New Zealand Business Roundtable in China Quarterly Industry Report

China, Quarter 1 2024

NZBRiC
New Zealand Business Roundtable in China | 新西兰中国商业圆桌会

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The New Zealand Business Roundtable in China

Design:
United Media Solution

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For inquiries about the NZBRiC Quarterly Industry Report or other questions, please email:
information@nzbric.com

MESSAGE FROM THE CHAIR

Mark Anderton
Chair
NZBRiC

Dear readers,

It is my pleasure to introduce the NZBRiC Quarterly Industry Report, a platform that aims to foster collaboration and share valuable insights among New Zealand companies operating in China. Our goal is to advance the key trade sectors of both New Zealand and China by leveraging the expertise and knowledge of our NZBRiC Industry member companies.

Through this report, we provide a content-driven platform for our member companies to share their China-specific industry insights and experiences through stories, opinion pieces, official industry reports, and other means.

We are excited to present our first issue of the NZBRiC Quarterly Industry Report and hope that you find it both stimulating and useful. We encourage you to share your comments, feedback, and suggestions for our future editions. If you would like to collaborate with us, please do not hesitate to get in touch.

Thank you for your support, and we look forward to hearing from you.

Best regards,

Mark Anderton
Chair
NZBRiC

CHINA'S ECONOMIC PATH IN 2024: NAVIGATING STIMULUS, GROWTH TARGETS, AND CONSUMER TRENDS

—AUSTRALIA AND NEW ZEALAND BANKING GROUP

Zhaopeng Xing,
Senior China Strategist
· ANZ Research

**This is not personal advice. It does not consider your financial situation or goals. Please refer to the Important Notice.*

More stimulus needed to reach 5% GDP target

At the National People's Congress (NPC) annual meeting, China's GDP target was kept unchanged at 5% and the fiscal plan for 2024 was revealed. Below are our takes:

The unchanged GDP target is likely a bottom line for the policymakers in the near term, but it is still above the market consensus. It is well known that China will need at least 4.7% annual GDP growth to double its per capita GDP by 2035. So, the target of 5% will likely be a bottom line for the policymakers. However, this target is not only above the blue-chip consensus of 4.6%, but also much higher than the two-year average growth of 4.1% for 2022-23. To achieve 5% GDP growth, the economy will need more stimulus in 2024.

Fiscal expansion will play a key role in 2024, but it may be insufficient to meet the gap because of declining fiscal efficiency. We estimate the broad deficit will reach 7.2%, or CNY1.3trn more than that in 2023. However, the problem is that the CNY1.3trn deficit may not bring the same amount of GDP because of declining fiscal efficiency. We expect the government will rely on monetary easing to mitigate the gap.

The 5% GDP target reinforces our call for 20bp cut to policy rates by year-end 2024. We expect the People's Bank of China will be patient in the near term because of strong Lunar New Year spending data and the 50bp cut to required reserve ratio in February. The next time window for rate cut will be in April 2024 when Q1 economic data is released.

LNY spending suggests consumer price deflation

The headline data of China's Lunar New Year (LNY) spending was positive. However, we estimate that the average daily spending per tourist was 15% lower and average movie ticket price was 6% lower than in 2022.

The strong domestic travel reflects a shift in household preference towards affordable spending from big-ticket items. Property sales show no sign of recovery. The LNY spending spree does not imply an economic recovery.

The behavioural shift indicates the deflationary trend will persist. The rebound in February CPI to 0.7% y/y due to the LNY effect is likely to be fleeting. Based on the trend of M1, prices will continue to decline.

Vibrant domestic spending

China's LNY holiday spending looked vibrant. Official data showed 474 million domestic trips with CNY632.7bn tourism revenue, up by 54% and 68%, respectively, compared to the LNY holiday in 2023. Cinemas recorded 163 million admissions with CNY8bn box office revenue, up by 26% and 18%, respectively, compared to the 2023 level. However, the data did not convince us that China's consumption has recovered. In fact, the headline figures were helped by the low base last year and a longer holiday period.

Low base effect: LNY 2023 was at the end of the pandemic, when the economic activities were remained impacted.

Longer holiday duration: The LNY 2024 holiday had nine days, including the LNY eve on 9 February, which was two days more than LNY 2023.

Taking these factors into consideration, the LNY spending data will not be as encouraging as it looks.

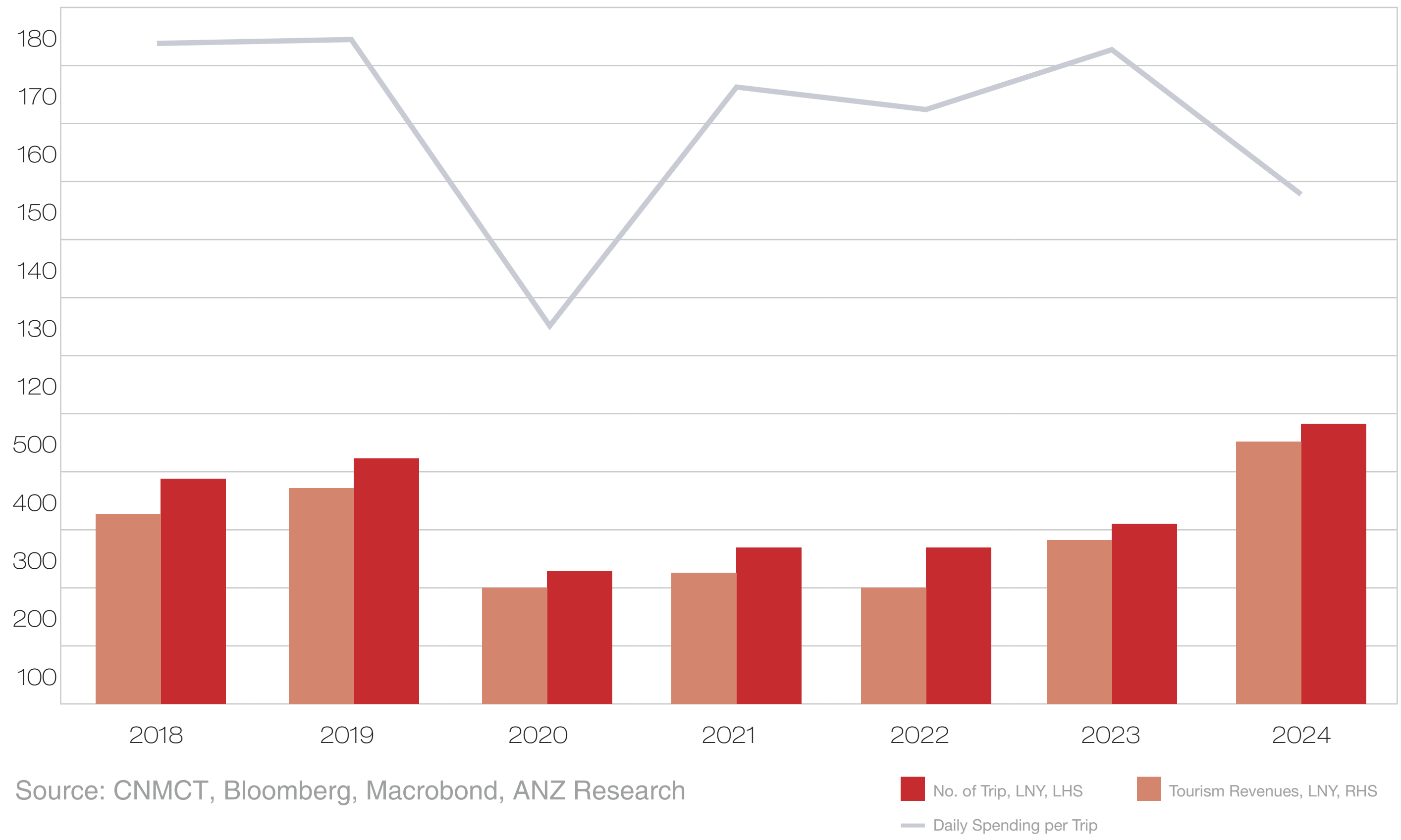
Domestic tourism during last year's LNY holiday was considered strong shortly after the post-pandemic reopening, but the momentum has failed to sustain. The performance of LNY tourism cannot be used to project.

