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Hong Kong

Promotion Opportunities

Annual

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Report Highlights:

Hong Kong economy remains sluggish in 2002 and more promotional activities are required to maintain the market share of US food products. We will continue our programs of in-store promotions, buying missions to the US, menu promotions and exhibitions to increase the awareness and sales of high quality US food products. We will also work closely with ATOs in China and local market players that have operations in China, to introduce more US food products in the region.

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

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.

SECTION 1: OTHER TRADE SHOWS

October 2-4, 2002: 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: textile-fairs.global@messefrankfurt.com, Website: <http://www.interstoff.com>

October 4-6, 2002: 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 29-31, 2002: Restaurant and Bar 2002, Hong Kong Convention and Exhibition Centre. 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: visit@restaurantandbarhk.com, Website: <http://www.restaurantandbarhk.com>

January 8-12, 2003: FOODEX 2003, Chinese Export Commodities Fairground, Guangzhou. Organizers: Guangdong Economic & Trading Committee, China National Food Industry Association (CNFA), Rm908 West Tower, Guangzhou Int'l Commercial Center, Ti Yudong Rd, Guangzhou 510620, China. Tel: (86)-20-3887-0690, Fax: (86)-20-3887-0229, E-mail: info@foodexcn.com

January 14-17, 2003: 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.tdctrade.com>

February 28-March 3, 2003: 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 4-6, 2003: FHC Beijing 2003, China International Exhibition Centre, Beijing. 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.hkesmontnet.com.hk>

April 7-9, 2003: Asia Pacific Leather Fair 2003, 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@apl.com, Website: <http://www.aplf.com>

May 6-9, 2003: HOFEX 2003, 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@hkesmontnet.com.hk, Website: <http://www.hkesmontnet.com.hk>
(HOFEX is one of Asia's largest and most significant food and beverage trade shows, which attracted 28,802 food industry professionals throughout Asia. It is expected that more than 60 US companies will participate in this exhibition)

June 18-20, 2003: Natural Products Expo Asia 2003, Hong Kong Convention and Exhibition Centre. Organizer: Penton Media Asia Limited, 7/F., No. 9 Des Voeux Road West, Hong Kong. Tel: (852)-2975-9051, Fax: (852)-2857-6144, Email: wso@penton.com, Website: <http://www.penton.com>

August 14-18, 2003: Food Expo 2003, 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: hktcdc@tdc.org.hk, Website: <http://www.tdctrade.com>

September 16-19, 2003: FHC 2003, 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.hkesmontnet.com.hk>

SECTION 2: OTHER PROMOTIONAL ACTIVITIES

1. In-store Promotions

We plan to continue our program of in-store promotions in the coming year. Four of Hong Kong's major food retailers, Wellcome, JUSCO, CitySuper and GREAT, have indicated interests in organizing USA food promotions in late 2002 or early 2003.

Wellcome had just launched a 5-a-day promotion during July-September 2002 and that promotion featured mainly US fresh fruits and vegetables. A food promotion covering a larger range of USA products is being planned with Wellcome for late 2002.

JUSCO has been organizing USA in-store promotions for the last several summers. It is planned to organize US food promotion during summer 2003 and cover their stores in Hong Kong and Southern China.

CitySuper and GREAT are the two most up-market retail outlets in Hong Kong. Both have indicated interests to launch US food promotions in early 2003.

2. Buying Missions to the US

As mentioned in the last section, many leading local retail outlets are planning to launch US food promotions. To facilitate the introduction of more new US food products to the Hong Kong market, Wellcome, JUSCO and CitySuper are seriously considering buying trips and meet with prospective food suppliers in the US. In particular, Wellcome will participate in the PLMA Show and to identify US suppliers for their private label products.

In addition, Dah Chong Hong, one of the leading local food distributors, has indicated interests to source more high quality products from the US. It is also planning to visit the PLMA Show and meet with US suppliers.

3. Promotions in Macau

Macau will 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 US food products. A menu promotion is being planned with StarEast Restaurant Group to promote US food products in late 2002.

Also, New Yaohan Department Store had launched a US food promotion in July 2002 and introduced a good number of new US food products. The retail outlet is one of the up-market stores in Macau and it is planned to introduce more new US food products through this reputable store in summer 2003.

APPENDIX: UPDATE OF KEY MARKET DEVELOPMENTS

1. Hong Kong Economy

Hong Kong's GDP per capita can be maintained at a high level at above USD24,000. Recent statistics showed some improvements in Hong Kong's external trade. In addition, the Hong Kong government is planning some initiatives to stabilize the property market, the sluggishness of which has significantly hampered the economic growth and the propensity to spend among Hong Kong consumers. The vibrant city continues to be a major market for US consumer oriented products, however the size of its food imports has been decreasing, basically due to the still-sluggish economy.

2. Food Retail and Restaurant Business

In view of the poor economic condition, retail sales and restaurant receipts dropped. For July 2002, value of total retail sales was US\$1.9 billion, fell by 4% compared with July 2001. For the second quarter of 2002, value of restaurant receipts was US\$1.68 billion, a decrease of 6% compared with the second quarter of 2001. It is reported that more people choose to eat at home rather than dining out. In addition, price became the more important criterion for buying food rather than taste and quality.

However, Hong Kong received more tourists in 2002. For July 2002, 1.37 million tourists visited Hong Kong, an increase of 16.5% compared with July 2001. The influx of tourists has helped alleviate the difficult situation faced by the retail and restaurant sector. The government is working with mainland Chinese authorities to further streamline procedures for Chinese tourists to visit Hong Kong. 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” than modern supermarkets, particularly for fresh produce and meat. However, we see the trend changing. In April and May, the two leading local supermarket chains - ParknShop and Wellcome, cut the prices of fresh pork to a level below that offered by wet markets. Many consumers have switched to buy pork in the two chains. In addition, the two chains initiated discounts to senior citizens and it is expected that many small sized grocery stores will be forced out of business. Furthermore, frozen poultry products, which used to be imported from China under a quota system, will be allowed to be imported without quota restriction. It is expected that the supermarket chains will import more frozen/chilled poultry and wet markets, which are strong in selling higher-priced live chickens, will be forced out of business. The two leading supermarket chains, given the financial strengths of their parent companies, are able to introduce aggressive marketing programs. They have gradually gained and maintained significant dominance among other retail operators. More importantly, they have led the way to take away more customers from the traditional wet markets and this trend is expected to continue in 2003.

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 and 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 US food suppliers and Chinese buyers. For US 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.