



USDA Foreign Agricultural Service

# GAIN Report

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## Hong Kong

### Promotion Opportunities

### Annual

### 2003

**Approved by:**

Susan Scurlock Theiler  
U.S. Consulate General, Hong Kong

**Prepared by:**

Chris Li

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**Report Highlights:**

It is expected that 2004 will be a year for growth, with more mainland Chinese tourists visiting Hong Kong, more foreign investments being attracted and higher propensity to spend. As more local consumers become health conscious, particularly after the SARS outbreak, we will carry out our programs of in-store promotions, buying missions to the U.S., menu promotions and trade shows to increase the awareness and sales of high quality U.S. food and agricultural products. We will also work closely with ATOs in China and local market players that have operations in China, to introduce high quality U.S. food products in the Pearl River Delta region.

The promotional activities listed below are provided for informational purposes only. No endorsement should be implied unless specifically stated. Terms and conditions of participation are the responsibility of the activity organizer.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Hong Kong [HK1]  
[HK]

**SECTION 1: FAS/W ENDORSED TRADE SHOWS**

**February 10-13, 2004:** Hofex 2004, Hong Kong Convention and Exhibition Centre. Organizer: Hong Kong Exhibition Services Ltd., Unit 2010, 20/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. Tel : (852)-2804-1500, Fax: (852)-2528-3103, Email: exhibit@hkesallworld.com, Website: <http://www.hofex.com>

**SECTION 2: OTHER TRADE SHOWS**

**October 6-8, 2003:** Asia Pacific Leather Fair, Hong Kong Convention and Exhibition Centre. Organizer: Asia Pacific Leather Fair Ltd., 17/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. Tel: (852)-2827-6211, Fax: (852)-2827-7831 Email: info@aplf.com, Website: <http://www.aplf.com>

**October 7-9, 2003:** Interstoff Asia Autumn, Hong Kong Convention and Exhibition Centre. Organizer: Messe Frankfurt (H.K.) Ltd., 1608 China Resources Building, 26 Harbour Road Wanchai, Hong Kong. Tel: (852)-2802-7728, Fax: (852)-2598-8771, Email: info@hongkong.messefrankfurt.com, Website: <http://www.messefrankfurt.com.hk/interstoffasiaspring.asp>

**October 7-9, 2003:** Restaurant and Bar 2003, Hong Kong Convention and Exhibition Centre. Organizer: Restaurant Events Ltd., 11/F East Wing, Hennessy Centre, 500 Hennessy Road, Causeway Bay, Hong Kong. Tel: (852)-2965-1618, Fax: (852)-2241-4525, Email: enquiries@restaurantandbarhk.com, Website: <http://www.restaurantandbarhk.com>

**January 13-16, 2004:** Hong Kong Fashion Week, Hong Kong Convention and Exhibition Centre. Organizer: Hong Kong Trade Development Council, 38/F Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Tel: (852)-2584-4333, Fax: (852)-2824-0249, Email: hktdc@tdc.org.hk, Website: <http://www.hkfashionweekfw.com/indexms.htm>

**February 28-March 2, 2004:** Hong Kong International Fur & Fashion Fair, Hong Kong Convention and Exhibition Centre. Organizer: Hong Kong Fur Federation, Rm. 603, Chevalier House, 45-51 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong. Tel: (852)-2367-4646, Fax: (852)-2739-0799, Email: furs@hkfurfed.com.hk, Website: <http://www.hkfurfed.com.hk>

**March 23-25, 2004:** Interstoff Asia Spring, Hong Kong Convention and Exhibition Centre. Organizer: Messe Frankfurt (H.K.) Ltd., 1608 China Resources Building, 26 Harbour Road Wanchai, Hong Kong. Tel: (852)-2802-7728, Fax: (852)-2598-8771, Email: info@hongkong.messefrankfurt.com, Website: <http://www.messefrankfurt.com.hk/interstoffasiaautumn.asp>