Major targets set at the NPC

Our results		Target	ANZ Forecast
GDP growth		5.0%	4.5-5.0%
Per capita energy consumption		-2.5%	-4%
CPI inflation		3.0%	3.0%
Grain output		650m tons	650m tons
Employment	Surveyed jobless ratejobless rate	5.5%	5.5%
	New urban jobs	12m	12m
Fiscal budget	Budget deficits As % of GDP	CNY4.06trn 3.0%	CNY3.98trn 3.0%
	New special treasury bonds	CNY1.0trn	CNY1.0trn
	New special local bonds	CNY3.9trn	1CNY3.9trn

Source: Government websites, ANZ Research

Figure 1. Daily spending per trip decreased in the LNY 2024 holiday



Source: CNMCT, Bloomberg, Macrobond, ANZ Research

Spending downgrade and deflation

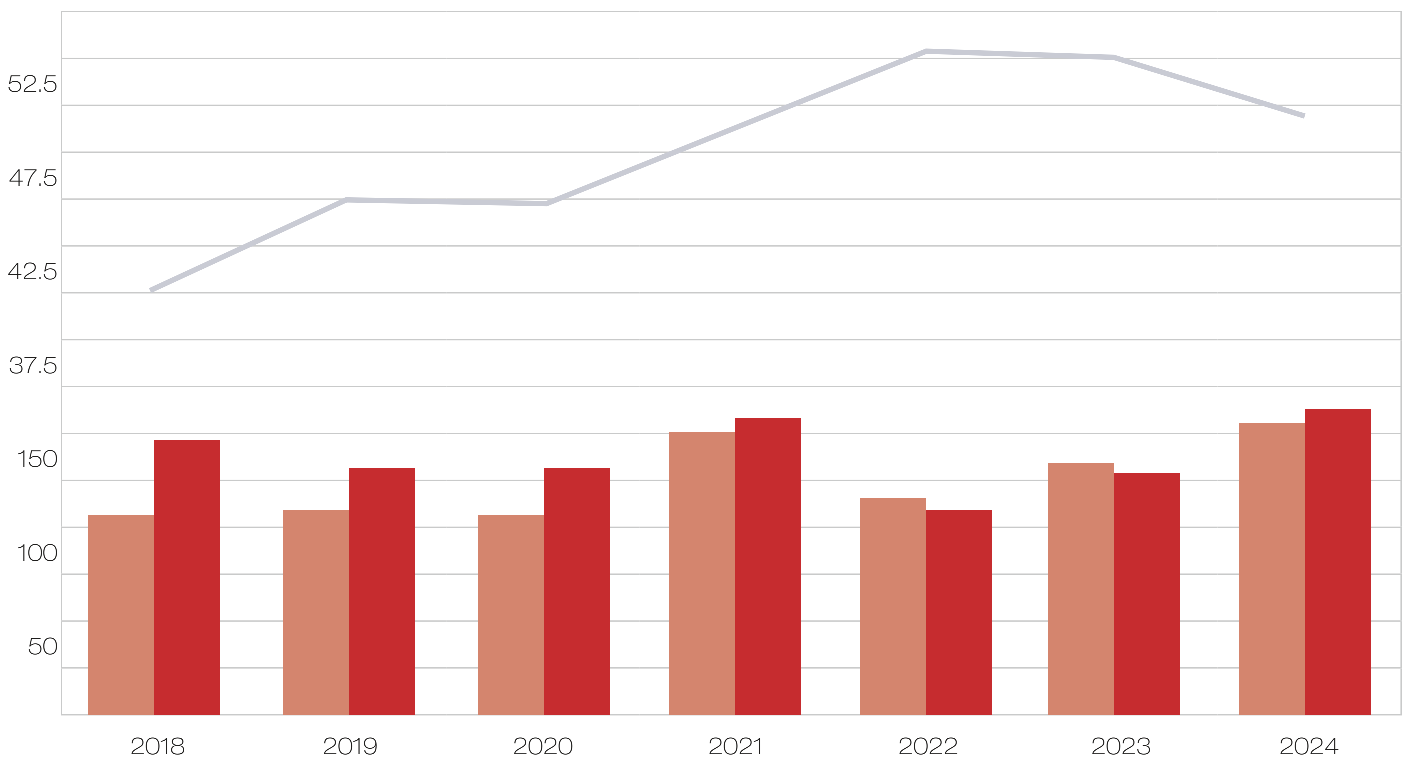
In fact, Chinese households spent less during the LNY holidays. After adjusting for the duration of holiday, which was nine days for the entire period, daily spending per trip per tourist was CNY148.3. This is 15% below the 2023 level or 16% less than the 2019 level (Figure 1). Even if we assume eight days, as the LNY eve was 'supposed' to be a workday, the spending per trip was still 6% lower than that in 2019.

Chinese households seem to spend more on low-cost products. They did not have the appetite to buy big-ticket items such as property or automobile. The number of international flights restored to only 70% of the 2019 level. In addition, the property market remained sluggish. New home sales in 30 major cities declined 33% y/y in the first seven weeks of 2024.

This behavioural change is straining consumer price. We estimated that the ticket price of movies during the LNY holiday period declined 6% y/y (Figure 2). This is in line with our on-the-ground observations during the holiday.

There is fierce competition among suppliers. We visited Beijing, Shanghai and the Greater Bay Area and observed that consumers were lining up for low-cost items such as bubble tea, but the price was as low as less than CNY10 per shot. The showroom of electric vehicles was offering discounts such as 20% off during the LNY holiday.

