

Industry Outlook and Trends in the Hong Kong Food and Beverage Industry

July 2014

INDUSTRY OUTLOOK AND TRENDS: FOOD AND BEVERAGE INDUSTRY

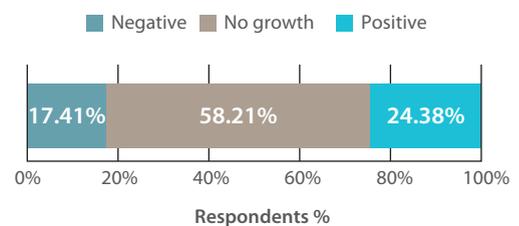
Highlights

- > 24.4% of respondents in the Hong Kong Food and Beverage industry expect growth in revenue during the next 1-2 years while 17.4% expect a drop.
- > Web tools, e.g. ecommerce, are not a common way to reach new customers, reputation and referrals are more important.
- > Manpower shortage affects the operations of many companies in the industry. As a result, many are keen on exploring ways to automate the operating process
- > Changes in customer experience have led to a redefinition of the role of the restaurant, kitchen and supplier
- > The market for premium healthy food is growing

THE FOOD AND BEVERAGE INDUSTRY EXPECTS LONG TERM REVENUE GROWTH DESPITE SHORT TERM INSTABILITY

Although many respondents noted a significant drop in revenue in March to May of 2014, the overall outlook of the Industry is positive as 24.4% of respondents expect growth in revenues during the next 1-2 years, while 17.4% expect a drop.

Expected Revenue Growth in Coming 1-2 Years

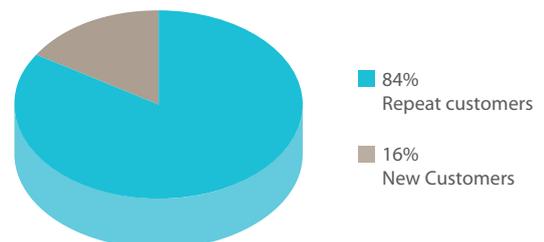


Repeat Customers

According to the survey, 84.2% of customers are repeat customers, providing stable orders and useful market information.

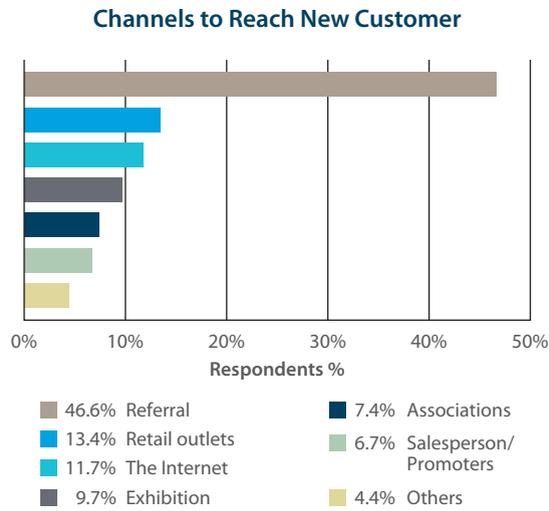
Respondents believe that their company's reputation and food quality are the winning factors.

Customer Distribution



Channels to Reach New Customers

When exploring new business opportunities, 46.6% of respondents considered referrals as an effective way to meet new customers. Only 11.7% of respondents chose the Internet.

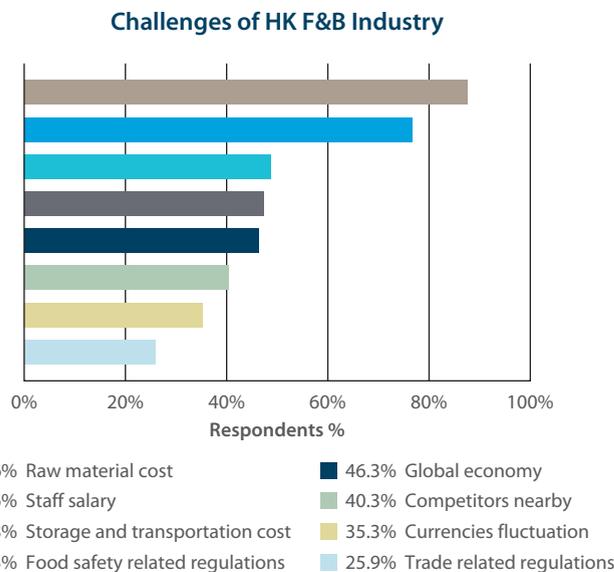


GREAT DEMAND FOR MANUFACTURING TECHNOLOGY AND AUTOMATION

Staff and Material Costs are the Major Challenges in the Food and Beverage Industry

