station of the Shatin to Central Link upon the latter's completion, and further provision/expansion of C&E space on Lantau Island and/or in other locations. In this connection, the Administration invited HKTDC to proceed with the planning for the proposed convention centre above the Exhibition Station. However, in view of the technical difficulties involved, the uncertainties concerning the construction period and concerns about cost-effectiveness, the Chief Executive announced in the 2020 Policy Address that the Administration decided to use the site above the Exhibition Station for other purposes.

6. It was also announced in the 2020 Policy Address that in order to reinforce the advantages of the C&E industry of Hong Kong and strengthen Hong Kong's status as a premier international C&E centre, the Administration would continue to take forward two plans to expand major C&E facilities, i.e. the redevelopment of the sites of the three government towers in Wan Chai North and the Kong Wan Fire Station into C&E facilities, hotel and Grade A office, as well as the construction of Phase Two of AWE. These two projects together would increase C&E space by more than 40% (66 700 m²).

Convention and Exhibition Industry Subsidy Scheme under the Anti-epidemic Fund

7. Since 2020, the C&E industry has been facing severe challenges amid the Coronavirus Disease 2019 epidemic. To support the C&E industry, the Administration has established the \$1.02 billion Convention and Exhibition Industry Subsidy Scheme ("the Subsidy Scheme") under the Anti-epidemic Fund. The Subsidy Scheme has two parts. One part of it, which was launched on 3 October 2020, subsidizes organizers of exhibitions and international conventions held at HKCEC and AWE 100% of the venue rental. The other part of the Subsidy Scheme, which was launched on 30 November

2020, subsidizes exhibitors of exhibitions and participants of major conferences organized by HKTDC 50% of the participation fee, subject to a cap of \$10,000. The Subsidy Scheme has been extended twice to 30 June 2022 in order to encourage more C&E activities to be held in Hong Kong.

Major views and concerns expressed by the Panel

8. The Panel has all along been concerned about the development of the C&E industry in Hong Kong, in particular the provision of C&E facilities. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Provision of convention and exhibition facilities

9. Members were concerned that Hong Kong had lagged behind its neighbouring countries/cities, such as Singapore, Shenzhen, Guangzhou and Macao, in the provision of C&E facilities, and lost competitiveness in hosting large scale international conventions and exhibitions. Members considered that the Administration should ensure that venue capacity could stay ahead of the industry demand, so as to maintain Hong Kong's leading position as an international C&E centre. Some members cautioned that if Hong Kong lost out to its neighbouring cities in hosting large scale international conventions and exhibitions due to the saturation of existing C&E facilities, not only the C&E industry would suffer, but the tourism, wholesale and retail industries would also be adversely affected. Members urged the Administration to construct new C&E facilities to make up for the 130 000 m² shortfall in C&E space at peak periods by 2028 as identified in the consultancy study commissioned in 2014.

10. The Administration advised that it would be difficult for Hong Kong to match with Mainland cities in terms of the size of C&E space due to the lack of land in Hong Kong. Hong Kong's edge was on hosting high-end C&E events. In order to deal with the venue shortage, the Administration had decided to build a new C&E venue next to HKCEC, which would involve the demolition of three government towers and the adjacent Kong Wan Fire Station on Harbour Road in Wan Chai. The new venue would be connected to and integrated with HKCEC to maximize the benefits. The Administration would also discuss with AA how to take forward the Phase Two expansion plan of AWE to further increase the supply of C&E facilities in Hong Kong, so as to strengthen the competitiveness of Hong Kong's C&E industry.

11. The Panel welcomed the Administration's proposal to redevelop the three government towers in Wan Chai North and the Kong Wan Fire Station into

C&E facilities, which would provide more C&E venues in downtown area. In response to members' enquiries about the timetable for the project, the Administration advised that a total of 29 Government departments at the three government towers had to be relocated. It was expected that the relocation work would be completed by the latter half of the 2020s.

12. Regarding the consultant's recommendation of maximizing utilization of existing C&E facilities during off-peak seasons, some members pointed out that the timing of holding major trade fairs and exhibitions was usually linked to purchasing cycles and to a large extent dictated by the global event calendar for the particular industry. They expressed concern on whether attempts to negotiate alternative event schedule with event organizers in the hope of fully utilizing the existing venue capacity, especially during off-peak seasons, might run the risk of losing the events to other C&E venues in the region.

