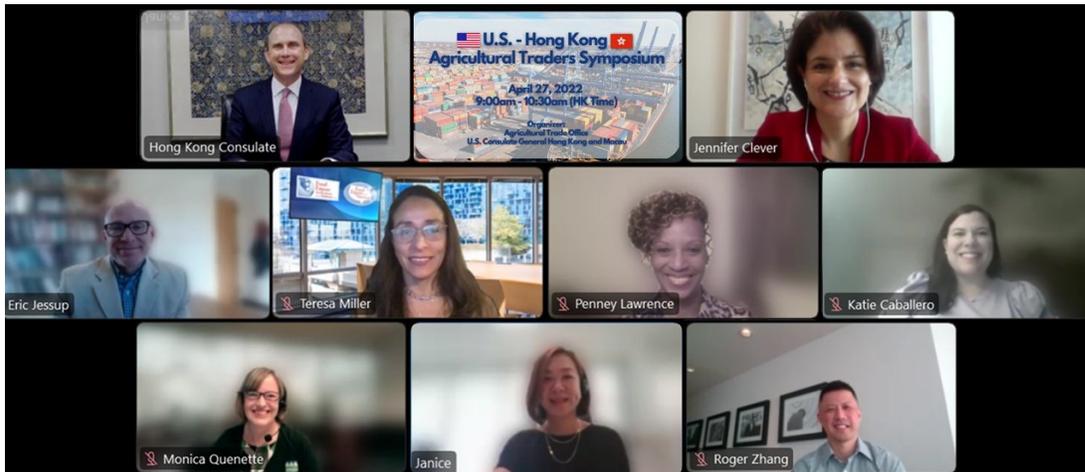


# THE HONG KONG WONTON

wrapped by ATO Hong Kong

April 21 – May 5, 2022 | Vol. 2 Issue #8

## FEATURED PHOTO:



### ATO Hong Kong Hosts Virtual U.S. – Hong Kong Agricultural Traders Symposium

Looking to keep traders connected amidst travel restrictions, on April 27, ATO Hong Kong invited representatives from the four State Regional Trade Groups (SRTGs) to provide updates on their regions and product offerings. In partnership with Washington State University’s Freight Policy Transportation Institute, the event headlined a presentation on the latest U.S. shipping logistics and outlook. U.S. Consul General Smith opened the event, which attracted close to 40 Hong Kong traders. This signals strong local interest to rekindle interactions with U.S. suppliers as the city prepares for optimistic market prospects in the second half of 2022.

## OVERALL ECONOMY



### Hong Kong Accelerates Reopening as COVID-19 Cases Drop [Various Sources, May 5]

Hong Kong’s pandemic situation continues to improve with daily infections staying below 500 since April 27. In late April, as the fifth wave of the pandemic appeared to fade, the Hong Kong government started to ease restrictions and on May 1, ended a two-year-old ban on non-resident visitors (see related story below). Initially scheduled for mid-May, on May 5, the government fast-tracked the

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relaxation of social distancing restrictions including the reopening leisure venues, expanding the number of diners per table to eight, and expanding hours of operation. **ATO Notes:** As of this week, the city appears to be back to its regular hustle and bustle. The local foodservice sector welcomed the extended hours and higher number of diners for restaurants. On April 18, the U.S. Centers for Disease Control and Prevention (CDC) dropped its “Do Not Travel” COVID-19 recommendations for about 90 international destinations, including Hong Kong. However, U.S. travelers should note that as of April 25, 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.

## **Hong Kong Lifted Ban on Non-Residents Entering the City** [[The Standard](#), May 1, 2022]

In response to the global pandemic, the government banned the entry of non-residents who have stayed in various countries since March 25, 2020. However, starting from May 1, non-residents are allowed to enter Hong Kong from other countries and are subject to the same boarding, quarantine and testing arrangements as residents. In addition to complying with all testing and quarantine requirements, travelers must be fully vaccinated, undergo pre-departure nucleic acid tests and hold a booking confirmation of a government-designated quarantine hotel. Visitors will also be subject to "test-and-hold" upon arrival, transferred to quarantine hotels by designated transport, and tested multiple times while in quarantine. **ATO Notes:** The international business community continues to ask Hong Kong to follow the example of other countries, like Singapore, and further ease restrictions on international travel and open the city.

