WHAT'S NEXT:
KEY F&B TRENDS IN HONG KONG

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June 2018

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AGENDA

MACRO OVERVIEW

INDUSTRY SCORECARD IN HK

KEY TRENDS TO TAP INTO

IN SUMMARY

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MACRO OVERVIEW

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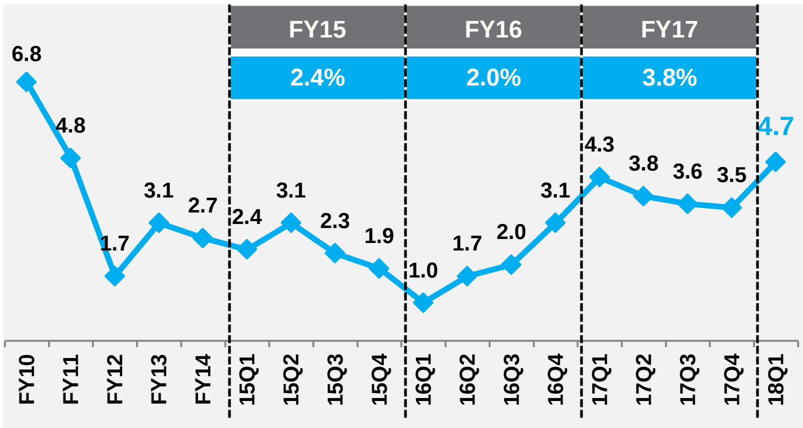
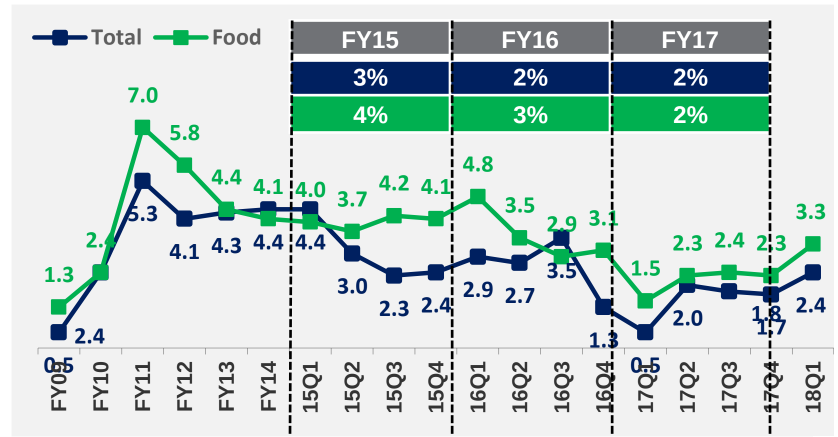
STRONG ECONOMY & CONSUMER CONFIDENCE IN 2018

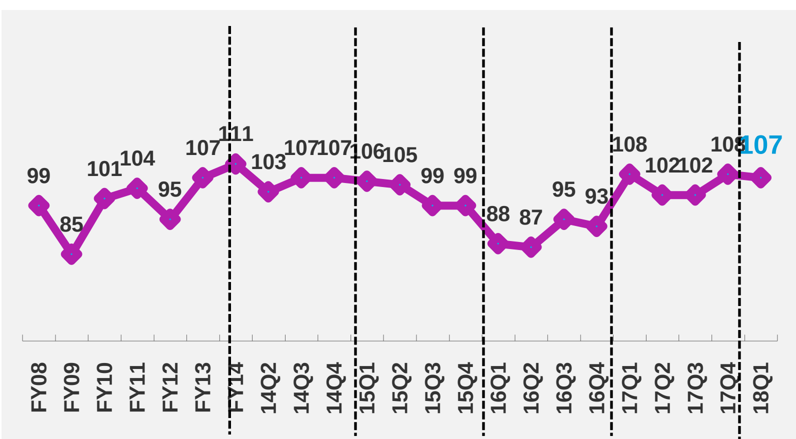
GDP Growth (%)



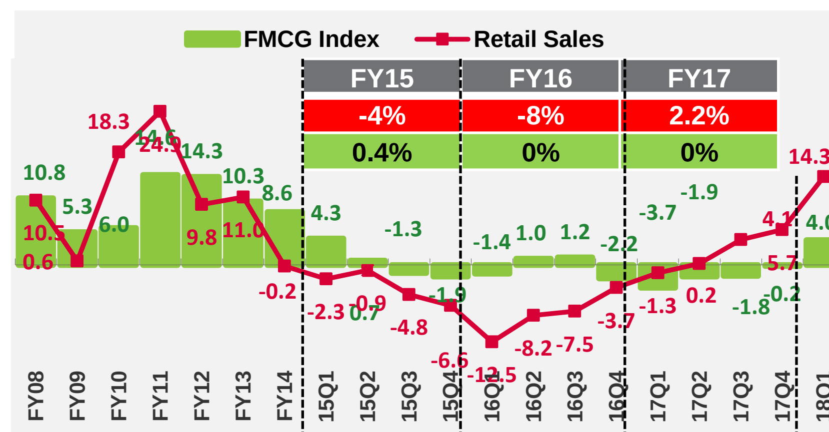
CPI Inflation (%)



Consumer Confidence Index



Retail Sales vs. FMCG Sales Growth (%)



*** Provisional Figures**

Sources : Nielsen Consumer Confidence Survey & HK Census & Statistics Dept

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CONSUMER CONFIDENCE INDEX (CCI) DRIVERS

Job
Prospects

State of
Personal Finance

Readiness to
Spend

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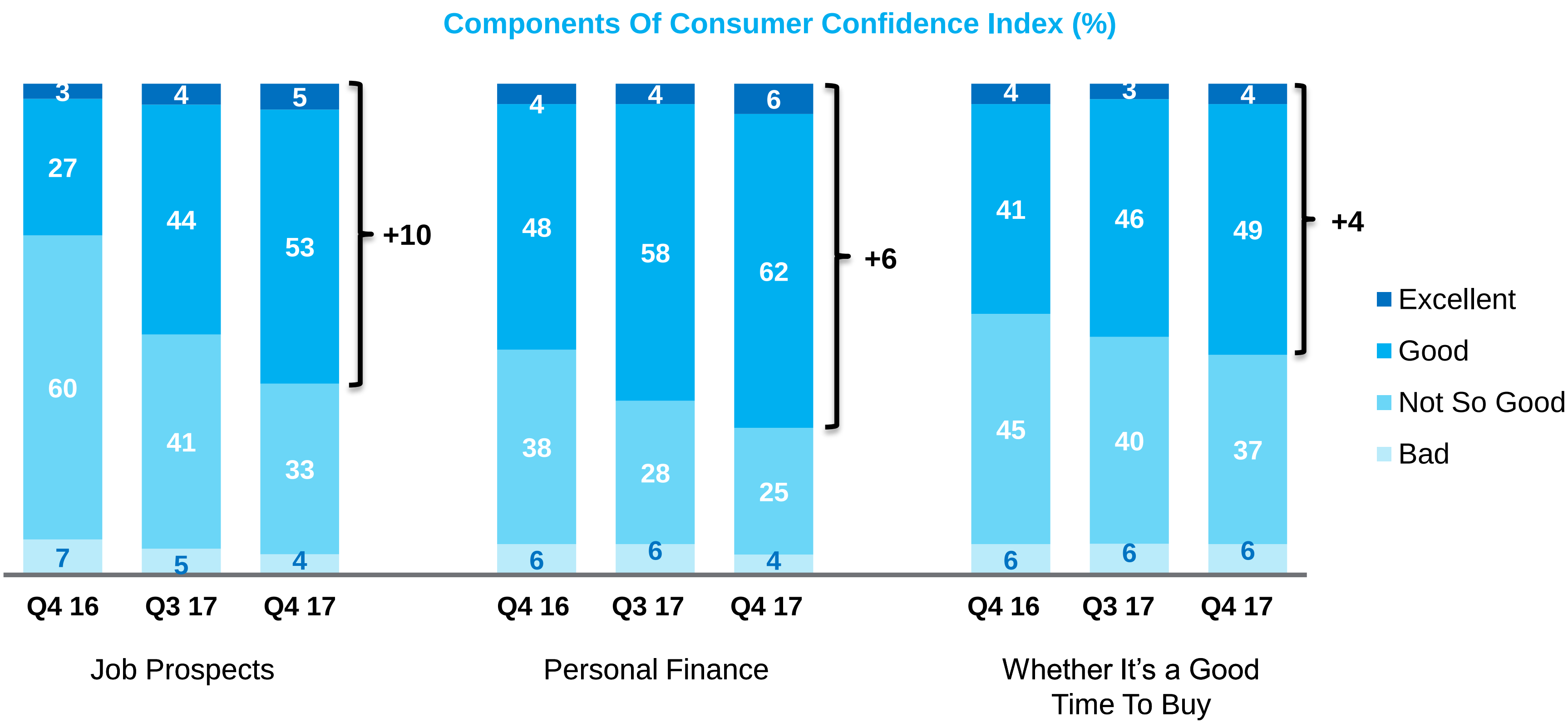
THE FUTURE IS OPTIMISTIC

Strong confidence on job prospects, personal finance and readiness to spend in the coming 12 months



Consumer Confidence Survey – Q4 – 2017
Field Dates: Dec, 2017

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ON JOB PROSPECTS

Relatively Low Unemployment Rate

Overall remained at
2.9%
(The lowest rate since February 2014)

Source: Census and Statistics Department

Gradual Increase of Tourist Arrivals

Overall increased by
3.2% (2017 vs YA)

Retail Sales increased by **+5.8%** (Dec 17 vs YA), with **Jewelry and Luxury Goods** growing at **+6.3%** (Dec 17 vs YA)

Source: Hong Kong Tourism Board / Census and Statistics Department

Consumer Confidence Survey – Q4 – 2017
Field Dates: Dec, 2017

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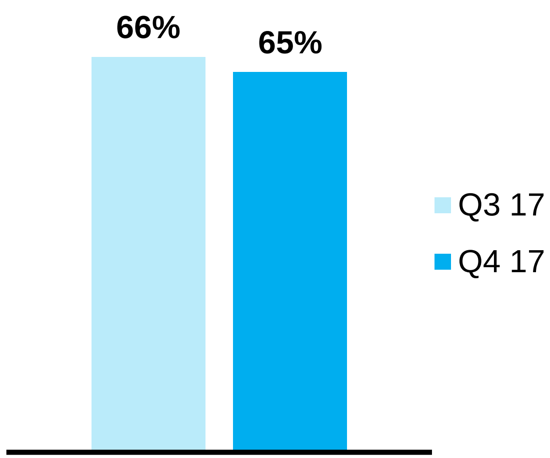
ON PERSONAL FINANCE

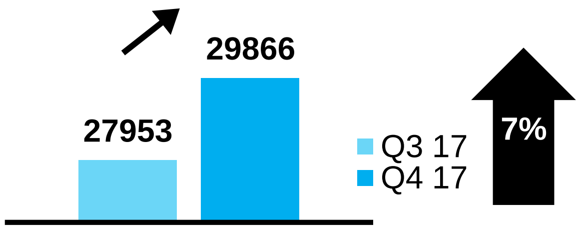
Stable appetite to save spare cash

I will **save my spare cash** after essential spending:



The high of Hang Seng Index further increased

Hang Seng Index



Growing Property Prices

CCL Index stood at high level of **162** points

Price Indices of private domestic increased by **1%** in Q4 17 (vs Q3 17)

Source: Hong Kong Rating and Valuation Department / Centaline Property

Consumer Confidence Survey – Q4 – 2017
Field Dates: Dec 2017

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ON READINESS TO SPEND

After essential living expenses, I spend my spare cash on	Q4 16	Q4 17	% Pt Diff.
Out of home entertainment	37%	39%	+2%
New clothes	21%	23%	+2%
New technology products	16%	18%	+2%

