

### Project background and scope

- KPMG have advised the AsiaWorld-Expo (“AWE”) on the economic benefits of AWE to the Hong Kong economy since the completion of the venue in 2005. In doing so, our focus has been on AWE’s MICE events (Exhibitions and conferences)
- This document continues this work and provides an update of the previous economic assessment - for the financial years 2014/15 (April 2014 to March 2015) and 2015/16 (April 2015 to March 2016). It does however have a broader scope than earlier studies - by covering other events held at AWE including concerts, exams etc

### Overview of our approach

- KPMG have projected the economic benefits of the AWE to the Hong Kong economy for 2014/15 and 2015/16 that would otherwise arisen if these activities did not take place. Through working with industry stakeholders, KPMG obtained key data in relation to the study; primarily as inputs for the calculations and supporting information for the report
- To ensure that the full-extent of impacts were captured, we considered all potential impacts – including those directly arising from AWE activities (“direct impacts”); benefits generated throughout the supply chain (“indirect impacts”) and benefits further supported in the wider economy through the spending of all employees – both at AWE and throughout the supply chain (“induced impacts”)
- We have recognised and eliminated the “duplication effect” of value created by AWE as opposed to HKCEC in our study to avoid overstating of results:
  - We recognised that the existence of the two venues could lead to double-counting effects in numbers of visitors captured in the data provided by AWE when exhibitions with similar themes are held simultaneously in HKCEC
  - Eight associated exhibitions which could be subject to this ‘duplication effect’ were identified in 2014/15. We adjusted visitor data provided by AWE for these exhibitions so that the proportion of impacts attributable to AWE and HKCEC was properly segregated

### Summary of findings (2014/15 and 2015/16)

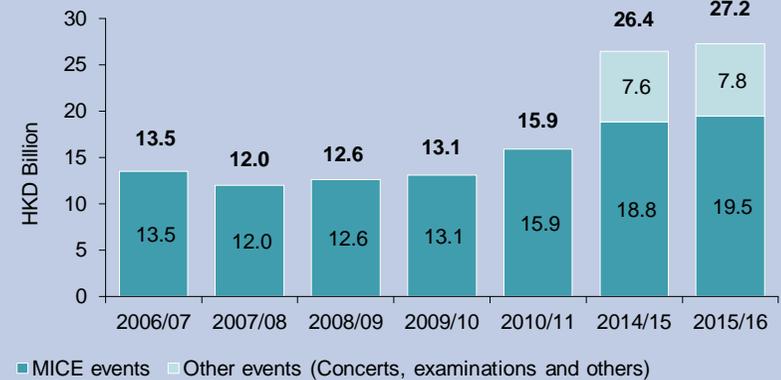
- Total expenditure arising from AWE activities is estimated **to be HKD26 billion in 2014/15 (at 2014 prices) and is expected to reach HKD27 billion in 2015/16 (at 2014 prices)**
- Fiscal (tax) benefits to the HKSAR Government are **calculated at HKD923 million in 2014/15 (at 2014 prices) and HKD995 million in 2015/16 (at 2014 prices)**
- The number of jobs supported by AWE activities in Hong Kong is projected at **43,270 FTE in 2014/15 and 44,650 FTE in 2015/16**
- Approximately **6.5% - 9.0% of Lantau Island’s GDP (or 15% - 21% of GDP excluding core airport-related activities) is directly contributed by AWE activities**

| HKD million (2014 prices) | 2014/15 | 2015/16 |
|---------------------------|---------|---------|
| Expenditure               | 26,000  | 27,000  |
| Tax                       | 923     | 995     |
| Employment                | 43,270  | 44,650  |

### Evolution of impacts

- A comparison of results with previous years shows that AWE brings increasingly larger benefits to the Hong Kong economy
- The total expenditure arising from MICE events (exhibition and conference activities) held at AWE has **grown 19% from HKD16 billion in 2010/11 to HKD19 billion in 2014/15 (at 2014 prices)**, due to both the continued strength of sourcing activities from Mainland China, and increasing inbound activity as businesses from various countries introduce their products to the growing markets in mainland China and other emerging Asian cities via AWE’s exhibition platform.
- This additional expenditure is captured in Hong Kong’s economy, leading to increased fiscal and employment benefits
- For the first time, other events were included in our update, in addition to MICE events. This has significantly amplified the overall impacts of AWE. Amongst all other events, concerts generate the largest economic value. The concerts held at AWE have attracted a high number of overseas visitors – who spend on accommodation and retails, creating significant economic benefits to Hong Kong.

Expenditure effects by event types (HK\$ billions, 2014 prices)



### Industry trends and developments

- After the global financial tsunami in 2008, the momentum of the global economy has been shifted away from west to east. Hong Kong serves as an effective springboard into the emerging economies in Asia. Increasing interests from global companies in tapping into the mainland China and other Asia markets such as India through exhibitions in Hong Kong have continuously driven up the growth of the exhibition and convention industry.
- Although the competitions in the MICE market from mainland China and other Asian cities such as Singapore, Macau and Thailand are increasing over the past few years, Hong Kong’s well established position as a regional sourcing hub and extensive air connectivity and world-class infrastructure will continuously benefit the Hong Kong’s MICE industry. However the MICE industry is considered to grow steadily due to a mature development stage with inadequate exhibition and convention space and hotel capacities to host additional events.
- According to the key findings of our consultations, as Hong Kong has a wide range of entertainment facilities and extensive air connectivity, there will be an excellent opportunity for Hong Kong to support non-MICE events such as exams, concerts, trainings and corporate dinners which are currently not well accommodated by Mainland China cities.
- For the last few years, AWE has successfully unlocked the opportunities to launch non-MICE events including exams and concerts which have attracted a high number of overseas visitors. As some exams such as SAT are not offered in China, students from Mainland China have to travel to Hong Kong or further to Singapore to take exams. In 2012, an estimated 40,000 mainland Chinese students travelled to Hong Kong to take the SAT. Their spending on accommodation and retails created significant economic benefits to Hong Kong.
- Hong Kong’s current transport infrastructure projects including the Hong Kong-Zhuhai-Macau Bridge (HKZMB) are expected to enhance the efficiency of cross-border travel which will reduce visitors’ traveling time. AWE is expected to play a more crucial role to capture the potential of the non-MICE market through leveraging its current facilities and prime location of situating in close proximity to HKZMB and Hong Kong International Airport (HKIA) , resulting in a different value proposition compared to other exhibition and convention centres in Hong Kong.