Figure 2. Average movie ticket price declined



Source: CNMCT, Bloomberg, Macrobond, ANZ Research

Keep an eye on M1

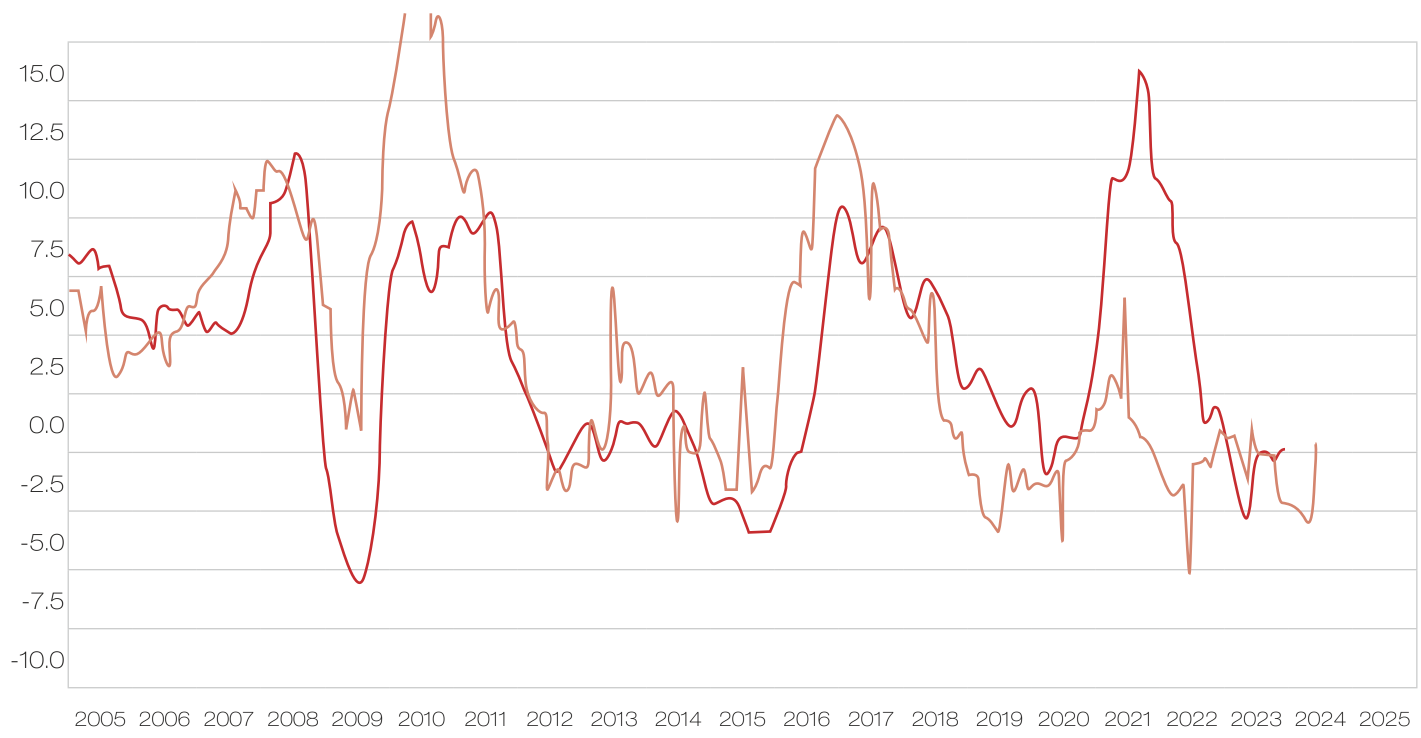
The deflation in the economy will persist. We do not expect consumption to rebound or inflation to gather pace against the backdrop of overcapacity in broad sectors. Our preferred inflation leading indicator, M1 y/y, will likely drop to the negative territory in the next few months, suggesting that price will continue to decline in the near term (Figure 3).

The rebound in February CPI will likely be fleeting.This is also a result of the LNY effect, because consumer prices usually surge ahead of the LNY due to the holiday demand.

This year, the LNY holiday was late (in the middle of February) and contributed to the headline CPI.

We expect March CPI to come back to zero after the spike in February. 2024 CPI will be highly dependent on the pork cycle. Our CPI forecast for 2024 is 0.7%. That means, a new pork cycle may start late in H2 2024.

Figure 3.PPI and M1



Source: NBS, PBoC, CFLP, Bloomberg, Macrobond, ANZ Research

PERCEPTIONS OF NEW ZEALAND IN CHINA

INSIGHTS FROM JAMES ROBERTSON, FONTERRA TRADE STRATEGY MANAGER FOR ASIA

—FONTERRA CO-OPERATIVE GROUP LIMITED

James Robertson, Trade Strategy Manager - Asia Fonterra | NZBRiC Dairy Industry Forum Chair

The following excerpts are from a Podcast produced by Rabobank titled* **'Growing our Future' *in which Fonterra's James Robertson is interviewed by Katie Rodwell about navigating sustainability, regulation, culture and markets. In addition to these extracts, which have been edited to focus on China, James covers other aspects of Asian markets and New Zealand's relationship with them. The full podcast can be found at* **Rabobank.co.nz/sustainable-farming/growing-our-future-podcast/**

Scan the QR code with your phone camera to listen to the original podcast, or copy and paste the link into your browser

https://player.captivate.fm/episode/71cf5255-ed5d-4381-b334-2b8f2931e2a6

Katie: I'm your host this week, Katie Rodwell, and in today's episode, we talk with James Robertson, Fonterra's Trade Strategy Manager for Asia, based in Shanghai. As the youngest ever winner of the Young Farmer of the Year, James has come a long way in just a few years. He shares his view on the dynamic Asian market, the opportunities and challenges it presents, and the future of the New Zealand dairy industry.

So, maybe we'll dive into some of those sink or swim opportunities as we go. But just for context, so you are the Trade Strategy Manager for Fonterra in Asia. What does that mean, and what does a typical day look like for you?

James: A lot of my role is working with all of our non-customer stakeholders, which includes industry associations, governments and colleagues across Southeast Asia, North Asia, and China. It is a really interesting role, with a completely diverse group of stakeholders.

Katie: What do you see being key cultural differences between Asia and New Zealand in terms of marketing Fonterra products to the Asian market?

James: The first realisation I had when moving to Asia is that New Zealand and Australia are the odd ones out in the region. We sit within the Asia-Pacific, but culturally, we are the most different compared to our peers. The other reflection is that we often talk about Asia as one region, but every country is different, with different cultures, languages, tastes, preferences for products and they are all at different stages of their economic development. It's easy to lump markets together, similar to someone calling Aussies and Kiwis the same thing, but we would get offended, right? It's the same within the Asia region. When you compare, say, Japan to Indonesia, the gap or differences are much more than Aussies with Kiwis.

Katie: How does your role work? Do you have people in all Asian markets?

James: We have teams in each of the different markets that are responsible for marketing product, new product developments, watching trends, etc. In China we have a team of around 600 staff that are all focused on the China market.

Katie: What do you see coming from the Asian dairy market in the coming years?

James: The first thing to note about dairy in the Asia region is that most Asian countries don't have dairy in their traditional cuisine or food. India is an exception, and parts of northern China including Inner Mongolia, or Mongolia have used dairy for a long period of time. But for the rest, dairy is quite new in their diets and in their use.