Consumer Confidence Survey – Q4 – 2017
Field Dates: Dec 2017

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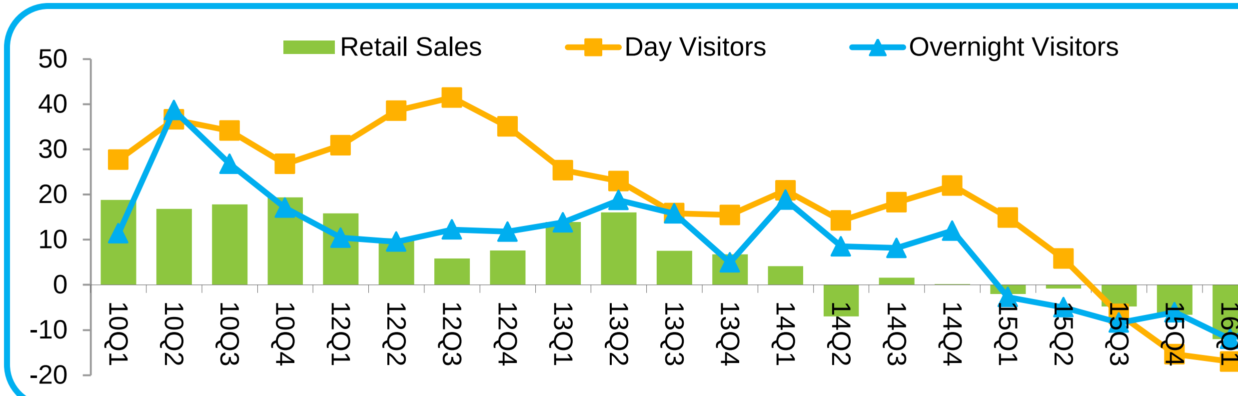
TOURIST ARRIVALS ENABLED RETAIL SALES

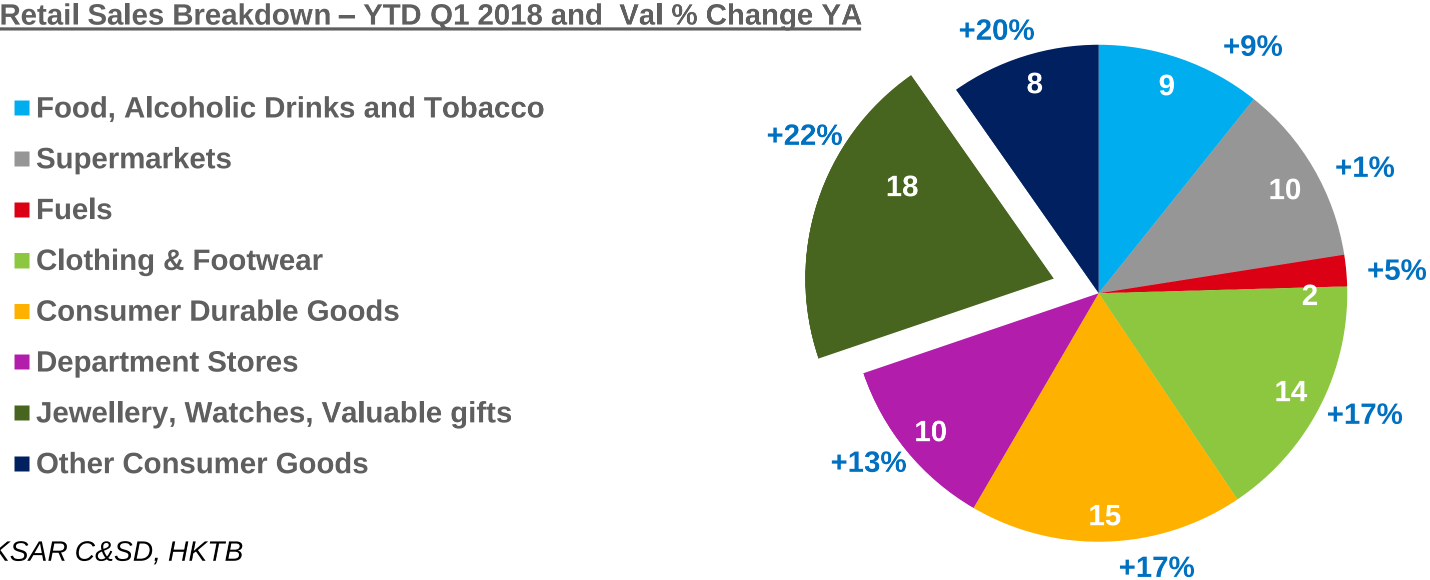
All types of retail outlets were seen to yield YOY growth

Retail Sales & Mainland Visitor Arrivals (Day & Overnight) - % Change vs. YA



Q1 2018 vs. YA	
Overnight	+11%
Day	+14%
Retail Sales	+14%

HK Retail Sales Breakdown – YTD Q1 2018 and Val % Change YA



Source: HKSAR C&SD, HKTB

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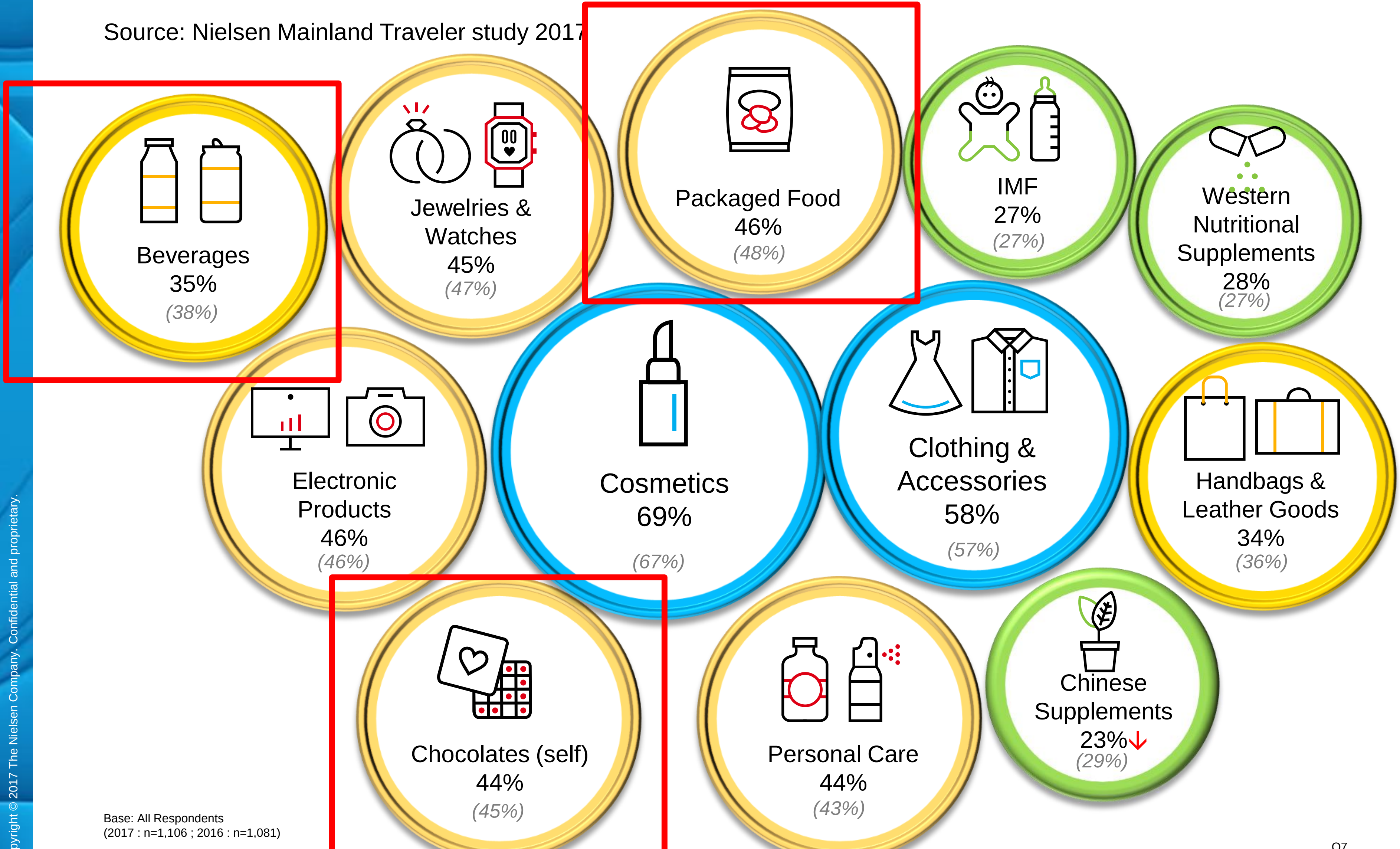
F&B AND OTHER GROCERIES STILL TOP OF TOURIST'S SHOPPING LIST

Source: Nielsen Mainland Traveler study 2017



Base: All Respondents
(2017 : n=1,106 ; 2016 : n=1,081)

Note: numbers in ( ) denote 2016 figures

Q7

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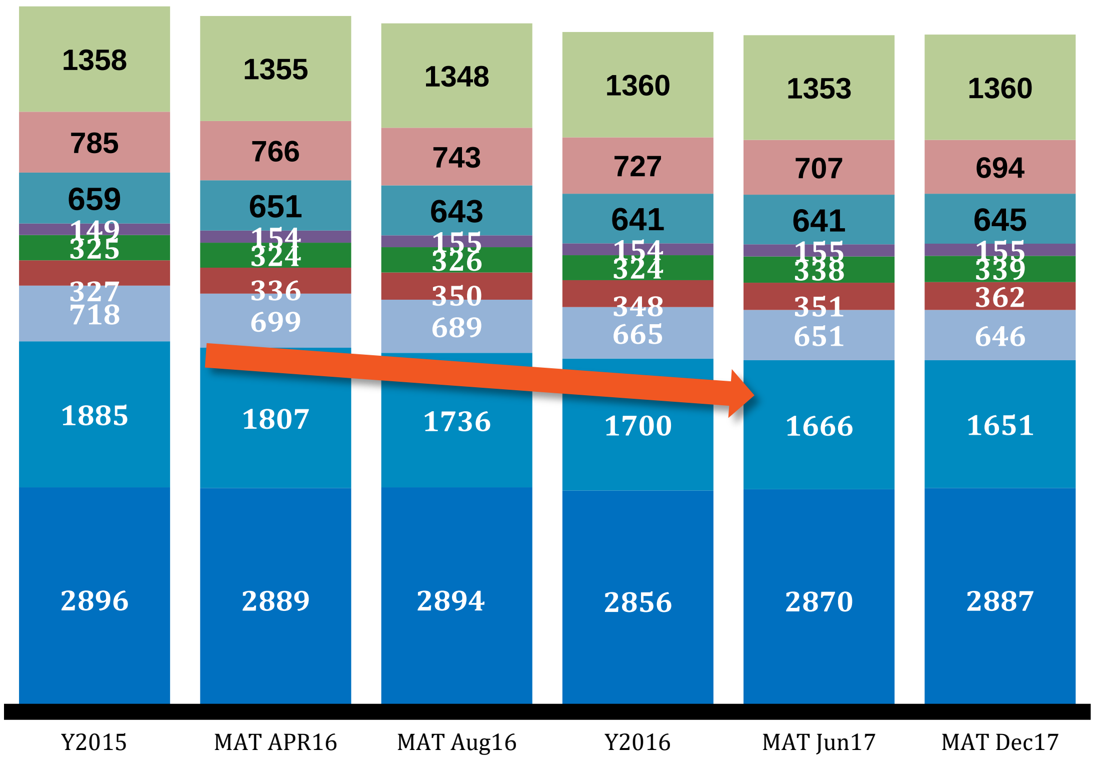
RETAIL CONSOLIDATION IN HK AS PRODUCTIVITY & PROFITABILITY ARE KEY FACTORS

Development of Retail Outlets* at Total Hong Kong, 2015 – MAT DEC 17



Vs Aug16

	Ab +/-	Chg %
Chain CVS	12	1%
Chain SMKT	-49	-7%
Chain Drug Stores	2	0%
IND. CVS**	0	0%
Wine Specialty Stores	13	4%
IND. Supermarket & Superstore	12	3%
Magazine Shop / Newspaper stand	-43	-6%
IND. Drug Stores	-85	-5%
Provision Stores	-7	0%

