

CHAPTER 8

**Commerce and Economic Development Bureau
Hong Kong Tourism Board**

**Hong Kong Tourism Board:
Efforts in promoting tourism**

**Audit Commission
Hong Kong
28 October 2020**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 75 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

Audit Commission
26th floor, Immigration Tower
7 Gloucester Road
Wan Chai
Hong Kong

Tel : (852) 2829 4210
Fax : (852) 2824 2087
E-mail : enquiry@aud.gov.hk

HONG KONG TOURISM BOARD: EFFORTS IN PROMOTING TOURISM

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.10
Audit review	1.11 – 1.12
General response from the Hong Kong Tourism Board	1.13
General response from the Government	1.14
Acknowledgement	1.15
PART 2: MEGA EVENTS	2.1 – 2.3
Solicitation of sponsorship	2.4 – 2.7
Audit recommendation	2.8
Response from the Hong Kong Tourism Board	2.9
Staging of mega events	2.10 – 2.14
Audit recommendations	2.15
Response from the Hong Kong Tourism Board	2.16
Evaluation of performance of mega events	2.17 – 2.27
Audit recommendations	2.28
Response from the Hong Kong Tourism Board	2.29

	Paragraph
PART 3: MARKETING ACTIVITIES	3.1
Meetings, incentives, conventions and exhibitions tourism	3.2 – 3.9
Audit recommendations	3.10
Response from the Hong Kong Tourism Board	3.11
Digital marketing	3.12 – 3.21
Audit recommendations	3.22
Response from the Hong Kong Tourism Board	3.23
PART 4: QUALITY TOURISM SERVICES SCHEME	4.1
Accredited merchants of Quality Tourism Services Scheme	4.2 – 4.6
Audit recommendation	4.7
Response from the Hong Kong Tourism Board	4.8
Quality Tourism Services decals and logos	4.9 – 4.14
Audit recommendations	4.15
Response from the Hong Kong Tourism Board	4.16
PART 5: WAY FORWARD	5.1 – 5.4
Deployment of marketing resources	5.5 – 5.9
Audit recommendation	5.10
Response from the Hong Kong Tourism Board	5.11

Paragraph

Hong Kong Tourism Board's measures to rebuild tourism industry	5.12 – 5.17
Audit recommendation	5.18
Response from the Hong Kong Tourism Board	5.19

Appendices

Page

A : Hong Kong Tourism Board: Organisation chart (extract) (31 March 2020)	67
B : Procedures for drawing up Annual Business Plan and Budget and Work Plan	68
C : Acronyms and abbreviations	69

HONG KONG TOURISM BOARD: EFFORTS IN PROMOTING TOURISM

Executive Summary

1. The Hong Kong Tourism Board (HKTB) is a government-subsidized body established in April 2001 under the HKTB Ordinance (Cap. 302). The primary responsibilities of HKTB are to market and promote Hong Kong as a destination worldwide, and to take initiatives to enhance visitors' experience when they arrive. The Board is the governing body of HKTB. The Board has appointed five Committees to oversee various aspects of HKTB's operations. As at 31 March 2020, HKTB had an establishment of 379 staff. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) is the Controlling Officer of the subvention granted to HKTB. In 2019-20, HKTB had a total income of \$869.3 million, which included government subvention of \$834.6 million. In the same year, HKTB had a total expenditure of \$865.2 million.

2. According to HKTB, since mid-2019, the social unrest in Hong Kong has brought about a negative impact on the performance of the tourism industry. Since January 2020, the outbreak of the coronavirus disease (COVID-19) has had a hard hit on the tourism industry of Hong Kong and the world as a whole. In the period from January to August 2020, the number of visitor arrivals to Hong Kong was about 3.5 million, representing a drop of about 92% as compared to the same period in 2019. The Audit Commission (Audit) has recently conducted a review of HKTB. The findings are contained in this Audit Report and another one entitled "Hong Kong Tourism Board: Corporate governance and administrative issues" (Chapter 7 of the Director of Audit's Report No. 75). This Audit Report focuses on matters relating to mega events, marketing activities, the Quality Tourism Services (QTS) Scheme, and way forward.

Mega events

3. *Need to enhance effectiveness of open invitations for title sponsorship.* Audit examined 10 open invitations for title sponsorship for mega events completed in the period from 2014-15 to 2018-19 and noted that: (a) no expression of interest (EOI) was received for 5 (50%) invitations; (b) for some events, the timing of inviting title sponsorship varied from year to year; and (c) the time allowed for submission of EOI (i.e. number of days between the placing of the open invitation and the deadline

Executive Summary

for the submission) was short, ranging from 9 to 15 calendar days, averaging 12.8 calendar days (paras. 2.5 and 2.6).

4. ***Comprehensive event budgetary information not always provided when seeking approval of event implementation.*** Audit noted that for different mega events, event budgetary information of different levels of details was provided to the Product and Event (P&E) Committee in seeking approval for the 32 mega events completed in the period from 2015-16 to 2018-19. In 12 events, information on the proposed event budgets was provided. In 4 of the 12 events, detailed budgetary information with cost breakdown (e.g. covering the staging, marketing and promotion of the event) was also provided. In the remaining 20 events, no information on the proposed event budgets was provided (para. 2.10).

5. ***Need to draw lessons from “Hong Kong New Year Countdown Celebrations” for 2019-20.*** HKTB organised a digital countdown with lucky draw on 31 December 2019 because the fireworks could not be staged for the mega event “Hong Kong New Year Countdown Celebrations”. A number of major issues were encountered after the launch of the event website. For instance, many participants were unable to access the event website. In May 2020, the consultant appointed by HKTB completed a review on the lucky draw event and made 13 recommendations. HKTB needs to draw on the experience gained from the event with a view to preventing recurrence of similar deficiencies in organising other events in the future (paras. 2.11, 2.12 and 2.14).

6. ***Room for enhancing reporting of event performance to P&E Committee.*** HKTB uses a performance measurement framework with 11 performance indicators to measure the performance of its mega events. Upon the completion of a mega event, a post-event report including the achievement of performance indicators would be submitted to the P&E Committee for consideration. Audit noted that of the nine events completed in 2018-19: (a) the achievement in event awareness was only reported for one event; and (b) the actual expenditure was not reported to the P&E Committee for each event (paras. 2.17 and 2.18).

7. ***Need to improve the achievement of some performance indicators.*** Audit noted that for the mega events completed in the period from 2014-15 to 2018-19: (a) the visitor’s split of some events was on the low side. For instance, the visitor’s split of “e-Sports and Music Festival Hong Kong” was 9% in 2017-18 and 7% in 2018-19; and (b) the awareness of some events was decreasing. For example, while

Executive Summary

HKTB increased its spending on marketing and promoting “Hong Kong Wine and Dine Festival” by 59% from \$12.3 million in 2017-18 to \$19.5 million in 2018-19, the event awareness decreased from 33% to 28% over the same period (paras. 2.20 to 2.22).

8. *Need to explore new performance indicators useful for evaluating mega events.* Other than the 11 performance indicators used by HKTB to measure the performance of its mega events, there may be some other performance indicators useful to enhance HKTB’s performance evaluation of such events: (a) “number of non-locals” could supplement the shortcoming of the performance indicator “visitor’s split” and better reflect the situation where there was a growth in the number of non-locals but the “visitor’s split” was distorted by the disproportionate increase in local participants; and (b) while HKTB’s expenditure on its mega events was substantial (the gross expenditure on the staging, marketing and promotion of mega events amounted to \$289 million in 2018-19), HKTB had not established a mechanism to assess the effectiveness of such events in driving visitor spending and bringing economic benefits to Hong Kong (paras. 2.24 to 2.26).

Marketing activities

9. *Need to encourage the use of Funding Support for Small-sized Meeting, Incentive and Convention Groups (Funding Support for SMIC Groups).* The Funding Support for SMIC Groups aims at providing business building assistance for Hong Kong inbound tour operators to enhance their competitiveness in attracting small-sized Meeting, Incentive and Convention (MIC) businesses to Hong Kong. Audit found that for the period from 2016-17 to 2019-20: (a) the amount of funding utilised fell short of the targets by 20.6% in 2016-17, 1.6% in 2017-18, 20.2% in 2018-19 and 53.6% in 2019-20; and (b) the number of MIC overnight visitors benefitted fell short of the targets by 5.6% in 2016-17, 11.7% in 2018-19 and 53.9% in 2019-20 (paras. 3.4 and 3.5).

10. *Need to ensure collection of personal information complies with Personal Data (Privacy) Ordinance.* To apply for the Funding Support for SMIC Groups, an applicant has to submit the name, job title, email, telephone and mobile numbers of the applicant’s contact to HKTB. According to the Personal Data (Privacy) Ordinance (Cap. 486), all practicable steps shall be taken to ensure that the data subject is informed of the details relating to the purpose and manner of collection of personal

Executive Summary

data. However, Audit found that HKTB had not provided the applicants with such information (paras. 3.8 and 3.9).

11. ***Requirements of displaying commercial entities' names on HKTB's website not complied with.*** According to HKTB's requirements regarding the contents on its website (i.e. DiscoverHongKong.com), self-owned contents developed internally should not single out any specific restaurant or shop name and a disclaimer statement should be included in third-party contents. Audit examined 29 articles comprising 4 articles of self-owned contents and 25 articles of third-party contents and found that: (a) all the 4 articles of self-owned contents contained names of specific restaurants or shops; and (b) in 1 (4%) of the 25 articles of third-party contents, no disclaimer statement was included (paras. 3.17 and 3.18).

12. ***Need to require content partners of HKTB's website to avoid conflict of interest with commercial entities they featured.*** According to HKTB's guidelines, when working with content partners who would make recommendations of commercial entities, the contract between HKTB and the content partners would include a clause to avoid any conflict of interest between the content partners and the commercial entities featured. Audit found that in the period from 2014-15 to 2019-20, in 5 (71.4%) of the 7 partnership agreements, there was no documentary evidence showing that the partners were required to avoid conflict of interest between them and the commercial entities they featured (paras. 3.20 and 3.21).

Quality Tourism Services Scheme

13. ***Need to encourage merchants to participate in QTS Scheme.*** QTS Scheme aims to help visitors to identify quality tourism service providers and assist service providers in making continual improvements. Audit found that: (a) in the period from January 2015 to May 2020, the number of QTS accredited merchants decreased by 95 (7.5%) from 1,272 to 1,177 and the number of outlets operated by QTS accredited merchants decreased by 355 (4.3%) from 8,229 to 7,874; (b) as at 31 December 2019, of the 44,680 retailer outlets and 11,448 restaurant outlets, 6,059 (13.6%) and 2,113 (18.5%) respectively joined QTS Scheme; and (c) as at 31 December 2019, only 7 (0.5%) of the 1,520 licensed guesthouses (general) joined QTS Scheme (paras. 4.2, 4.4 and 4.5).

Executive Summary

14. *Need to take measures to encourage QTS accredited merchants to display valid decals.* Every QTS accredited merchant is entitled to display QTS decals at the shop front/visitor accommodation's prominent location showing the valid year of the accreditation. Audit conducted site visits to 30 QTS accredited merchants in June and July 2020 (1 outlet for each merchant) and found that: (a) 20 (66.7%) merchants did not display the decals at their outlets; and (b) 7 (23.3%) merchants displayed the expired decals of 2019 at their outlets instead of the decals of 2020 (paras. 4.9 and 4.10).

15. *Need to step up checking on fraudulent display of QTS decals and logos.* According to HKTB, display of QTS decals or logos by merchants having withdrawn from QTS Scheme is considered as fraudulent display. In the period from January 2019 to May 2020, 132 merchants withdrew from QTS Scheme. Audit conducted site visits to 10 of the 132 merchants in July 2020 and found that: (a) two (20%) merchants displayed QTS decals at the outlets; and (b) another (10%) merchant displayed QTS logo in its promotional material (para. 4.13).

Way forward

16. *Need to optimise the deployment of marketing resources.* HKTB focuses its marketing expenditure on 20 key source markets around the world. The 20 key source markets are classified into four market segments, namely the Mainland, short-haul markets, long-haul markets and emerging markets. Audit found that: (a) HKTB aimed to maintain a diverse market portfolio and balanced visitor mix. For the period from 2014 to 2020 (up to July), the visitor mix remained skewed. The market mix in the period was 65% to 69% of overnight visitor arrivals and 76% to 78% of total visitor arrivals were from the Mainland; and (b) for the period from 2014-15 to 2018-19, in 4 of the 20 key source markets, notwithstanding that there was an increase in marketing expenditure, the numbers of overnight visitor arrivals and total visitor arrivals decreased (paras. 5.3, 5.5 and 5.7).

17. *Need to closely monitor the latest situation in tourism development.* In the period from 2014 to 2018, the amount of tourism expenditure of overnight visitors decreased by \$27.4 billion (12.4%) from \$221 billion to \$193.6 billion and the per capita expenditure of overnight visitor decreased by \$1,346 (16.9%) from \$7,960 to \$6,614. Moreover, according to HKTB, the growing trend of visitor arrivals reversed in July 2019 with the social unrest in Hong Kong. The outbreak of COVID-19 since January 2020 has dealt an even more severe blow to the tourism

Executive Summary

industry in Hong Kong. To revitalise the tourism industry, various efforts have been made by the Government to explore with places which have stabilised their epidemic situation on how to resume cross-border travel in a gradual manner and establish mutual arrangements with them. Facing the new set of constraints and challenges, HKTB needs to closely monitor the latest situation of the challenges facing the tourism development in Hong Kong and take on board the observations and recommendations arising from this audit review in addressing the challenges and enhancing the work in promoting tourism in Hong Kong (paras. 5.12 and 5.15 to 5.17).

Audit recommendations

18. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Executive Director, HKTB should:**

Mega events

- (a) **set out the most appropriate timeframe of inviting title sponsorship for mega events and provide sufficient time for submission of EOI (para. 2.8);**
- (b) **enhance the information provided to the P&E Committee in seeking its approval for mega events (para. 2.15(a));**
- (c) **draw on the experience gained from the mega event “Hong Kong New Year Countdown Celebrations” for 2019-20 with a view to preventing recurrence of similar deficiencies (para. 2.15(b));**
- (d) **report the achievement in event awareness to the P&E Committee in the post-event reports on mega events and consider including in the post-event reports the actual expenditure on organising the mega events (para. 2.28(a) and (b));**
- (e) **improve the achievement of performance indicators of mega events and explore the desirability of adopting new performance indicators that are useful for evaluating mega events (para. 2.28(c));**

Executive Summary

Marketing activities

- (f) keep in view the need to step up efforts in encouraging inbound tour operators to make better use of the Funding Support for SMIC Groups (para. 3.10(a));
- (g) ensure that the collection of personal information from the applicants of the Funding Support for SMIC Groups complies with the requirements under the Personal Data (Privacy) Ordinance (para. 3.10(b));
- (h) ensure that commercial entities' names are displayed on HKTB's website according to the requirements (para. 3.22(b));
- (i) require content partners of HKTB's website to avoid conflict of interest with commercial entities they featured (para. 3.22(c));

QTS Scheme

- (j) keep in view the effectiveness of the promotion efforts of QTS Scheme and encourage merchants to participate in the Scheme (para. 4.7);
- (k) encourage QTS accredited merchants to display valid QTS decals and step up the checking on fraudulent display of decals and logos (para. 4.15(a) and (b));

Way forward

- (l) optimise the deployment of marketing resources (para. 5.10); and
- (m) closely monitor the latest situation of the challenges facing the tourism development in Hong Kong and take on board the observations and recommendations arising from this audit review in addressing the challenges and enhancing the work in promoting tourism in Hong Kong (para. 5.18).