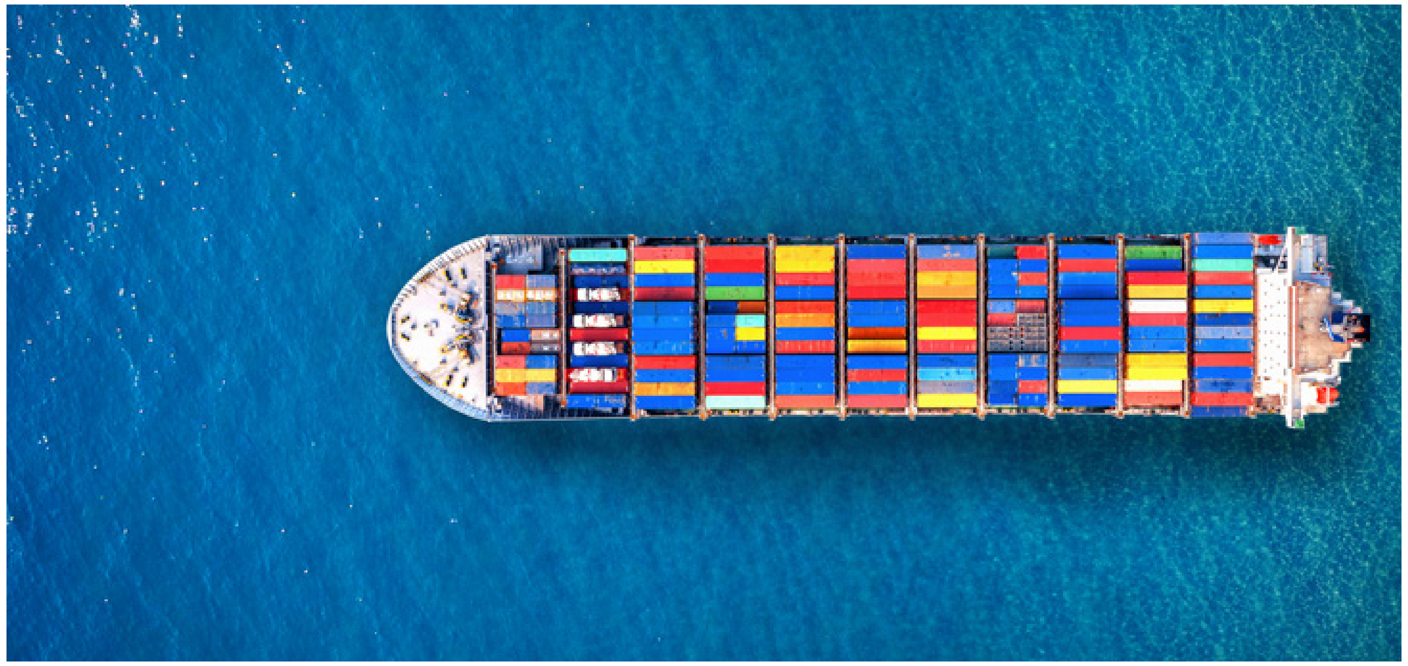
Katie: Well, that's so interesting because milk and cheese too seem like a basic staple, but for some of those markets, it isn't.

James: Even products like cheese, the cheese that we consume here in China can be very different from the cheese that you find on the supermarket shelves in New Zealand. I much prefer the cheese I eat at home in NZ versus some of the different products found over here .

Katie: What is Chinese cheese like?

James: There is a lot more processed cheese, so slice on slice or cream cheese-based products, which are slightly sweeter. I recently sampled a low salt cheddar in China, which I don't know if you've ever eaten low salt cheese before, but I ended up taking it home and sprinkling salt back on it just to make it taste somewhat normal to me. Products like this Chinese consumers see as new or trendy. Consumers don't have a baseline of what a 1 kg block of tasty Mainland cheese tastes like. Their palate is completely different, and this is creating new opportunities for us over here.

Katie: That's interesting because obviously, with the recent changes in the dairy market here in New Zealand there is lots of commentary about our reliance on that Chinese market, and with China being such a big player for New Zealand from an export perspective, I always think we should have a China 'and' strategy, which we do, but I feel like it could be stronger. But then hearing you talk about the amazing amount of growth that there is to have there, it's quite interesting.



James: As a business we are conscious of the risk in terms of having around a third of our product coming up to the market. But as a co-operative, we export to 120 different markets around the globe. China is the world's largest importer of dairy products. We can't shy away from that and it creates many opportunities. As a growing market, it is a case of growing with China as well as growing our other markets and other regions. China dairy consumption is going to continue to grow with some of the trends we are seeing around urbanisation of the rising middle income. There are challenges, much of which you can read in the newspaper at the moment about the property market, or China reaching peak population. But for That food and beverage space, the opportunities are fantastic. As a New Zealand exporter that has good market access to the world's second-largest economy, China's always going to be an important market for New Zealand but also for many exporters.

Katie: And is sustainability a topical over there? From a consumer perspective.

James: From a consumer's perspective, we have seen a lot of change in the last two or three years, but from a Chinese consumer perspective, they are still at that stage of what does sustainability mean for me? What are the tangible benefits for me? Whereas in other parts of the world, consumers focus on the collective sustainability story.

China has set targets to peaking carbon emissions by 2030, and then reach net zero, or carbon neutrality by 2060. It is a timeline that is a bit further out than targets set by other countries around the world, but progress is being made. For example, when you come to a city like Shanghai, which ten years ago was grappling with an air pollution problem, you can walk around the streets now and see every second car is an electric vehicle, and the air pollution has been improved significantly from what it was.

China will move quickly when it has a proven pathway and consumer adoption tends to be very quick when they can see the benefit. The unique opportunity for New Zealand dairy is to link the sustainability story to our grass-fed, outdoor pasture, natural-based farming systems, which the Chinese consumer can connect with. What's good for the cow, is good for me, good for my family, good for milk, good for nutrition. Even the link between organic pricing in the market tends to be at a premium, and for many consumers the value is that there no added chemicals in the supply chain, which means 'the product is safe, and I will pay a premium', whereas in other markets, organic is an environment story, whereas Chinese consumers tend to view it through a different lens.

Katie: So there is lots of interest in food safety too?

James: Food safety is still very much paramount, it is the number one priority. One of New Zealand's biggest assets is that we are seen as clean, green and safe, and that's something that we probably take for granted, but it gives us a good foothold, or strong position in the market.

Katie: In terms of the regulatory market in China, is it changing at all? And if so, what impact will that have on Fonterra's ability to market and succeed with milk products in the country?

James: The regulatory environment in China has been changing. Reflecting back to the time around 2008 there were some widely publicised food safety issues in the domestic dairy market here in China. This led to many Chinese consumers really trusting imported brands, because they knew it was food safe and quality product. Incorporating things like the 'Made in New Zealand' silver fern logo on a product in China, really helped consumers know the product was good, safe, and they would buy it. Overtime China has gone through and is still going through a stage of improving its domestic regulation. We have seen it first and foremost in the infant formula space, a crucial industry where you are feeding infants. China is putting in place its own regulations and standards resulting in change or complexity for processors, which both the domestic suppliers have to adhere to, but also your international suppliers. Any change causes uncertainty. But the challenge for importers or exporters into the market is that China is just one of many markets that they supply adding complexity, whereas for a domestic player, China is your predominant focus.

Katie: James, thank you so much for your time. It's been fascinating having a discussion with you, just to hear different perspectives around both physical and cultural differences in the international market. So really appreciate your time, and it's been a pleasure. And I'm sure our listeners will gain a lot from this, and maybe I'll book a trip to China.