*Retail Outlets include Supermarket & Superstores, Drug Stores, Convenience Stores, Provision Stores, Magazine Shop/ Newspaper Stand, Convenience Stores at Gas Station and Wine Specialty Stores only; exclude Motel, Optical Shop, Bakery Store, Cake Store, Soft Drink / Fruit Juice Outlet, Street Snack Shop, Confectionery Store, Frozen Meat Shop, Gas Station, Fruit Outlet, Kiosk, Mahjong Amusement, Mahjong Store, Cigarette Hawker, Cigarette Specialty, Billiard Establishment, Bowling Alley and Electronic Games Center

** CVS include gas station CVS, such as Esso, Shell, Sinopec etc.

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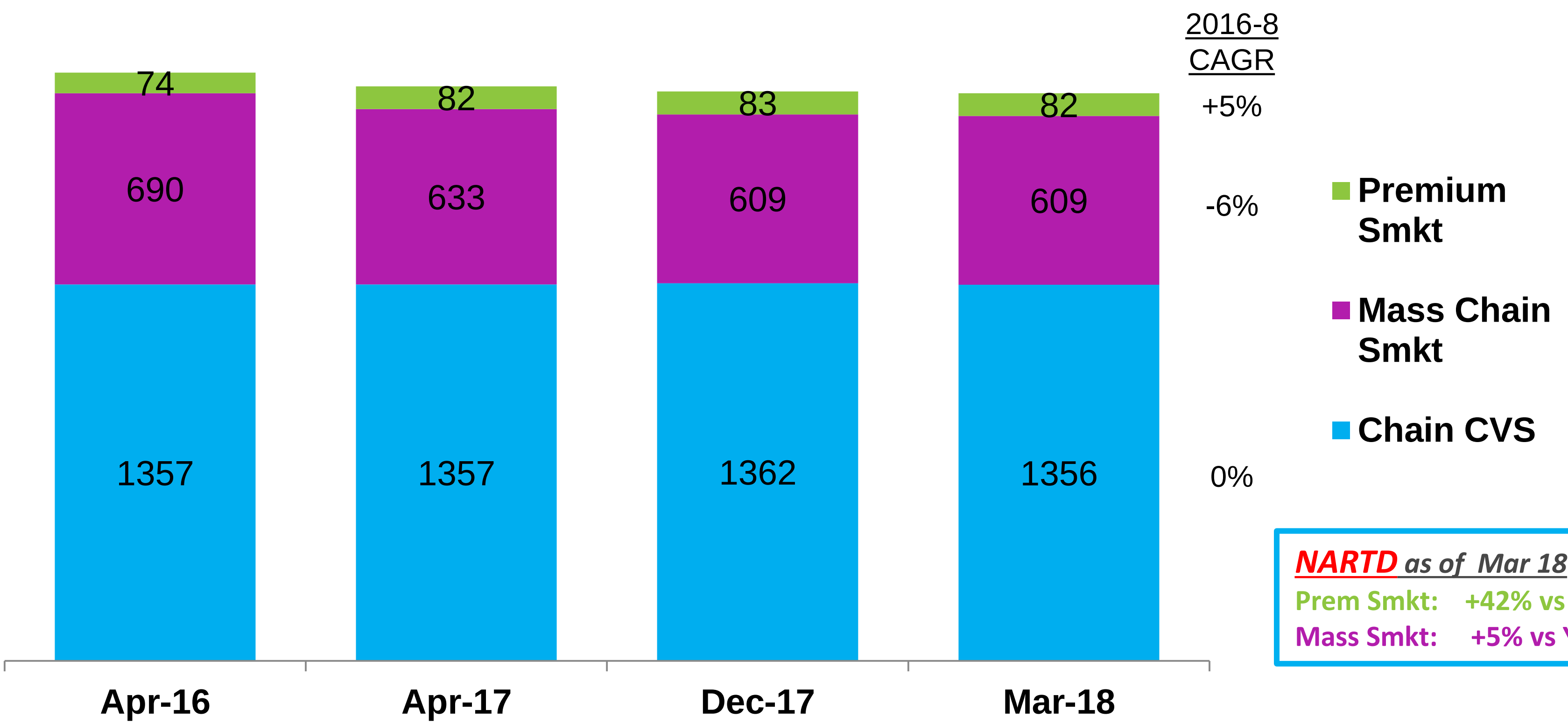
UPTRADING TO PREMIUM BANNERS IN CHAIN SMKT

Development of Chain Retail Outlets at Total Hong Kong, 2016 – 2018



***NARTD** as of Mar 18*

Prem Smkt: +42% vs YA

Mass Smkt: +5% vs YA

**Premium Smkt includes Fusion, Taste, Gourmet, Great, MPJ, Aeon, PnS International, Food Le Parc*

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INDUSTRY SCORECARD IN HK

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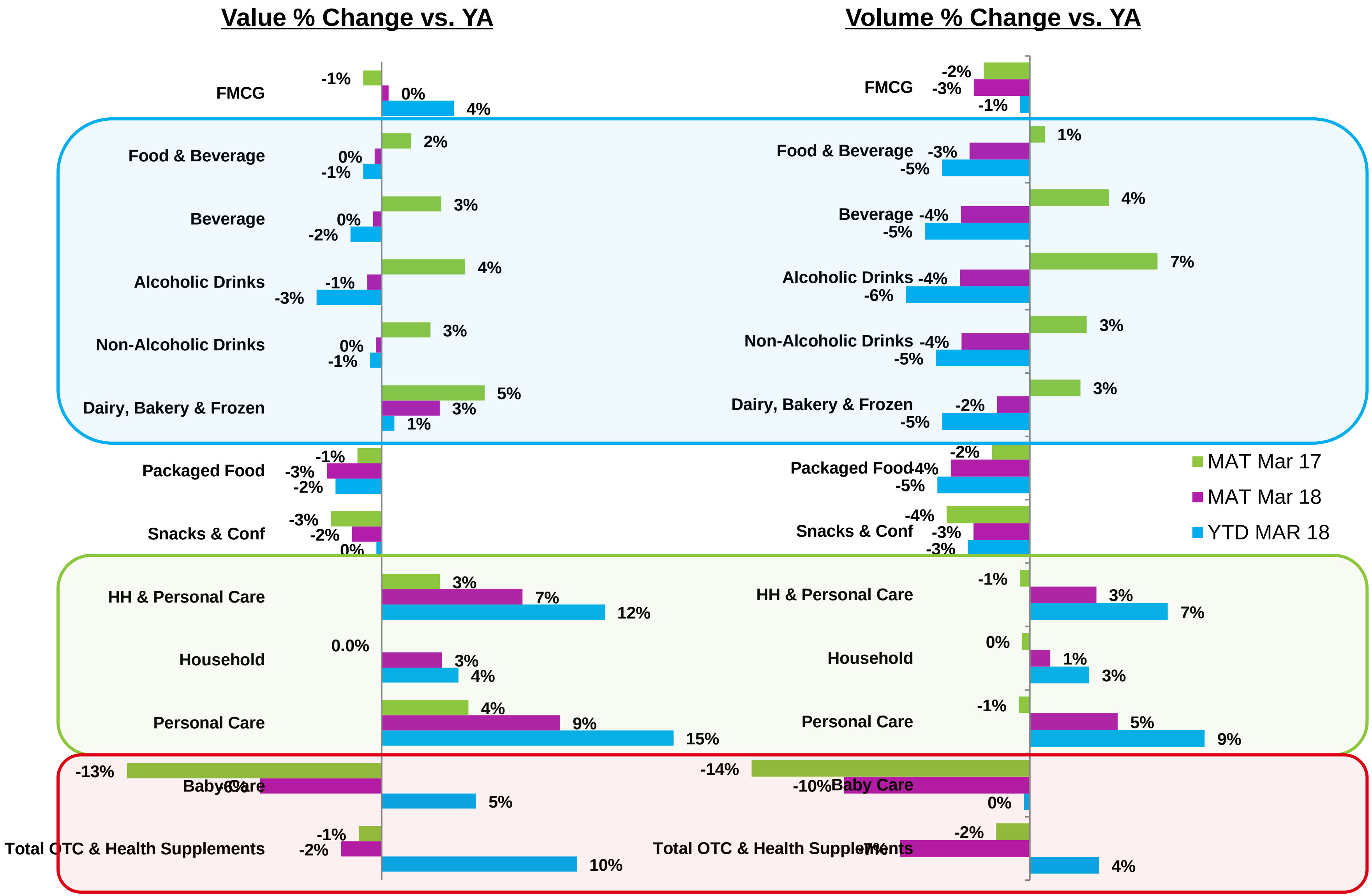
REBOUND OF FMCG IN Q1 2018



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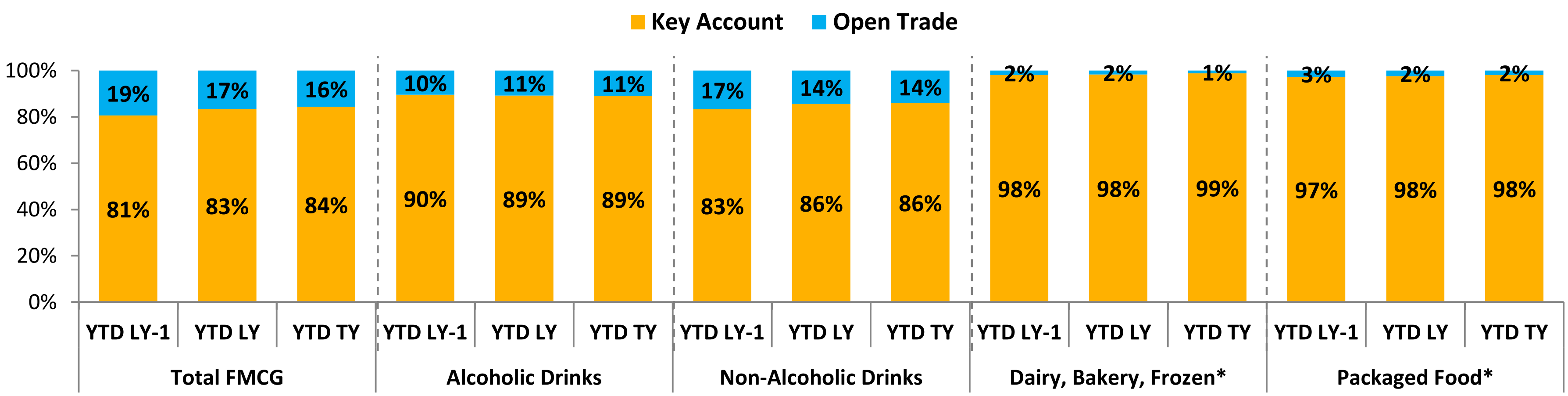
KEY ACCOUNT INCREASED IN VALUE IMPORTANCE

MAT 2018 - FMCG Super-Categories Value Share of Trade



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ON-THE-GO TREND CONTINUES AT RAPID PACE

Beverages – 3-Year Trend at Channel level

Value
Volume

	Key Account	*Chain SMKT (53%)*	*CVS (47%)*
MAT 2017	+4% +3%	+1% +1%	+7% +6%
MAT 2016	+0% +1%	-1% +0%	+3% +2%
MAT 2015	+3% +0%	+2% -1%	+4% +1%