13. The Administration advised that some niche exhibitions in industries such as lifestyle, food, etc. which were less tied to the general purchasing cycles might take place during off-peak periods. The Administration would also continue to encourage HKTDC and other event organizers to adopt where appropriate the "one show, two venues" or "two shows, two venues" approach, i.e. staging trade fairs or exhibitions at HKCEC and AWE concurrently so as to solve the problem of shortage of space at HKCEC and fully utilize the available space at AWE to accommodate more exhibitors. In addition, with the concerted efforts of the Government, venue operators and event organizers, minor rescheduling of existing events would allow more exhibitions to be held during peak periods.

Support for the convention and exhibition industry

14. Regarding the implementation of the Subsidy Scheme, some members called on the Administration to:

- (a) raise the subsidy level from 50% to 75% or even 100% of the participation fees for the participants of all HKTDC's physical exhibitions and major conventions;
- (b) remove the funding ceiling of \$10,000;
- (c) expand the geographical scope of the physical exhibitions and conventions subsidized under the Subsidy Scheme;
- (d) provide small and medium enterprises ("SMEs") with 50% financial subsidy (without funding ceiling) for participating in virtual expos; and

- (e) review the need for further extension of the Subsidy Scheme by listening to the views of the industry, so as to facilitate their early planning of activities.

15. The Administration advised that under the Subsidy Scheme, special arrangements had been made to ensure that eligible SMEs could also apply in tandem for funding support under the Dedicated Fund on Branding, Upgrading and Domestic Sales/SME Export Marketing Fund ("EMF") to cover their participation fees on a matching basis. For example, if the participation fee was \$20,000 or less, an eligible SME could apply for 50% subsidy each from the Subsidy Scheme and EMF, meaning a full subsidy of the participation fee. HKTDC and the Trade and Industry Department would work closely together to streamline the application procedures to facilitate eligible SMEs to obtain the subsidies. The Administration had noted the views of the industry, and would keep the situation in view and consider the need for extension of the Subsidy Scheme as and when necessary.

Council questions

16. Members raised questions relating to the provision of C&E facilities, measures to enhance the competitiveness of the C&E industry, as well as the support measures for the C&E industry at various Council meetings. The relevant hyperlinks are in the **Appendix**.

Latest position

17. The Administration will brief the Panel on 21 September 2021 on the future supply and demand situation of local C&E facilities, as well as the support measures for the C&E industry.

Relevant papers

18. A list of relevant papers is in the **Appendix**.

Convention and exhibition industry in Hong Kong

List of relevant papers

Date of meeting	Meeting	Paper
25 January 2017	Panel on Commerce and Industry	<p>Administration's paper on "2017 Policy Address — Policy Initiatives of Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau" (LC Paper No. CB(1)464/16-17(03))</p> <p>Minutes of meeting (LC Paper No. CB(1)678/16-17)</p>
17 October 2017	Panel on Commerce and Industry	<p>Administration's paper on "2017 Policy Address — Policy initiatives of Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau" (LC Paper No. CB(1)20/17-18(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)341/17-18)</p>
16 October 2018	Panel on Commerce and Industry	<p>Administration's paper on "2018 Policy Address — Policy initiatives of Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau" (LC Paper No. CB(1)13/18-19(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)312/18-19)</p>
19 May 2020	Panel on Commerce and Industry	<p>Administration's paper on "Support for Small and Medium Enterprises" (LC Paper No. CB(1)603/19-20(03))</p> <p>Background brief on support measures for small and medium enterprises prepared by the Legislative Council Secretariat (LC Paper No. CB(1)603/19-20(04))</p>

Date of meeting	Meeting	Paper
		Minutes of meeting (LC Paper No. CB(1)802/19-20)
15 January 2021	Panel on Commerce and Industry	Administration's paper on "2020 Policy Address — Policy initiatives of Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau" (LC Paper No. CB(1)330/20-21(03)) Minutes of meeting (LC Paper No. CB(1)696/20-21)

Hyperlinks to relevant Council questions:

Date	Council question
15 February 2017	Question No. 18 on " Proposals on the development of convention and exhibition venues in Wan Chai "
25 October 2017	Question No. 5 on " Measures to enhance the competitiveness of the convention and exhibition industry "
17 January 2018	Question No. 16 on " Provision of convention and exhibition facilities "
16 January 2019	Question No. 14 on " Convention and exhibition facilities "
9 December 2020	Question No. 17 on " Measures to support the convention and exhibition industry "
14 July 2021	Question No. 9 on " Supporting the exhibition industry "