If we succeed in Hong Kong, we can succeed in other places as well.

Takushi Suminaka, Director and General Manager
Kubota Rice Industry (H.K.) Co Ltd

Hong Kong: Asia’s Culinary Capital

As a cosmopolitan city, Hong Kong is Asia’s leading tourist destination and is renowned for its diverse array of Chinese and western cuisines. Coupled with high-income local residents who enjoy gourmet food, a culture of service excellence and unrivalled transportation infrastructure, Hong Kong is the ideal location to showcase a new and exciting food and beverage concept.

Advantages

- A great variety of restaurants and cuisines which constantly requires quality food and beverage supplies
- World’s freest economy with low and simple taxes. For example, there is no import duty on food and beverages with alcohol content lower than 30 percent
- Excellent logistics and transportation infrastructure for efficient and low-cost deliveries
- Pro-business labour legislation, strong intellectual property protection and a highly trained, multilingual workforce

Opportunities

- Premiumisation – increasing consumer demand for high quality, fairtrade and organic products
- Increasing number of visitors – international and Mainland China visitor arrivals predicted to grow to 100 million per year by 2023
- Ideal launch pad for international brands into Asia, particularly Mainland China
- Supermarkets and foodservice operators continuously looking for new and better quality supplies
- Online grocery shopping – excellent e-infrastructure, high smartphone penetration rate and extensive courier networks give rise to robust growth in online food purchase
- Highly sought-after healthy packaged food due to change in education and sophistication level

Industry Snapshot

<table>
<thead>
<tr>
<th>Sales Value of Food Items (HK$ million)</th>
<th>2016</th>
<th>2017</th>
<th>Growth</th>
<th>2018 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Packaged Baby Food</td>
<td>$18,871</td>
<td>$19,936</td>
<td>5.64%</td>
<td>$20,668</td>
</tr>
<tr>
<td>Packaged Baked Goods</td>
<td>$4,104</td>
<td>$4,295</td>
<td>4.66%</td>
<td>$4,408</td>
</tr>
<tr>
<td>Packaged Confectionery</td>
<td>$3,901</td>
<td>$4,028</td>
<td>3.27%</td>
<td>$4,080</td>
</tr>
<tr>
<td>Packaged Dairy</td>
<td>$5,659</td>
<td>$5,920</td>
<td>4.60%</td>
<td>$6,059</td>
</tr>
<tr>
<td>Packaged, Processed Fruit and Vegetables</td>
<td>$495</td>
<td>$504</td>
<td>1.92%</td>
<td>$502</td>
</tr>
<tr>
<td>Packaged, Processed Meat and Seafood</td>
<td>$2,682</td>
<td>$2,789</td>
<td>3.96%</td>
<td>$2,832</td>
</tr>
<tr>
<td>Packaged Oils and Fats</td>
<td>$924</td>
<td>$963</td>
<td>4.28%</td>
<td>$984</td>
</tr>
<tr>
<td>Packaged Food (all categories)</td>
<td>$48,801</td>
<td>$50,945</td>
<td>4.39%</td>
<td>$52,125</td>
</tr>
<tr>
<td>Packaged Organic Food</td>
<td>$100</td>
<td>$106</td>
<td>5.60%</td>
<td>$111</td>
</tr>
<tr>
<td>Packaged Ready Meals</td>
<td>$900</td>
<td>$931</td>
<td>3.43%</td>
<td>$945</td>
</tr>
</tbody>
</table>

Source: Euromonitor International January 2018
Registration of Food Importers and Distributors

The Food Safety Ordinance (Chapter 612) introduces a food tracing mechanism to help the Hong Kong SAR Government trace the source of food more effectively and take prompt action when dealing with food incidents. It includes a registration scheme for food importers and distributors and a record-keeping requirement relating to the movement of food. For details and online registration, please visit www.foodsafetyord.gov.hk.

Imported Food Control

According to the Public Health and Municipal Services Ordinance (Chapter 132), there are specific legal requirements or administrative arrangements for the import of the following selected food items due to their perishable or high-risk nature:

1. game, meat, poultry and eggs;
2. milk and milk beverages;
3. frozen confections; and
4. marine products.

Also, the food items below require specific licenses from relevant departments:

1. rice (www.tid.gov.hk)
2. liquor (www.customs.gov.hk)
3. tobacco (www.customs.gov.hk)

Food importers, through close liaison with exporting countries, are responsible for ensuring that food items they procure comply with the local legislation. To help ensure hygienic standards of food, importers are encouraged to obtain health certificates issued by health authorities of countries of origin to accompany their imports certifying that the food products concerned are fit for human consumption.