PREMIUMIZATION & INNOVATION

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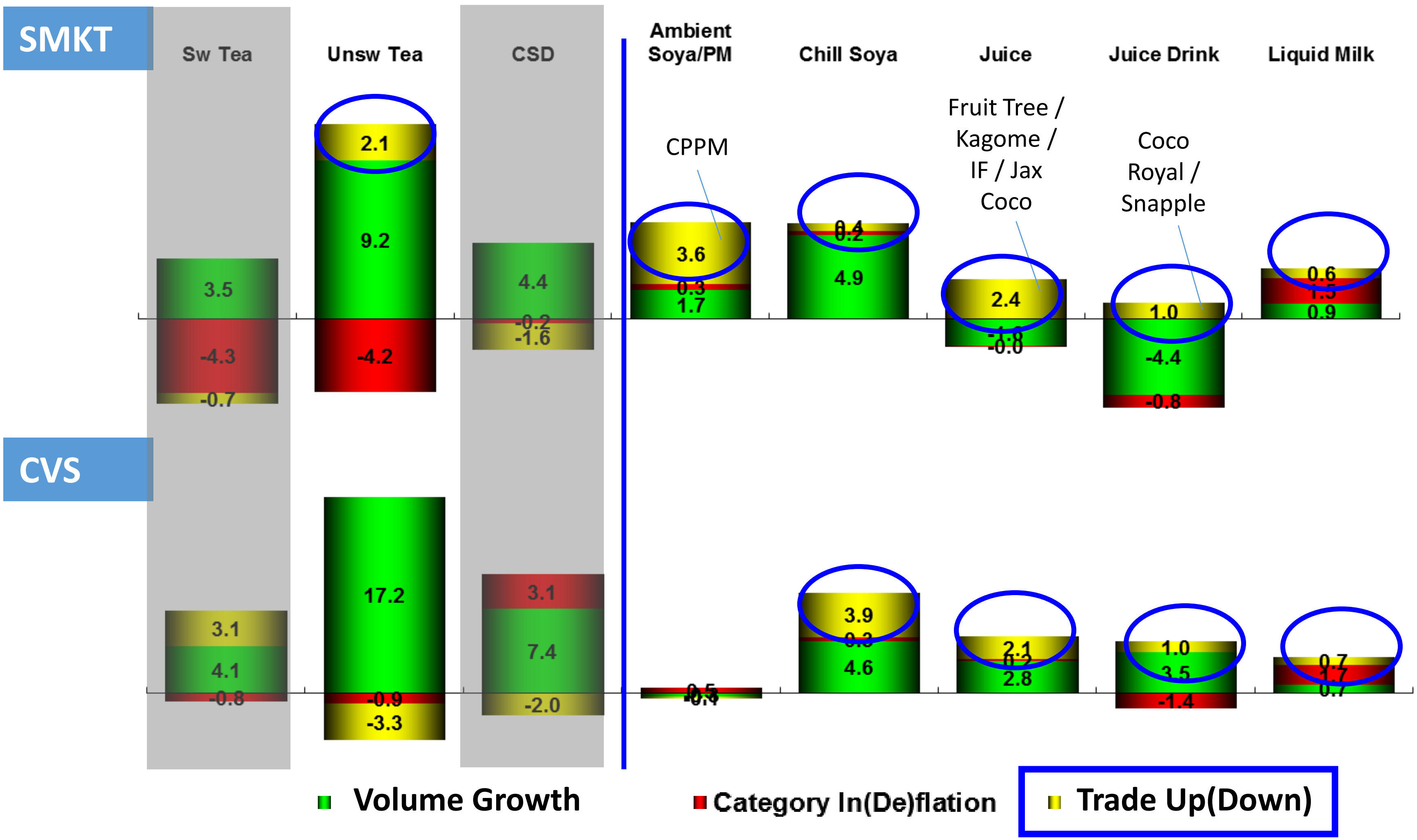
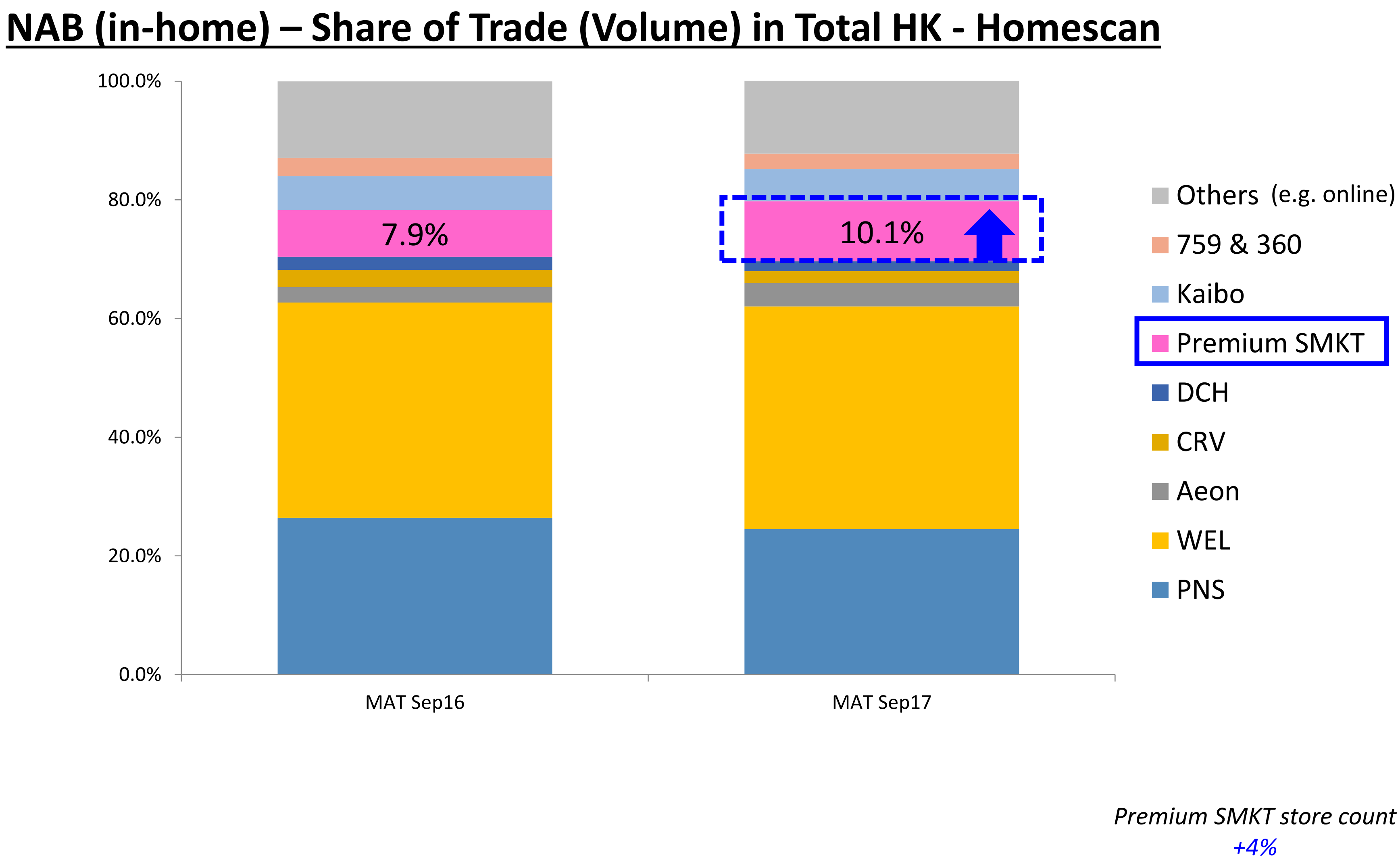
PREMIUMIZATION IN "HEALTH-RELATED" FUNCTIONAL DRINKS.

NA BEVERAGES: GROWTH DRIVER ANALYSIS



RETAILER FORMAT A BIG DRIVER OF PREMIUM BRAND CHOICE

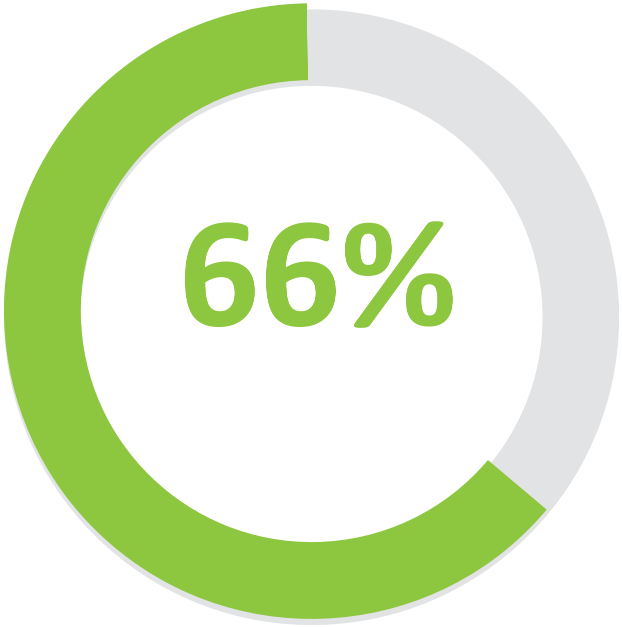


Nielsen Homescan (free sharing)

Remark: Premium SMKT coverage: Fusion, International, Taste, Great, Gourmet, SU-PA-DE-PA Supermarket, Three-Sixty, Jason Food & Living, market Place by Jason, Oliver, Jusco, AEON MaxValu Prime

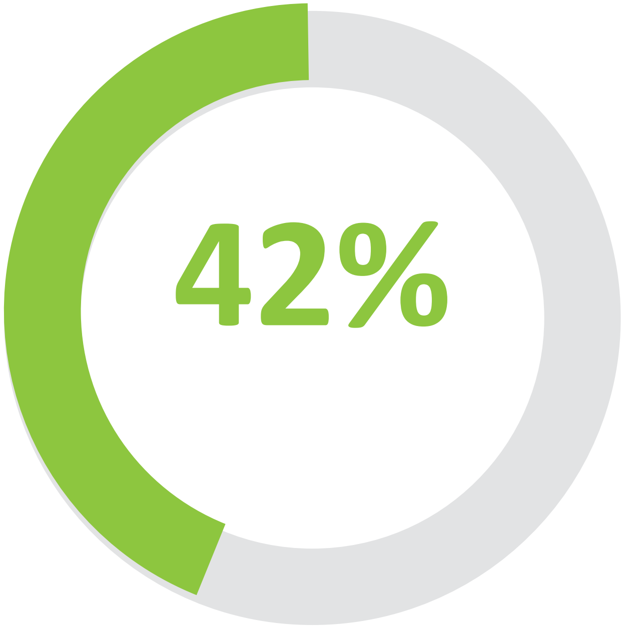
NEW LAUNCHES A KEY DRIVER FOR HK

INNOVATION CONTRIBUTION TO NEW VALUE GROWTH IN 2017



CHINA

% OF SKUS LAUNCHED IN LAST 3 YEARS ON SHELF



HONG KONG

Source: Nielsen RMS Data MAT Oct 2017

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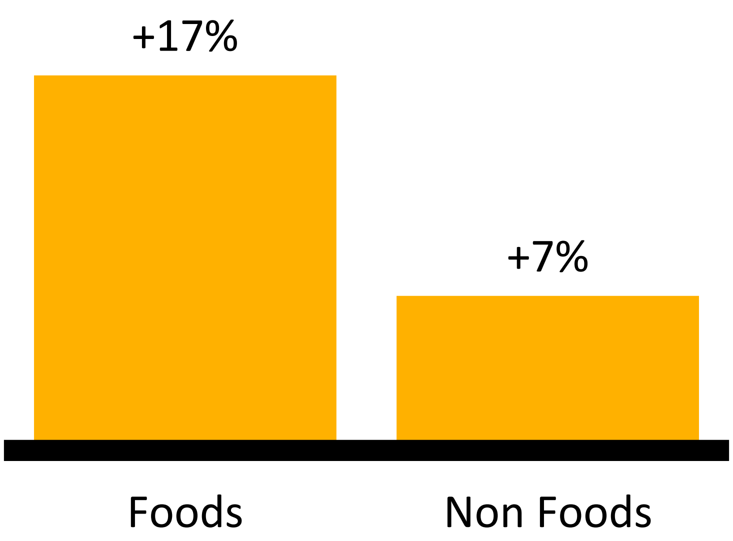
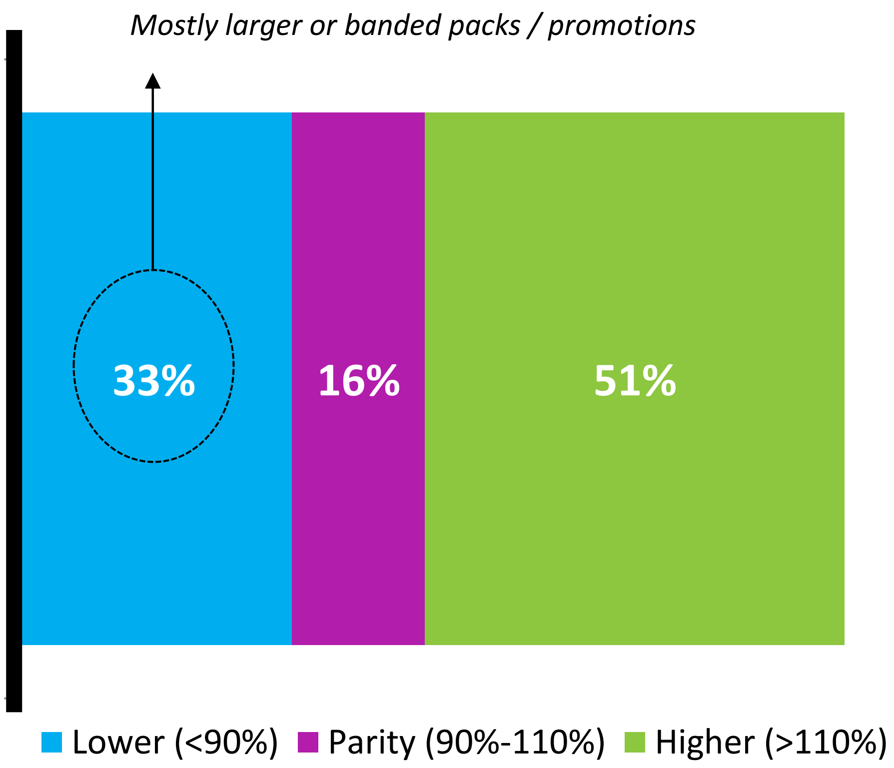
STRONG PROPOSITION ABLE TO COMMAND HIGHER PREMIUM