**Hong Kong Eases Quarantine Rules for Aircrew** [[China Daily](#), April 30, 2022] In a bid to relieve local airlines' manpower constraints, starting from May 1 Hong Kong exempts locally based cargo crew from hotel isolation requirements upon their return to Hong Kong. In addition, passenger flight crews' mandatory hotel quarantine was shortened to three days from seven. All locally based crew members, regardless of cargo or passenger flights, are subject to medical surveillance until the 14th day following their arrival, during which they are required to conduct repeated nucleic acid tests. Moreover, they remain subject to a stringent closed-loop arrangement when they layover in outports. As for air crew members who will spend a short layover in Hong Kong and not enter the local community, they will be subject to a stringent closed-loop arrangement during their stay in the city. **ATO Notes:** To contain the spread of COVID-19 in the city, the Hong Kong government imposed a seven-day quarantine to locally based cargo crews starting January 1, 2022. To adapt to this stringent quarantine requirement, Cathay Pacific suspended all long-haul cargo and cargo-only passenger flights for seven days between December 31, 2021 – January 6, 2022. Cargo airfreight services then resumed but at a very limited scale, greatly reducing capacity and increasing airfreight costs. In the first three months of 2022, Cathay Pacific's cargo capacity dropped 49.2 percent compared to the same period for 2021. According to Hong Kong Airport Authority's figures, during the first quarter of 2022, Hong Kong's cargo throughput dropped 9.2 percent to 1 million tons compared to the first quarter last year. The quarantine exemption on local cargo crew could increase the number of flights. This in turn could expand the limited available cargo space for consumer-ready air shipments experienced since early 2022. (see related [GAIN report](#)).

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## **Hong Kong Economy Shrinks 4 Percent Under Anti-Virus Controls [AP News, May 3, 2022]**

In the first quarter of 2022, Hong Kong's economy shrank 4 percent compared to last year following the closure of restaurants and other businesses to fight a spike in COVID-19 infections. Government data released on May 3 showed the economy plunged after expanding 4.7 percent in the previous quarter. Exports of goods fell 4.5 percent from the previous year while consumer spending sank 5.4 percent. Hong Kong closed amusement parks and imposed curbs on restaurants and other businesses in response to an outbreak that reportedly infected 1.2 million of its 7.4 million people. Hong Kong continues to face weak global trade and a lack of visitors from China's mainland. An analyst estimated a weak economic recovery despite signs that activity is rebounding. **ATO Notes:** Over the last four months, the Hong Kong economy has faced immense pressure. Externally, the moderate global demand and epidemic-induced cross boundary transportation disruptions with China have dragged exports. Internally, Hong Kong suffered its fifth and deadliest wave of the pandemic which gravely affected the restaurant, retail, and entertainment industries. While the government's timely distribution of another round of consumption vouchers is expected to help boost the economy, analysts comment that there are still uncertainties over several unfavorable factors such as rising interest rates, Putin's invasion of Ukraine, and moderated global demand. The ability of Hong Kong's economy to have a substantial rebound in the second half of 2022 deeply depends on these factors and the local pandemic situation.

## **Second Phase of Vaccine Pass Starts [The Standard, April 30, 2022]**

The second phase of the vaccine pass scheme went into effect on April 30, mandating Hong Kongers to have received two doses of the COVID-19 vaccine before entering specific premises, including restaurants and shopping malls. The premises covered under the vaccine pass include fitness centers, cinemas, beauty parlors, salons, supermarkets, sports centers, nightclubs, and karaoke establishments. Restaurant staffers or operators must scan customers' vaccine pass QR code, vaccination exemption certificate, or recovered patients' QR code, prior to allowing customers to enter venues. The third phase of the vaccine pass will begin on May 31. By then, citizens aged 12 or above must have received their booster jab before entering designated premises. **ATO Notes:** The Hong Kong government uses the "no jab, no entry vaccine pass" to encourage more Hong Kongers to get vaccinated. If the number of COVID-19 cases continues to drop in May, it is expected that the government will further relax COVID-19 rules in the months to come. It is also expected that the government will discuss reopening cross-border travel with China and Macau authorities for the second half of the year.