Executive Summary

Response from the Hong Kong Tourism Board

19. The Executive Director, HKTB appreciates the effort made by Audit in conducting this review. He has said that HKTB takes very seriously the recommendations in the two Audit Reports and has carried out significant follow-up actions.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 Tourism is one of the four key industries in Hong Kong (Note 1). According to the Census and Statistics Department, in 2018, the tourism industry accounted for about 4.5% of Hong Kong's Gross Domestic Product and employed around 257,000 people, or about 6.6% of the total employment.

1.3 The Hong Kong Tourism Board (HKTB) is a government-subsidised body established in April 2001 under the HKTB Ordinance (Cap. 302) by reconstituting from the then Hong Kong Tourist Association (HKTA – Note 2). According to the HKTB Ordinance, the objects of HKTB are:

- (a) to endeavour to increase the contribution of tourism to Hong Kong;
- (b) to promote Hong Kong globally as a leading international city in Asia and a world class tourist destination;
- (c) to promote the improvement of facilities for visitors;
- (d) to support the Government in promoting to the community the importance of tourism;

Note 1: *The four key industries are trading and logistics, financial services, professional services and other producer services, and tourism. In 2018, they accounted for 21.2%, 19.8%, 11.9% and 4.5% of Hong Kong's Gross Domestic Product respectively.*

Note 2: *HKTA was set up as a membership organisation in 1957. Subsequent to the completion of the Strategic Organisation Review in 1999, the Board of Management of HKTA decided to abolish the membership system of HKTA and reconstitute it into HKTB. The HKTB Ordinance was enacted in March 2001 to effect these changes.*

Introduction

- (e) to support, as appropriate, the activities of persons providing services for visitors to Hong Kong; and
- (f) to make recommendations to and advise the Chief Executive (CE) of the Hong Kong Special Administrative Region in relation to any measures which may be taken to further any of the foregoing matters.

Governance and organisation structure of HKTB

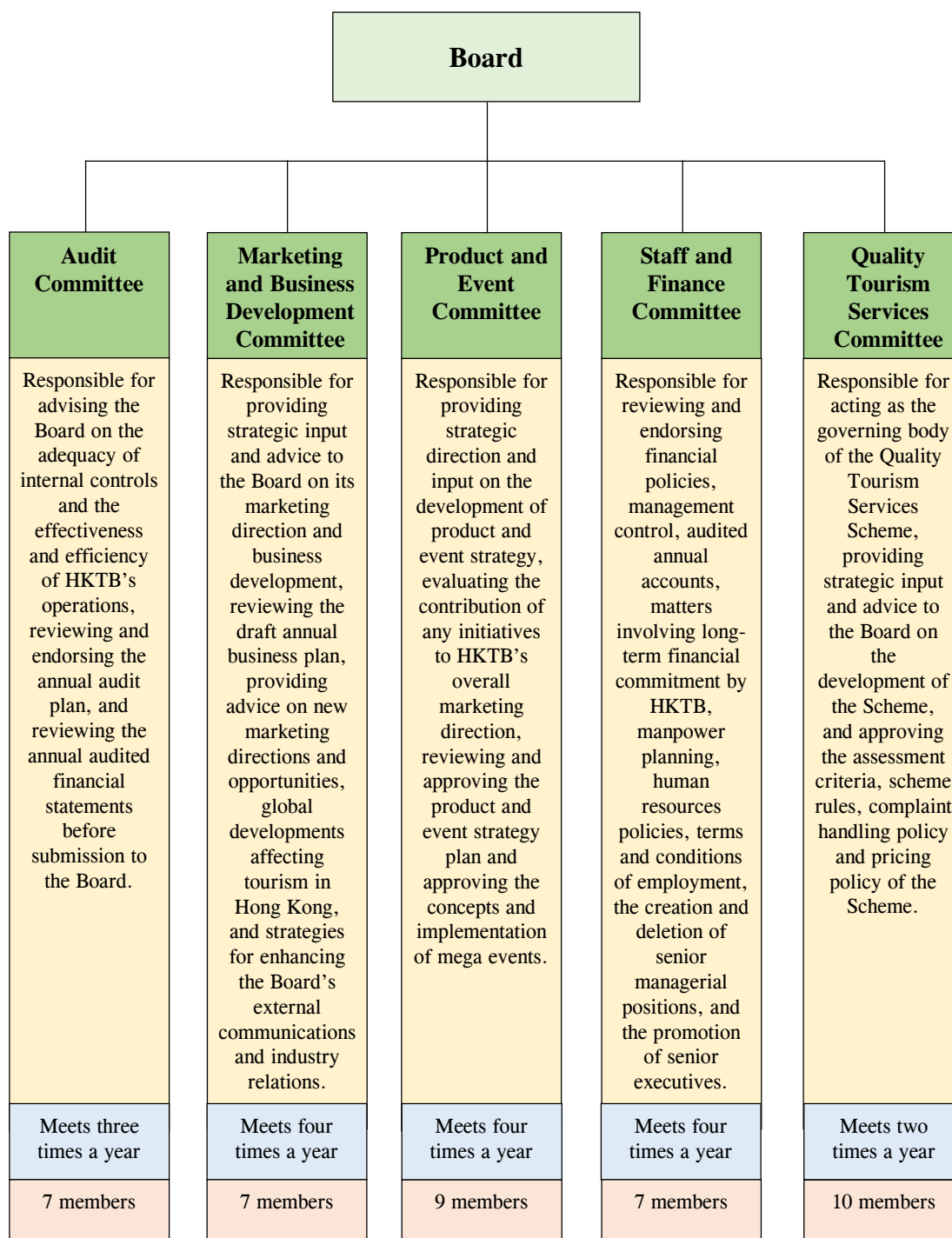
1.4 The Board is the governing body of HKTB and meets every two months. According to the HKTB Ordinance, the Board shall consist of 20 members (including the Chairman) (Note 3) appointed by CE (Note 4). The Board has appointed five Committees to oversee various aspects of HKTB's operations and provide advice to the Board on corporate governance matters arising from the Committees' work. The responsibilities, meeting frequencies and numbers of members of the Committees are shown in Figure 1.

Note 3: *According to the HKTB Ordinance, of the 20 Board members, two shall be passenger carriers, two shall be hotel operators, one shall be a licensed travel agent, one shall be a tour operator, one shall be a retailer and one shall be a restaurant operator. The Commissioner for Tourism (see para. 1.6) is the Deputy Chairman of the Board and is also a member of each of the five Committees of HKTB. As at 31 March 2020, the other 11 members comprised individuals from different sectors including legal, banking, business and entertainment.*

Note 4: *The authority for CE to appoint members of the Board has been delegated to the Financial Secretary.*

Figure 1

**Committees under the Board
(31 March 2020)**



Source: HKTB records

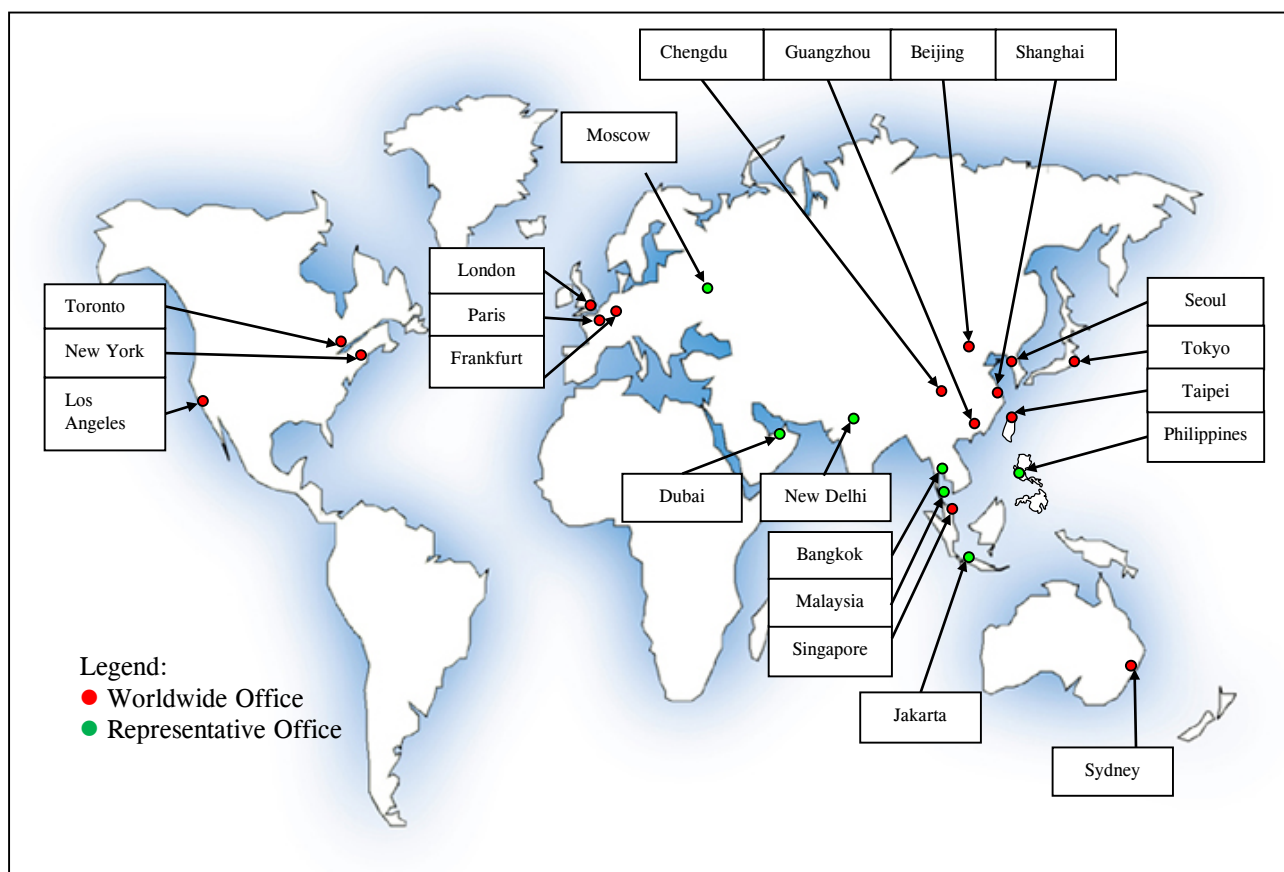
Remarks: The number of members of each Committee in this figure included the Chairman of the Committee.

Introduction

1.5 Under the HKTB Ordinance, the Board has the power to appoint an Executive Director (ED) to be the chief administrative officer, and other staff, agents or contractors. As at 31 March 2020, HKTB had an establishment of 379 staff, comprising 245 staff of its Hong Kong Head Office and 134 staff of its 15 Worldwide Offices. Apart from the Worldwide Offices, HKTB also had seven Representative Offices to answer enquiries from the travel trade, media and consumers (see Figure 2). The operations of the Representative Offices are outsourced to external parties. An organisation chart is shown at Appendix A.

Figure 2

**Global network of Worldwide Offices and Representative Offices
(31 March 2020)**



Source: *Audit analysis of HKTB records*

Relationship between HKTB and Government

1.6 The primary responsibilities of HKTB are to market and promote Hong Kong as a destination worldwide, and to take initiatives to enhance visitors' experience when they arrive. The Commerce and Economic Development Bureau (CEDB) is responsible for overseeing the operation of HKTB. The Tourism Commission (TC) under CEDB formulates and coordinates the implementation of policies, strategies and plans for tourism development. TC also leads and coordinates the work of government bureaux and departments on policies and initiatives which have an impact on tourism development. TC is headed by the Commissioner for Tourism. It works closely with HKTB and other organisations to promote the development of tourism in Hong Kong.

Sources of income

1.7 The major sources of income of HKTB are:

- (a) ***Government subvention.*** Government subvention is the principal source of HKTB's income. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) is the Controlling Officer of the subvention granted to HKTB. According to the Controlling Officer's Report (COR), the aim of subvention to HKTB was to promote inbound tourism and maximise the socio-economic contribution that tourism made to Hong Kong;
- (b) ***Sponsorship, promotion and advertising income.*** This includes:
 - (i) sponsorship for funding mega events (see para. 2.4), activities and communication materials; and
 - (ii) revenue from advertisements in its publications and website, as well as in the venue of mega events organised by HKTB; and
- (c) ***Other income.*** This mainly includes interest income and fees collected for HKTB's services. For instance, HKTB collects fees from participating merchants of the Quality Tourism Services Scheme.

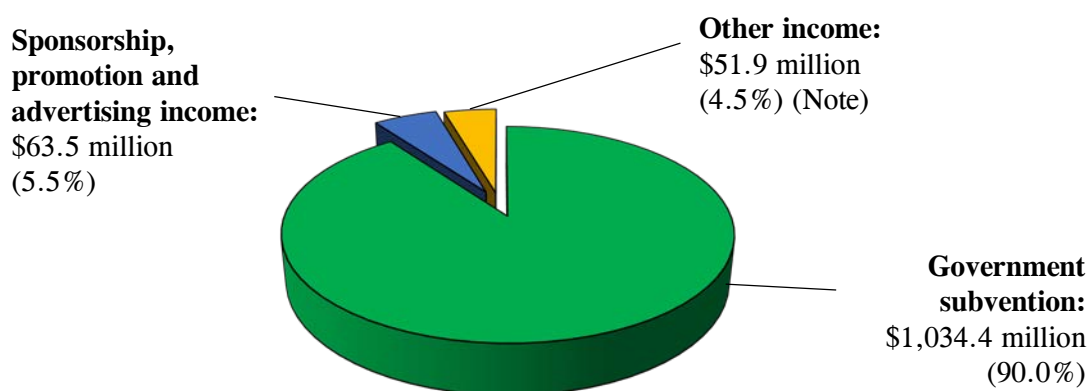
Introduction

Income and expenditure

1.8 In 2018-19 and 2019-20, HKTB's income was \$1,149.8 million and \$869.3 million respectively (see Figures 3 and 4). In 2018-19 and 2019-20, HKTB's expenditure was \$1,146 million and \$865.2 million respectively (see Figures 5 and 6).

Figure 3

**Analysis of total income of \$1,149.8 million of HKTB
(2018-19)**

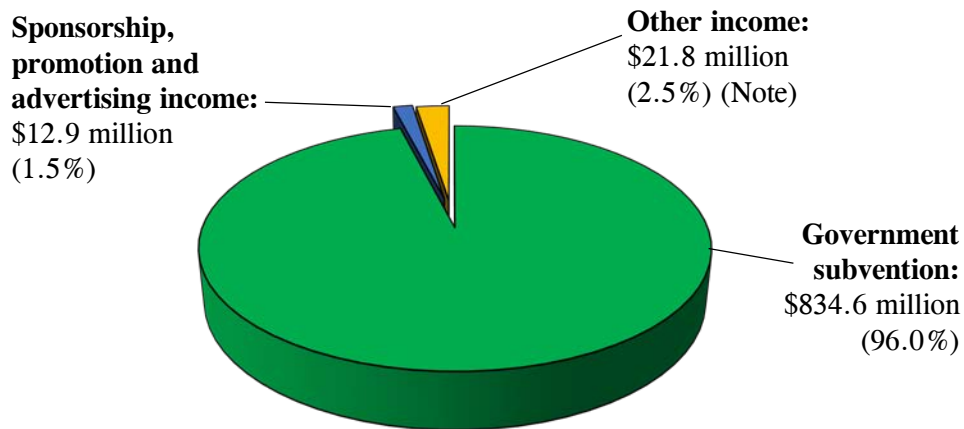


Source: Audit analysis of HKTB's financial statements

Note: Other income was mainly interest income and service fees.