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PRIMARY COLLABORATION NEW ZEALAND
FEBRUARY BOARD NOTES

—PRIMARY COLLABORATION NEW ZEALAND

PRIMARY COLLABORATION
NEW ZEALAND (SHANGHAI) CO., LTD
青藤商务咨询(上海)有限公司

David Boyle, CEO of PCNZ | Board Member of NZBRiC

February 9th marked the end of the Year of the Rabbit, and the beginning of the new Chinese Year of the Dragon. Chinese ‘Sooth-Sayers’ regard the Dragon year as the most auspicious zodiac year, one of Good health, Good luck, and Power. Historically, birth-rates rise in every Dragon year, as couples plan to have a ‘lucky’ baby, and investors are more willing to try their luck in new ventures. From a PCNZ point of view, we are certainly burning a little extra incense that the Gods of Wealth and Prosperity will bring good fortune to NZ exports in China.

Already, 2024 has been ear-marked as the "Year of Consumption Promotion" with hopes that China’s domestic markets will shift from post-epidemic recovery to continuous expansion. While having become more prudent and rational since 2020, the behaviour pundits are now suggesting that consumers will re-think their consumption intentions, and pay more attention to the satisfaction of real needs, and self-worth.

Along with the cool temperatures in January and February, there was a cool and slow start to the sales year. A lot of PCNZ’s management time went towards preparing promotional and merchandising campaigns for Chinese New Year, hoping that the huge movement of Chinese citizens back to their hometowns, was accompanied by generous gift giving of delicious New Zealand primary products to families.

The recent 2024 Chinese Spring Festival was the most important commercial event in the February calendar, and was much awaited by our New Zealand brands, and in fact all International exporters to China, to gauge the ‘commercial temperature’ of China’s economy in 2024. The "8+1-day" holiday was notably longer and livelier than previous years. The traditional exodus of eastern seaboard city-dwellers back to hometowns in central and western China was overwhelming, with road and train stations clogged, and reports of 494 million single travel tickets used in the first two days

of the festival. Key themes in the local media were “relaxation,” “connecting with family and friends,” and "new year, new look" (in fashion) which to some degree drove demand for purchasing New Year goods for gift-giving, as well updating wardrobes. There was also some boost to consumption in the food, and beauty industries.

There were however some noticeable changes in consumption patterns this year. As measured by recent Kantar research, there were significant and growing trends in the increase of health-related purchases, with attention focusing on vitamins (up 40.5%), collagen (up 28.4%), probiotics (up 28.0%), wolfberries (up 25.0%), calcium (up 23.8%), and edible bird's nest (up 23.5%). Traditional consumption, relating to families & friends and social etiquette, such as clothing, cosmetics, and alcoholic beverages still prospered, with gifting of Baijiu brands like Maotai.

The competition in all online platforms was fierce with a pronounced **"New Year's goods war"** during the Spring Festival, with various e-commerce platforms launching massive subsidies, cross-store discounts, livestreaming, and Spring Festival Gala marketing activities. O2O retail platforms also joined the fray, offering customized New Year goods, high-end gift boxes, and 30-minute home delivery during the Spring Festival period. (China Skinny)

Central Government Work Report.

The central government has responded to slow consumption patterns with a series of **policy changes** and moves to try and stimulate a sluggish economy. The policy changes were announced by Prime Minister Li Qiang in his recent annual “Work Report” to the Chinese legislature. (The National People’s Congress). There was a significant rate cut in February by the PBOC, aimed up shoring up the credit and property markets. Further the central government has issued a further One trillion RMB in special purpose bonds, (US$160 billion) although these bonds largely target infrastructure projects. At the consumer level, the government has increased the minimum state pension fund, by 20 yuan / month, and also a new exchange scheme (“cash for clunkers”) for households to trade in old goods for new ones. (Touted as a worry-free consumption initiative). Reading more broadly about the new initiatives announced in the meeting, there were promises of continuing policy adjustments this year, to prod the economy towards the stated goal of “around 5%” GDP growth.

Our key primary produce business sectors are very competitive, facing strong local players, and high inventories. Some fruit market examples include local blueberry supplies from Yunnan vs Driscolls, Pink Lady global licenses secured by Good Farmer; Zespri raising supply by 42% in 2024, whilst competing against local growers. Meanwhile International businesses including USA are still targeting China’s growing middle class, vs sluggish markets in war-affected Europe, and the turbulent middle east.

There are very specific sector by sector fortunes; positive sectors include the health and wellbeing, tourism, education businesses. Changing demographics (ageing population / low natality rates), are key influences on buying patterns, and also opportunities.

Consumer caution (and low confidence) is driving higher savings, but prudent spending continues on day-to-day necessities, driven by value, quality, and competitive pricing. As an example, cherries had a strong start to the sales season for fruit, with significant inventory from Chile in the market, and prices held up, but cherries dominated the entire wholesale market fruit sales, at the expense of some other fruit sales.

The Stats

China’s economic growth momentum was largely flat in December, though policy stimulus led to acceleration in infrastructure investment. Consumption growth lost some momentum in Q4.

One bright spot was infrastructure investment, which rose 10.7% YoY from 5.4%. That reflects implementation of the stimulus package announced in October, partly for flood-control efforts; Summarily, we saw no significant improvement in Consumption in December.

The big drag on China’s growth continues to be **the property market,** where sales volumes in December remained -50% below 2019 levels. Cutting mortgage rates and easing administrative restrictions on buyers have not helped. The fundamental problem is that China’s primary market depends on presales, and households have no confidence that if they pay for apartments, developers will deliver completed homes.

We wish everyone a very happy, healthy, and prosperous new year of the Dragon!

Gong Xi Fa Cai !
Warm Regards,
David

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CHINA TRADEMARK INSIGHTS SERIES