Over 50% of successful launches have at least 10% mark up

Breakthrough innovators are priced **13% higher** than category





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HEALTH & WELLNESS

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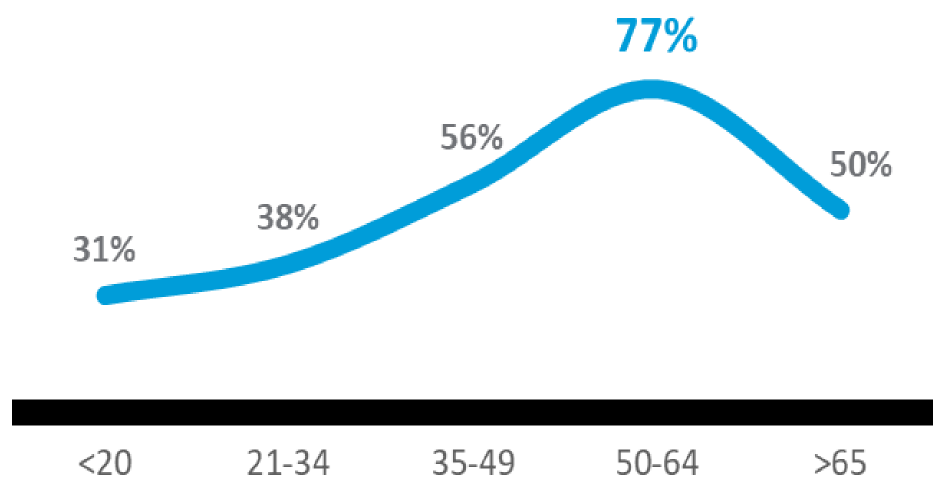
THE IMPORTANCE OF HEALTH FOR HK

34%

OF THE POPULATION WOULD HAVE AGED OVER 60 YEARS BY 2030

(Median Age = 50)

8 IN 10 PEOPLE BETWEEN THE AGE GROUP 50-64 WANT TO STAY FIT & HEALTHY



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HEALTH TOPPED LIST OF CONCERNS

The biggest concerns over the next six months

	Q3 17		Q4 17
Health	11%	↑	17%
Economy	9%	↑	10%
Political Stability	13%	↓	9%
Job Security	12%	↓	8%
Terrorism	7%	↑	8%

Consumer Confidence Survey – Q4 – 2017
Field Dates: Dec 2017

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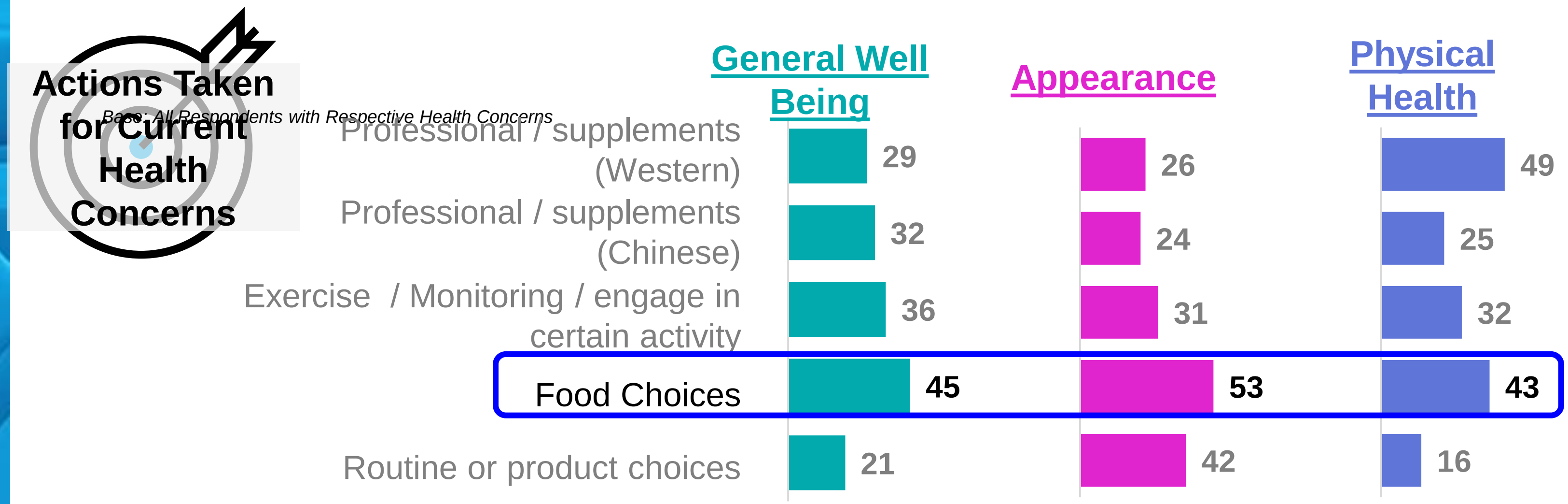
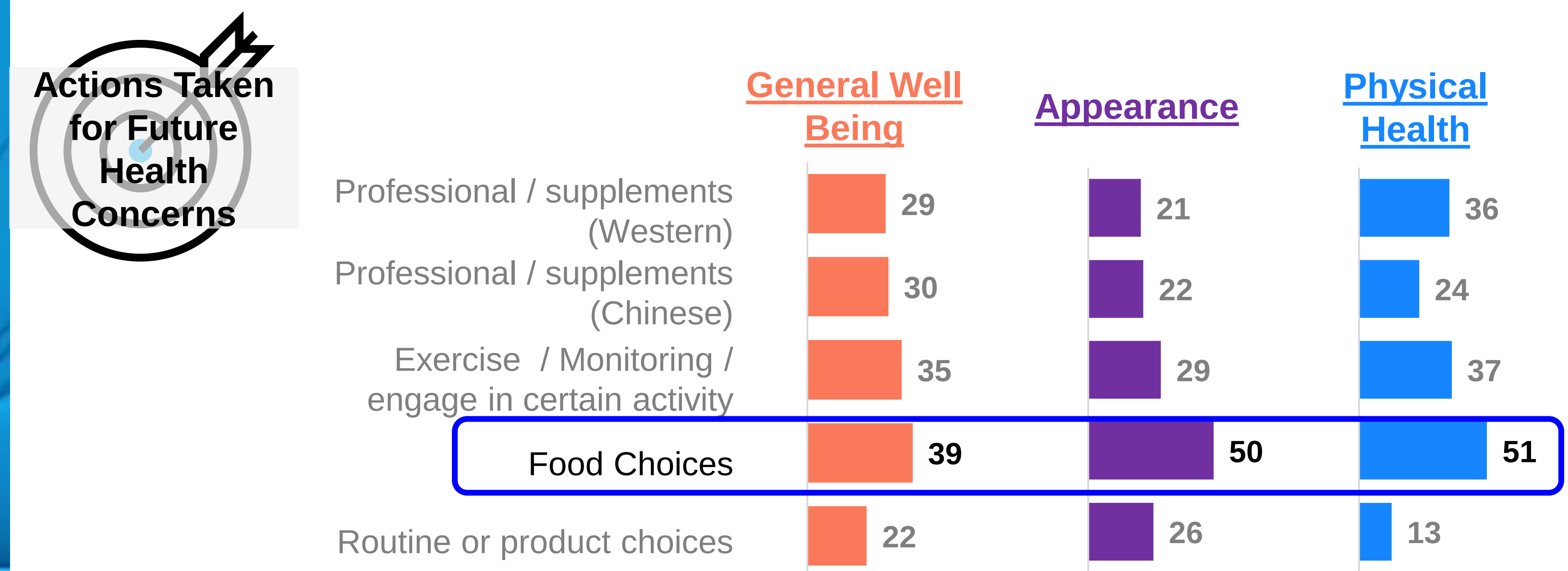
RIGHT FOOD CHOICES MOST IMPORTANT TO STAY HEALTHY





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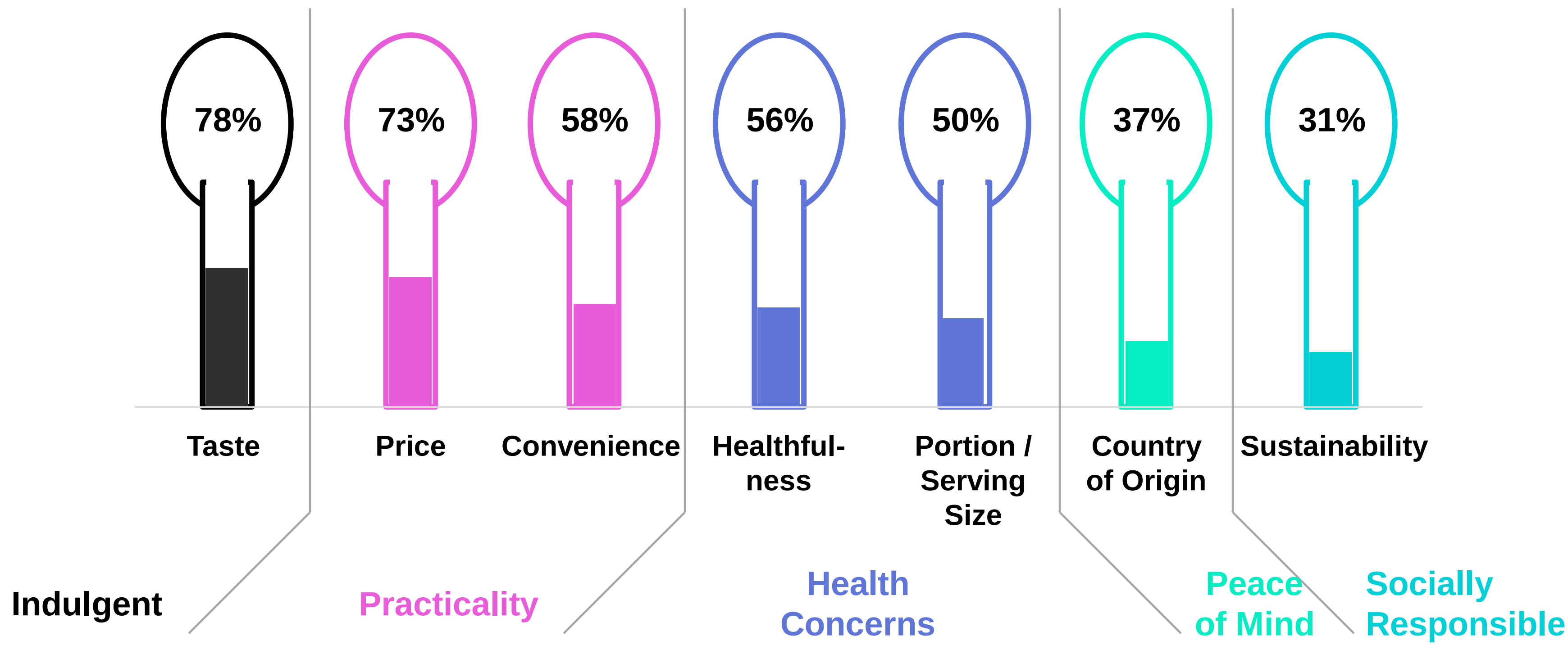
TASTE & PRACTICALITY OUTWEIGH OTHER FACTORS