Figure 4

Analysis of total income of \$869.3 million of HKTB (2019-20)

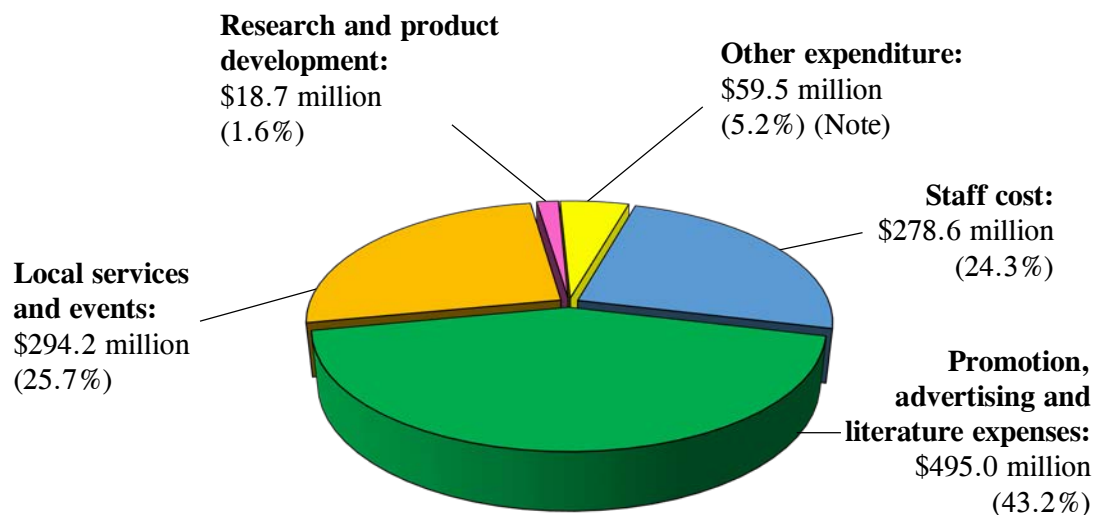


Source: *Audit analysis of HKTB's financial statements*

Note: *Other income was mainly interest income and service fees.*

Figure 5

Analysis of total expenditure of \$1,146 million of HKTB (2018-19)

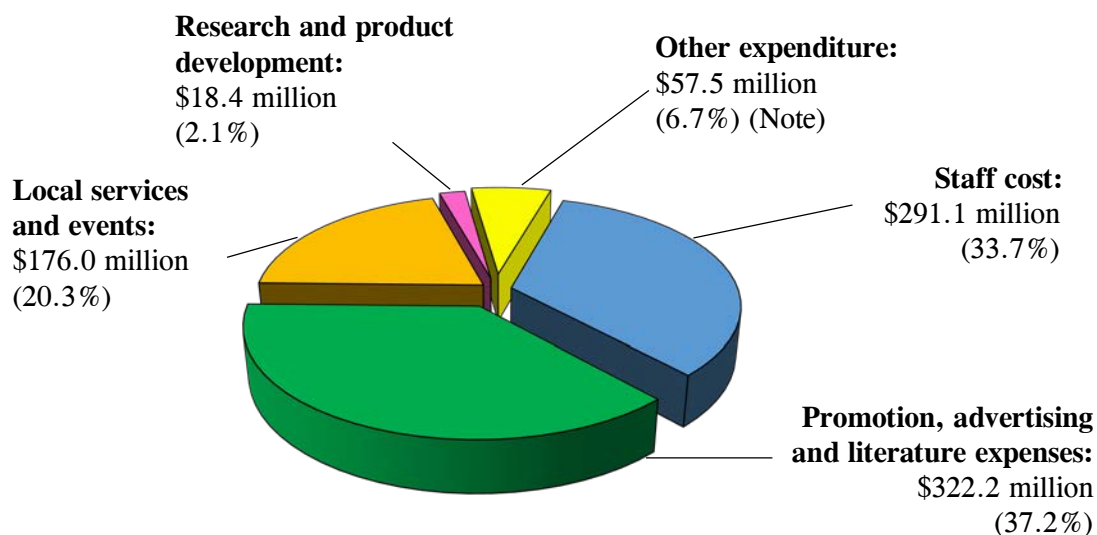


Source: *Audit analysis of HKTB's financial statements*

Note: *Other expenditure included rent, rates, management fees, depreciation, auditor's remuneration, etc.*

Figure 6

**Analysis of total expenditure of \$865.2 million of HKTB
(2019-20)**



Source: Audit analysis of HKTB's financial statements

Note: Other expenditure included rent, rates, management fees, depreciation, auditor's remuneration, etc.

Performance of tourism industry

1.9 CEDB reports the performance of the tourism industry in COR under five indicators (see Table 1):

- (a) visitor arrivals;
- (b) length of stay of overnight visitors;
- (c) satisfaction of overnight visitors;
- (d) per capita expenditure of overnight visitor; and
- (e) tourism expenditure associated with inbound tourism.

Table 1

**Performance of tourism industry in Hong Kong
(2014 to 2019)**

Performance indicator	2014	2015	2016	2017	2018	2019 (Note)
Visitor arrivals (million)	60.8	59.3	56.7	58.5	65.1	55.9
Length of stay of overnight visitors (night)	3.3	3.3	3.3	3.2	3.1	3.3
Satisfaction of overnight visitors (score out of 10)	8.2	8.2	8.3	8.4	8.6	8.5
Per capita expenditure of overnight visitor (\$)	7,960	7,234	6,599	6,443	6,614	5,820
Tourism expenditure associated with inbound tourism (\$ billion)	359.0	332.3	296.2	296.7	328.2	259.8

Source: CORs of CEDB

Note: According to HKTB, the performance of the tourism industry in 2019 was adversely affected by the social unrest in Hong Kong.

1.10 According to HKTB, since mid-2019, the social unrest in Hong Kong has brought about a negative impact on the performance of the tourism industry (see Table 1). Since January 2020, the outbreak of the coronavirus disease (COVID-19) has hard hit the tourism industry of Hong Kong and the world as a whole. In response to the outbreak of COVID-19, many governments have imposed various stringent travel restrictions and quarantine measures. In the period from January to August 2020, the number of visitor arrivals to Hong Kong was about 3.5 million, representing a drop of about 92% as compared to the same period in 2019.

Audit review

1.11 In May 2020, the Audit Commission (Audit) commenced a review of HKTB. The findings of this audit review are contained in two separate Audit Reports, as follows:

- (a) “Hong Kong Tourism Board: Efforts in promoting tourism” (the subject matter of this Audit Report); and
- (b) “Hong Kong Tourism Board: Corporate governance and administrative issues” (Chapter 7 of the Director of Audit’s Report No. 75).

1.12 This Audit Report focuses on the following areas:

- (a) mega events (PART 2);
- (b) marketing activities (PART 3);
- (c) Quality Tourism Services Scheme (PART 4); and
- (d) way forward (PART 5).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

General response from the Hong Kong Tourism Board

1.13 ED, HKTB appreciates the effort made by Audit in conducting this review. He has said that:

- (a) HKTB takes very seriously the recommendations in the two Audit Reports and has carried out significant follow-up actions;
- (b) HKTB will continue to make every effort to constantly review and strengthen its corporate guidelines and procedures to ensure optimal use of public resources; and

- (c) COVID-19 has transformed the global tourism landscape. HKTB has started to conduct a holistic and thorough review of Hong Kong's status and position in the worldwide industry, including its strategies for investment, meetings, incentives, conventions and exhibitions (MICE) events, cruise tourism and mega events, with the objective of revitalising the Hong Kong tourism brand and driving sustainable, long-term tourism growth.

General response from the Government

1.14 The Secretary for Commerce and Economic Development agrees with the audit recommendations.

Acknowledgement

1.15 During the audit review, in light of the outbreak of COVID-19, the Government and HKTB had implemented various special work arrangements and targeted measures for their employees, including working from home. Audit would like to acknowledge with gratitude the full cooperation of the staff of CEDB and HKTB during the course of the audit review amid the COVID-19 epidemic.

PART 2: MEGA EVENTS

2.1 This PART examines HKTB's organisation of mega events, focusing on the following areas:

- (a) solicitation of sponsorship (paras. 2.4 to 2.9);
- (b) staging of mega events (paras. 2.10 to 2.16); and
- (c) evaluation of performance of mega events (paras. 2.17 to 2.29).

Background

2.2 HKTB stages various mega events to strengthen Hong Kong as the Events Capital of Asia, induce visitor arrivals, raise visitor satisfaction with unique Hong Kong experience and ultimately bring economic benefits to Hong Kong (see Table 2). The purposes of mega events are to:

- (a) ***Build awareness.*** Build destination awareness in source markets;
- (b) ***Reinforce image.*** Raise international profile and reinforce image through event experience;
- (c) ***Enhance satisfaction.*** Enrich visitors' experience and enhance satisfaction during the stay in the city, contribute to building relation and bonding with visitors, and result in repeat visits in subsequent years;
- (d) ***Drive spending.*** Provide incremental spending opportunities; and
- (e) ***Build community.*** As vehicles to foster local pride and community building.

Table 2

**Mega events organised by HKTB
(2014-15 to 2018-19)**

Mega event		2014-15	2015-16	2016-17	2017-18	2018-19
1	A Symphony of Lights	No (Note 1)	No (Note 1)	No (Note 1)	Yes	Yes
2	e-Sports and Music Festival Hong Kong	No (Note 2)	No (Note 2)	No (Note 2)	Yes	Yes
3	Hong Kong Cyclothon	No (Note 3)	Yes	Yes	Yes	Yes
4	Hong Kong Dragon Boat Carnival	Yes	Yes	Yes	Yes	Yes
5	Hong Kong New Year Countdown Celebrations	Yes	Yes	Yes	Yes	Yes
6	Hong Kong Pulse Light Festival	Yes	Yes	Yes	Yes	Yes
7	Hong Kong Wine and Dine Festival	Yes	Yes	Yes	Yes	Yes
8	Hong Kong WinterFest (Christmas Tree)	Yes	Yes	Yes	Yes	Yes
9	International Chinese New Year Night Parade	Yes	Yes	Yes	Yes	Yes

Source: Audit analysis of HKTB records

Note 1: "A Symphony of Lights" is run by TC. HKTB has been engaged to revamp and update the show since 2017-18.

Note 2: "e-Sports and Music Festival Hong Kong" was first organised in 2017-18.

Note 3: "Hong Kong Cyclothon" was first organised in 2015-16.

Mega events

2.3 Over the years, Hong Kong has won many recognitions as a top travel destination in the world by international media as well as key media in source markets, leading travel portals and travel industry organisations. For instance, Hong Kong won “Ultimate Asia Experience” and “Most Attractive Tourist Destination Award” in 2019. According to HKTB, organising mega events is the key contributing success factor.

Solicitation of sponsorship

2.4 HKTB solicits commercial sponsorship in the forms of cash sponsorship and in-kind sponsorship to support mega events. Sponsorship reduces the gross investment by HKTB on mega events, maximises the impact of the events by tapping into sponsoring partners’ network and resources, and creates a platform for private and public sector partnership. In the period from 2014-15 to 2018-19:

- (a) **Cash sponsorship.** The amount of cash sponsorship received by HKTB increased by \$24.59 million (120%) from \$20.52 million in 2014-15 to \$45.11 million in 2018-19 after reaching a peak of \$49.93 million in 2017-18. According to HKTB, the drop in 2018-19 was due to the changed format of an event which involved a lower budget and subsequently a lower amount of sponsorship comparing with the previous year; and
- (b) **In-kind sponsorship.** The amount of in-kind sponsorship received by HKTB increased by \$27.99 million (258%) from \$10.83 million in 2014-15 to \$38.82 million in 2018-19. Examples of in-kind sponsorship included complimentary hotel room nights, air tickets and bottled water.

Need to enhance effectiveness of open invitations for title sponsorship

2.5 It is stipulated in HKTB’s internal guidelines on sponsorship solicitation that placement of invitation for title sponsorship for individual event should be posted on one English and one Chinese newspapers as well as on its website (i.e. DiscoverHongKong.com) (see para. 3.12(a)). HKTB also makes courtesy calls to explore sponsorship opportunities. Audit examined 10 open invitations for title sponsorship for mega events completed in the period from 2014-15 to 2018-19 and noted that the responses were as follows:

- (a) no expression of interest (EOI) was received for 5 (50%) invitations;
- (b) only one EOI was received for each of 3 (30%) invitations; and
- (c) two and three EOIs were received respectively for the remaining 2 (20%) invitations.

2.6 Audit analysed the timing of placing invitation and the submission time allowed for the 10 open invitations for title sponsorship and noted the following:

- (a) ***Timing of placing open invitations varied from year to year.*** HKTB organised mega events on a yearly basis around the same time of the year. However, for some mega events, the timing of placing open invitations for title sponsorship varied from year to year. For example:
 - (i) open invitations for title sponsorship for “Hong Kong New Year Countdown Celebrations” for 2016-17 and 2017-18 were placed 7.5 months and 13.3 months respectively prior to the tentative dates of the event; and
 - (ii) open invitations for title sponsorship for “Hong Kong WinterFest (Christmas Tree)” for 2014-15, 2016-17 and 2017-18 were placed 8 months, 6.5 months and 12.3 months respectively prior to the tentative dates of the event; and
- (b) ***Short time allowed for submission of EOI.*** The time allowed for submission of EOI (i.e. number of days between the placing of the open invitation and the deadline for the submission) was short, ranging from 9 to 15 calendar days, averaging 12.8 calendar days.

2.7 In Audit’s view, the varying timing of placing open invitations from year to year and the short time allowed for submission of EOI might not be conducive to attracting potential sponsors to submit EOI. To enhance the effectiveness of the open invitations for title sponsorship with a view to attracting sponsorship offers, Audit considers that HKTB needs to set out the most appropriate timeframe of inviting title sponsorship for mega events and provide sufficient time for submission of EOI.

Audit recommendation

2.8 Audit has *recommended* that ED, HKTB should set out the most appropriate timeframe of inviting title sponsorship for mega events and provide sufficient time for submission of EOI.

Response from the Hong Kong Tourism Board

2.9 ED, HKTB agrees with the audit recommendation. He has said that:

- (a) as different potential sponsors have different areas of interest and considerations for sponsorship, HKTB strategically places one advertisement for invitation which covers a number of events of different natures and promotional windows grouped together to attract sponsors. As such, timing for placing related invitations varied from year to year; and
- (b) HKTB will standardise the timeframe for placing open invitation for the title sponsorship of events, and provide a longer time for the submission of EOI.