—SPARKS PARTNERS

Rocky Meng, Founder of Sparks Partners | Vice Chair of NZBRiC

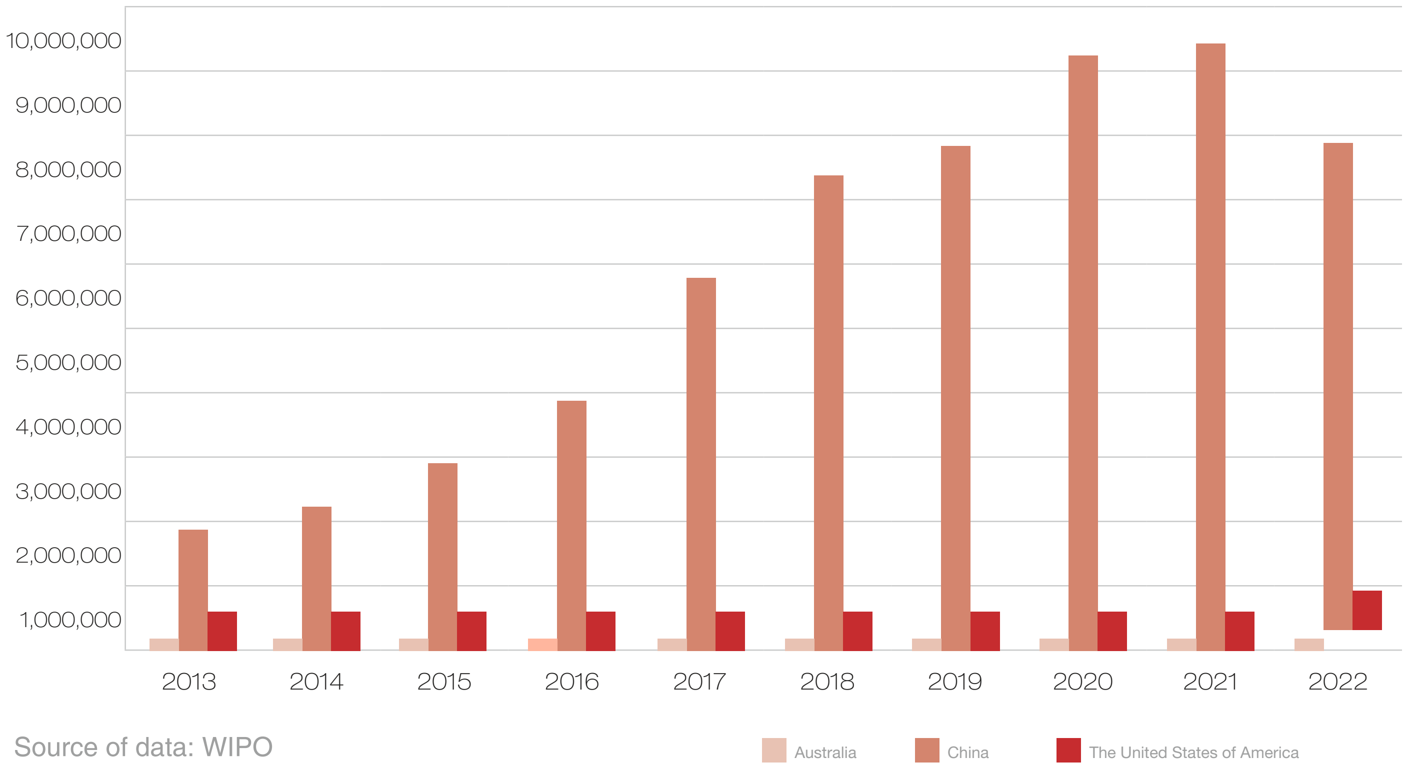
UNDERSTANDING TRADEMARK REGISTRATION

Q1: How many trademarks are registered in China and how does this number compare internationally?

A1: In 2022, a total of 15.5 million goods/services classes were designated in global trademark applications. Chinese applicants accounted for the highest number of designated goods/services classes, totaling approximately 7.7 million. The United States ranked second, with a total of 945,571 classes covered in trademark applications, followed by Turkey (482,567), Germany (479,334), and India (467,918). As of 2022, China has 42.672 million valid trademark registrations, indicating that obtaining trademark registration in China is becoming increasingly challenging. There may be unforeseen obstacles ahead, requiring thorough research before proceeding, and the earlier, the better. Additionally, your trademark may have already been maliciously registered by others, necessitating action to reclaim your trademark rights. In China, a trademark does not only serve as a brand identifier but also a commodity to be bought and sold. The below graph shows trademark application and registration status in China, the United States, and Australia over the past decade (2013-2022).

Q2. Is registering as simple as submitting an application?

A2: In China, there are numerous trademark registration applications which makes it difficult to prevent the existence of similar trademarks on similar goods or services. As a result, the China National Intellectual Property Administration (CNIPA) has strict policies for examining similar trademarks during the application stage. For example, the CNIPA might consider “ZIWI PEAK”and “PEAK” to be similar trademarks. Therefore, there is a chance



Source of data: WIPO

that your trademark application may not pass the examination because of similarity and be approved for registration, wasting precious time.

Q3: Is actual use required for trademark registration, or can you apply before using it?

A3: The administrative requirements for trademark registration in China differ from those in other countries. While some countries require applicants to submit evidence of actual use during the trademark application process, in China, a trademark can be registered as long as it does not violate legal regulations or conflict with existing similar trademarks. Therefore, the registration of your trademark can precede your business activities in China.

Q4: Are you aware of the specific goods/services classes for which your trademark should be applied and designated?

A4: In most countries, trademark applicants can specify the actual goods/services they use. However, in China, the CNIPA is strict in adhering to the Nice Classification for goods and services during trademark examination. Your trademark application may be rejected if the reported goods/services are not in accordance with the Nice Classification. Therefore, it's crucial to accurately select the goods/services from the Nice Classification that correspond to the products you actually sell or the services you provide. This ensures a more comprehensive brand protection through trademark registration.

For example, the term "velvet" (deer antler) is typically classified as a primary agricultural product in other countries, it might be registered under Class 29 with the description "velvet". However, in China, even though "velvet" is sold as a primary agricultural product, during the trademark application stage, an application for “velvet” under class 29 will be rejected because there is a specific NICE Classification for “velvet” under class 5 (Chinese medicinal herbs) and you can only register under class 5 in China. If you consider registration of the brand in class 29 for agricultural products, you will have to choose products that are under the NICE Classification like pet foods or fresh produce in order to qualify under Class 29, whether those products relate to your product line or not.