## **Local Power Costs Set to Climb [The Standard, April 28, 2022]**

Hong Kong households will have to pay a higher electricity price as the city's two power companies will raise their fuel prices next month amid rising global costs. Experts attribute the rise to factors such as the Russian government invasion of Ukraine. After the price hike, a three-person household that uses 275 units of power a month from Hong Kong Electric will need to pay 17.8 percent or \$7 more compared to January. Customers from the other power company, CLP power, face a slightly less daunting prospect as they will only be asked to pay approximately \$1.5 more in May. **ATO Notes:**

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Power costs are expected to climb as Putin's invasion of Ukraine continues and fuel costs remain high. High power costs will not only affect households, but they will also increase the operating costs of the already struggling food retail and foodservice industries. It is expected that this will further escalate high food prices and some retailers and restaurants will have no choice but to pass the higher costs to consumers.

## **Beleaguered Tenants Given Three-Month Protection Period [[The Standard](#), April 29, 2022]**

On April 28, Hong Kong lawmakers passed a temporary law which prohibits landlords from terminating lease agreements with or suing tenants of specified sectors if they fail to pay their rent on schedule. Under the bill, landlords cannot recover any outstanding rent during a three-month protection period if their tenants failed to pay in accordance with the tenancy from January 1 until the end of the period. The bill states that a landlord will be liable to a fine equal to twice the amount of the rent or no less than \$6,410 if they violate the law. The temporary law was proposed in the 2022-23 budget to enhance liquidity support for businesses. An exemption could be given if landlords and tenants reach mutually agreeable rental agreements during the protection period. Landlords whose livelihoods would be adversely affected by the implementation of the legislation can also receive an interest-free rental advancement. **ATO Notes:** Some sectors opposed the law as that would interfere with private contracts through legislation. The wholesale and retail sectors supported the law as that would enable landlords and tenants to discuss rent reduction and other options during difficult times. If the economy begins to improve by the second half of the year, it is expected that the government may revise the law or rescind it.

**Unemployment Rate in Macau Increases to 3.5 Percent in the First Quarter of 2022 [[Macau News](#), April 30, 2022]** During the first quarter of 2022, the repercussions of the pandemic left 13,300 people unemployed in Macau. The most affected are those engaged in the gambling and construction industries. The general unemployment rate was 3.5 percent while unemployment rate of residents was higher at 4.5 percent. Both recorded a 0.4 percent increase when compared to the previous quarter. The general unemployment rate is also higher than the corresponding period in 2021 which stood at 2.9 percent. **ATO Notes:** Macau's labor force was 471,600, of which 384,500 live in Macau and about 87,100 Macau residents and non-resident workers worked in Macau but live outside the city, mostly in China. Macau academics commented that unemployment is likely to continue rising. In addition, the current COVID-19 outbreak in mainland China is discouraging tourism to Macau, thus affecting the city's tourism receipts.

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## *HOTELS, RESTAURANTS AND INSTITUTIONS*

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### **“Revenge-style” Consumption Brings Restaurants Back to Life** [[The Standard, April 23, 2022](#)]

“Revenge-style” consumption has brought the catering sector back to life as the government eased stringent COVID-19 rules since April 21, allowing restaurants to resume dinner services between 6pm and 10pm. The President of the Federation of Restaurants and Related Trades, Simon Wong, stated that restaurants have already increased business between 60 - 70 percent. Wong pointed out that the consumption vouchers issued earlier in April motivated citizens to spend and to dine out. He added many residents have yet to use the \$641 consumption vouchers and appealed to the government to relax the number of guests allowed per table considering Mother's Day (May 8), a crucial date for the foodservice industry. He also suggested canceling the restriction on operating hours. **ATO Notes:** More relaxations are forthcoming if there are no sharp increases to COVID-19 cases in May, the catering sector is expecting business to continue picking up during the second half of the year.

