

FEATURED PHOTO:



Consul General Hanscom Smith Meets with U.S. Agricultural Trade Associations

On May 31, 2022, ATO Hong Kong hosted a farewell meeting with local representatives of U.S. Agricultural Trade Associations. Attendees discussed the importance and role of the Hong Kong market in expanding U.S. agricultural trade. The group also shared views on the evolving local conditions and outlook as the city continues to navigate its “Zero-COVID” policy. Consul General Smith will be concluding his tour in Hong Kong this summer.

OVERALL ECONOMY



Hong Kong Unlikely to Further Relax COVID-19 Rules Prior to June 30 [Various Sources, June 8]

Over the last two weeks, Hong Kong’s daily infections increased slightly, averaging between 260-500 cases a day. In several routine press statements, Chief Executive Carrie Lam has reiterated that the

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government will not be relaxing border control measures at least until she completes her term in office (June 30). Hence, international travelers remain subject to a seven-day quarantine at government-designated hotels. **ATO Notes:** U.S. travelers should note that as of June 8, the U.S. Department of State's still maintains a [Travel Advisory for Hong Kong - Level 4: Do Not Travel](#) due to arbitrary enforcement of local laws.

The Third Phase of Vaccine Pass Begins [[The Standard, May 31, 2022](#) / [The Standard, June 1, 2022](#)]

The Third phase of the vaccine pass scheme started on May 31. Under the scheme, residents aged 12 and above who have had two vaccinations in the last six months will need a booster shot before dining in restaurants and entering other premises including schools, cinemas, and malls. Restaurants called on the government to enhance the promotion of the third phase of the vaccine pass after many elderly customers forgot to update their records on the "LeaveHomeSafe" app. Leung Chun-wah, chairman of the Association for Hong Kong Catering Services Management, believes the catering sector will lose 3 to 5 percent of business given that around 600,000 double-vaccinated people still have not received a booster shot. **ATO Notes:** The government has used the vaccine pass scheme to encourage more Hong Kong residents to take the booster shot.

Further Lifting of Curbs to be Postponed [[The Standard, June 1, 2022](#)]

The third and final phase of the easing of COVID-19 curbs was supposed to occur late this month, but Hong Kong Chief Executive Carrie Lam said it is likely that the final phase will be postponed because Hong Kong has seen two bar clusters - involving 59 cases so far - while daily infection numbers have not dropped much over the past month. Licensed Bar and Club Association of Hong Kong charter president, Ben Leung, said businesses at bars are only at 50 to 60 percent of pre-pandemic levels. Since restaurants were allowed to reopen on May 19, bars are still limited to serve four people-per-table and can only operate until 1:59am. Leung hopes authorities can relax the measures next month after the new Chief Executive, John Lee, takes office on July 1. The Hong Kong Institute of Dining Art honorary chairman, Simon Wong, said the delay is understandable due to the new COVID-19 clusters. He added that the industry does not want to see a rebound of cases in the long run. However, he hopes authorities can relax the guest limit for banquets before the peak wedding and festive gatherings' season begins in September. **ATO Notes:** The lifting of all COVID-19 restrictions in June is unlikely. If there is no significant number of new bar clusters and more Hong Kong residents have taken the booster shots, there is a chance that the government will announce further relaxations in the summer.

Airlines Lobby for Reducing Travel Restrictions [[The Standard, June 2, 2022](#)]

A lobby group representing all airlines flying to and from Hong Kong is pushing the administration to limit the hotel quarantine period for inbound travelers to three days and eliminate the request for preflight COVID-19 tests. The Board of Airlines Representatives of Hong Kong has also asked authorities to abolish a rule that suspends flights if these bring a certain number of infected passengers. The push comes as Hong Kong moves to further ease its contentious pandemic border regime, including scaling back the potential infringements that can lead airlines to be punished. From June 1, the city stopped

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banning airlines that fly passengers that do not meet travel requirements if it is a first offense, instead imposing a \$2,564 fine. **ATO Notes:** While the local pandemic situation has stabilized since late April, there have been new cluster cases at bars upon the lifting the COVID-19 restrictions. Therefore, it is expected that the government will take a step-by-step approach in further reducing restrictions. If the pandemic situation continues to improve, under a new Chief Executive, the government is expected to lift more COVID-19 restrictions, facilitate cross border travels to China and Macau, and finally reduce international travel restrictions later in the year.