Top 2 box out of scale of 1 *(No impact at all)* to 5 *(Have a great impact)*



- *Base: All Respondents (n=1,004)*

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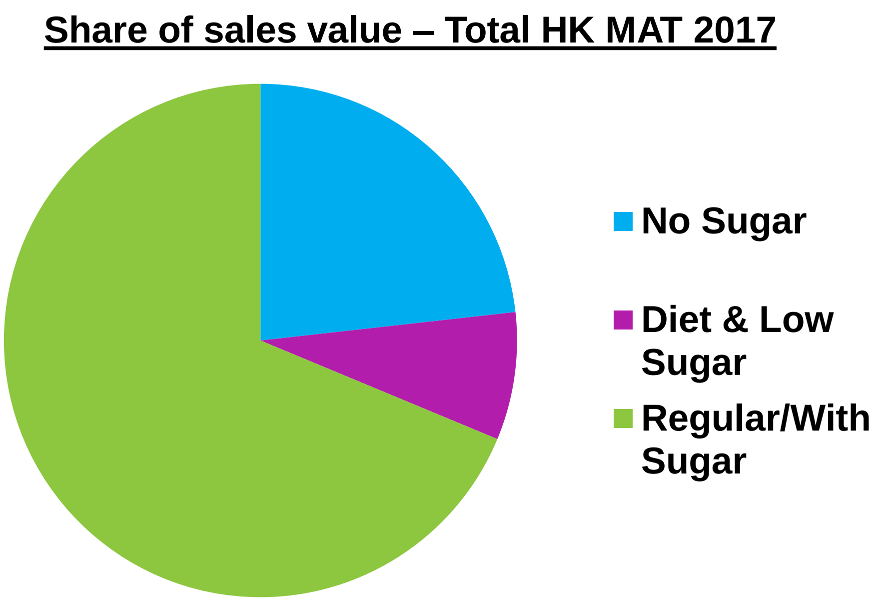
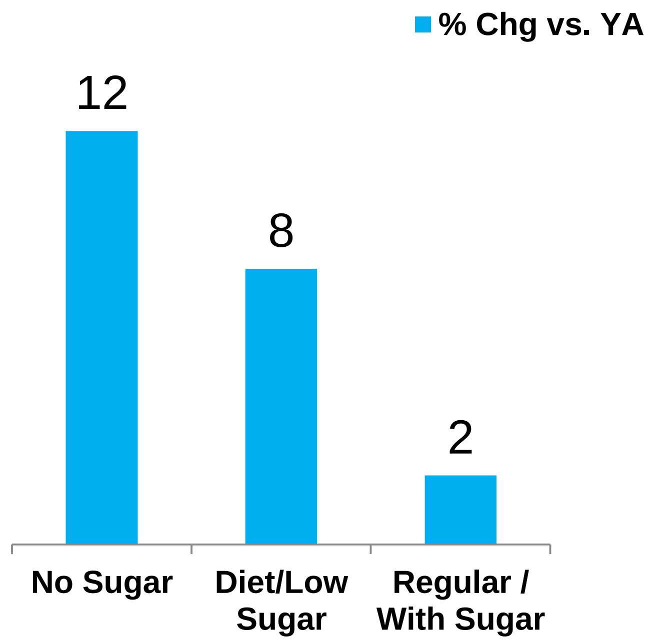
- *Q7a*

THE "HEALTHIER" VERSIONS OF BEVERAGES CONTINUED TO OUTPERFORM SUGARY/REGULAR DRINKS





Source: Nielsen Retail Measurement Service 2018
Categories covered: EHS, Flavored Water, JJD, Packaged Water, RTD Coffee, RTD Malt Drink, RTD Tea, Soya, SSD, Wellness, Yogurt
Channel: KA Only

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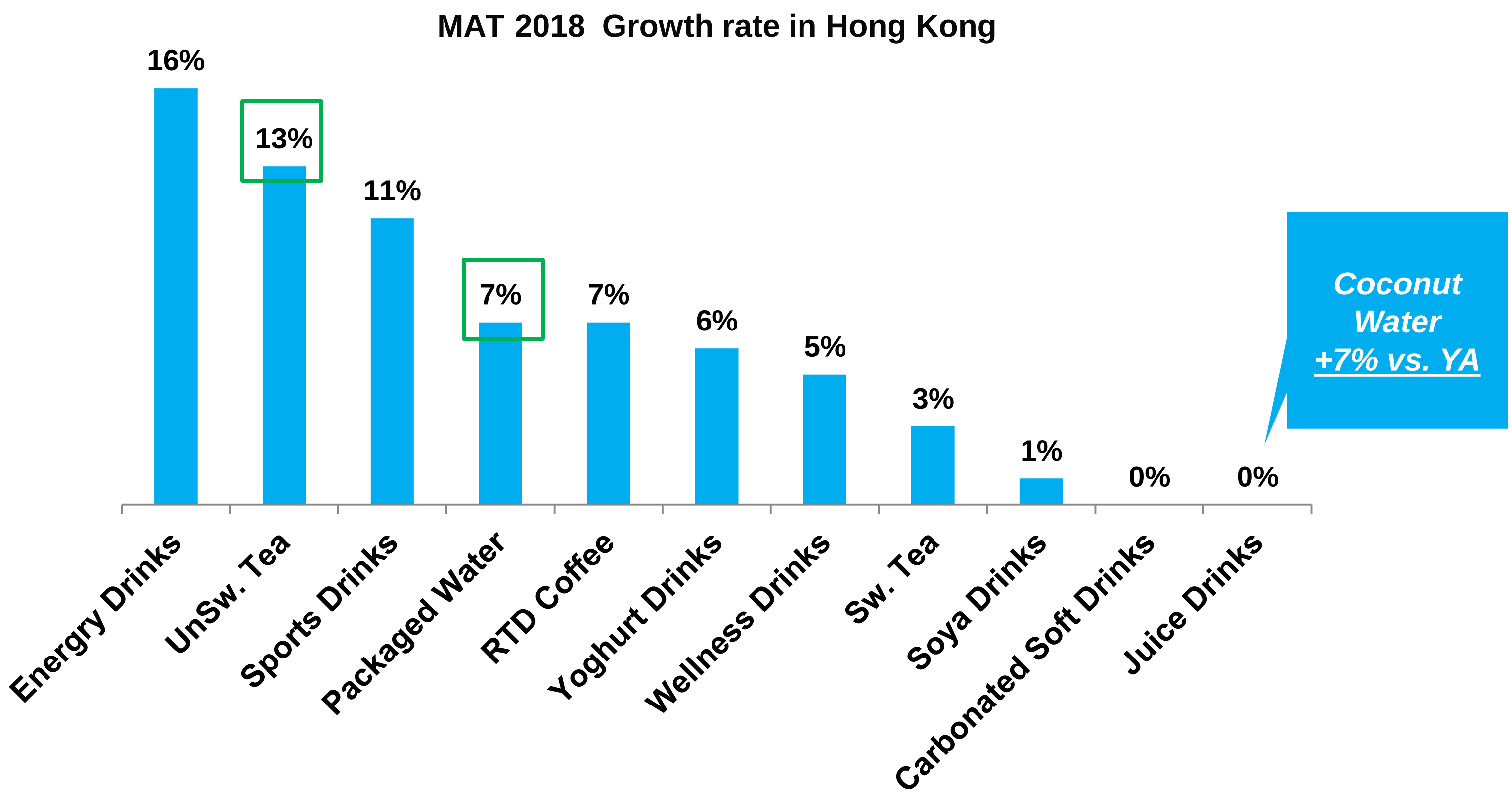
"HEALTHIER" SEGMENT OF BEVERAGES ALSO SAW BETTER GROWTH



Source: Nielsen Retail Measurement Service 2018

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HIGHER SUCCESS RATE FOR "HEALTH" ATTRIBUTES IN NPD

FOOD & BEVERAGES
51 launches

Product Benefit
17 launches

New Flavor
34 launches

HEALTH CLAIMS (13/17 launches):
- 100% Natural
- Less / Zero Sugar
- High Calcium / low fat

Source: Nielsen Retail Measurement Service 2018

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OTHER ATTRIBUTES OF "HEALTHY" OFFERING

Organic, Low Sugar/salt & as "close to nature" are key themes

ORGANIC

Organic Baby Formula

Organic Tofu

LOW OR NO SUGAR/SALT/MSG

Low Sugar

No-MSG

COLD PRESSED/ PLANT BASED

44% have tried cold pressed juice in P12M*

Plant based

Source: Nielsen Retail Measurement Service 2018
**Nielsen study on Health & Wellness 2017*

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DINING ON THE GO !

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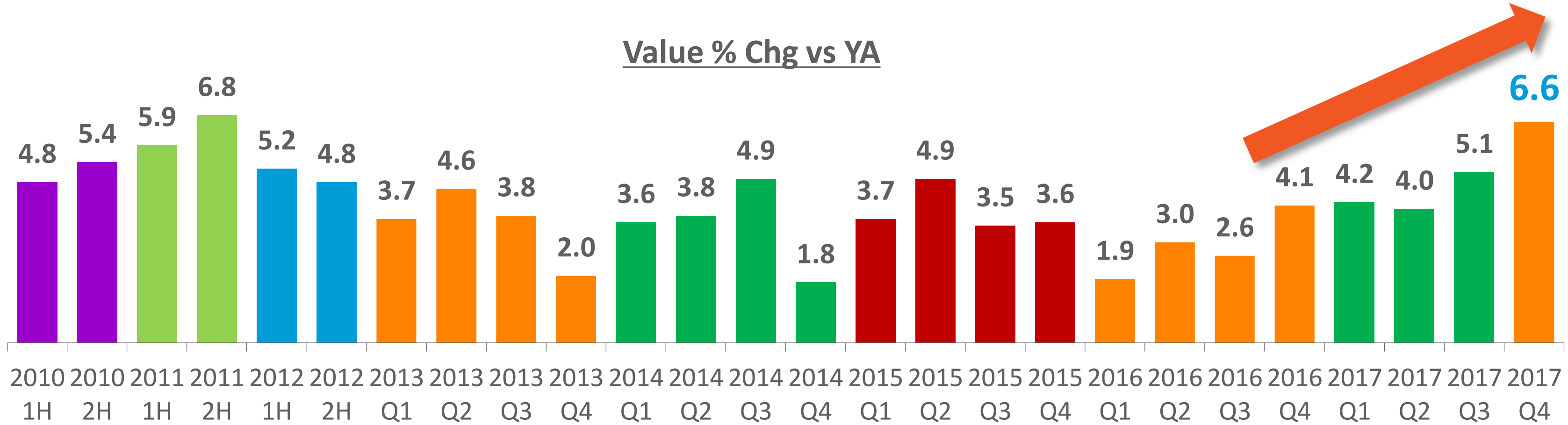
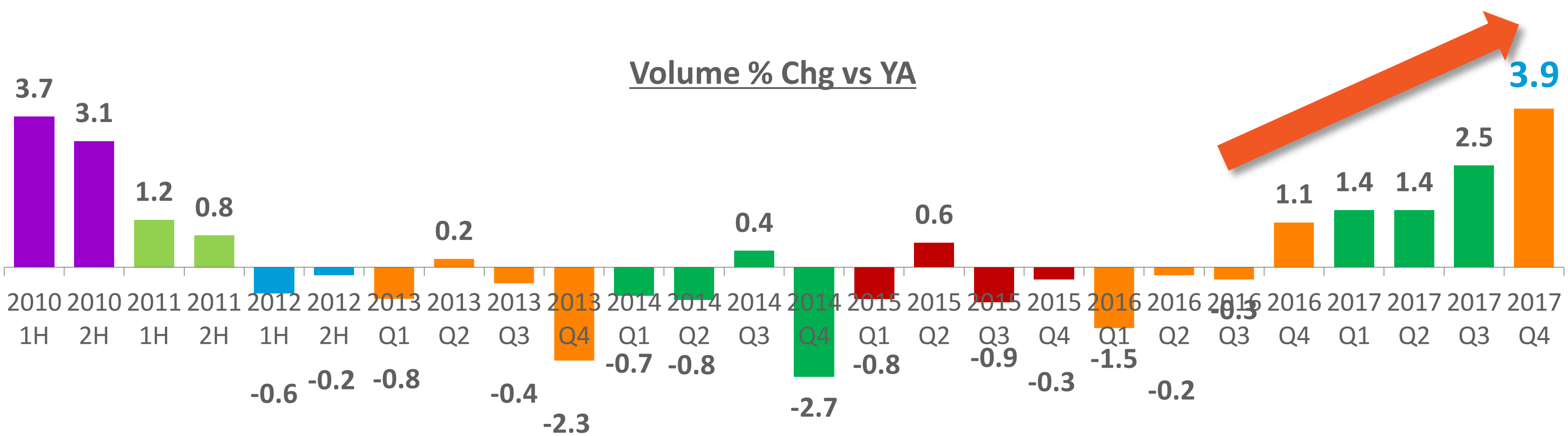
STRONG REBOUND OF DINING OUT