### **Crowds Return to Malls and Restaurants** [[The Standard, May 3, 2022](#)]

Shopping malls were crowded with people over the Labor Day long weekend, with business at hotpot restaurants surging 20 percent. Maureen Fung, executive director of local property developer Sun Hung Kai Real Estate Agency, said its APM Mall was packed over the long weekend. According to Fung, there were long queues for dine-in at restaurants and fast food and light meals establishments, such as themed desserts including Taiwanese milk tea and croissants. Many people were also busy picking out presents and planning dining gatherings for Mother's Day (May 8). Catering veteran Simon Wong said bookings for Mother's Day were only at about 40 percent so far and hoped the number would increase as Sunday approaches. However, Wong said he expected the catering business for this Mother's Day to be about \$36 million, slightly lower than the \$38 million recorded last year. This figure is still much lower than pre-pandemic levels, which could see cash registers hitting over \$51 million. **ATO Notes:** The lower pandemic caseload and the relaxation of rules ahead of schedule is expected to increase people's interest in dining out and boost the catering sector.

**More Relaxations of COVID-19 Rules** [[The Standard, May 4, 2022](#)]: People will be able to enjoy a big family dinner in restaurants on Mother's Day (May 8) after Chief Executive Carrie Lam relaxed COVID-19 rules earlier than expected. Starting May 5, restaurants will be able to sit eight diners per table. Beaches, swimming pools and water parks will also reopen. Apart from opening more sports venues, people also do not need to wear masks when they exercise outdoors, including in tennis courts, basketball courts and country parks. However, bars, nightclubs, bathhouses, party rooms, karaoke lounges, mahjong parlors and cruises will need to wait until May 19 to reopen. By then, bars will be

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able to operate until 2am, with four people allowed per table. In addition, from May 19, restaurants can extend their dine-in services to midnight, while banquets can have up to 120 guests instead of the current 20. Cinemas can expand their seating capacity to 85 percent, from the current 50 percent, and moviegoers with two vaccine doses can eat and drink in theaters. **ATO Notes:** The government is expected to announce more relaxations and potentially prepare for cross-border travel and measures to boost the economy in the months to come.

## **McDonald's Launched Plant-based Tuna Dishes and New Formula Plant-based Luncheon Meat** **[[AM730](#), April 21, 2022]**

Since October 2020, McDonald's Hong Kong launched a plant-based luncheon meat that has gained popularity. On April 22, 2022, Earth Day, the chain launched new plant-based tuna items for the McCafé menu and a new formula plant-based luncheon that is less salty. McCafé also introduced new coffee items in collaboration with Swedish oat milk brand Oatly. **ATO Notes:** Hong Kong is the first place outside the United States that Beyond Meat and Impossible Foods became available. In recent years, plant-based meat producers have positioned themselves to suit the local taste profile. Impossible meat and OmniFoods (a partner brand with McDonald's) actively market their products for use in Chinese restaurants. Local fast food chain, Café de Coral, launched plant-based pork chop on rice in July 2021, addressing the growing needs of the consumer and delivering a younger brand image, according to their Managing Director ([Mingpao](#), July 12, 2021). Consumers in Hong Kong can find plant-based meat options offered by at least six brands ([Lifestyle Asia](#), April 22, 2022).