Hong Kong Remains the World's Most Expensive City [[The Standard, June 7, 2022](#)]

According to a March cost-of-living survey conducted by ECA International, for the third consecutive year, Hong Kong continues to be the most expensive location in the world. The survey compared data collected in the March 2021 period using a basket of day-to-day goods and services commonly purchased. Hong Kongers pay for the world most expensive petrol at \$3.04 per liter, up from \$2.71 reported in June last year. In addition, the world's most expensive cooking oil is found in Hong Kong at \$5.83 a liter. The city also pays for the most expensive cup of coffee at \$5.21, a liter of milk at \$4.39, and a kilogram of tomatoes at \$11.5. ECA's Regional Director – Asia, Lee Quane, pointed to the strength of the Hong Kong dollar, which is pegged to the U.S. dollar, as one of the reasons why Hong Kong is one of the most expensive locations worldwide. **ATO Notes:** Hong Kong is a net food importer, and its economy is interrelated with other major economies. The global supply chain disruptions over the past few years have also contributed to the high costs of living in the city. However, quality products (food included) that are less price elastic are expected to fare better in Hong Kong.

Macau Gaming Revenues Plunged [[The Standard, June 1, 2022](#)]

Plunging casino revenues in Macau, the world's largest gambling hub, are taking a heavy toll on the wider economy, forcing hundreds of businesses to close and pushing unemployment to its highest level since 2009. On June 1, the former Portuguese colony posted one of its worst monthly gambling revenues since September 2020. The Chinese special administrative region is the only place in the country where it is legal to gamble in casinos. Heavily reliant on casino taxes, which account for more than 80 percent of government revenue, Macau has had little success in diversifying its economy. Macau's dependence on gambling has come to light since the start of the pandemic, with visitation rates in the first quarter dropping more than 80 percent compared to the same period in 2019. More than 90 percent of visitors to Macau typically come from mainland China, which continues to pursue a "zero-COVID" policy. In May 2022, gambling revenue dropped 68 percent year-on-year to \$400 million. While revenue grew 25 percent compared to April, it remains far off the \$3.15 billion reached in May 2019. **ATO Notes:** For the first quarter of the year, Macau's economy shrank 8.9 percent year-on-year [[The Macao News, May 30, 2022](#)]. Moreover, the unemployment rate for Macau residents has risen to 4.5 percent, up from 1.8 percent in 2019. If the pandemic situation in mainland China and Hong Kong improves, Macau could relax its travel restrictions in the third and fourth quarters of the year. This would bring back much needed businesses to Macau's gaming and tourism industries.

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Macau Explores Shorter Quarantines [[The Standard](#), June 7, 2022]

Currently, travelers to Macau from Hong Kong and Taiwan - are required to undergo 14 days of hotel quarantine followed by seven days of home isolation. Macau has been exploring the feasibility of a shorter quarantine period for some time, Chief Executive, Ho Iat-seng, added that it has already implemented a pilot scheme that allows travelers hailing from four mainland cities to enjoy a seven-day hotel quarantine period. However, when asked whether quarantine-free travel will resume between Hong Kong and Macau, Ho said he had not heard of such a possible arrangement before and noted it is not a decision he can make alone. **ATO Notes:** It is expected that upon taking office on July 1, the new Hong Kong Chief Executive, John Lee, will explore arrangements to ease cross border travels between Hong Kong and Macau, and between Hong Kong and mainland China.