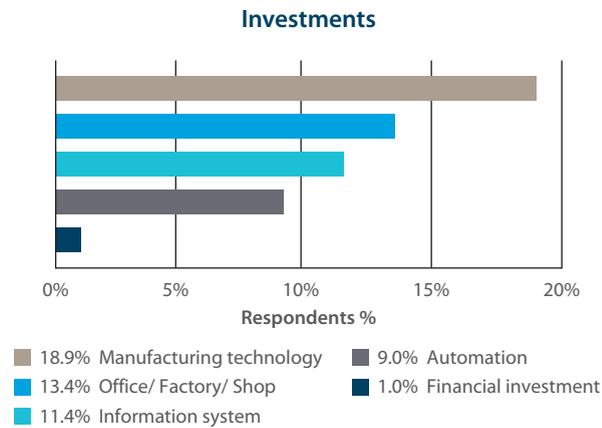
According to the survey, 88% of respondents claimed that material costs (e.g. food ingredients) have gone up 13.9%, well above the inflation rate.

Meanwhile, food safety regulation changes for local and export markets create confusion and demand a large allocation of resources to fulfill the new requirements.



To Tackle the Problems of Manpower and Logistics Costs, Companies are Exploring Ways to Automate the Operating Process

18.9% of companies have begun to invest in new manufacturing technologies as some restaurants shift the semi-final food processing step to central kitchen locations and food manufacturers. Focusing on customer service, restaurants are tending to automate as many processes as they can, including customer order placing and queuing systems.



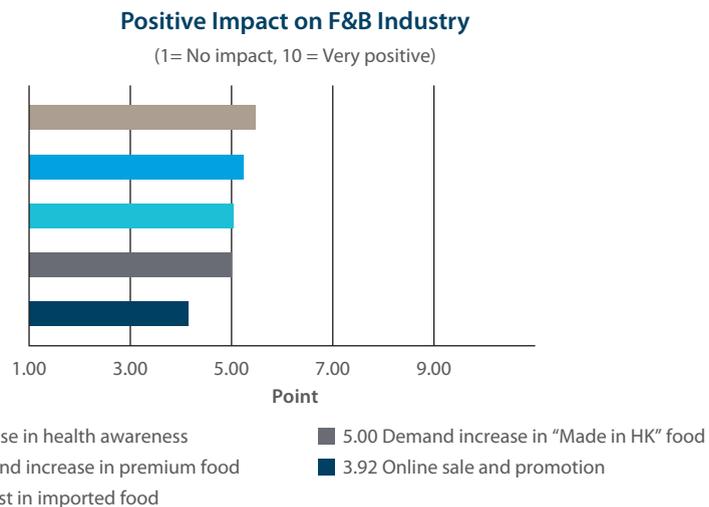
THE DEMAND FOR PREMIUM AND HEALTHY FOOD IS RISING

The Market of Premium and Healthy Food is Growing Rapidly in Hong Kong

Customers are showing an increasing willingness to spend more for food which includes high quality and premium ingredients. As people's purchasing power becomes stronger, the demand for premium food is expected to continue to increase. Healthy cooking methods may also emerge as a key industry driver in several years.

To maintain a company's reputation and food quality, different measures are taken by importers and resellers including:

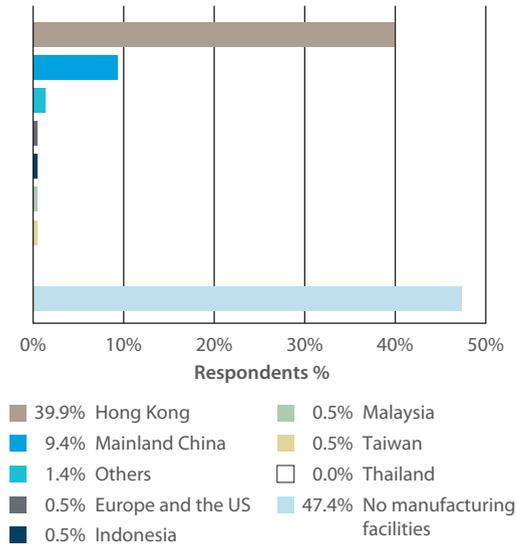
1. Source food directly from manufacturers or general agencies to minimize the number of middlemen
2. Require certification of suppliers
3. Staff food hygiene manager courses
4. Company/site visits to build long term relationship with partners