For details, please visit: www.cfs.gov.hk/english/import/import_ifc.html

Online Sale of Restricted food

All restricted foods for sale or offered for sale on website or online platform account shall be pre-prepared, pre-packaged and supplied by approved suppliers. No storage, handling or preparation of restricted foods shall be conducted at the place where the online sale business is conducted. Otherwise, a relevant restricted food permit or an appropriate food business licence may be required under Food Business Regulation.


Nutrition Labelling

All general prepackaged foods must contain a nutrition label that includes the information on energy and seven nutrients specified for labelling (1+7), namely, protein, carbohydrates, total fat, saturated fatty acids, trans fatty acids, sodium and sugars. Furthermore, the nutrition label must list the amount of any claimed nutrients.

For details about registration, licensing, and labelling requirements, please contact:

Food and Environmental Hygiene Department
44/F, Queensway Government Offices,
66 Queensway, Hong Kong
Tel: (852) 2868 0000
Fax: (852) 2869 0169
Email: enquiries@fehd.gov.hk
www.fehd.gov.hk

Examples of Foreign Food Trading and Distribution Companies Operating in Hong Kong

- Arla Foods (Denmark)
- China Resources Enterprise (Mainland China)
- Export Packers (Canada)
- Ferrarini (Italy)
- General Mills (US)
- HKScan (Finland)
- Kubota Rice Industry (H.K.) Co Ltd (Japan)
- Lindt & Sprungli (Switzerland)
- Nihon Shokken (Japan)
- Nishihara Shokai (Japan)
- Sysco (US)
- The Produce Company (New Zealand)
- Unilever (UK)

Food Labelling

The following information should be marked in either English or Chinese language or in both languages on the label of prepackaged food, unless otherwise exempted:

1. Name of the Food
2. List of Ingredients
3. Indication of “Use by” or “Best before” Date
4. Statement of Special Conditions for Storage or Instructions for Use
5. Name and Address of Manufacturer or Packer
6. Count, Weight or Volume Food

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- Sysco (US)
- The Produce Company (New Zealand)
- Unilever (UK)
Japanese Niigata Rice, Freshly Milled in Hong Kong

Japan’s major player in agricultural machinery Kubota Corporation is venturing into rice trading and retail in Hong Kong, targeting the middle to upscale market who share a love for high quality rice.

Adapting its business model to seek alternative revenue sources, Kubota Corporation has opened an operation in Hong Kong to provide freshly milled and prime quality Japanese rice to consumers in the city. With its long history in agricultural machinery for rice milling, the company believes providing this product to Hong Kong people will give it an edge for further overseas market expansion.

“We have considered many other overseas locations. But after our feasibility research, we concluded Hong Kong is the place to be because of its relaxed import controls on rice, proximity to the huge Mainland China market and the wide acceptance of Japanese food culture,” Takushi Suminaka, Director and General Manager, Kubota Rice Industry (H.K) Co Ltd, said. “Currently, about 50 percent of Japanese rice exports go to Hong Kong. So, the territory is a very important market to us.”

Worldwide Demand for Safe and Fresh Food

Its initial investment in Hong Kong includes an imported rice machine from Japan and a food factory in Shatin. Niigata’s Konshihikari brown rice from Japan, which has been rated the highest quality Japanese rice for 19 years in a row, is freshly milled in the Hong Kong factory. White rice consumer products, priced at about HK$60 per kilogram, can be ordered online. Kubota Hong Kong also supplies many local Japanese restaurants with freshly-milled Niigata rice.

“The global market demands fresh and safe food. Since we set up last year, our business has performed much better than we expected,” Suminaka said. “There are an increasing number of Japanese companies going to Hong Kong, which gives us the opportunity to build a bigger distribution network.”

An Entry Point to the Mainland Market

Thanks to Hong Kong’s stable regulatory environment, Kubota Hong Kong has been able to focus on its core business after a smooth set-up. “The overall business environment is very friendly; the regulations are effective and don’t change all the time. The city’s lifestyle and infrastructure are convenient and comfortable for overseas investors,” Suminaka said.

Because of its efficiency and free flow of information, Suminaka said Hong Kong is also an ideal place to collect market information and do research about Mainland China. The company plans to expand into the Mainland and neighbouring countries in Asia with high purchasing power.

“Hong Kong has the potential to manage a regional trading and distribution network. It is a platform for us to increase our international awareness. If we succeed in Hong Kong, we can succeed in other places as well,” he added.