HOTELS, RESTAURANTS AND INSTITUTIONS



Local Fast Food Chain Expects Sharp Profit Decline [[The Standard](#), May 25, 2022]

Local fast-food operator, Fairwood, expects to record a 70 percent decline in net profit for the year ending in March 31. The fifth wave of COVID-19 brought unprecedented challenges in the last quarter of its fiscal year, with stringent social distancing policies, suspension of restaurants' business due to infections in front line staff and negative market sentiment adversely impacting its revenue and profit.

ATO Notes: Fairwood is one of the large local fast-food chains with over 140 outlets. The chain's significant drop in profit is an example of the adverse impact of COVID-19 on the Hong Kong food service sector. As the pandemic situation became more stable since April and the government has relaxed COVID-19 rules, business in the food service sector is expected to pick up from the second quarter onwards.

Hong Kong Company Launches Charity Food Sale [[The Standard](#), May 30, 2022]

Local company New World Development which initiated the "Share for Good" donation platform is launching the "Show me your love rice" charity sale and inviting the public to support seven local restaurants by purchasing and donating meal vouchers for those in need. Since the fifth wave of COVID-19, the income and livelihood of the underprivileged have been directly affected. Starting at the end of May and lasting one month, seven restaurants across Hong Kong will join the charity sale. Six of these establishments have been distributing free meals to the underprivileged. Interested donors may visit any one of those restaurants and purchase a meal voucher to support the needy. Each voucher is priced between \$3.8 and \$7.7, equivalent to one boxed meal. **ATO Notes:** Supermarkets have frozen

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the prices for some of their products and fast-food chains have distributed food coupons to low-income families. During the difficult time of the pandemic, Hong Kong companies continue to help one another and especially the underprivileged.

Shopper's Boulevard Applies to Change its Status to a Food & Beverage Hub [[The Standard, June 1, 2022](#)] Hit by the lackluster retail market, some owners of properties on the popular tourist area Park Lane Shopper's Boulevard in Tsim Sha Tsui want to turn it into a food and beverage hub. In recent years, Tsim Sha Tsui, along with other parts of Hong Kong, has experienced a sharp decline in tourist shoppers, leading to store closures. Raiky Wong, director of one of the largest local property agencies, noted that shops on the boulevard are at present selling mainly apparel, electrical appliances and jewelry among other product lines. Wong noted that the retail industry has been affected by factors such as COVID-19 and the decline in international visitors. This has reduced the willingness of tenants to take on new leases or for new ones to move in, so many shops have been left empty. Wong believes that if half of the space on the boulevard can be used for restaurants then the diversity of tenants could increase customer flow. **ATO Notes:** Prior to COVID-19, Hong Kong used to receive more than 55 million tourists annually. While restrictions on international travel are expected to stay in place at least in the next few months, the shopping boulevard's application is seeking to diversify and capitalize on the slowly recovering local food service sector.

Tourism Board Rolls Out Half-Priced Dining Vouchers [[The Standard, June 1, 2022](#)]

From June 2 to July 13, the Hong Kong Tourism Board (HKTB) will roll out 20,000 sets of half-priced cash vouchers for sale covering more than 800 outlets from 160 merchants. In addition to established restaurant chains, the offers come from classy diners and tucked-away bistros with a wide variety of cuisines. To streamline the gourmet journey, HKTB partnered with popular local online dining portal "OpenRice" to allow the public to choose easily from a wide range of restaurants and purchase cash vouchers worth \$25.6 or \$51.3 at half price. **ATO Notes:** Hong Kong's pandemic situation has stabilized since late April. Following the relaxation of COVID-19 curbs, HKTB's half-priced dining vouchers are set to encourage more Hong Kong residents to spend and dine at restaurants and enhance the recovery of the hard-hit local food service sector.