APPENDIX

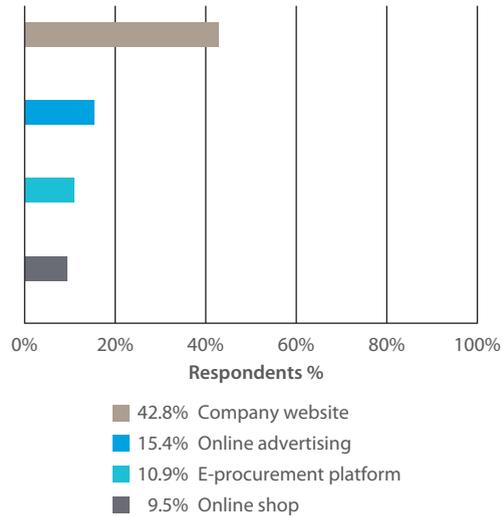
Manufacturing Related Statistics

Location of Manufacturing Facilities

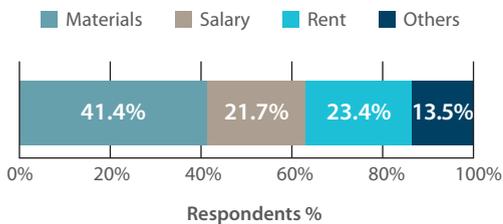


Information Technology Related Statistics

Use of Information Technology

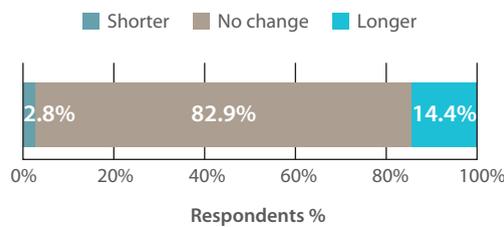


Distribution of Operating Costs



Working Capital Related Statistics

Change on Working Capital Cycle



ABOUT THE SURVEY

The Australia and New Zealand Banking Group Limited (ANZ) conducted "The Survey on Industry Outlook and Trends" of Hong Kong Food & Beverage Industry during April to May of 2014 with the intention of understanding industry participants' views of future business performance and challenges. In this survey, 200 companies were interviewed and one focus group conducted for this industry.

ENQUIRY CONTACT

If you would like to make an appointment with one of our Relationship Managers, please contact:

Wilson Wong



+852 3918 2376



Wilson.Wong@anz.com

IMPORTANT NOTICE

The document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

This document is issued and distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN11 005 357 522) ("ANZ"), on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (collectively, "recipient"). Information contained in this document is strictly confidential. It is the property of ANZ. As such, this document may not be reproduced, distributed or published by any recipient for any purpose. It is general information and has been prepared without taking into account the objectives, financial situation or needs of any person. Nothing in this document is intended to be an offer to sell, or a solicitation of an offer to buy, any product, security, instrument or investment, to effect any transaction or to conclude any legal act of any kind. If, despite the foregoing, any services or products referred to in this document are deemed to be offered in the jurisdiction in which this document is received or accessed, no such service or product is intended for nor available to persons resident in that jurisdiction if it would be contradictory to local law or regulation. Such local laws, regulations and other limitations always apply with non-exclusive jurisdiction of local courts. Before making an investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

The views and recommendations expressed in this document are the author's. They are based on information known by the author and on sources which the author believes to be reliable, but may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any of the views and recommendations which comprise estimates, forecasts or other projections, are subject to significant uncertainties and contingencies that cannot reasonably be anticipated. On this basis, such views and recommendations may not always be achieved or prove to be correct. Indications of past performance in this document will not necessarily be repeated in the future. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. Additionally, this document may contain 'forward looking statements'. Actual events or results or actual performance may differ materially from those reflected or contemplated in such forward looking statements. All investments entail a risk and may result in both profits and losses. Foreign currency rates of exchange may adversely affect the value, price or income of any products or services described in this document. The products and services described in this document are not suitable for all investors, and transacting in these products or services may be considered risky. ANZ and its related bodies corporate and affiliates, and the officers, employees, contractors and agents of each of them (including the author) ("Affiliates"), do not make any representation as to the accuracy, completeness or currency of the views or recommendations expressed in this document. Neither ANZ nor its Affiliates accept any responsibility to inform you of any matter that subsequently comes to their notice, which may affect the accuracy, completeness or currency of the information in this document.

Except as required by law, and only to the extent so required: neither ANZ nor its Affiliates warrant or guarantee the performance of any of the products or services described in this document or any return on any associated investment; and, ANZ and its Affiliates expressly disclaim any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document.

If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. ANZ and its Affiliates do not accept any Liability as a result of electronic transmission of this document.

ANZ and its Affiliates may have an interest in the subject matter of this document as follows:

- > They may receive fees from customers for dealing in the products or services described in this document, and their staff and introducers of business may share in such fees or receive a bonus that may be influenced by total sales.
- > They or their customers may have or have had interests or long or short positions in the products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent.
- > They may act or have acted as market-maker in products described in this document.
- > ANZ and its Affiliates may rely on information barriers and other arrangements to control the flow of information contained in one or more business areas within ANZ or within its Affiliates into other business areas of ANZ or of its Affiliates.

Please contact your ANZ point of contact with any questions about this document including for further information on these disclosures of interest.

Note: This publication is distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong. If in doubt about the contents of this publication, you should obtain independent professional advice.