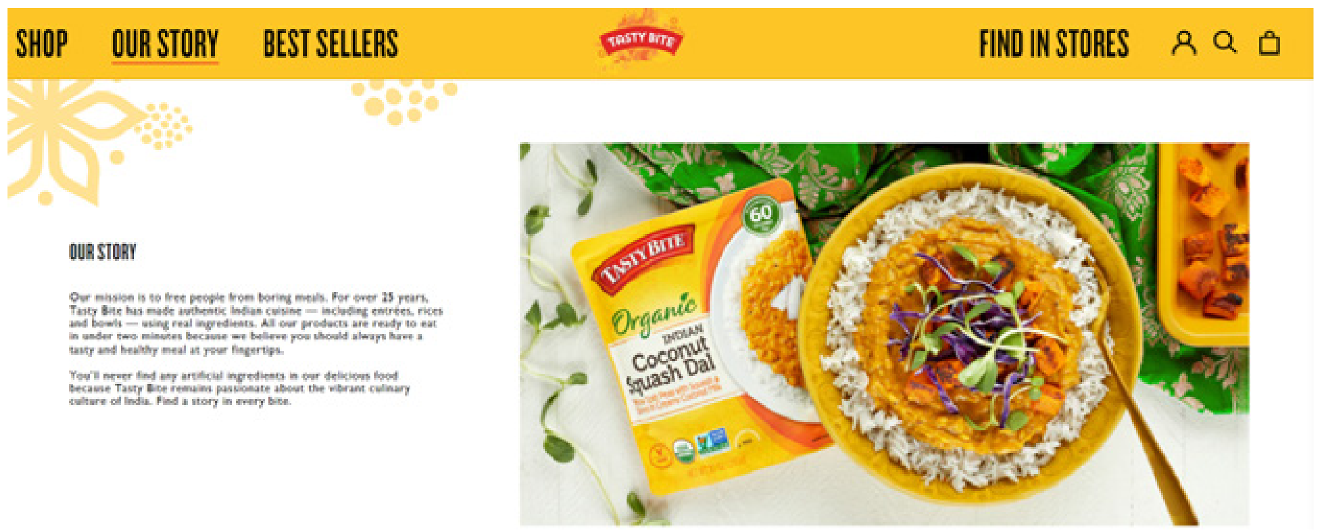
TRADEMARK FILING RISKS YOU DIDN’T KNOW

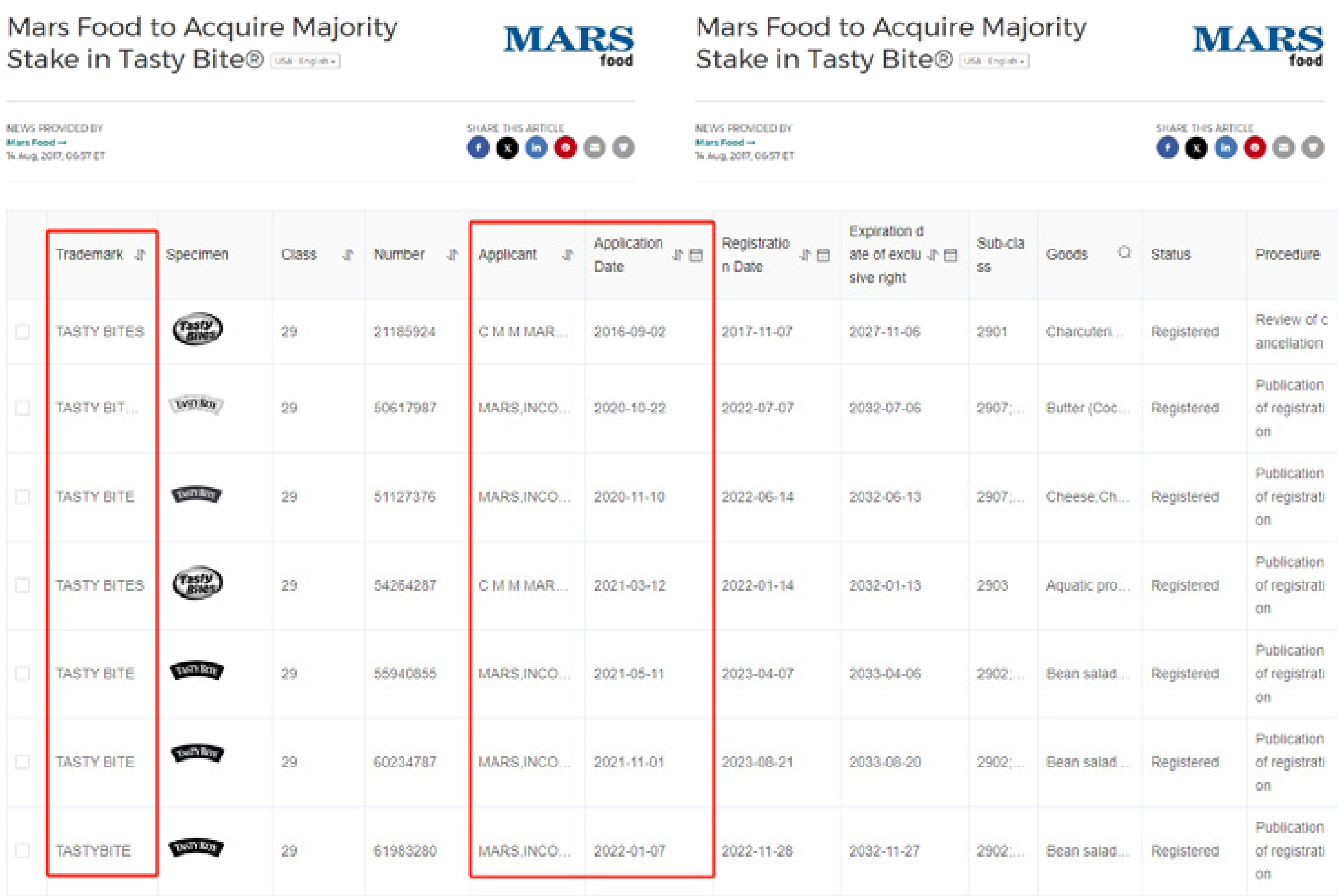
Q1. What are the risks of blindly submitting a trademark registration application?

A1: Once a trademark application is submitted, the CNIPA acknowledges receipt of your trademark registration application, and the trademark application process will be published on the CNIPA website. The CNIPA then assesses your application and either rejects or allows (partially allows) your trademark application. If your application is rejected, you may need to adjust your mark and come back to apply again. In the meantime, while noticing a rejection, speculators in the trademark market may imitate your trademark, creating many similar trademarks and applying for registration. Once any of these imitated trademarks are successfully registered, they may pose significant obstacles to your subsequent trademark applications. Therefore, if your trademark is already in use overseas or you believe that an unused trademark has significant commercial potential, it is advisable to apply only after thorough trademark registration risk analysis.

Q2. Has your trademark been squatted on?

A2: Trademark squatting is a common but frowned-upon practice that affects many brands, big and small. The prepackaged Indian food brand 'TASTY BITE,' was acquired by the international candy giant Mars in 2017. In 2022, Mars sought to enter the Chinese market with 'TASTY BITE.' However, during the application for the 'TASTY BITE' trademark in China, Mars discovered that back in 2016, 'TASTY BITE' had already been applied for and registered by a former distributor. Mars has been in a three-year-long dispute with this party for trademark rights and has yet to secure registration on crucial products.





Mars Food to Acquire Majority Stake in Tasty Bite®

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Trademark	Specimen	Class	Number	Applicant	Application Date	Registration Date	Expiration date of exclusive right	Sub-class	Goods	Status	Procedure
TASTY BITES		29	21185924	C M M MAR...	2016-09-02	2017-11-07	2027-11-06	2901	Charcuteri...	Registered	Review of cancellation
TASTY BIT...		29	50617987	MARS,INCO...	2020-10-22	2022-07-07	2032-07-06	2907;...	Butter (Coc...	Registered	Publication of registration
TASTY BITE		29	51127376	MARS,INCO...	2020-11-10	2022-06-14	2032-06-13	2907;...	Cheese,Ch...	Registered	Publication of registration
TASTY BITES		29	54264287	C M M MAR...	2021-03-12	2022-01-14	2032-01-13	2903	Aquatic pro...	Registered	Publication of registration
TASTY BITE		29	55940855	MARS,INCO...	2021-05-11	2023-04-07	2033-04-06	2902;...	Bean salad...	Registered	Publication of registration
TASTY BITE		29	60234787	MARS,INCO...	2021-11-01	2023-08-21	2033-08-20	2902;...	Bean salad...	Registered	Publication of registration
TASTYBITE		29	61983280	MARS,INCO...	2022-01-07	2022-11-28	2032-11-27	2902;...	Bean salad...	Registered	Publication of registration

Mars's Battle for the "TASTY BITE" Trademark

The lesson from the 'TASTY BITE' case is that in the Chinese trademark market, preemptive registration is not limited to internationally renowned brands. Even for emerging brands from overseas, their trademarks may have already been imitated and registered by others in China.

3. If your trademark has already been registered by someone else, or if it has been imitated and registered subsequently, what are the potential consequences?