**March 29-April 1, 2004:** Asia Pacific Leather Fair, Hong Kong Convention and Exhibition Centre. Organizer: Asia Pacific Leather Fair Ltd., 17/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. Tel: (852)-2827-6211, Fax: (852)-2827-7831, Email: info@aplf.com, Website: <http://www.aplf.com>

**June 23-25, 2004:** FHC (Food Hotel China) South China 2004, Jinhan Exhibition Centre, Guangzhou. Organizer: Hong Kong Exhibition Services Ltd., Unit 2010, 20/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. Tel : (852)-2804-1500, Fax: (852)-2528-3103, Email: exhibit@hkesallworld.com, Website: <http://www.fhc-sc.com/fhcgz/>

**July 13-16, 2004:** Hong Kong Fashion Week, Hong Kong Convention and Exhibition Centre. Organizer: Hong Kong Trade Development Council, 38/F Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Tel: (852)-2584-4333, Fax: (852)-2824-0249, Email: hktdc@tdc.org.hk, Website: <http://www.hkfashionweekss.com/indexms.htm>

**August 12-16, 2004:** International Conference & Exhibition of the Modernization of Chinese Medicine & Health Products (ICMCM), Hong Kong Convention and Exhibition Centre. Organizer: Hong Kong Trade Development Council, 38/F Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Tel: (852)-2584-4333, Fax: (852)-2824-0249, Email: hktdc@tdc.org.hk, Website: <http://www.icmcm.com/>

**August 12-16, 2004:** Food Expo 2004, Hong Kong Convention and Exhibition Centre. Organizer: Hong Kong Trade Development Council, 38/F Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Tel: (852)-2584-4333, Fax: (852)-2824-0249, Email: hktdc@tdc.org.hk, Website: <http://www.hkfoodexpo.com/>

**September 14-17, 2004:** FHC (Food Hotel China) 2004, INTEX Shanghai. Organizer: Hong Kong Exhibition Services Ltd., Unit 2010, 20/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. Tel: (852)-2804-1500, Fax: (852)-2528-3103, Email: exhibit@hkesmontnet.com.hk, Website: <http://www.fhcchina.com>

### SECTION 3: OTHER PROMOTIONAL ACTIVITIES

#### 1. In-store Promotions

Wellcome launched a "5-a-day" promotion during July-September 2003, and that promotion featured mainly U.S. fresh fruits and vegetables. A food promotion covering a larger range of U.S. products is being planned with Wellcome for late 2003.

JUSCO has been organizing U.S. in-store promotions for the last several summers. It is planned to organize a U.S. food promotion during summer 2004 to also cover their stores in Hong Kong and Southern China.

CitySuper, GREAT and Oliver's are the three most up-market retail outlets in Hong Kong. All have indicated interests to launch U.S. food promotions in late 2003/2004.

#### 2. Buying Missions to the U.S.

To facilitate the introduction of more new U.S. food products to the Hong Kong market, Wellcome, JUSCO and CitySuper stores are seriously considering buying trips to meet with prospective food suppliers in the U.S. In addition, Dah Chong Hong, one of the leading local food distributors, has indicated interest to source more high quality products from the U.S. These large market players wanted to visit the U.S. earlier this year to source new products but their traveling plans were affected due to the SARS outbreak. They are now more eager than before to look for high quality and healthy products as more consumers have become health conscious. This gives us opportunity to re-strengthen our relationships with these market players and introduce new and high quality U.S. products to them through the buying missions.

### 3. Promotions in Macau

Macau has attracted investment interests, including from Las Vegas, to build new casinos to boost its entertainment and tourism industry. It is expected that the demand of fine dining restaurants will be increased in Macau in the next few years. That will also provide opportunities for high quality U.S. food products. A menu promotion is being planned with StarEast Restaurant Group to promote U.S. food products in 2004.

Also, New Yaohan Department Store had launched a U.S. food promotion in July 2003 and introduced a good number of new U.S. food products. The retail outlet is one of the up-market stores in Macau and it is planned to introduce more new U.S. food products through this reputable store in summer 2004.