Surge in COVID-19 Clusters Hits Bars [[The Standard, June 6, 2022](#)]

On June 5, Hong Kong recorded 515 new COVID-19 infections - the highest level since late April, as four clusters in the bars in the Central business district continued to grow. Former health secretary, Ko Wing-man, said the recent rebound in infections was caused by the relaxation of social distancing measures. "Hong Kong did not try to achieve zero infection at the peak of the fifth wave and there were at least dozens of transmission chains in the community. The pandemic situation will definitely rebound after relaxing the social distancing measures," Ko said. The Food and Health Bureau has also called on people not to lower their guard although various COVID-19 monitoring indicators show the city's outbreaks remain stable. **ATO Notes:** The surge in COVID-19 cases, especially with bars clusters has alarmed some Hong Kongers. Should the number of COVID-19 cases grow or remain high, this will discourage the government to further relax COVID-19 curbs particularly for the bar industry.

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New Food Hall Features AI-generated “Food Playlist” and Sustainable Ingredients [[Foodie](#), June 3, 2022; [Timeout](#), May 5, 2022; [Yahoo News](#), May 12, 2022]

Newly opened food hall, KIN, features technology, sustainability and over 200 dishes from about 40 famous restaurants throughout Asia including creations ranging from Michelin-starred chefs like Richard Ekkebus to popular Thailand-based comfort-food chain EASY! Buddy. Diners may download the KIN app and enjoy an AI-generated “food playlist” suggesting menu items tailored to diners’ preferences. KIN focuses on high-quality ingredients sourced from responsible farms and more than 25 percent of KIN’s furniture was built from repurposed materials, including tables made from soy sauce dregs and crab shells, and benches made from old circuit boards. There is also a bar serving local craft beer, natural wine, sake and cocktails. The operator hosts pop-up events with guest chefs and will rotate menu offerings to keep the dining experience vibrant. **ATO Notes:** The pandemic has not lowered overall expectation of Hong Kong diners for high-quality and sustainable foods. Demand for high-quality fast casual food offerings is coming back as in-person office work and business meetings resume. The setup of the phone app and options for dine-in and delivery will allow operators the flexibility to adapt to different social distancing requirements.

Kitchen of Jumbo Floating Restaurant Sinks after Announcing Exit from Hong Kong [[Coconuts Hong Kong](#), June 1, 2022; [Marketing Interactive](#), June 1, 2022]

Jumbo’s parent company, Aberdeen Restaurant Enterprises, announced on May 30 that the restaurant would leave Hong Kong in June after it failed to find an operator and a dry dock in Hong Kong to carry out a large-scale inspection and maintenance. The landmark restaurant is also facing huge financial losses. The company said it would look for a suitable parking space out of Hong Kong to lower costs while it waits for a new operator. The news was met with an outpouring of sadness on social media, with many netizens lamenting the imminent departure of the Southern District icon. On May 31 at the mid-night, the kitchen of Jumbo Floating Restaurant sank partially due to water leaks in the restaurant's adjacent kitchen boat. **ATO Notes:** The Jumbo Floating Restaurant was a popular sightseeing spot for tourists and has been visited by many international celebrities. While many locals regard the restaurants as touristy and pricy, it remains a collective memory for many Hong Kongers. Some legislators have urged the government to help preserve the restaurant while others believe it involves complications that go far beyond preservation ([The Standard](#), June 1, 2022).