Staging of mega events

Comprehensive event budgetary information not always provided when seeking approval of event implementation

2.10 Audit examined the 32 mega events completed in the period from 2015-16 to 2018-19 and noted that for different mega events, event budgetary information of different levels of details was provided to the Product and Event (P&E) Committee in seeking approval for implementing the events. In 12 events, information on the proposed event budgets was provided. In 4 of the 12 events, detailed budgetary information with cost breakdown (e.g. covering the staging, marketing and promotion of the event) was also provided. In the remaining 20 events, no information on the proposed event budgets was provided. Details are as follows (see Table 3):

- (a) **2015-16.** In five of the seven mega events completed, information on the proposed event budgets was provided. In three of the five events, detailed budgetary information with cost breakdown was also provided;

- (b) **2016-17.** In three of the seven mega events completed, information on the proposed event budgets was provided. In one of the three events, detailed budgetary information with cost breakdown was also provided;
- (c) **2017-18.** In four of the nine mega events completed, information on the proposed event budgets was provided. However, in all the four events, detailed budgetary information with cost breakdown was not provided; and
- (d) **2018-19.** No information on the proposed event budgets was provided in all the nine mega events completed.

Mega events

Table 3

**Provision of event budgetary information to P&E Committee
when seeking approval of event implementation
(2015-16 to 2018-19)**

Mega event	Event budgetary information			
	2015-16	2016-17	2017-18	2018-19
A Symphony of Lights	– (Note 1)	– (Note 1)	✓	×
e-Sports and Music Festival Hong Kong	– (Note 2)	– (Note 2)	×	×
Hong Kong Cyclothon	✓	×	×	×
Hong Kong Dragon Boat Carnival	✓	×	×	×
Hong Kong New Year Countdown Celebrations	✓	✓	✓	×
Hong Kong Pulse Light Festival	✓	✓	✓	×
Hong Kong Wine and Dine Festival	×	×	×	×
Hong Kong WinterFest (Christmas Tree)	✓	✓	✓	×
International Chinese New Year Night Parade	×	×	×	×

- Legend: ✓ Event budgetary information provided with detailed cost breakdown
 ✓ Event budgetary information provided without detailed cost breakdown
 × Event budgetary information not provided

Source: Audit analysis of HKTB records

Note 1: “A Symphony of Lights” is run by TC. HKTB has been engaged to revamp and update the show since 2017-18.

Note 2: “e-Sports and Music Festival Hong Kong” was first organised in 2017-18.

To facilitate the P&E Committee in its consideration of granting approval for mega events, Audit considers that HKTB needs to take measures to enhance the information provided to the Committee in seeking its approval for mega events.

Need to draw lessons from “Hong Kong New Year Countdown Celebrations” for 2019-20

2.11 On 2 December 2019, in discussing the staging of the mega event “Hong Kong New Year Countdown Celebrations” for 2019-20, HKTB considered that a contingency plan with no mass public gathering was necessary if the new year countdown fireworks could not be staged in view of the social situation and public safety concerns. It was agreed that a digital countdown with lucky draw should be further explored. On 9 December 2019, HKTB confirmed the cancellation of the main fireworks and decided to proceed with the lucky draw event. On 13 December 2019, due to tight timeframe, HKTB adopted single tendering to invite a supplier as the event manager. On 18 December 2019, the contract was awarded to the supplier. The lucky draw event comprised the “Play & Draw Games” (to play for the chance to win a supermarket coupon) and the “Grand Lucky Draw” on the event day of 31 December 2019. On 31 December 2019, after the launch of the event website at 6 pm, a number of major issues were encountered:

- (a) many participants were unable to access the event website;
- (b) the participants could not receive verification code emails because several major email providers blocked the emails sent from the event website;
- (c) the event website was blacklisted by cyber security service providers and reported as unsafe; and
- (d) the participants could not enter into the “Play & Draw Games”, nor obtain ticket numbers for the “Grand Lucky Draw”.

2.12 In May 2020, the consultant appointed by HKTB completed a review on the lucky draw event and issued the review report with 13 recommendations on the areas of procurement, protection of personal data, system design, development and testing, assurance of event fairness and contingency planning. The recommendations covered:

- (a) areas that HKTB management should consider when undertaking similar events in the future; and

Mega events

- (b) areas that would typically be addressed by the event manager but instead were not effectively executed by the supplier.

2.13 In response to Audit's enquiry, HKTB informed Audit in September 2020 that while it had no plan to organise an online lucky draw again in the near future, it would take on board the recommendations made in the review report in relevant events in future.

2.14 Audit recognises that the implementation of the lucky draw event was subject to a very tight timeframe. There was less than one month when the event idea was first conceived on 2 December 2019 before the event was launched on 31 December 2019. Audit considers that HKTB needs to draw on the experience gained from the mega event "Hong Kong New Year Countdown Celebrations" for 2019-20 with a view to preventing recurrence of similar deficiencies in organising other events in the future.

Audit recommendations

2.15 **Audit has recommended that ED, HKTB should:**

- (a) **take measures to enhance the information provided to the P&E Committee in seeking its approval for mega events; and**
- (b) **draw on the experience gained from the mega event "Hong Kong New Year Countdown Celebrations" for 2019-20 with a view to preventing recurrence of similar deficiencies in organising other events in the future.**

Response from the Hong Kong Tourism Board

2.16 ED, HKTB agrees with the audit recommendations. He has said that:

- (a) HKTB will enhance the information provided to the P&E Committee in seeking its approval for mega events, including more budgetary details; and

- (b) HKTB will learn from the experience of the mega event “Hong Kong New Year Countdown Celebrations” for 2019-20 and take actions to prevent similar incidents in future events.

Evaluation of performance of mega events

2.17 HKTB uses a performance measurement framework with the following 11 performance indicators to measure the performance of its mega events:

- (a) event awareness;
- (b) event satisfaction;
- (c) destination image of Hong Kong;
- (d) enhanced satisfaction about Hong Kong due to the event;
- (e) likelihood of participating in similar event in next visit to Hong Kong;
- (f) recommend event to friends and relatives;
- (g) satisfaction of Hong Kong trip;
- (h) revisit Hong Kong intention;
- (i) recommendation of Hong Kong to friends and relatives;
- (j) visitor’s split (i.e. percentage of non-locals in the event attendance); and
- (k) perception of event as an Asia’s signature event.

Mega events

Room for enhancing performance reporting of mega events to P&E Committee

2.18 Upon the completion of a mega event, a post-event report including the achievement of performance indicators would be submitted to the P&E Committee for consideration. Audit examined the post-event reports submitted to the P&E Committee for the nine mega events completed in 2018-19 and noted room for improvement:

- (a) ***Achievement in event awareness not reported.*** Audit noted that the achievement in event awareness was only reported for one (“e-Sports and Music Festival Hong Kong”) of the nine mega events; and
- (b) ***Actual expenditure not reported.*** Audit noted that the actual expenditure was not reported to the P&E Committee for each of the nine mega events. In September 2018, in a meeting of the P&E Committee, the Committee discussed the post-event report for “e-Sports and Music Festival Hong Kong” for 2018-19, and TC requested a breakdown of expenses for the event. In response, HKTB provided the breakdown to TC in January 2019 but not the P&E Committee.

2.19 Audit considers that event awareness and actual expenditure could provide useful information for the evaluation of the cost-effectiveness of mega events and HKTB needs to:

- (a) report the achievement in event awareness to the P&E Committee in the post-event reports on mega events; and
- (b) consider including in the post-event reports the actual expenditure on organising the mega events.

Need to improve the achievement of some performance indicators

2.20 Audit examined the achievement of performance indicators of the mega events completed in the period from 2014-15 to 2018-19 and noted room for improvement in the achievement of two performance indicators, namely “visitor’s

split” (i.e. percentage of non-locals in the event attendance) and “event awareness” (see paras. 2.21 to 2.23).

2.21 *Visitor’s split of some mega events on the low side.* One of the key objectives of organising mega events is to drive visitor arrivals. HKTB uses the performance indicator “visitor’s split” (see para. 2.17(j)) to monitor the achievement of this objective. In the period from 2014-15 to 2018-19, the visitor’s split of some mega events was on the low side (see Table 4):

- (a) visitor’s split of “e-Sports and Music Festival Hong Kong” was 9% in 2017-18 and 7% in 2018-19 (Note 5); and
- (b) visitor’s split of “Hong Kong Wine and Dine Festival” was 8.5% in 2014-15, 8% in 2015-16 and 2016-17, and 11% in 2017-18 and 2018-19.

Note 5: *The visitor’s split of “e-Sports and Music Festival Hong Kong” further dropped to 4% in 2019-20.*

Mega events

Table 4

**Visitor's split of mega events
(2014-15 to 2018-19)**

Mega event	2014-15 (%)	2015-16 (%)	2016-17 (%)	2017-18 (%)	2018-19 (%)
A Symphony of Lights	— (Note 1)	— (Note 1)	— (Note 1)	80	89
e-Sports and Music Festival Hong Kong	— (Note 2)	— (Note 2)	— (Note 2)	9	7
Hong Kong Cyclothon	— (Note 3)	19	33.4	29.8	40
Hong Kong Dragon Boat Carnival	29	— (Note 4)	17	22	24
Hong Kong New Year Countdown Celebrations	— (Note 4)	— (Note 4)	— (Note 4)	— (Note 4)	— (Note 4)
Hong Kong Pulse Light Festival	43	52	44	41	31
Hong Kong Wine and Dine Festival	8.5	8	8	11	11
Hong Kong WinterFest (Christmas Tree)	— (Note 4)	— (Note 4)	— (Note 4)	— (Note 4)	26
International Chinese New Year Night Parade	47.5	49.9	52.4	53.3	54.4

Source: HKTB records

Note 1: "A Symphony of Lights" is run by TC. HKTB has been engaged to revamp and update the show since 2017-18.

Note 2: "e-Sports and Music Festival Hong Kong" was first organised in 2017-18.

Note 3: "Hong Kong Cyclothon" was first organised in 2015-16.

Note 4: HKTB did not measure the visitor's split of the events.

2.22 *Awareness of some mega events was decreasing.* Event awareness is a performance indicator for assessing the effectiveness of HKTB's efforts in marketing and promoting mega events to visitors (see para. 2.17(a)). Audit noted that in the period from 2014-15 to 2018-19, the awareness of some mega events was decreasing (see Table 5):

- (a) the awareness of "Hong Kong Dragon Boat Carnival" decreased from 58% in 2014-15 to 37% in 2018-19 after reaching a peak of 75% in 2015-16;
- (b) the awareness of "International Chinese New Year Night Parade" decreased from 41% in 2014-15 to 29% in 2018-19; and
- (c) while HKTB increased its spending on marketing and promoting "Hong Kong Wine and Dine Festival" by 59% from \$12.3 million in 2017-18 to \$19.5 million in 2018-19, the event awareness decreased from 33% to 28% over the same period.

Mega events

Table 5

**Event awareness of mega events
(2014-15 to 2018-19)**

Mega event	2014-15 (%)	2015-16 (%)	2016-17 (%)	2017-18 (%)	2018-19 (%)
A Symphony of Lights	– (Note 1)	– (Note 1)	– (Note 1)	– (Note 4)	– (Note 4)
e-Sports and Music Festival Hong Kong	– (Note 2)	– (Note 2)	– (Note 2)	23	12
Hong Kong Cyclothon	– (Note 3)	22	29	22	25
Hong Kong Dragon Boat Carnival	58	75	42	32	37
Hong Kong New Year Countdown Celebrations	– (Note 4)	– (Note 4)	71	67	59
Hong Kong Pulse Light Festival	22	26	– (Note 4)	– (Note 4)	– (Note 4)
Hong Kong Wine and Dine Festival	– (Note 4)	29	26	33	28
Hong Kong WinterFest (Christmas Tree)	77	76	– (Note 4)	– (Note 4)	71
International Chinese New Year Night Parade	41	36	36	37	29

Source: HKTB records

Note 1: “A Symphony of Lights” is run by TC. HKTB has been engaged to revamp and update the show since 2017-18.

Note 2: “e-Sports and Music Festival Hong Kong” was first organised in 2017-18.

Note 3: “Hong Kong Cyclothon” was first organised in 2015-16.

Note 4: HKTB did not measure the awareness of the events.

2.23 Audit considers that HKTB needs to take measures to improve the achievement of performance indicators of mega events.

Need to explore new performance indicators useful for evaluating mega events

2.24 HKTB uses 11 performance indicators (see para. 2.17) to measure the performance of its mega events. Audit noted that there may be some other performance indicators useful to enhance HKTB's performance evaluation of mega events (see paras. 2.25 to 2.27).

2.25 ***Number of non-locals.*** In November 2018, in a meeting of the Audit Committee, members discussed the results of a study conducted by HKTB on "Hong Kong Wine and Dine Festival" and "Hong Kong Pulse Light Festival". Members concurred with a recommendation of the study on tracking the number of non-locals in addition to the ratio of non-locals versus total participants (i.e. "visitor's split") that HKTB had been tracking as a performance indicator for the two events. In September 2020, in response to Audit's enquiry, HKTB informed Audit that:

- (a) the recommendation was meant to supplement the shortcoming of "visitor's split". The number of non-locals served to explain the situation where there was a growth in the number of non-locals compared to past year but the "visitor's split" was distorted by the disproportionate increase in local participants; and
- (b) HKTB had planned to provide the measurement as a supplementary information in reporting the "visitor's split" for "Hong Kong Wine and Dine Festival" and "Hong Kong Pulse Light Festival" in future.

Audit noted that HKTB had collected information on event attendance for many of its events (Note 6), and the number of non-locals can be derived by multiplying the event attendance by the "visitor's split". In Audit's view, the number of non-locals could be provided as a useful performance indicator for all mega events.

2.26 ***Effectiveness of mega events in driving visitor spending.*** HKTB stages different mega events to strengthen Hong Kong as the Events Capital of Asia, and ultimately bring economic benefits to Hong Kong. Audit noted that:

Note 6: *HKTB relies on attendance count performed by the Police or the security company of the event for the purpose of event management as opposed to performance evaluation.*

Mega events

- (a) in 2018-19, the gross expenditure on the staging, marketing and promotion of mega events amounted to \$289 million. While HKTB's expenditure on its mega events was substantial, HKTB had not established a mechanism to assess the effectiveness of such events in driving visitor spending and bringing economic benefits to Hong Kong; and
- (b) some overseas tourism authorities measured the return on investment of their overseas marketing activities. For example, an overseas national tourism agency measured its return on investment by estimating the additional visitor spending that could be attributable to its marketing activities by means of visitor surveys.

2.27 Audit considers that HKTB needs to explore the desirability of adopting new performance indicators that are useful for evaluating mega events.