## **Three Women Heading Restaurant Groups in Hong Kong Share their Stories** [[SCMP](#), April 29, 2022]

Yenn Wong, the founder of JIA Group, a restaurant group with more than 10 restaurants including some Michelin-starred outlets, started her entrepreneurship at age 23. Elizabeth Chu Yuet-han is the chairwoman of ZS Hospitality Group that operates five restaurants, including some Michelin-starred outlets, and a corporate kitchen. Chu said she feels lucky to have received respect from chefs and partners. What unites these three women is that each is a trailblazer in an industry that is still male dominated. The article identified the key ingredients to their success as passion, resilience, and creativity. Offe finds that there have been shifts to make the industry more female-friendly and more welcoming in general such as emphasis on more maternity leave and a better work-life balance. The increased inclusivity in the industry goes beyond the kitchen, and there are plenty of positions for women. **ATO Notes:** Post also notices there are more and more remarkable female chefs and restaurateurs in Hong Kong. Female participants have made significant contributions at Post's previous foodservice promotions and events. Post will continue efforts to highlight the significance of female members in the culinary community.

## **Macau Gaming Revenue Picks Up Slightly in April** [[Macau Daily Times](#), April 27, 2022]

Macau's gross gaming revenue has likely reached \$261 million from April 1 to 24, mainly due to the further relaxation of the nucleic acid test (NAT), which also led to an increase in visitor arrivals over the weekend. The recorded figure implies a daily run-rate of \$10.3 million, 11 percent higher than the \$9.3 million recorded the week before, according to brokerage Sanford C. Bernstein. Early this week, the

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validity of NAT results for border-crossing purposes was extended to 72 hours, allowing the tourism sector to expect hotel occupancy rates to reach 60 percent over the coming Labor Day holiday period. “Despite the rebound, visitation and revenue remains largely subdued due to [mainland] China COVID-19 outbreaks and restrictive travel and border control,” wrote analysts Vitaly Umansky and Louis Li, as cited in a report issued by GGR Asia. **ATO Notes:** Although Macau gaming revenue picked up in April, the overall outlook is still subdued as the city’s tourism and gaming industries are heavily dependent on visitors from Hong Kong and China. The recovery of these two industries is expected to be delayed because of the current pandemic situation in China.

## **Macau Hotel Occupancy Down 41 Percent [Macau Daily Times, April 29, 2022]**

In March 2022, the number of hotel guests in Macau fell 41.3 percent to 365,000 compared to the same time last year. Mainland guests (269,000) fell 50.2 percent, while local guests (70,000) increased 23.6 percent. In the first quarter of 2022, the average occupancy rate of guest rooms at Macau hotels decreased 4.2 percentage points year-on-year to 40.7 percent. The number of guests dropped 5.6 percent to 1,372,000, while the average length of stay increased to 1.9 nights. In March, visitor arrivals to Macau totaled 526,912, down 19.6 percent compared to the previous month. The figure also represents a decrease of 30.2 percent when compared to the same period last year. Seventy percent of tourists came from the neighboring city of Zhuhai. **ATO Notes:** The surge in COVID-19 cases in Hong Kong since January, and later in China since April has hindered the recovery of Macau’s hotel industry which is heavily dependent on visitors from these two regions. Depending on the pandemic situation, cross-border travel could resume in the second half of the year and help recover the Macau tourism industry.



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## **RETAIL**

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## **The Pandemic and Russia’s War Against Ukraine Interrupts Food Supplies and Increases Cooking Oil Prices [HK01, April 25, 2022]**

The Russia’s War Against Ukraine, in addition to COVID-19, further stricken the unstable supply chain and stressed commodity prices in Hong Kong. In the first quarter of the year, cooking oil prices have increased 10 percent. In April, the increases in cooking oil retail prices ranged from 6.7 to 9.2 percent. Some oil importers foresee prices could rise to 20 percent during 2022. The food and beverage industry is concerned about the war’s impact on food prices as Ukraine is a major agricultural exporter. Coupled with the potential impacts brought by the U.S. interest rate increase, some restaurants may increase prices by over 10 percent in the second half of the year. Some Chinese restaurants may not

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want to pass on the cost to their customers and may lose about five percent of their profits. **ATO Notes:** Russia and Ukraine are not major suppliers of agricultural products to Hong Kong. However, Hong Kong consumers are already feeling the pressure of rising global food prices at supermarkets and restaurants. Foodservice insiders ([TVB News](#), April 22, 2022) observe that it is difficult for the resumption of sales to catch up with the rise in costs brought on by increased logistics expenses, the pandemic and geopolitical factors. They hope the Hong Kong government will provide further support to the food industry.