One-stop Services for New Investors

With ongoing support from Osaka to Hong Kong, Suminaka said the company could not have started this business without InvestHK’s help. “InvestHK offers very helpful and transparent services for new companies like ours. Its staff helped us through the official procedures to get the necessary licenses and met with us regularly,” he said.
Food Trading and Distribution

Relevant Organisations in Hong Kong

Food and Environmental Hygiene Department
44/F, Queensway Government Offices, 66 Queensway, Hong Kong
Tel: (852) 2868 0000
Fax: (852) 2869 0169
Email: enquiries@fehd.gov.hk
www.fehd.gov.hk

Food and Environmental Hygiene Department
GPO Box 8689, Hong Kong
Tel: (852) 2923 8419
Fax: (852) 2576 1559
Email: zumi.hui@sanmiguel.com.hk
www.fdga.org.hk

Food and Environmental Hygiene Department
Flat A, 1/F, Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon, Hong Kong
Tel: (852) 3925 6808
Fax: (852) 2537 6847
Email: info@hkfc.org.hk
www.hkfc.org.hk

Approximate Monthly Office Rental Costs (HK$)

<table>
<thead>
<tr>
<th>Districts (central business districts)</th>
<th>Rental (net effective)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central/Admiralty</td>
<td>$130.4/sq. ft.</td>
</tr>
<tr>
<td>Wan Chai/Causeway Bay</td>
<td>$73.3/sq. ft.</td>
</tr>
<tr>
<td>Island East</td>
<td>$52.5/sq. ft.</td>
</tr>
<tr>
<td>Tsim Sha Tsui</td>
<td>$60.3/sq. ft.</td>
</tr>
<tr>
<td>Kowloon East</td>
<td>$35/sq. ft.</td>
</tr>
</tbody>
</table>

Source: Colliers International, Q1 2018

Average Monthly Salaries for Trading Staff (HK$)

<table>
<thead>
<tr>
<th>Title</th>
<th>Average Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Manager</td>
<td>$15,000-30,000 + commissions</td>
</tr>
<tr>
<td>Sales Executive</td>
<td>$8,000-15,000 + commissions</td>
</tr>
<tr>
<td>Logistic Manager</td>
<td>$20,000-45,000</td>
</tr>
<tr>
<td>Shipping Officer</td>
<td>$12,000-18,000</td>
</tr>
<tr>
<td>Purchaser</td>
<td>$11,000-17,000</td>
</tr>
</tbody>
</table>

Source: February 2018, Jobmarket

Major F&B Events in Hong Kong

<table>
<thead>
<tr>
<th>Event</th>
<th>Month</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gourmet Asia</td>
<td>May</td>
<td><a href="https://gourmetasia.com/">https://gourmetasia.com/</a></td>
</tr>
<tr>
<td>HOFEX</td>
<td>Every two years in May</td>
<td><a href="http://www.hofex.com">www.hofex.com</a></td>
</tr>
<tr>
<td>Hong Kong Food Expo</td>
<td>August</td>
<td><a href="http://www.hktc.com/fair/hkfoodexpo-en">www.hktc.com/fair/hkfoodexpo-en</a></td>
</tr>
<tr>
<td>Hong Kong International Tea Fair</td>
<td>August</td>
<td><a href="http://www.hktc.com/fair/hkteafair-en">www.hktc.com/fair/hkteafair-en</a></td>
</tr>
<tr>
<td>Natural &amp; Organic Products Asia</td>
<td>August</td>
<td><a href="http://www.naturalproducts.com.hk">www.naturalproducts.com.hk</a></td>
</tr>
<tr>
<td>Restaurant &amp; Bar Hong Kong</td>
<td>September</td>
<td><a href="http://www.restaurantandbarhk.com">www.restaurantandbarhk.com</a></td>
</tr>
<tr>
<td>Seafood Expo Asia</td>
<td>September</td>
<td><a href="http://www.seafoodexpo.com/asia">www.seafoodexpo.com/asia</a></td>
</tr>
<tr>
<td>Asia Fruit Logistica</td>
<td>September</td>
<td><a href="http://www.asiafruitlogistica.com">www.asiafruitlogistica.com</a></td>
</tr>
<tr>
<td>Hong Kong Wine and Dine Festival</td>
<td>October</td>
<td><a href="http://www.discoverhongkong.com">www.discoverhongkong.com</a></td>
</tr>
<tr>
<td>Beertopia</td>
<td>October</td>
<td><a href="https://beertopiahk.com">https://beertopiahk.com</a></td>
</tr>
<tr>
<td>Hong Kong Food Festival</td>
<td>December</td>
<td><a href="http://www.food-expo.com/hk">www.food-expo.com/hk</a></td>
</tr>
</tbody>
</table>

For more information, please contact:

Sindy Wong
Head of Tourism and Hospitality
Tel: (852) 3107 1067
Fax: (852) 3107 9007
Email: swong@investhk.gov.hk

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