Audit recommendations

2.28 Audit has *recommended* that ED, HKTB should:

- (a) **report the achievement in event awareness to the P&E Committee in the post-event reports on mega events;**
- (b) **consider including in the post-event reports the actual expenditure on organising the mega events; and**
- (c) **take measures to improve the achievement of performance indicators of mega events and explore the desirability of adopting new performance indicators that are useful for evaluating mega events.**

Response from the Hong Kong Tourism Board

2.29 ED, HKTB agrees with the recommendations in paragraph 2.28(a) and (b) and also notes the recommendation in paragraph 2.28(c). He has said that:

- (a) the effectiveness of mega events and related performance reporting mechanisms will be enhanced;
- (b) over the years, Hong Kong has been widely recognised as a top global travel destination by international media, leading travel portals and travel industry organisations. Mega events have been a key contributing factor to the city's success, forming a pillar platform for promoting Hong Kong's destination appeal and raising its profile as a world class city;
- (c) the events have different objectives. Some are intended primarily to build the overall image of Hong Kong as a destination offering diverse experiences, while others are intended to enhance the city's ambience. The events also have different parameters, from duration and scale to venue location, which result in variations in attendance and visitor's split. It is therefore not appropriate to make a direct comparison between different events;
- (d) the number of non-locals to "Hong Kong Wine and Dine Festival" actually rose from 11,520 in 2015 to 18,511 in 2018, representing an increase of over 60%. The number of non-locals to "e-Sports and Music Festival Hong Kong" has maintained at a similar level. The drop in the visitor's split was mainly due to the higher total attendance; and
- (e) HKTB is conducting a review of the tourism positioning of Hong Kong and its overall promotion strategies, including ways to optimise the use of mega events. Before the review is completed, all mega events will be assessed against a set of performance indicators approved in 2018. The performance of all performance indicators will also be reported to the P&E Committee.

PART 3: MARKETING ACTIVITIES

3.1 Apart from mega events, HKTb carried out a number of other marketing activities. This PART examines these activities, focusing on the following areas:

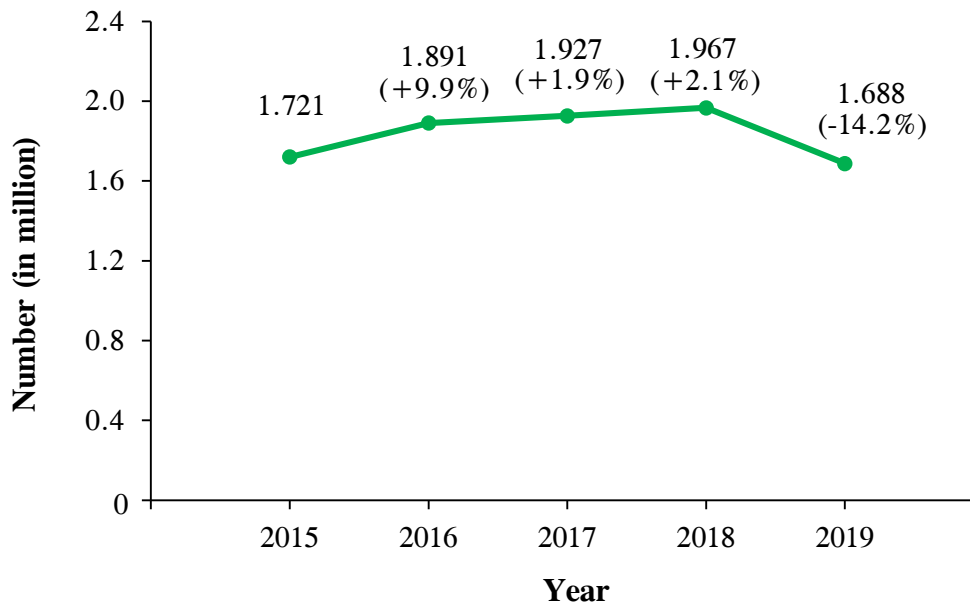
- (a) MICE tourism (paras. 3.2 to 3.11); and
- (b) digital marketing (paras. 3.12 to 3.23).

Meetings, incentives, conventions and exhibitions tourism

3.2 In the period from 2015-16 to 2019-20, HKTb incurred \$267.4 million on the promotion of MICE tourism. Expenditure increased by \$10.7 million (29.9%) from \$35.8 million in 2015-16 to \$46.5 million in 2019-20. Efforts to promote MICE tourism included bidding for international MICE events and providing funding support to local ground operators to enhance their competitiveness in attracting MICE businesses to Hong Kong, etc. In 2019, per capita spending of MICE visitor was \$7,176, which was 23.3% higher than that of the general visitor. In the period from 2015 to 2019, the number of overnight arrivals of MICE visitors increased by 14.3% from 1.721 million in 2015 to 1.967 million in 2018 and then dropped by 14.2% to 1.688 million in 2019 (see Figure 7). According to HKTb, there was a healthy growth momentum during the first half of 2019. However, arrivals in the second half of 2019 were affected by the social unrest in Hong Kong. The declining trend has continued in 2020 due to both social unrest and the outbreak of COVID-19.

Figure 7

**Number of overnight MICE visitor arrivals
(2015 to 2019)**



Source: Audit analysis of HKTB records

3.3 Within less than two months from the end of January to the first half of March 2020, a total of 64 MICE events were affected (16 events cancelled and 48 events postponed). HKTB projected that a total of 339,267 non-Hong Kong MICE event participants were impacted. In May 2020, HKTB hosted an online MICE tourism update to introduce recovery plan for the MICE industry. HKTB foresaw that there would be new norms for the MICE industry in post-pandemic travels. For example, MICE travellers would attach greater importance to hygiene, lead time for event organisation would be shortened, and a hybrid model integrating digital and physical interfaces would become a rising trend in MICE events. According to HKTB, it has been closely monitoring the situation and has already planned a series of initiatives to be rolled out as soon as the markets are ready.

Funding Support for Small-sized Meeting, Incentive and Convention Groups

3.4 In August 2016, the Funding Support for Small and Medium-sized Meeting, Incentive and Convention (MIC) Groups was launched. Since 2019-20, the funding support has been renamed the Funding Support for Small-sized MIC Groups (Funding Support for SMIC Groups). The Funding Support for SMIC Groups aims at providing business building assistance for Hong Kong inbound tour operators to enhance their competitiveness in attracting small-sized MIC businesses to Hong Kong. The support is offered on a reimbursement basis under a five-tier funding structure, with maximum funding support of \$10,000 to \$40,000 per MIC group with 20 to 400 non-Hong Kong participants (Note 7). The funding should be utilised for providing special hospitality offers for MIC groups in areas such as hotel accommodation and attraction admissions, and/or offsetting the cost of pre-event site inspection visit in Hong Kong for the eligible MIC groups. From its introduction in 2016-17 to 2019-20, there were a total of 1,351 successful applications, involving funding of \$22.64 million.

Need to encourage the use of Funding Support for SMIC Groups

3.5 Audit examined HKTb's targets on utilisation of the Funding Support for SMIC Groups and the numbers of MIC overnight visitors benefitted for the period from 2016-17 to 2019-20 (see Tables 6 and 7) and noted that:

- (a) for the period from 2016-17 to 2018-19, both the amount of funding utilised and the number of MIC overnight visitors benefitted showed an increasing trend. However, the amount of funding utilised fell short of the targets by 20.6% in 2016-17, 1.6% in 2017-18 and 20.2% in 2018-19, whereas the number of MIC overnight visitors benefitted fell short of the targets by 5.6% in 2016-17 and 11.7% in 2018-19; and
- (b) in 2019-20, the amount of funding utilised and the number of MIC overnight visitors benefitted dropped and fell short of the targets by 53.6% and 53.9% respectively. According to HKTb, application momentum had largely slowed down in 2019-20 due to social unrest and the outbreak of COVID-19.

Note 7: *On 1 October 2019, the minimum group size was changed from 30 to 20 non-Hong Kong participants.*

Table 6

**Utilisation of the Funding Support for SMIC Groups
(2016-17 to 2019-20)**

Year	Utilisation (\$ million)		
	Target (a)	Actual (b)	Variance (c) = (b) - (a)
2016-17	5.00	3.97	-1.03 (-20.6%)
2017-18	7.50	7.38	-0.12 (-1.6%)
2018-19	9.50	7.58	-1.92 (-20.2%)
2019-20	8.00	3.71	-4.29 (-53.6%)

Source: Audit analysis of HKTB records

Table 7

**MIC overnight visitors benefitted from the Funding Support for SMIC Groups
(2016-17 to 2019-20)**

Year	No. of MIC overnight visitors benefitted		
	Target (a)	Actual (b)	Variance (c) = (b) - (a)
2016-17	22,000	20,770	-1,230 (-5.6%)
2017-18	33,000	34,814	+1,814 (+5.5%)
2018-19	41,000	36,197	-4,803 (-11.7%)
2019-20	35,000	16,132	-18,868 (-53.9%)

Source: Audit analysis of HKTB records

Marketing activities

3.6 In September 2020, in response to Audit's enquiry, HKTB informed Audit that:

- (a) the pilot scheme of the Funding Support for SMIC Groups was launched in August 2016 for a relatively short period of eight months in 2016-17. It was the first time HKTB formulated a specialised funding scheme for MICE ground operators and hence there was no precedent for setting the budget. This explained the 20.6% under-utilisation of the budget in 2016-17 and the number of MIC overnight visitors benefitted slightly falling short of target by 5.6%;
- (b) for 2017-18, the visitor target was over-achieved by 5.5% by using only 98.4% of the annual budget. Hence this should be considered as over-achieving the visitor target rather than under-utilising the budget;
- (c) for 2018-19, the original budget and visitor target were \$7 million and 30,000 respectively. The actual amount of funding utilised was \$7.58 million with 36,197 MIC overnight visitors benefitted, exceeding the original budget and visitor target by 8.3% and 20.7% respectively. The reported under-utilisation was due to the fact that an additional \$2.5 million was added to the budget in October 2018 to fund the projected increase in applications for the rest of the year. However, the application momentum could not be sustained and hence the shortfall in utilisation versus the increased budget; and
- (d) HKTB had already taken proactive and comprehensive actions to encourage the applications of the funding, including widely publicising the funding scheme on a regular basis and lowering the minimum group size requirement in the 2016 and 2019 schemes.

3.7 Audit considers that HKTB needs to keep in view the need to step up efforts in encouraging inbound tour operators to make better use of the Funding Support for SMIC Groups with a view to achieving the target utilisation and number of MIC overnight visitors.

Need to ensure collection of personal information complies with Personal Data (Privacy) Ordinance

3.8 To apply for the Funding Support for SMIC Groups, an applicant has to submit personal information including name, job title, email, telephone and mobile numbers of the applicant's contact to HKTB.

3.9 According to the Personal Data (Privacy) Ordinance (Cap. 486), all practicable steps shall be taken to ensure that the data subject is informed of the details relating to the purpose and manner of collection of personal data, for example, whether it is obligatory or voluntary for him to supply the data and the purpose for which the data is to be used. Audit reviewed the application procedures for the Funding Support for SMIC Groups and noted that HKTB had not provided the applicants with information relating to the purpose and manner of collection of personal data. Audit considers that HKTB needs to take measures to ensure that the collection of personal information from the applicants of the Funding Support for SMIC Groups complies with the requirements under the Personal Data (Privacy) Ordinance.

Audit recommendations

3.10 **Audit has *recommended* that ED, HKTB should:**

- (a) **keep in view the need to step up efforts in encouraging inbound tour operators to make better use of the Funding Support for SMIC Groups with a view to achieving the target utilisation and number of MIC overnight visitors; and**
- (b) **take measures to ensure that the collection of personal information from the applicants of the Funding Support for SMIC Groups complies with the requirements under the Personal Data (Privacy) Ordinance.**

Response from the Hong Kong Tourism Board

3.11 ED, HKTB agrees with the recommendation in paragraph 3.10(b) and also notes the recommendation in paragraph 3.10(a). He has said that:

- (a) HKTB has made every effort to achieve an optimal level of budget efficiency and has seen an increasing number of visitors benefitted from the Funding Support for SMIC Groups since its launch in 2016. Substantial resources have been deployed in promoting and enhancing the Funding Support for SMIC Groups to encourage more ground operators to apply for funding support. From 2016-17 to 2018-19, the number of visitors benefitted from the Funding Support for SMIC Groups increased by 74%. For 2019-20, the impact of social unrest and COVID-19 substantially slowed down the application momentum and should not therefore be used for assessment and comparison; and
- (b) HKTB has already updated the application form for Funding Support for SMIC Groups so as to comply with the requirements under the Personal Data (Privacy) Ordinance.

Digital marketing

3.12 During the period from 2015-16 to 2019-20, HKTB incurred \$165.9 million on digital marketing. Expenditure increased from \$20.7 million in 2015-16 to \$54.1 million in 2019-20. HKTB's efforts in digital marketing included the following:

- (a) maintaining its website in different languages/countries (Note 8), including revamping the websites and content development, etc.;
- (b) managing social media platforms, such as Facebook, Twitter, Instagram and Weibo, etc.; and

Note 8: *There are 20 versions of HKTB's website: International (English), Australia & New Zealand (English), Canada (English), India (English), Southeast Asia (English), the United Kingdom (English), the United States of America (English), Simplified Chinese, Traditional Chinese, Japanese, Korean, Indonesian, German, Dutch, Spanish, French, Russian, Thai, Arabic and Vietnamese.*

- (c) engaging in online promotion for HKTB's events.

Deficiencies in HKTB's website revamp project

3.13 In October 2018, the Board approved \$26.85 million for revamping HKTB's website into a platform for smart travel. The new HKTB's website will contain functions and features such as itinerary planner with in-town navigation map, voice recognition search, event calendar and artificial intelligence chatbot. When seeking the Board's approval for the vendor to implement the revamp project, HKTB informed the Board that the International (English) and Chinese versions of the new website would be launched in the fourth quarter of 2019. The other versions of the website would be launched by the end of 2020.

3.14 ***Delays in HKTB's website revamp project.*** Audit noted that the revamped HKTB's website in International (English) and Chinese versions were launched in May 2020, representing a delay of five months. In August 2020, in response to Audit's enquiry, HKTB informed Audit that with the social unrest and COVID-19, it was not appropriate to launch a new face of Hong Kong when the situation was highly uncertain. HKTB had restructured and re-developed the website to cope with the rapid changes, for example, creating a new "What's New" section to host ad-hoc information regarding the situation in Hong Kong and deferred the launch of the International (English) and Chinese versions of the website to May 2020. However, Audit noted that some planned functions (such as the artificial intelligence chatbot) were not available in the revamped website launched in May 2020.

3.15 ***Removal of mobile application before revamp of HKTB's website is completed.*** Prior to December 2019, HKTB maintained a mobile application called the My Hong Kong Guide. Its key features included trip itinerary planner, highlighted events and attractions, and e-coupon discounts. HKTB planned to replace the My Hong Kong Guide by the Progressive Web Applications (PWA) technology in the revamped HKTB's website, which offered offline browsing and functions similar to an application. Audit noted that notwithstanding that the revamp of the website was not yet completed, HKTB discontinued the mobile application in December 2019. Moreover, even when the International (English) and Chinese versions of the revamped website were launched in May 2020, PWA technology was not rolled out and offline browsing was not yet supported.

Marketing activities

- 3.16 Audit considers that HKTB needs to take measures to ensure that:
- (a) the website revamp project is not further delayed; and
 - (b) mobile application services are discontinued only after planned replacement is ready for use in future projects.

Requirements of displaying commercial entities' names on HKTB's website not complied with

- 3.17 According to HKTB's requirements regarding the contents on its website:
- (a) ***Self-owned contents.*** Self-owned contents are those developed internally by HKTB. Contents should not single out any specific restaurant or shop name; and
 - (b) ***Third-party contents.*** Third-party contents are provided by content partners and they are clearly stated with the third-party's names responsible for them. A disclaimer ("HKTB disclaims any liability as to the quality or fitness for purpose of third party products and services; and makes no representation or warranty as to the accuracy, adequacy or reliability of any information contained herein") is also included in third-party contents.
- 3.18 As at 24 June 2020, under the "shopping" and "dining" sections of the International (English) version of HKTB's website, there were 29 articles comprising 4 articles of self-owned contents and 25 articles of third-party contents. Audit examined these 29 articles and noted that:
- (a) all the 4 articles of self-owned contents contained names of specific restaurants or shops; and
 - (b) in 1 (4%) of the 25 articles of third-party contents, no disclaimer statement was included.