### 4. Other Promotions

Elementary schools in Hong Kong are usually operating on a half-day basis. Under the policy of the local government, all elementary schools will adopt the full-day mode by 2007. This implies that the 500,000 elementary school students will have to stay at schools for lunch. Parents are very concerned about the diets of their children, particularly after the SARS outbreak. These two factors will mean that there is an opportunity to promote the consumption of healthy food (e.g. fruits and vegetables) among students. For FY 2004, it is planned to work with the local government, schools, caterers, fruits and vegetables distributors, to organize activities to stimulate the consumption of fruits and vegetables among students.

## APPENDIX: UPDATE OF KEY MARKET DEVELOPMENTS

### 1. Hong Kong Economy

In 2003, Hong Kong's GDP per capita is expected to drop, but will still be very close to US\$24,000. The drop is due to the sluggish economy and partly due to the impact of SARS, on the tourism, restaurant and retail sectors. However, recent statistics showed some improvements in Hong Kong's external trade, tourism numbers, inward investments, stock market and the property market. In addition, the Chinese government shows great support to the revival of the Hong Kong economy by granting special privileges to Hong Kong companies for entering the China market. The relative agreement, known as CEPA (Closer Economic Partnership Arrangement), has significantly improved the business climate in Hong Kong. Also, China has allowed mainland citizens to visit Hong Kong on an individual basis (whereas before they were only allowed to visit Hong Kong by joining a guided tour) and this has greatly helped the recovery of the retail and restaurant sectors.

With an improving economy, it is expected that consumers' propensity to spend will gradually increase and this vibrant city will continue to demand high quality food products from the U.S.

## 2. Food Retail and Restaurant Business

For July 2003, the value of total retail sales was US\$1.87 billion, down 2.7% compared with July 2002. For the second quarter of 2003, the value of restaurant receipts was US\$1.34 billion, a decrease of 20% compared with the second quarter of 2002. The decreases were mainly due to SARS that deterred consumers to dine out. In addition, the sluggish economy made consumers more price conscious when making purchase decisions.

However, as SARS is over and more mainland Chinese tourists are now allowed to visit Hong Kong on an individual basis, Hong Kong has received many tourists in 2003. For July 2003, 1.3 million tourists visited Hong Kong, representing a slight decrease by only 5% compared with July 2002, but the figure is already up by almost 80% compared with June. The number further increased to 1.64 million in August, an increase of 27% compared with July. Hotel occupancy also climbed up from 18% in May during the SARS scare to over 80% in August.

It is expected that the number of tourists, particularly from mainland China, will continue to grow.

## 3. Change in Retail Market Structure

Most Hong Kong consumers still prefer to shop at traditional "wet markets" rather than modern supermarkets, particularly for fresh produce and meat. However, the trend is changing as more consumers look for a clean and healthy environment to do their shopping for food products, particularly during the period when Hong Kong was affected by SARS. The local government has proposed to renovate or upgrade the wet markets in order to provide consumers with more choices and better shopping environments. However, it is anticipated that supermarkets, particularly the two leading supermarket chains, given the financial strengths of their parent companies, their cleaner environments and higher quality standards, will continue to gain market dominance and attract more customers from the other smaller retailers and the wet markets. This trend is expected to continue in 2004.

## 4. Integration between Hong Kong and China

Hong Kong retail operators like JUSCO, CRC Shops, ParknShop and Dah Chong Hong all have operations in China. These operators have used their Hong Kong experience to try to penetrate the lucrative China market. However, many Chinese companies still cannot import directly because of the lack of experience, permits and/or the proper financing. Therefore, sourcing/financing of their imported products has to be made through their Hong Kong offices. Also, mainland Chinese retailers face the same problems and rely on some middlemen in Hong Kong to facilitate their imports of food products. Hong Kong food importers and distributors will have a role to play to bridge U.S. food suppliers and Chinese buyers. For U.S. suppliers that are not familiar with exporting to China directly, Hong Kong can be regarded as a lucrative market by itself as well as a springboard to the large China market.