Local Tours and Dining at a Bargain [[The Standard](#), June 8, 2022]

By paying fees between \$10-\$26 Hong Kong residents will be offered the chance to visit Disneyland, EcoPark or join milk tea and dessert workshops under the Tourism Board's "Hong Kong Summer Treats" campaign which starts on June 8. In order to be eligible, applicants must spend a minimum of \$103 on local dining or retail businesses on or after December 10, 2021. One of the tours gives participants the chance to make milk tea and ride in an open-top bus for \$13. It also features a visit to the Sky100 observation deck for a 360-degree vista of the city. The tour ends with lunch at a Beijing restaurant. Another tour takes participants to two of Hong Kong's popular tourist attractions - Disneyland and the West Kowloon Cultural District. Boasting a cost of \$24, participants are guaranteed

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a significant discount as a single-day pass for Disneyland is currently priced at \$82. The most expensive tour charges participants \$26 for a visit to the Organic EcoPark. **ATO Notes:** The discounted tours and dining aim at stimulating tourism among Hong Kong residents, as international travel remains restricted. While these programs can provide a lifeline to struggling restaurants and tourist attractions, the long-term survival of the food service sector and tourism sector depends on the re-opening of the border.

Macau's Sands Shopping Carnival Returns for Third Consecutive Year [[The Macau News](#), June 1, 2022]

The 2022 Sands Shopping Carnival will be held at The Venetian Macao's Cotai Expo from July 21-24 with more than 580 booths. The annual event was first held in 2020, aiming to provide a free business platform for local small-to-medium enterprises (SMEs) and Sands retailers amid the COVID-19 pandemic. The first two events have attracted more than 210,000 visitors combined. Exhibitors can register for a free booth at the carnival via the event's online exhibitor registration portal before 6 pm on June 4. The event will include an international-cuisine food court, lucky draws, children's activities and games, as well as the new Healthy Lifestyle and Sport Accessories areas. In addition, there will be a Karaoke King Singing Competition, Little Master Chef Workshop and the new Street Dance Competition. **ATO Notes:** Travel to Macau has been restricted under COVID-19 and has negatively impacted Macau's economy. The Carnival is a joint venture between the Macau government and the local business community to help alleviate the negative impact of the pandemic.



RETAIL

April Retail Sales Bounce Back to Beat Estimates [[The Standard](#), June 2, 2022]

Hong Kong's retail sales rebounded in April, lifting the sector out of a contraction stemming from hammered consumer spending in response to strict COVID-19 restrictions earlier this year. According to a June 1 statement by the Census and Statistics Department, the value of retail sales rose 11.7 percent in April compared to last year aided by improvements in local pandemic conditions and the disbursement of the first batch of consumption vouchers. April sales were far better than the estimated 7.9 percent decline expected by economists in a Bloomberg survey. These were also better than the 13.8 percent plunge in March sales when COVID-19 cases in the city ballooned and the government curbed business and social activities. In addition, the value of April sales in supermarkets increased by 5.8 percent and sales of electrical goods and other consumer durable products jumped

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40.9 percent. **ATO Notes:** April marked the start of the government's efforts to lift restrictions on social interactions. Dining hours at restaurants were extended and gyms and beauty salons were allowed to reopen. The government also started handing out consumption vouchers, which in the past has helped boost retail sales figures. There are some signs that consumer activity continued to rebound in May.

Shopping Malls Fared Well During The Dragon Boat Festival [[The Standard, June 6, 2022](#)]

Local property developer Sino Group said its three major shopping malls recorded a 10 percent year-on-year growth in footfall, and a 15 percent rise in sales over the three-day Dragon Boat Festival weekend. Bella Chhoa, director of asset management of the Group said the malls have seen a hike in visitor flow and turnover during the past long weekend, with retail sales increasing between 10 to 15 percent and Chinese restaurants sales increasing 20 percent. Although the third phase of the vaccine pass went into effect on May 31, restaurant operators have reported an improvement in sales. Some restaurant tenants said that since the dine-in limit on the number of diners per table was relaxed to eight their sales have jumped significantly. **ATO Notes:** Another local property developer Wharf said its shopping malls saw a five percent year-on-year increase in footfall in May, with footfall and parking lot utilization returning to levels seen prior to the fifth wave of the COVID-19 outbreak in late January. These statistics show Hong Kong residents' high propensity to spend. If the pandemic situation continues to improve, more local residents will go shopping and dining at restaurants, to enjoy themselves and boost the economy.