3.19 Audit considers that HKTB needs to take measures to ensure that commercial entities' names are displayed on its website according to the requirements.

Need to require content partners of HKTB's website to avoid conflict of interest with commercial entities they featured

3.20 According to HKTB's guidelines on contents creation, when working with content partners who would make recommendations of commercial entities, the contract between HKTB and the content partners would include a clause to avoid any conflict of interest between the content partners and the commercial entities they featured.

3.21 In the period from 2014-15 to 2019-20, 320 articles were created by four content partners for HKTB's website, involving a total of seven partnership agreements over the period. Audit noted that:

- (a) 2 (28.6%) of the 7 partnership agreements were made in the form of signed contracts. In the contracts, clauses relating to declaration of interests by the content partner declaring real or apparent conflict of interest were included; and
- (b) the remaining 5 (71.4%) partnership agreements were made in the form of approving the quotations obtained from the partners by HKTB officials with the required level of authority as stipulated in the financial and procurement procedure. There was no documentary evidence showing that the partners were required to avoid conflict of interest between them and the commercial entities they featured.

Audit considers that HKTB needs to take measures to require content partners of its website to avoid conflict of interest with commercial entities they featured in accordance with HKTB's guidelines.

Audit recommendations

- 3.22 **Audit has recommended that ED, HKTB should:**
- (a) **take measures to ensure that:**
 - (i) **HKTB’s website revamp project is not further delayed; and**
 - (ii) **mobile application services are discontinued only after planned replacement is ready for use in future projects;**
 - (b) **take measures to ensure that commercial entities’ names are displayed on HKTB’s website according to the requirements; and**
 - (c) **take measures to require content partners of HKTB’s website to avoid conflict of interest with commercial entities they featured in accordance with HKTB’s guidelines.**

Response from the Hong Kong Tourism Board

- 3.23 ED, HKTB agrees with the audit recommendations. He has said that:
- (a) HKTB will ensure that the relaunch of its website is completed in accordance with the latest schedule approved by the Board;
 - (b) PWA technology has been used to replace the My Hong Kong Guide mobile application and measures will be put in place to ensure a smooth transition for future projects;
 - (c) action has been taken to ensure commercial entities’ names are displayed as required on HKTB’s website; and
 - (d) measures have been in place to ensure that no content partners of HKTB’s website have a conflict of interest with commercial entities they featured in accordance with HKTB’s guidelines.

PART 4: QUALITY TOURISM SERVICES SCHEME

4.1 This PART examines the Quality Tourism Services (QTS) Scheme, focusing on the following areas:

- (a) accredited merchants of QTS Scheme (paras. 4.2 to 4.8); and
- (b) QTS decals and logos (paras. 4.9 to 4.16).

Accredited merchants of Quality Tourism Services Scheme

4.2 In 1999, QTS Scheme was launched by HKTA to accredit retailers and restaurants providing quality services, thereby giving visitors greater confidence in the products and services of Hong Kong. Under QTS Scheme, accredited retailers and restaurants are required to fulfil a prescribed set of assessment criteria. For applicants who have fulfilled QTS Scheme's assessment criteria, they are certified as QTS accredited merchants. A QTS accredited merchant is entitled to display QTS decal as an identification of its QTS status. In November 2006, HKTB expanded QTS Scheme to cover visitor accommodation. QTS Scheme aims to:

- (a) help visitors to identify quality tourism service providers; and
- (b) assist service providers to conduct self-assessments and to identify areas where there are inadequacies in performance so that continual improvements can be made.

4.3 According to HKTB:

- (a) QTS Scheme has a stringent accreditation, assessment and monitoring mechanism to ensure that accredited merchants will provide and maintain quality services. To maintain the Scheme's standard, assessment criteria have been regularly reviewed and tightened;

Quality Tourism Services Scheme

- (b) the Scheme targets to recruit quality merchants which can attain elevated service standards and proven track records in delivering quality service to all customers including visitors;
- (c) merchants located in non-tourist areas are not target merchants and are less likely to join the Scheme;
- (d) QTS accredited visitor accommodation service providers have to pass stringent annual assessments and therefore, only a few of them are qualified; and
- (e) to maximise exposure for merchants, all QTS merchants are listed in HKTB's website, social media channels and HKTB's Visitor Centres, for consumers' information.

Need to encourage merchants to participate in QTS Scheme

4.4 Audit examined the number of QTS accredited merchants in the period from January 2015 to May 2020 (see Table 8) and noted that:

- (a) the number of QTS accredited merchants decreased by 95 (7.5%) from 1,272 in January 2015 to 1,177 in May 2020. The number of outlets operated by QTS accredited merchants decreased by 355 (4.3%) from 8,229 in January 2015 to 7,874 in May 2020;
- (b) the number of new QTS accredited merchants in the year decreased by 79 (59%) from 133 in 2015 to 54 in 2019. From January to May 2020, there were only 9 new QTS accredited merchants; and
- (c) the number of QTS accredited merchants withdrawn in the year decreased by 82 (57%) from 143 in 2015 to 61 in 2019. From January to May 2020, 71 QTS accredited merchants withdrew from the Scheme.

Table 8

**Number of QTS accredited merchants and outlets
(January 2015 to May 2020)**

	2015	2016	2017	2018	2019	2020 (up to May)
No. of QTS accredited merchants						
At the beginning of year (a)	1,272	1,262	1,244	1,262	1,246	1,239
New recruit (b)	133	115	130	75	54	9
Withdrawal (c)	143	133	112	91	61	71
At the end of year (d) = (a) + (b) – (c)	1,262	1,244	1,262	1,246	1,239	1,177
Withdrawal rate (e) = (c) ÷ (a) × 100%	11%	11%	9%	7%	5%	6%
No. of QTS accredited outlets						
At the beginning of year (f)	8,229	8,239	8,127	8,097	8,204	8,179
Change during the year (g)	10	(112)	(30)	107	(25)	(305)
At the end of year (h) = (f) + (g)	8,239	8,127	8,097	8,204	8,179	7,874

Source: Audit analysis of HKTB records

4.5 One of the prerequisites for retailers and restaurants to join QTS Scheme is that they are properly registered with the Government and hold all valid permits and licences required or necessary in connection with the conduct of their business and activities. Visitor accommodation service providers applying for QTS Scheme should possess a valid tourist guesthouse licence issued by the Office of the Licensing Authority of the Home Affairs Department in accordance with the Hotel and Guesthouse Accommodation Ordinance (Cap. 349). Audit analysed the number of QTS accredited outlets as at 31 December 2019 by business nature (see Table 9) and noted that:

Quality Tourism Services Scheme

- (a) most of the QTS accredited outlets were retailers and restaurants. Of the total 8,179 outlets (1,239 merchants), 8,172 outlets (1,232 merchants) (99.9%) were retailers and restaurants. There were only 7 (0.1%) accommodation service provider outlets; and
- (b) as at 31 December 2019:
 - (i) of the 44,680 retailer outlets and 11,448 restaurant outlets (Note 9), 6,059 (13.6%) and 2,113 (18.5%) respectively joined QTS Scheme; and
 - (ii) only 7 (0.5%) of the 1,520 licensed guesthouses (general) (Note 10) joined QTS Scheme.

Note 9: *According to HKTB, not all retailer outlets and restaurant outlets focus on serving tourists. Some retailer outlets such as those engaged in the sale of fresh produce, furniture, hardware, metal ware and petrol filling stations were not target merchants for QTS Scheme and were not included in the 44,680 retailer outlets. The 11,448 restaurant outlets referred to those operating under general restaurant licences. Outlets operating under other types of food business licences/permits (e.g. factory canteens) were not target merchants for QTS Scheme and were not included in the 11,448 restaurant outlets.*

Note 10: *There are three types of licensed guesthouses, namely general guesthouses, holiday flats and holiday camps. All three types of licensed guesthouses are eligible to join QTS Scheme but only general guesthouses are target QTS accredited merchants.*

Table 9

**Analysis of number of QTS accredited outlets by business nature
(31 December 2019)**

Business nature	No. of accredited QTS outlets	No. of outlets in Hong Kong	Percentage
Retailers	6,059	44,680 (Note 1)	13.6%
Restaurants	2,113	11,448 (Note 1)	18.5%
Licensed guesthouses (general) (Note 2)	7	1,520	0.5%

Source: Audit analysis of HKTB records

Note 1: See Note 9 to paragraph 4.5.

Note 2: See Note 10 to paragraph 4.5.

4.6 In response to Audit's enquiry, HKTB informed Audit in September 2020 that not all the 44,680 retail outlets and the 11,448 restaurant outlets were located in tourist areas and were interested to join the Scheme. Therefore, not all of them were target QTS accredited merchants. Audit considers that HKTB needs to keep in view the effectiveness of the promotion efforts of QTS Scheme in recruiting target merchants to join the Scheme and continue to take measures to encourage merchants to participate in QTS Scheme.

Audit recommendation

4.7 Audit has *recommended* that ED, HKTB should keep in view the effectiveness of the promotion efforts of QTS Scheme in recruiting target merchants to join the Scheme and continue to take measures to encourage merchants to participate in QTS Scheme.

Response from the Hong Kong Tourism Board

4.8 ED, HKTB notes the audit recommendation. He has said that:

- (a) a variety of measures have been taken over the years to increase the exposure, attractiveness, and patronage of QTS Scheme. They have included an award programme to increase merchants' exposure, strengthening of promotions in Mainland China, and partnership with leading mobile platforms in countries/regions outside Hong Kong to promote QTS merchants. However, participation has been affected by a number of factors including merchants' commitment to meet the Scheme's requirements, business considerations, and the prevailing economic situation. It would be more appropriate to review the penetration of QTS Scheme by benchmarking it against similar industry associations in the dining and retail sector, for which the number of registered members of an association ranges from 550 to 8,000; and
- (b) HKTB will continue to take measures to recruit more merchants despite these challenges, while maintaining the stringent criteria and upholding the quality assurance of the Scheme.

Quality Tourism Services decals and logos

Need to take measures to encourage QTS accredited merchants to display valid decals

4.9 Every QTS accredited merchant is entitled to display QTS decals at the shop front/visitor accommodation's prominent location showing the valid year of the accreditation (see Figures 8 and 9).

Figure 8

QTS decal for accredited retailers and restaurants



Source: HKTB records

Figure 9

QTS decal for accredited visitor accommodation service providers



Source: HKTB records

4.10 In June and July 2020, Audit conducted site visits to 30 QTS accredited merchants (1 outlet for each merchant) and found that of the 30 merchants visited:

- (a) 20 (66.7%) merchants did not display the decals at their outlets; and
- (b) 7 (23.3%) merchants displayed the expired decals of 2019 at their outlets instead of the decals of 2020.

Audit considers that HKTB needs to take measures to encourage QTS accredited merchants to display valid decals.

Need to step up checking on fraudulent display of QTS decals and logos

4.11 Every QTS accredited merchant is entitled to incorporate QTS logos on stationery/promotional materials of the merchants (see Figure 10).

Figure 10

QTS logo



Source: HKTB records

4.12 HKTB has outsourced the management of QTS Scheme's operational activities to a contractor. According to the agreement between the contractor and HKTB, the contractor would prepare a monthly patrol plan to target shops for checking of fraudulent display of QTS decals and logos. Regular patrols to the targeted shops would be conducted in accordance with the monthly plan endorsed by HKTB. Target shops included:

- (a) accredited merchants withdrawn or terminated from QTS Scheme;
- (b) selected area of patrol including the names and sections of the streets and shopping malls within the area;
- (c) old addresses of those moved QTS merchants/outlets; and
- (d) other targeted shops as advised by HKTB.

4.13 According to HKTB, display of QTS decals or logos by merchants having withdrawn from QTS Scheme is considered as fraudulent display. In the period from January 2019 to May 2020, 132 merchants withdrew from QTS Scheme. On 6 and 7 July 2020, Audit conducted site visits to 10 of the 132 merchants and found that:

Quality Tourism Services Scheme

- (a) two (20%) merchants displayed QTS decals at the outlets; and
- (b) another (10%) merchant displayed QTS logo in its promotional material.

Audit considers that HKTB needs to step up the checking on fraudulent display of QTS decals and logos.

Need to strengthen control over the use of QTS logos

4.14 According to the guidelines issued by HKTB on the use of QTS logos, QTS accredited merchants must submit their requests to HKTB to get prior written approval for the layout and types of stationery/promotional materials on which the QTS logo will be incorporated. Of the 30 QTS accredited merchants visited by Audit (see para. 4.10), 14 merchants were displaying QTS logos in their promotional materials. Audit noted that HKTB could not locate the record of approval for 11 (78.6%) of the 14 merchants. Audit considers that HKTB needs to take measures to strengthen control over the use of QTS logos (e.g. keeping proper records of approval given to the layout and types of stationery/promotional materials on which the QTS logo will be incorporated).

Audit recommendations

4.15 **Audit has recommended that ED, HKTB should:**

- (a) **take measures to encourage QTS accredited merchants to display valid decals;**
- (b) **step up the checking on fraudulent display of QTS decals and logos; and**
- (c) **take measures to strengthen control over the use of QTS logos (e.g. keeping proper records of approval given to the layout and types of stationery/promotional materials on which the QTS logo will be incorporated).**

Response from the Hong Kong Tourism Board

4.16 ED, HKTB agrees with the audit recommendations. He has said that guidelines will be reviewed and enhanced to tighten the control over the display of QTS decals and the use of QTS logo.

PART 5: WAY FORWARD

5.1 This PART examines HKTB's efforts in enhancing tourism performance, focusing on the following areas:

- (a) deployment of marketing resources (paras. 5.5 to 5.11); and
- (b) HKTB's measures to rebuild tourism industry (paras. 5.12 to 5.19).

Background

5.2 One of HKTB's objects stated in the HKTB Ordinance is to promote Hong Kong globally as a leading international city in Asia and a world class tourist destination (see para. 1.3(b)). The primary responsibility of HKTB is to market and promote Hong Kong as a tourism destination worldwide, and to maximise visitors' experience while in Hong Kong. Every year, HKTB maps out its strategies and initiatives in its Annual Business Plan and Budget (ABPB) submitted to the Board for endorsement and then the Secretary for Commerce and Economic Development for approval. Based on the endorsed ABPB, HKTB prepares the Work Plan for the year for submission to the Legislative Council (LegCo) Panel on Economic Development (see Appendix B).

5.3 HKTB focuses its marketing expenditure on 20 key source markets around the world. In the period from 2014 to 2018, these markets together generated about 96% of all visitor arrivals to Hong Kong. The 20 key source markets are classified into four market segments:

- (a) ***Mainland.*** The Mainland is a key source market;
- (b) ***Short-haul markets.*** Short-haul markets comprise 8 key source markets, namely Japan, Taiwan, South Korea, Singapore, the Philippines, Malaysia, Indonesia and Thailand;
- (c) ***Long-haul markets.*** Long-haul markets comprise 6 key source markets, namely the United States of America, Australia, the United Kingdom, Canada, Germany and France; and

- (d) *Emerging markets.* Emerging markets comprise 5 key source markets, namely India, Russia, the Gulf Cooperation Council (GCC) countries (Note 11), Vietnam and the Netherlands.