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## TRADE

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**Good Market Prospects for Organic Products in Hong Kong** [[FAS GAIN Report HK2022-0030](#), May 4, 2022] The Hong Kong market is signaling good prospects for organic products. Over the last decade, sales of organic products from locally certified farms/plants have grown steadily at an average rate of about 10 percent. In 2021, U.S. fresh and chilled organic exports to Hong Kong dropped 11 percent to \$10 million compared to 2020 but held above the five-year average. In addition, the slowdown in U.S. organic exports was far less than the 20 percent decline in conventional U.S. exports. While most U.S. agricultural exports faced shipping logistics challenges last year, the smaller contraction in U.S. exports of organic products reflects the growing popularity of these products in Hong Kong. The city remains the seventh largest destination for U.S. organic exports. A recent survey shows that vegetables and fruits were the most preferred organic products among Hong Kong consumers. Hong Kong allows the use of foreign organic logos and allows the sale of products carrying the USDA organic seal.

**Regulation of Products Containing Cannabidiol** [[Hong Kong Government Press Release](#), April 27, 2022] In a Legislative Council Meeting, the Hong Kong government (HKG) responded to a member's question on the regulation of advertisements about the efficacy of products containing cannabidiol (CBD). The Secretary for Security stated that if such products are sold in Hong Kong, these must comply with the Trade Descriptions Ordinance (TDO) (Cap. 362). Under the TDO, a trader making a false or misleading statement of any goods to a material degree without sufficient supporting evidence commits the offence of false trade description and will be liable of conviction to a maximum fine of \$65,000 and five-year imprisonment. In addition, the Undesirable Medical Advertisements Ordinance (Cap. 231) prohibits the advertising of any medicine, surgical appliance or treatment for the prevention or treatment of diseases or conditions prescribed in its Schedules, and offenders will be liable of conviction to a maximum fine of \$12,821 and one-year imprisonment. **ATO Notes:** In Hong Kong, cannabis, cannabis resin, tetrahydro-cannabinol (THC) and certain other cannabinoids are already

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controlled under the Dangerous Drugs Ordinance. Any pharmaceutical product containing CBD is subject to the control of the relevant regulatory regime on pharmaceutical products. At present, there is no registered pharmaceutical product containing CBD in Hong Kong. Since CBD is generally extracted from cannabis, CBD products may likely contain THC, which is considered a dangerous drug. Hence, the Government has planned to further control CBD by legislation and will seek the views of the Legislative Council within 2022 (See related [Gain Report](#))

**Update on Hong Kong's Temporary Suspensions on Imports of U.S. Poultry and Eggs from Counties Confirmed with High Path Avian Influenza (HPAI):** As of May 3, 2022, Hong Kong has suspended the importation of poultry and egg products from seventy-three counties in seventeen States. As Hong Kong continues to limit the ban to the county level, the impact on U.S. exports has been contained. However, this year's scale of AI cases has further raised U.S. egg prices, already one of the most expensive egg choices in Hong Kong. A key importer commented that the current offer price of U.S. eggs has already doubled. Hence, importers are more likely to import from China during the next couple of months. Between January and March 2022, U.S. egg exports to Hong Kong increased 4 percent by value but dropped 5 percent by volume, illustrating the rise in U.S. egg prices. The value of U.S. poultry exports to Hong Kong declined 17 percent. However, the three U.S. states that recorded the biggest drop in exports (namely, Georgia -73 percent, South Carolina -68 percent, and Washington -51 percent) are currently not subject to any bans. Thus, the 17 percent decrease in overall U.S. poultry exports is likely attributed to ongoing shipping issues and expanding direct exports to mainland China.

Hungry for more information about the Hong Kong and Macau markets?

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