Buoyed by both local & non locals





Source: Distribution and Services Statistics Section, Census & Statistics Department, HKSAR
http://www.censtatd.gov.hk/hkstat/sub/sp320.jsp?tableID=088&ID=0&productType=8

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URBAN RENEWAL AND NEW MALLS DRIVEN CATERING STORE DEVELOPMENT

▲ 4% VS YEAR AGO

▲ 3010 OPEN
2310 CLOSED

TOP DISTRICTS

REURBANIZATION
NEW MALL IN RECIDENTIAL AREA

- YUEN LONG (i.e. YOHO Mall)
- KWUN TONG (i.e. E Plaza)
- WAN CHAI (i.e. Lee Tung Avenue)
- TUEN MUM (i.e. Leung King Estate)

HIGH TURNOVER*
IN MAINLAND TOURIST HOT SPOTS

- YAU TSIM MONG
- SHA TIN

*Flat rental cost and mainland tourists made the restaurants keep closing and re-opening

TOP STYLE

DOWN TO THE EARTH
Local style both Tea Meal House/ Western shop

CHAINED FAST FOOD
FAIRWOOD (+16); McDonald's (+12) Café De Coral (+9); KFC (+8); Super Super Congee (+9) YOSHINOYA (5)

THAI & VIETNAM NOODLE

Data source: Nielsen RRES update to Jun 2017

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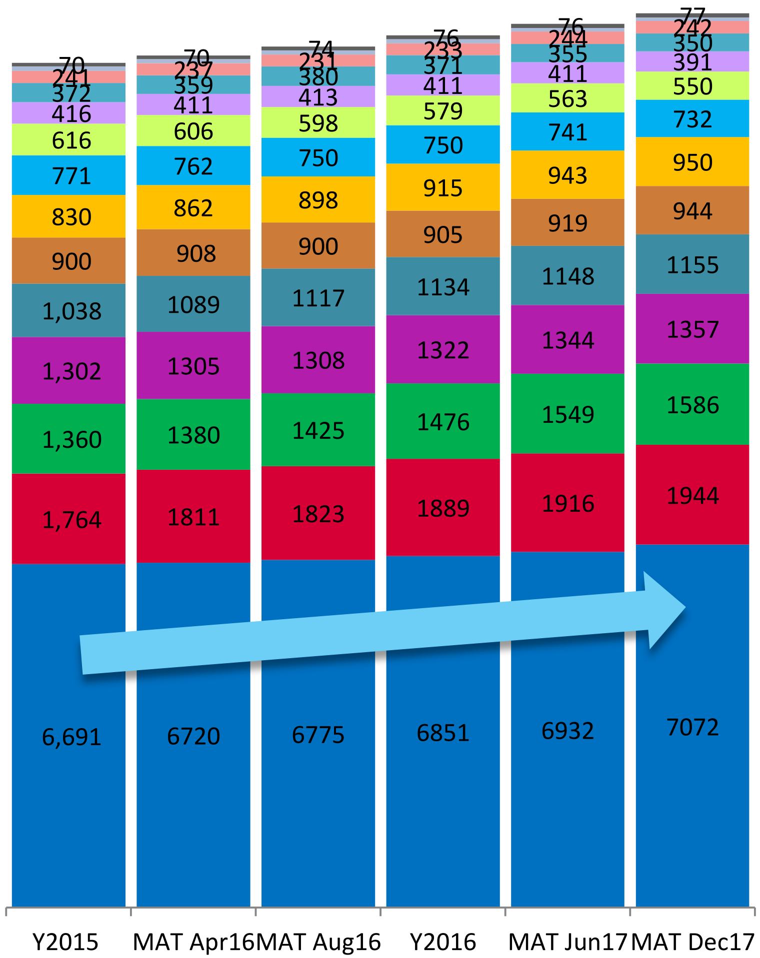
BIGGEST EXPANSION WAS IN THE TMH/HK STYLE FOOD SHOP & QSR FORMATS

ON PREMISES STORE NUMBER DEVELOPMENT BY SHOP TYPE IN TOTAL HK



VS PY

Shop type	Ab +/-	Chg %
Others	3	4%
Soya Product/Frozen Yougurt/Ice Cream House	-12	-15%
Chinese Herbal House	11	5%
Foodcourt	-30	-8%
Dessert House	-22	-5%
Dai Pai Dong	-48	-8%
Chinese Rest	-18	-2%
Coffee Shop	**52**	6%
Bar/Pub / Karaoke/Disco /Night Club/ Mixed Entertainment	**44**	5%
Other Asian Rest.	38	3%
Japanese Rest.	49	4%
Fast Food Shops	**161**	11%
Western Rest.	**121**	7%
Tea Meal House/Stall / Noodle/Congee Shop /Chinese / Local Hong Kong Style Food Shop	**297**	4%

Sources : Nielsen Census 2015, 2016, 2017

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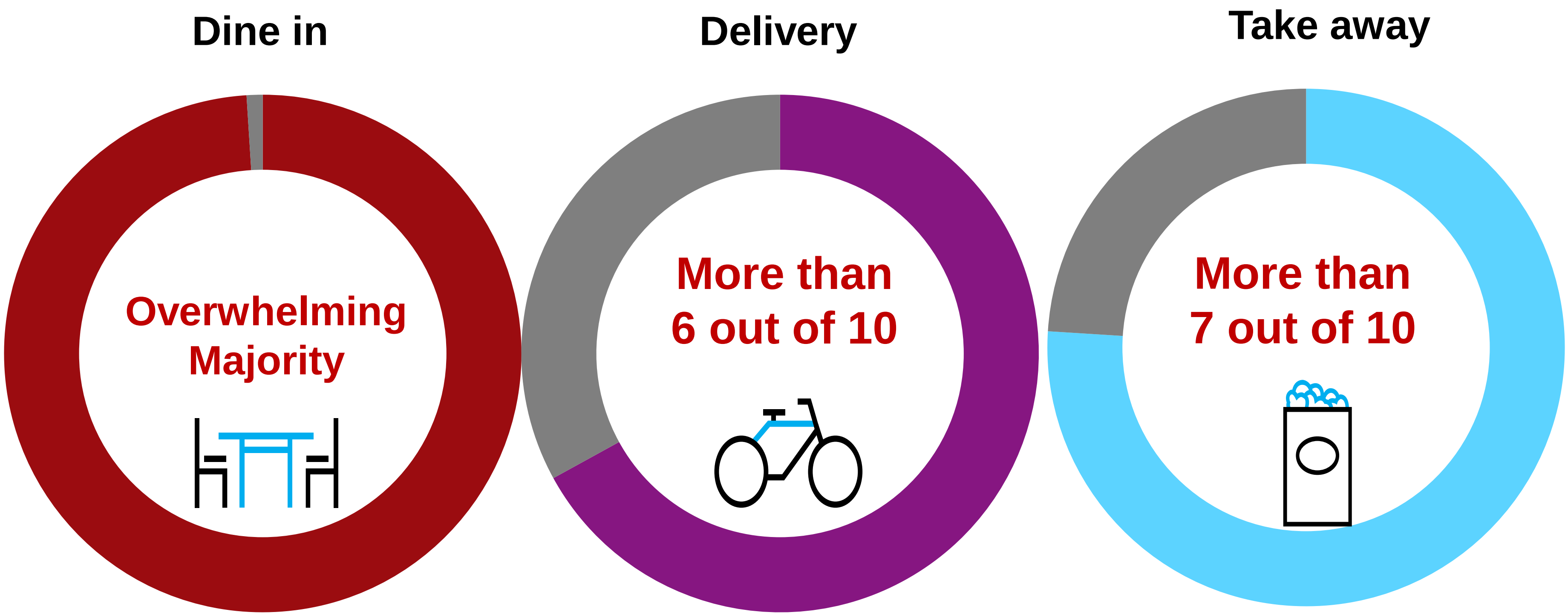
ALMOST 12% OF MONTHLY INCOME SPENT ON DINING OUT

Dine-in/ Delivery/ Takeaway Incidence in P3M



Dine in	Delivery	Take away
63%	14%	23%

% on Average monthly spending on eating out (per head)

Source: Nielsen 2017 Catering Syndicated Study Report

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FOOD AGGREGATORS A BIG DRIVER OF INCREASED FREQUENCY OF DINING OUT

Behavior On Ordering Food Delivery

P12M Usage of Aggregators
(mentions more than 1%)

Used any aggregator in P12M: ***40%***

foodpanda	24%
deliveroo	23%
UBER EATS	17%
honestbee	3%
CUISINE COURIER	3%
caterspot	2%

Reasons for Ordering via Aggregators
(mentions more than 20%)

Many choices of cuisine types	**41%**
Flexible payment methods	**36%**
Simple food-ordering procedure	**36%**
Many choices of restaurants	**35%**
Simple & convenient user-interface	**33%**
Can order different restaurants at the same platform	**33%**
Attractive discount	31%
Free delivery	27%
Offer credit card discounts	27%
Short delivery time	25%
Well-packaged	24%
Menu prices from aggregators match with dine-in restaurants	24%

Base: All respondents (n=513)
Question: Q32, Q33

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E-COMMERCE –

HARNESSING THE POWER OF THE DIGITAL ECONOMY

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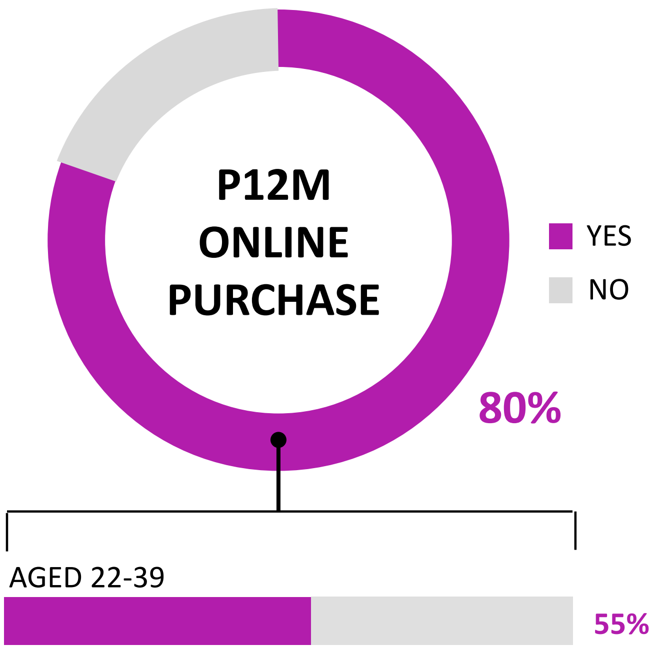
HIGH INCIDENCE OF ONLINE SHOPPING ESP. FOR NON GROCERY

Market Overview – Online Shopping Incidence



By Gender

81% 79%

MOST AFFECTED IN-STORE:

TICKETING

ENTERTAINMENT

COOKING OIL/RICE

PET FOOD/GOODS

TISSUE / PAPER PRODUCTS

LEAST AFFECTED IN-STORE:

INFANT MILK POWDER

OTHER BABY GOODS (E.G. SKINCARE, SHAMPOO)

ADULT MILK FORMULA

SNACKS

DAIRY DRINKS

Source: Nielsen 2017 ecommerce syndicated report

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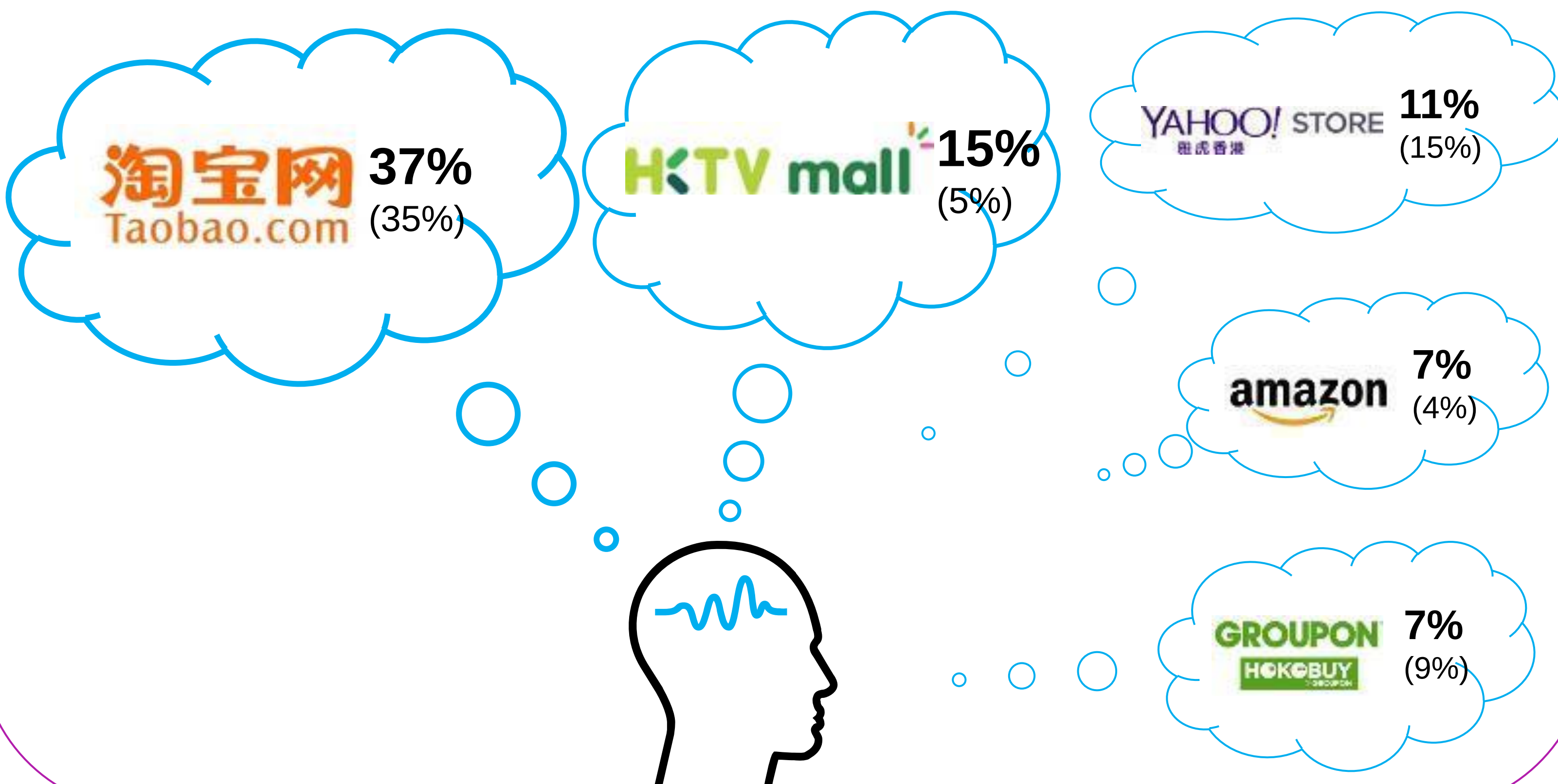
TAOBAO REMAINS AS THE TOP OF MIND ETAILER

Top of mind etailers

ONLINE SHOPPER



Note: Ranking excludes Food Delivery
Base: All Respondents (n=1,034)
Question: Q5 TOM etailer

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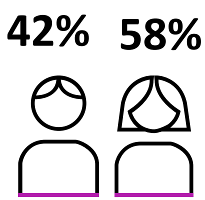
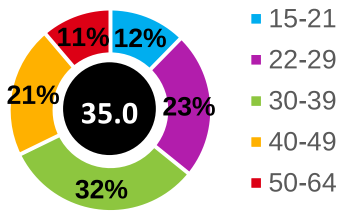
RTD DRINKS ONLINE BUYERS IN THEIR 20S-30S, HIGHER INCOME & HEAVY ONLINE SHOPPERS

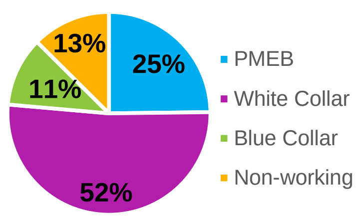
Online Shopper Profile: all online shoppers vs. RTD drink shoppers

Online Shopper





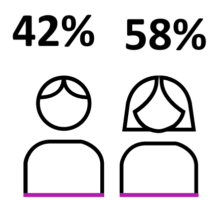
Single	49%
Married	49%
Others	2%

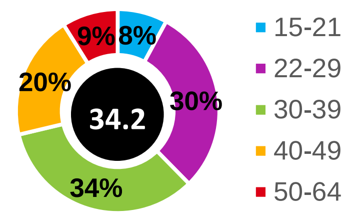


Avg. Personal Income:	HK$26,070
Avg. Household Income:	HK$55,560

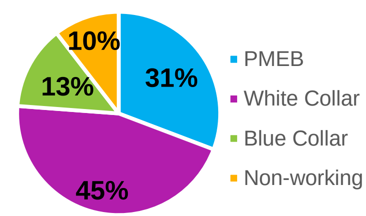
Avg. no. of categories bought online:	6

RTD Drinks/water Buyer





Single	45%
Married	54%
Others	1%



Avg. Personal Income:	HK$27,052
Avg. Household Income:	HK$60,194

Avg. no. of categories bought online:	15

Base: Online shopper (N=1,034), RTD drinks/ water online buyers (n=172)
Question: Q4 Incidence of online purchase in P12M

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THOSE WHO HAVE PURCHASED RTD DRINKS/ WATER IS ALSO MORE LIKELY TO BUY SNACKS ONLINE.

What other categories do RTD drink/ water shoppers buy online?

RTD Drink/ Water Online Shoppers

Top 3 categories purchased

74%

72%

57%

Overall Online shoppers

Top 3 categories purchased

58%

55%

35%

Cannibalization (Among RTD Drink/ Water Online Shoppers)

RTD tea/ coffee/ juice/ soft drinks

1 in 2

who have bought RTD drinks online have **spent less in store**

Bottled water

Almost

1 in 2

who have bought bottled water online **have spent less in-store**

Base: Online shopper (N=1,034), RTD drinks/ water online buyers (n=172)
Question: Q8 Categories bought online in P12M; Q9d Cannibalization - effect on offline purchase due to online purchase

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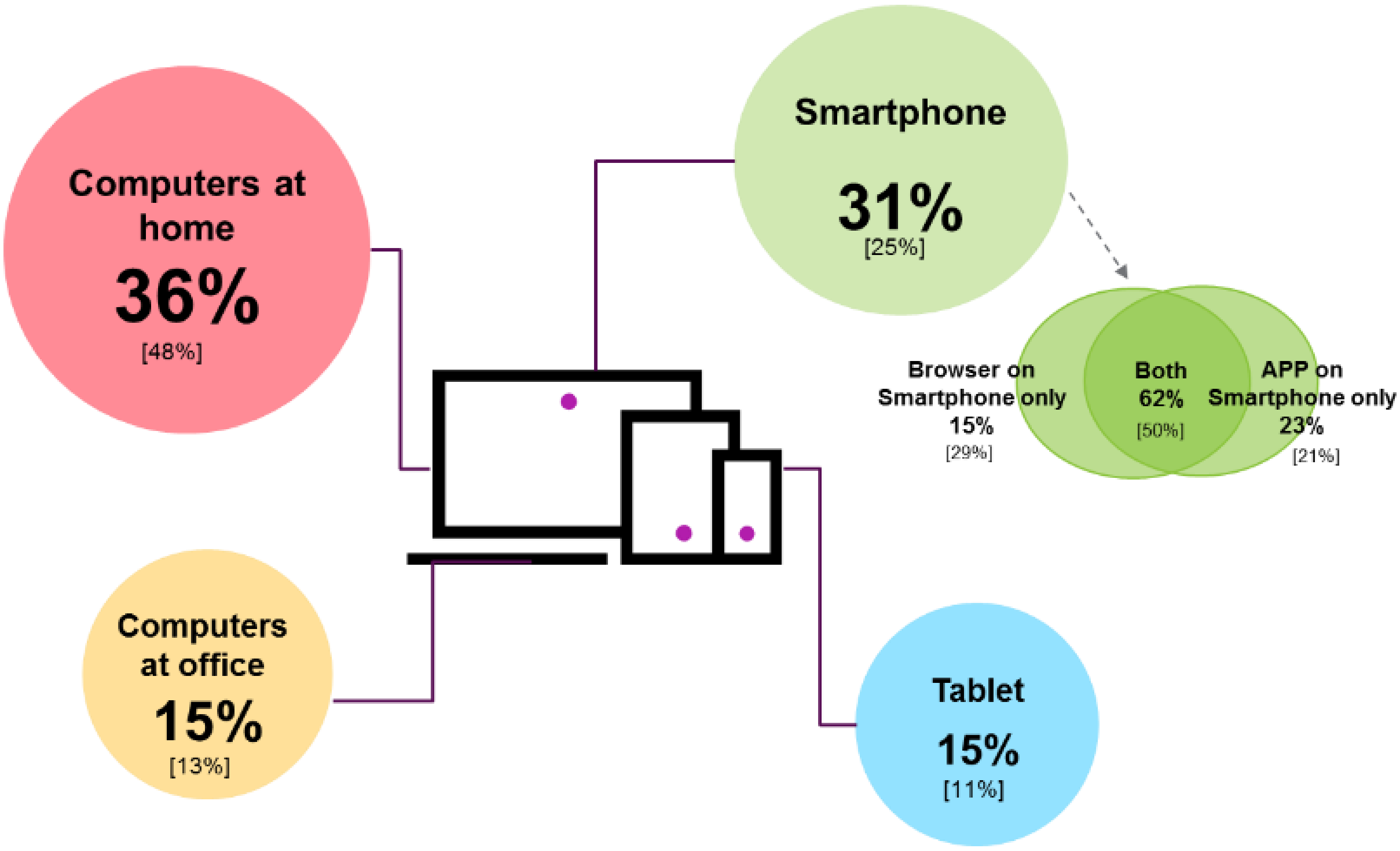
MOBILE IS A KEY DEVICE FOR BEVERAGE SHOPPING

Distribution of online spending by device (among RTD drinks/ water buyers)



[ ] Figures in brackets indicate data for General Online Shoppers
Base: Those who purchased RTD drinks/water online in P12M (n=172)
Question:Q6b Spending Distribution by Device in P12M

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CONSUMERS WITH DELIVERY LOGISTICS OF PERISHABLES AND THE DESIRE TO TOUCH & FEEL THE PRODUCTS BEFORE MAKING A PURCHASE ARE KEY BARRIERS

Overview of BARRIERS

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IN SUMMARY

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KEY TRENDS IN SUMMARY

PREMIUM

Strong proposition

Innovation

HEALTH

Less sugar/salt

Organic & close to nature

DINING OUT

Quick Service Formats

Online

ECOMMERCE

Convenience

Price & Promotion

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