5.4 The Work Plan submitted by HKTB to LegCo Panel on Economic Development sets out the objectives, strategic focuses and key initiatives of HKTB for the year, based on recurrent subvention from the Government. Audit reviewed the five Work Plans for the period from 2014-15 to 2018-19 and noted that HKTB had stated in the Work Plans that:

- (a) it aimed to achieve the following objectives:
- (i) promote Hong Kong globally as a leading international city in Asia and a world-class travel destination;
 - (ii) maintain a diverse market portfolio and balanced visitor mix; and
 - (iii) attract more overnight visitors from different markets to maximise the economic benefits brought by the tourism industry;
- (b) it would invest most of its marketing resources in non-Mainland markets to boost promotional efforts there; and
- (c) about 75% of marketing budget would be allocated to non-Mainland markets (including some 50% for short-haul markets), and about 25% to the Mainland.

Note 11: *The GCC countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates.*

Deployment of marketing resources

Need to optimise the deployment of marketing resources

5.5 HKTB aimed to maintain a diverse market portfolio and balanced visitor mix. Audit analysed the visitor arrivals for the period from 2014 to 2020 (up to July) and noted that there were basically no major changes in the visitor mix. The visitor mix remained skewed. The market mix in the period was (see Table 10):

- (a) 65% to 69% of overnight visitor arrivals and 76% to 78% of total visitor arrivals (i.e. the sum of overnight visitor arrivals and same-day visitor arrivals) were from the Mainland;
- (b) 16% to 21% of overnight visitor arrivals and 13% to 15% of total visitor arrivals were from short-haul markets;
- (c) 11% to 16% of overnight visitor arrivals and 7% to 9% of total visitor arrivals were from long-haul markets; and
- (d) 2% to 3% of overnight visitor arrivals and 1% to 2% of total visitor arrivals were from emerging markets.

Table 10

**Analysis of number of visitor arrivals by market segments
(2014 to 2020 (up to July))**

Year	Type of visitor arrivals	The Mainland ('000)	Short-haul markets ('000)	Long-haul markets ('000)	Emerging markets ('000)	Total ('000)
2014	Overnight	19,077 (69%)	5,029 (18%)	3,049 (11%)	615 (2%)	27,770 (100%)
	Total	47,248 (78%)	8,407 (14%)	4,269 (7%)	915 (1%)	60,839 (100%)
2015	Overnight	17,997 (67%)	5,047 (19%)	3,049 (12%)	593 (2%)	26,686 (100%)
	Total	45,842 (77%)	8,298 (14%)	4,285 (7%)	883 (2%)	59,308 (100%)
2016	Overnight	17,365 (65%)	5,470 (21%)	3,135 (12%)	583 (2%)	26,553 (100%)
	Total	42,778 (76%)	8,653 (15%)	4,395 (8%)	829 (1%)	56,655 (100%)
2017	Overnight	18,526 (67%)	5,694 (20%)	3,139 (11%)	526 (2%)	27,885 (100%)
	Total	44,445 (76%)	8,907 (15%)	4,390 (8%)	730 (1%)	58,472 (100%)
2018	Overnight	19,902 (68%)	5,605 (19%)	3,227 (11%)	529 (2%)	29,263 (100%)
	Total	51,038 (78%)	8,858 (14%)	4,514 (7%)	738 (1%)	65,148 (100%)
2019	Overnight	16,227 (68%)	4,347 (18%)	2,730 (12%)	448 (2%)	23,752 (100%)
	Total	43,775 (78%)	7,557 (14%)	3,942 (7%)	639 (1%)	55,913 (100%)
2020 (up to July)	Overnight	866 (65%)	219 (16%)	208 (16%)	35 (3%)	1,328 (100%)
	Total	2,687 (76%)	471 (13%)	326 (9%)	53 (2%)	3,537 (100%)

Source: Audit analysis of HKTB records

Way forward

5.6 HKTB focuses its marketing expenditure on 20 key source markets in four market segments (see para. 5.3). The marketing expenditure incurred in the source markets was for global promotions through various channels, such as public relations, online and social media, consumer events and partnering with the travel trade to entice visitors to Hong Kong by introducing themed promotions and offers. In 2018-19, the marketing expenditure incurred in the 20 key source markets in the four segments amounted to \$221.3 million. Audit analysed the marketing expenditure by market segments for the period from 2014-15 to 2018-19 and noted that the actual marketing expenditure spent on the Mainland was 30.1%, exceeding the 25% budget allocation set in the Work Plan (see para. 5.4(c)). Audit noted that although 65% to 69% of the overnight visitor arrivals and 76% to 78% of the total visitor arrivals came from the Mainland, HKTB had boosted the marketing expenditure on the Mainland by \$26.8 million (68.7%) from \$39 million in 2014-15 to \$65.8 million in 2018-19 and the share of the total expenditure from about 23% to 25% in 2014-15 and 2015-16 to about 30% and 31% in 2017-18 and 2018-19 (see Tables 10 and 11). In September 2020, in response to Audit's enquiry, HKTB informed Audit that:

- (a) in addition to the strategic initiatives outlined in the Work Plan financed by recurrent subvention, HKTB would drive additional initiatives for specific purposes with additional funding from the Government;
- (b) the increase from \$39 million in 2014-15 to \$65.8 million in 2018-19 was due to the increase in marketing expenditure financed by additional funding to rebuild the destination image of Mainland visitors;
- (c) the marketing expenditure financed by recurrent subvention had actually decreased by \$2.2 million from \$39 million in 2014-15 to \$36.8 million in 2018-19; and
- (d) in the period from 2014-15 to 2018-19, the Mainland's share of marketing expenditure financed by recurrent subvention remained steady at about 23% to 25.5%.

Table 11

**Analysis of marketing expenditure by market segments
(2014-15 to 2019-20)**

Year	The Mainland (\$ million)	Short-haul markets (\$ million)	Long-haul markets (\$ million)	Emerging markets (\$ million)	Total (\$ million)
2014-15	39.0 (24.7%)	56.8 (36.0%)	43.3 (27.4%)	18.7 (11.9%)	157.8 (100.0%)
2015-16	49.4 (23.2%)	103.7 (48.8%)	41.0 (19.3%)	18.5 (8.7%)	212.6 (100.0%)
2016-17	105.4 (38.2%)	104.9 (38.0%)	42.9 (15.6%)	22.5 (8.2%)	275.7 (100.0%)
2017-18	65.9 (30.5%)	87.7 (40.7%)	44.2 (20.5%)	17.9 (8.3%)	215.7 (100.0%)
2018-19	65.8 (29.8%)	97.0 (43.8%)	44.1 (19.9%)	14.4 (6.5%)	221.3 (100.0%)
Overall	325.5 (30.1%)	450.1 (41.5%)	215.5 (19.9%)	92.0 (8.5%)	1,083.1 (100.0%)
Increase (+)/ decrease (-) from 2014-15 to 2018-19	+26.8 (+68.7%)	+40.2 (+70.8%)	+0.8 (+1.8%)	-4.3 (-23.0%)	+63.5 (+40.2%)
2019-20 (Note)	22.0 (19.4%)	56.0 (49.3%)	29.3 (25.8%)	6.3 (5.5%)	113.6 (100.0%)

Source: Audit analysis of HKTB records

Note: Information for 2019-20 was shown separately because the tourism landscape in the year was seriously affected by the social unrest and COVID-19.

Remarks:

- (a) The marketing expenditure comprised recurrent subvention and additional funding.*
- (b) The marketing expenditure did not include the marketing support expenditure incurred by HKTB Head Office (e.g. brand marketing and digital marketing).*

Way forward

5.7 Audit analysed the marketing expenditure and visitor arrivals of the 20 key source markets for the period from 2014-15 to 2018-19 and found that at least for some short-haul markets, the correlation between the marketing expenditure and the performance of the target markets was not very strong (see Table 12):

- (a) in 4 short-haul markets (namely Taiwan, Singapore, Malaysia and Indonesia), notwithstanding that there was an increase in marketing expenditure, the numbers of overnight visitor arrivals and total visitor arrivals in the period decreased; and
- (b) in particular, the performance of Malaysia and Indonesia was not encouraging. The marketing expenditure for Malaysia and Indonesia increased by 92.3% (\$3.6 million) from \$3.9 million in 2014-15 to \$7.5 million in 2018-19 and by 119.6% (\$5.5 million) from \$4.6 million in 2014-15 to \$10.1 million in 2018-19 respectively. However, the numbers of overnight visitor arrivals and total visitor arrivals in the period from 2014 to 2018 for these two countries decreased by about 10.3% (45,000) and 13.4% (79,000), and 6% (22,000) and 13.2% (65,000) respectively.

Table 12

**Changes in marketing expenditure and visitor arrivals of
4 short-haul markets
(2014-15 to 2018-19)**

Year	Taiwan	Singapore	Malaysia	Indonesia
Marketing expenditure (\$ million)				
2014-15	11.5	4.7	3.9	4.6
2018-19	19.1	5.0	7.5	10.1
Change	+7.6 (+66.1%)	+0.3 (+6.4%)	+3.6 (+92.3%)	+5.5 (+119.6%)
No. of overnight visitor arrivals ('000)				
2014	807	567	437	365
2018	807	481	392	343
Change	– (0.0%)	–86 (–15.2%)	–45 (–10.3%)	–22 (–6.0%)
No. of total visitor arrivals ('000)				
2014	2,032	738	590	492
2018	1,925	611	511	427
Change	–107 (–5.3%)	–127 (–17.2%)	–79 (–13.4%)	–65 (–13.2%)

Source: Audit analysis of HKTB records

Way forward

5.8 In September 2020, in response to Audit's enquiry, HKTB informed Audit that:

- (a) HKTB took into account the global economic and political outlook in deploying marketing resources to different market segments;
- (b) for Singapore, overnight visitor arrivals had been suffering due to the various incidents since 2014. Hence, HKTB had already redirected resources to other potential markets;
- (c) for Malaysia, overall outbound travel had been affected by the incident of the disappearance of a passenger flight since 2014. The whole Malaysia outbound market had shrunk and air capacity had slashed. HKTB had been cutting recurrent subvention marketing expenditure in Malaysia till 2018-19 when it saw some signs of recovery; and
- (d) for Indonesia, the overnight visitor arrivals reached record high in 2017 (385,000), hence HKTB saw market potential and further increased recurrent subvention marketing expenditure in this market.

5.9 Audit also noted that HKTB had focused its marketing resources on the same 20 key source markets since 2011-12. For nearly ten years, HKTB had not critically reviewed its investment strategies on these source markets. According to HKTB, COVID-19 would reshape the tourism landscape. In the post-pandemic world, travellers would prefer short-haul breaks and shorter itineraries. Audit considers that HKTB needs to take measures to optimise the deployment of marketing resources, including conducting a review on its strategy of focusing marketing resources on the existing 20 key source markets. In the review, HKTB needs to assess the market potential of the 20 key source markets and whether there are other markets that can be included as key source markets for fine-tuning the mix of HKTB's marketing focus where appropriate.

Audit recommendation

5.10 Audit has *recommended* that ED, HKTB should take measures to optimise the deployment of marketing resources including conducting a review on HKTB's strategy of focusing marketing resources on the existing 20 key source markets to assess their market potential and whether there are other markets that can be included as key source markets.

Response from the Hong Kong Tourism Board

5.11 ED, HKTB notes the audit recommendation. He has said that:

- (a) HKTB has made every effort to ensure optimal use of resources to promote Hong Kong as a top-of-mind travel destination, which offers a diversity of experiences. It is an established practice to conduct regular reviews of the deployment of market resources to ensure the ability to cater to a changing market environment;
- (b) it has been HKTB's strategy to attract a diversified portfolio of visitors from different markets. A major share of marketing resources have been deployed in non-Mainland markets to attract non-Mainland arrivals while Mainland remains as Hong Kong's major source of visitors due to its proximity. On the other hand, actual visitor arrivals from different markets are affected by many external factors, such as the macro-economic change, social and political environment, pandemic, visa policies, inbound flight capacity, competition from neighbouring destinations, exchange rates, and the price of accommodation, it is difficult to determine the exact correlation between the number of visitor arrivals and the marketing resources in place in a short term, as the return of tourism investment primarily aims at driving sustainable development of the industry in the longer term;
- (c) as COVID-19 has transformed the global tourism landscape, HKTB has started to conduct a holistic and thorough review of Hong Kong's tourism positioning, as well as its overall tourism promotion and investment strategies, to revitalise the Hong Kong tourism brand and drive long-term, sustainable tourism growth; and

- (d) at the same time, HKTB has launched a campaign to encourage Hong Kong people to be tourists of our own city, aiming to rebuild the city's vibrant atmosphere positively so that visitors feel confident about coming to Hong Kong again. HKTB is also closely monitoring the market situation and has prepared a series of initiatives, which will be rolled out as soon as the markets reopen to drive the recovery of the tourism industry. HKTB will continue to provide regular updates to the Board and the Marketing and Business Development Committee on the progress of its initiatives.

Hong Kong Tourism Board's measures to rebuild tourism industry

5.12 According to HKTB, the growing trend of visitor arrivals reversed in July 2019 with the social unrest in Hong Kong. The outbreak of COVID-19 since January 2020 has dealt an even more severe blow to the tourism industry in Hong Kong. In the light of the challenges facing the tourism development in Hong Kong, HKTB had formulated the following strategic direction to be carried out in three phases:

- (a) ***Phase 1: Work together to fight the outbreak.*** This included providing on its official website the instant updates to visitors and the travel trade on the latest outbreak control measures implemented by the Government, and extension of daily operating hours of HKTB's Hotline Services to answer enquiries from visitors and trade partners;
- (b) ***Phase 2: Strengthen trade support and work with trade partners on tactical promotions to attract visitors to Hong Kong.*** HKTB would roll out campaigns to stimulate domestic consumption in order to rebuild the positive ambience, boost consumer confidence in Hong Kong, and convey a positive message to source markets. HKTB would also enhance its support for travel trade, such as launching of funding schemes to support travel trade's promotion work for visitor recovery; and
- (c) ***Phase 3: Launch a new branding campaign to rebuild the tourism image in Hong Kong.*** HKTB would launch a new tourism brand campaign, with promotions to be conducted in partnership with influential international media and digital platforms to attract international spotlight, stand out from regional competitors, and rebuild Hong Kong's tourism image.

5.13 In June 2020, HKTB launched the “Holiday at Home” campaign. According to HKTB, the campaign provides locals with a wealth of information on travelling around Hong Kong. The aim of the campaign is to encourage Hong Kong people to be tourists of their own city and rediscover the beauty of Hong Kong with a new perspective. There are three elements of the campaign:

- (a) ***Insiders’ Guides.*** It provides more than 100 recommended points of interest under six themes (i.e. skyline (harbour views), local culture, wellness (outdoor activities), night entertainment, dining and shopping);
- (b) ***One-stop Dining, Shopping and Entertainment Offer Platform.*** It provides over 10,000 offers from across the territory, including hotels, attractions, shops, dining, malls and tours; and
- (c) ***Spend-to-redeem local tours.*** It provides offers to local residents to redeem local tours through spending.