Local Snack Chain Closes [[The Standard, June 6, 2022](#) / [The Standard, June 8, 2022](#)]

On June 7, Snack chain, Aji Ichiban, announced it will shut down, citing the lack of tourists during the city's COVID-19 pandemic. According to the chain's spokesman, the chain's branches have been closing one after another due to stringent travel restrictions. However, he added, it is possible the chain will return in the future after borders reopen. Prior to the official announcement, rumors of the chain's closure had been spreading online on June 6 when all its branches were closed, and the shelves emptied. The company's inactive website and telephone number further fueled the speculation. Established in 1993, Aji Ichiban is one of the largest snack food franchises in Hong Kong. Despite having the Japanese alphabet in its name, it is not a Japanese franchise. Aji Ichiban benefited from Individual Visit Scheme visitors (from China) and expanded its business in the 2000s. Aji Ichiban had about 100 shops and over 700 staff in Hong Kong, and more than 150 franchised shops with more than 800 staff covering China, Canada, the Philippines, and the United States, according to its Facebook page. Items sold vary by location and encompass a wide range of flavors from both East Asian, Japanese, and American cuisines, including beef jerky, dried apricots, chocolates, spicy dried fish, fried and shredded squid, shrimp crackers, wasabi peas, etc. **ATO Notes:** The chain already had a challenging time before the pandemic because of keen competition and high rental costs. The restrictions on international travels under COVID-19 aggravated the situation, as their retail sales to tourists were lost. Unlike staple foods, snack foods are not considered daily necessity among local consumers. Some snack stores had broadened their product portfolios to include frozen foods and personal care products to cater their local customers. It is expected that business environment for snack food stores will improve later in the year if the international travel restrictions are relaxed.

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TRADE



Vinexpo Asia Moves to Singapore for 2023 [[The Spirits Business](#), May 31, 2022]

Trade show organizer Vinexposium will move Vinexpo Asia to Singapore in 2023 to “capitalize on the strengths” of Vinexpo Hong Kong. Vinexpo Hong Kong was held in Hong Kong for 20 years until 2018. “Singapore stands out as an obvious choice for serving the interests of the entire Asia-Pacific region and act as a magnet, not only for Chinese clients, but also Australians, South Koreans, Thais, Japanese and Vietnamese, to name a few,” said Rodolphe Lameyse, CEO of Vinexposium. Vinexpo Asia intends to play an influential role in the international arena starting in 2023, with attendance of 1,000 to 1,200 exhibitors from across the globe. Vinexpo Asia will focus entirely on wines and spirits and will now become an annual event in the group’s portfolio. **ATO Notes:** Hong Kong’s restrictive zero-COVID policies have been limiting international travel to Hong Kong and participation at in-person trade shows and business activities. The lack of international participation already canceled Vinexpo in 2020 and 2022, and will continue to impact Hong Kong’s status as a trade show hub.

ATO Hong Kong Joins AHEC and Regional Chapters of the American Institute of Architects (AIA) to Highlight Sustainable Interior Designs with American Hardwood [May 26, 2022]

ATO Hong Kong and the American Hardwood Export Council supported a regional AIA’s hybrid seminar, virtual and in-person, hosting designers, architects, and end-users of American hardwood products. The speaker, Tom Chung, Principal of Leers Weinzapfel Associates, shared insights on the future use of mass timber for building materials. He added that solid heavy timber such as the Yellow Poplar, which is abundant in the eastern United States, could be a sustainable alternative option to steel and concrete that account for 30-40 percent of air pollution in global building. **ATO Notes:**



Hong Kong is home to many architects and designers who have a background of American education and culture. There are close to 300 AIA members in Hong Kong. In 2021, around 43 percent of the volume of American hardwood lumbers and logs exports went to the East Asian region, valued at \$1.5 billion. *Masks were briefly removed for the photo-op.

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