5.14 According to HKTB, it hopes that the “Holiday at Home” campaign will give the tourism and related trade an opportunity to warm up and prepare for welcoming visitors again later on. By encouraging local tourism, HKTB hopes to rebuild the city’s vibrant atmosphere and give the world a positive impression so that visitors will feel confident about coming to Hong Kong again. Once it is possible for visitors from a certain market to travel to Hong Kong, HKTB will appeal to those visitors by extending to them the travel and local spending information and offers featured in this campaign, together with attractive flight-and-hotel packages.

Need to closely monitor the latest situation in tourism development

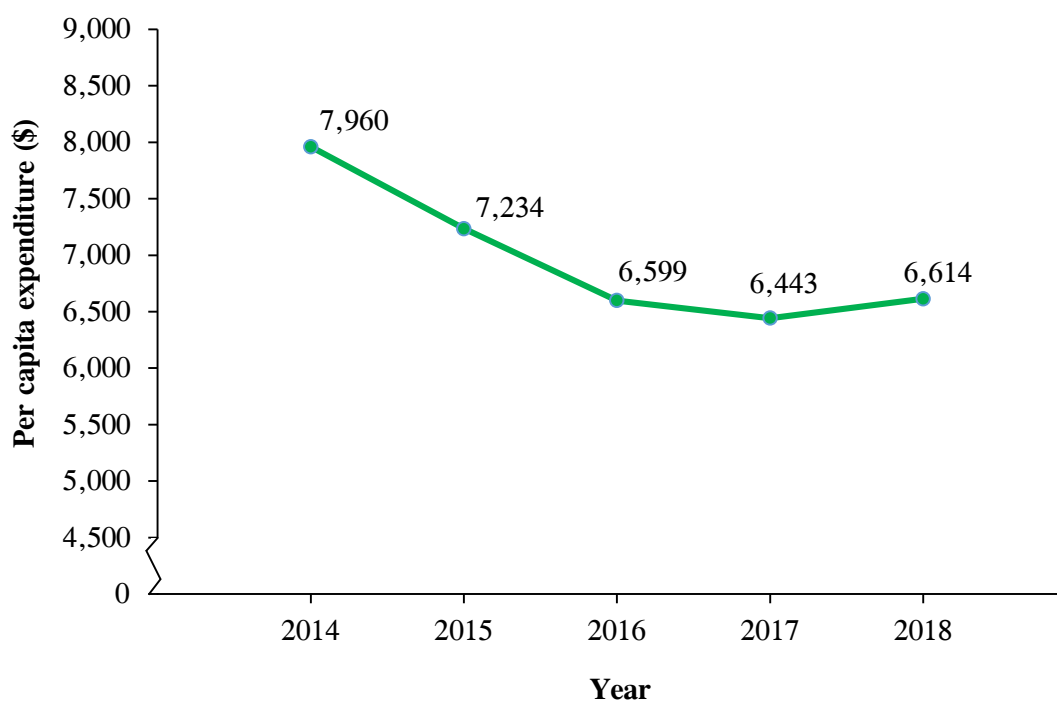
5.15 It is HKTB’s objective to attract more overnight visitors from different markets to maximise the economic benefits brought by the tourism industry (see para. 5.4(a)(iii)). Audit analysed the tourism expenditure associated with inbound tourism for the period from 2014 to 2018 and noted that the amount of tourism expenditure of overnight visitors decreased by \$27.4 billion (12.4%) from \$221 billion to \$193.6 billion. The per capita expenditure of overnight visitor decreased by \$1,346 (16.9%) from \$7,960 to \$6,614 (see Figure 11). In September 2020, in response to Audit’s enquiry, HKTB informed Audit that there were a few major reasons for the drop of visitor spending in Hong Kong:

Way forward

- (a) impact of strong United States dollar making Hong Kong a relatively high-cost destination and hence less spending by visitors;
- (b) import tax cut in Mainland which might affect price competitiveness of Hong Kong;
- (c) change of shopping behaviour with more online shopping; and
- (d) declining of visitor spending observed not only in Hong Kong but also other neighbouring destinations.

Figure 11

**Per capita expenditure of overnight visitor
(2014 to 2018)**



Source: HKTB records

Remarks: In 2019, the per capita expenditure of overnight visitor was \$5,820.

5.16 To revitalise the tourism industry, various efforts have been made by the Government to explore with places which have stabilised their epidemic situation on how to resume cross-border travel in a gradual manner and establish mutual arrangements with them. The authorities of Guangdong, Hong Kong and Macao are in discussion to take forward a system for mutual recognition of health codes (mutual recognition system) to facilitate cross-boundary flow of people between the three places amid the epidemic. Under the mutual recognition system, holders of a health code containing certification of negative result of COVID-19 test issued within a certain period by a designated medical institution may be exempted from compulsory quarantine on arrival in the three places. In September 2020, the Secretary for Commerce and Economic Development said that the Government had approached 11 countries to discuss setting up travel bubbles, and discussions with some countries including Japan and Thailand were underway. In October 2020, the Government announced that Hong Kong and Singapore had reached an in-principle agreement to establish a bilateral Air Travel Bubble. This arrangement would help revive cross-border air travel between the two aviation hubs, in a safe and progressive way.

5.17 Facing the new set of constraints and challenges, Audit considers that HKTB needs to closely monitor the latest situation of the challenges facing the tourism development in Hong Kong and take on board the observations and recommendations arising from this audit review in addressing the challenges and enhancing the work in promoting tourism in Hong Kong.

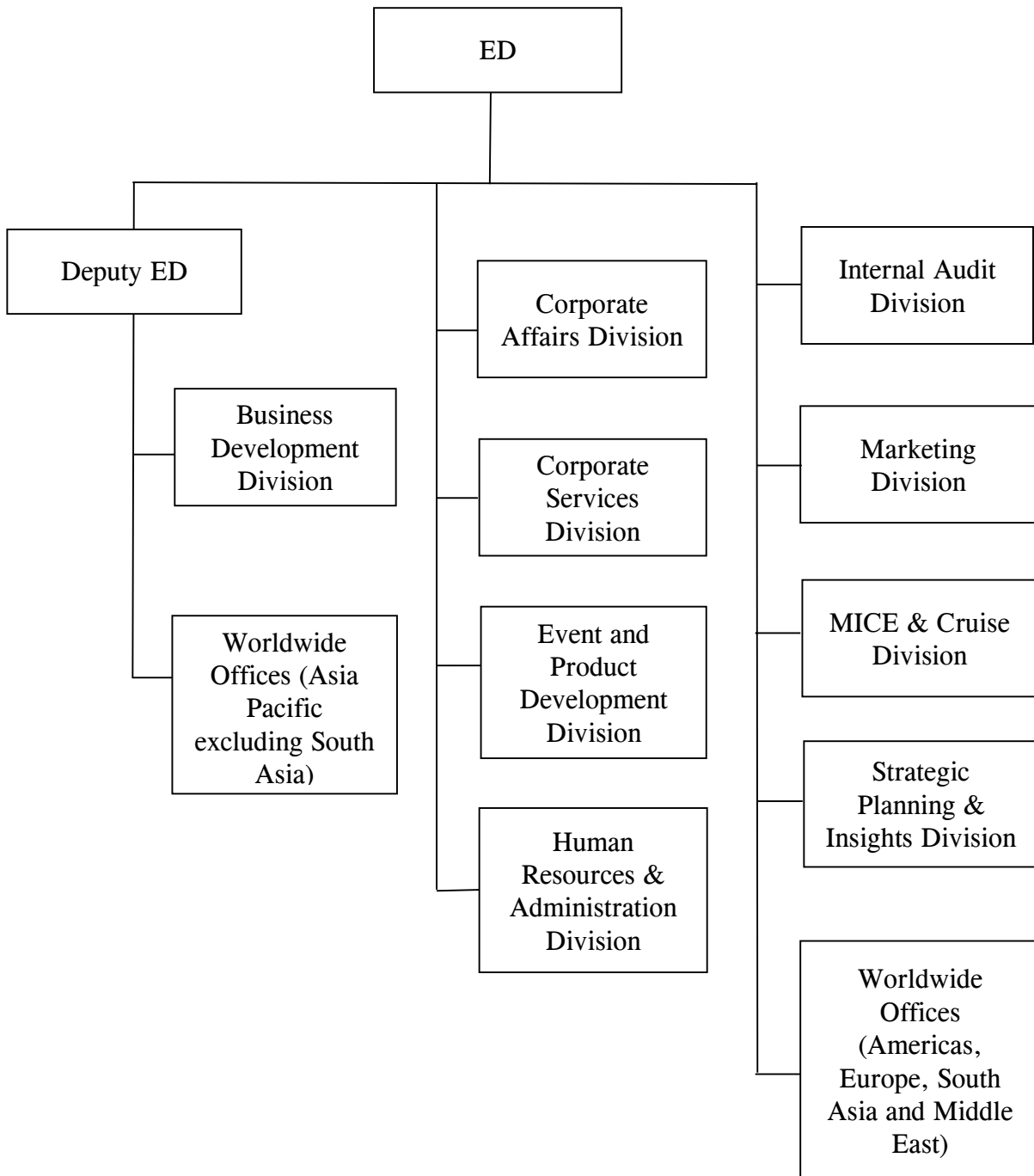
Audit recommendation

5.18 **Audit has recommended that ED, HKTB should closely monitor the latest situation of the challenges facing the tourism development in Hong Kong and take on board the observations and recommendations arising from this audit review in addressing the challenges and enhancing the work in promoting tourism in Hong Kong.**

Response from the Hong Kong Tourism Board

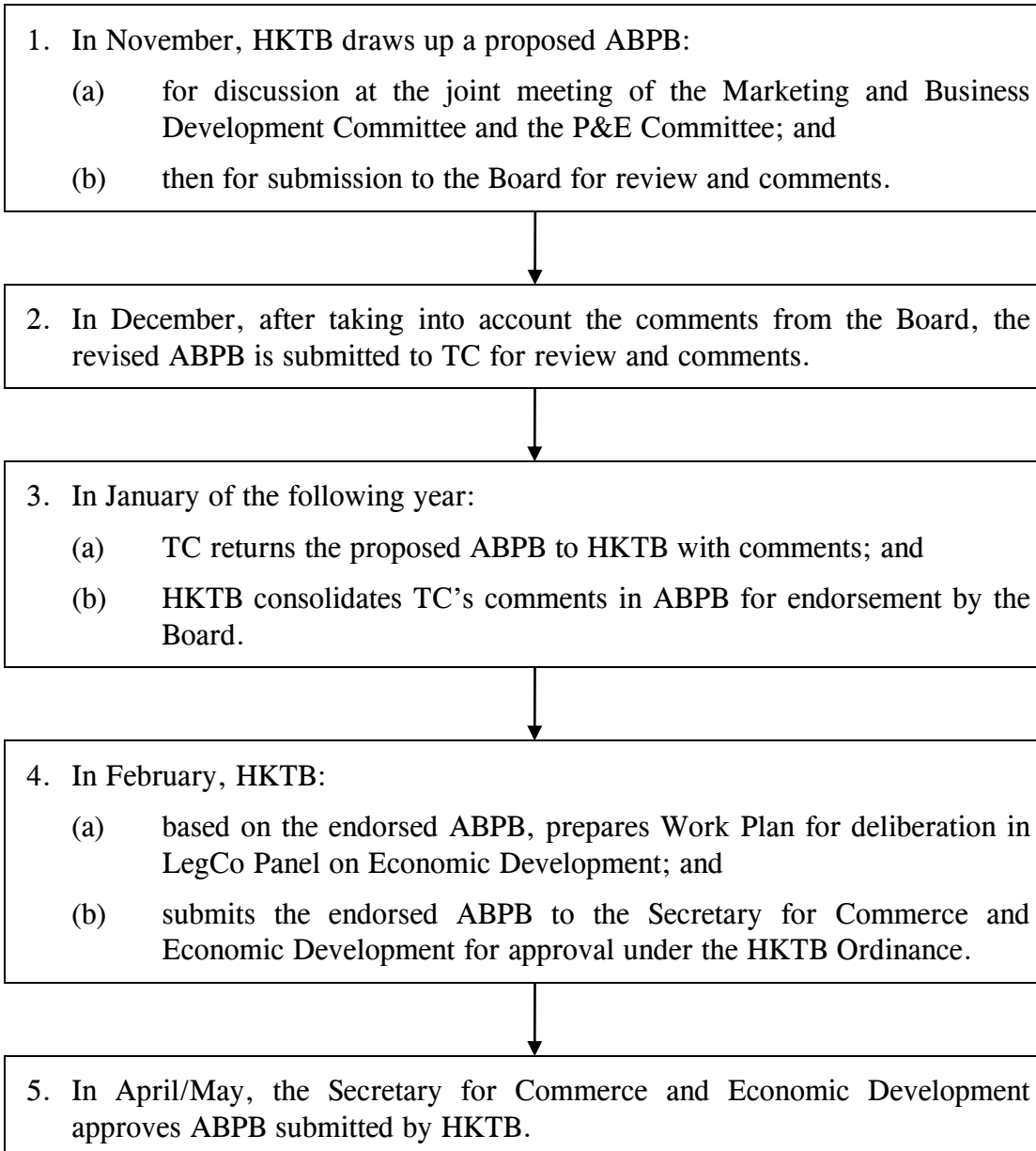
- 5.19 ED, HKTB notes the audit recommendation. He has said that:
- (a) with regard to the drop of visitor spending, it is a trend in the region and not only observed in Hong Kong. The reasons behind include the impact of strong United States dollar (which result in less spending by visitors in Hong Kong), the import tax cut in Mainland (which might affect price competitiveness of Hong Kong) and the change of shopping behavior with more online shopping;
 - (b) in response to COVID-19, HKTB early this year formulated a phased approach tourism recovery plan with a high degree of agility built in, to ensure a swift response to the evolving situation;
 - (c) in recent months, despite the challenging global situation, HKTB has rolled out campaigns to drive domestic tourism to boost consumption and build a positive ambience in the city, as well as to convey a positive message to source markets;
 - (d) in preparation for market reopening, HKTB is working on a region-leading travel platform with a range of attractive, tactical offers to entice visitors to return to Hong Kong once markets reopen; and
 - (e) HKTB is currently conducting a thorough review of the tourism positioning of Hong Kong and its overall tourism promotion strategies to revitalise the Hong Kong tourism brand and drive long-term, sustainable industry growth.

Hong Kong Tourism Board: Organisation chart (extract)
(31 March 2020)



Source: HKTB records

Procedures for drawing up Annual Business Plan and Budget and Work Plan



Source: Audit analysis of HKTB and TC records

Acronyms and abbreviations

ABPB	Annual Business Plan and Budget
Audit	Audit Commission
CE	Chief Executive
CEDB	Commerce and Economic Development Bureau
COR	Controlling Officer's Report
ED	Executive Director
EOI	Expression of interest
Funding Support for SMIC Groups	Funding Support for Small-sized Meeting, Incentive and Convention Groups
GCC	Gulf Cooperation Council
HKTA	Hong Kong Tourist Association
HKTB	Hong Kong Tourism Board
LegCo	Legislative Council
MIC	Meeting, Incentive and Convention
MICE	Meetings, incentives, conventions and exhibitions
PWA	Progressive Web Applications
P&E	Product and Event
QTS	Quality Tourism Services
TC	Tourism Commission