A: In summary, if a natural person or a shell company registers your trademark, or if someone imitates your trademark to create a new application for registration, and you lack prior trademark rights or cannot prove malicious intent on their part, you may incur substantial financial costs to acquire trademark rights. It might also necessitate abandoning the trademark you have been using overseas and adopting a different identifier as your trademark in China, inevitably disrupting the uniformity of your brand. This could even lead to market entry barriers into the Chinese market.

4. Your trademark needs protection from the moment of its creation.

A: Through the previous discussion and the introduction of the Chinese trademark market, you have probably gained a preliminary understanding of the situation regarding trademark application and registration in China. To ensure a smooth path for your trademark application or to assess whether there are any security risks associated with your already registered trademarks in China, you can obtain relevant information through a professional trademark search.

HIDDEN INFRINGEMENT OVER YOUR REGISTERED TRADEMARK

In the previous introductions to the Chinese trademark market, we have revealed some aspects of Chinese trademarks and the process of trademark registration. However, these contents are just the tip of the iceberg. Not only may unregistered trademarks face risks, but trademarks already registered in China also have the potential to be infringed. Therefore, we need a deeper understanding of the importance of trademark protection.

According to our analysis of the trademark application and registration habits of overseas clients entering the Chinese market, overseas companies typically apply for trademark registration only in the actual goods or services they provide. For example, Company A, which sells "apples (fruit)," may only register the trademark for use in Class 31 (fresh fruits). Many companies often overlook trademark registration in classes associated with key products or services.
In the example of Company A mentioned above, speculators in the Chinese trademark market might register the same trademark in associated product or service classes such as "apple beverages," "canned fruits," "sales services," and "store opening." We will provide an actual case to reveal the situation of trademark squatting in related goods/ services classes.

Penfolds, as a well-known Australian and global wine brand, has registered trademarks not only in Class 33 (wines) but also in Class 9 (WeChat Mini Programs), Class 14 (metallic souvenirs), Class 21 (cups), and Class 29, 30, 32 (food-related goods). Additionally, trademarks have been registered in Class 3 (household cleaning and personal care products) and Class 4 (fuels), which have lower brand relevance.

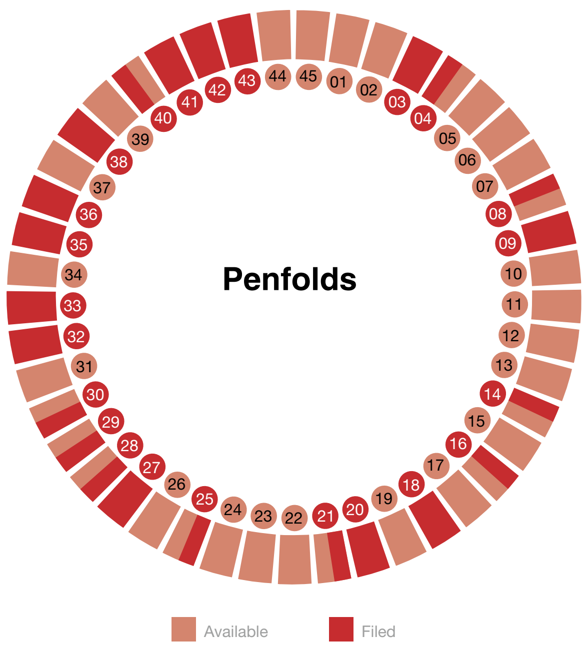


Fig 1. Penfolds Registered Trademarks

On one hand, Penfolds demonstrates a strong awareness of trademark protection through a well-thought-out registration strategy. On the other hand, it appears that the brand has faced instances of trademark squatting, as evidenced by registrations in less relevant product or service categories. Trademark squatting often involves registering a trademark in classes unrelated to the actual products you are selling. For example, Penfolds has encountered instances of squatting in Class 1 (industrial chemicals), Class 6 (metal materials), and Class 12 (vehicles). The issue of trademark squatting for Penfolds has persisted since 2002 and continues to date.

To address this challenge, Penfolds has been actively using administrative and judicial means such as trademark oppositions, invalidation declarations, cancellation requests, and lawsuits to remove squatted trademarks. However, the situation remains unresolved as of today, indicating the ongoing efforts required to clean up the trademark landscape for Penfolds.

lds.

According to Fig 4, we can observe that both Penfolds and the squatter successfully registered the "Penfolds" trademark under Class 16. Why can identical or similar trademarks be registered in the same product class? This is because under each 45 classes there are multiple subclasses to choose from. Only when two trademark registrations conflict in both product class and the subclasses that a later registration shall be disallowed. However, if the squatter registers in the same main class but different subclasses, they can coexist with you in the same main class to dilute your trademark. Therefore, it is important to obtain the right advice to register correctly both under the main class and the subclasses.

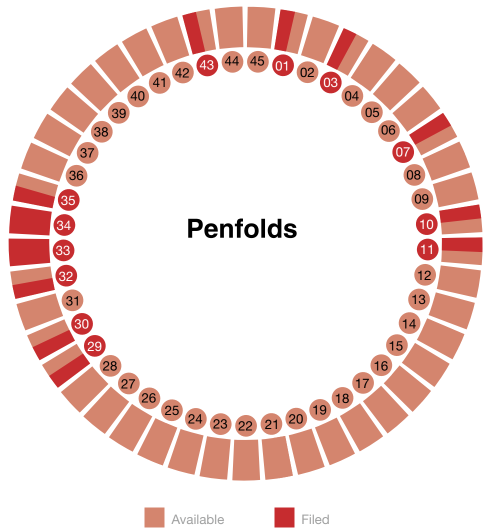


Fig 2. Penfolds successfully took actions against squatters

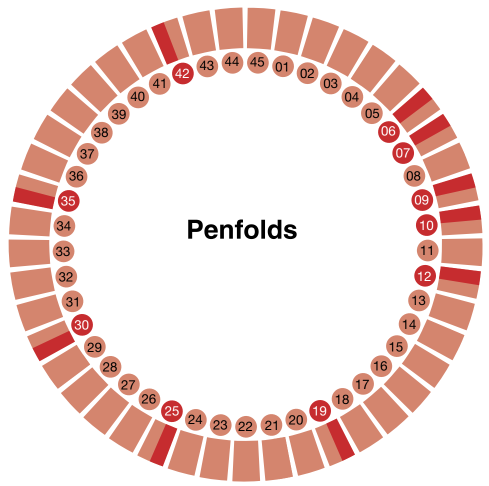


Fig 3. Trademark classes where squatters are in the process of obtaining unauthorized Penfolds trademark registrations

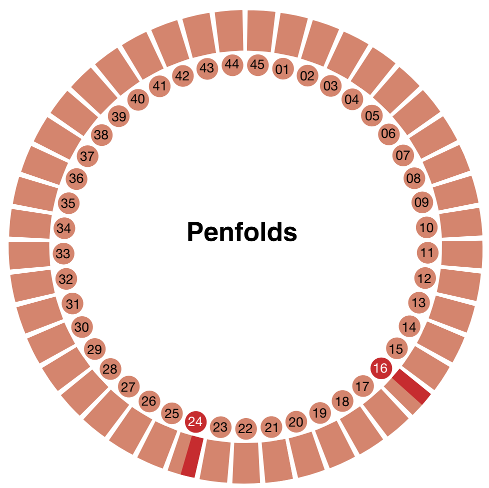
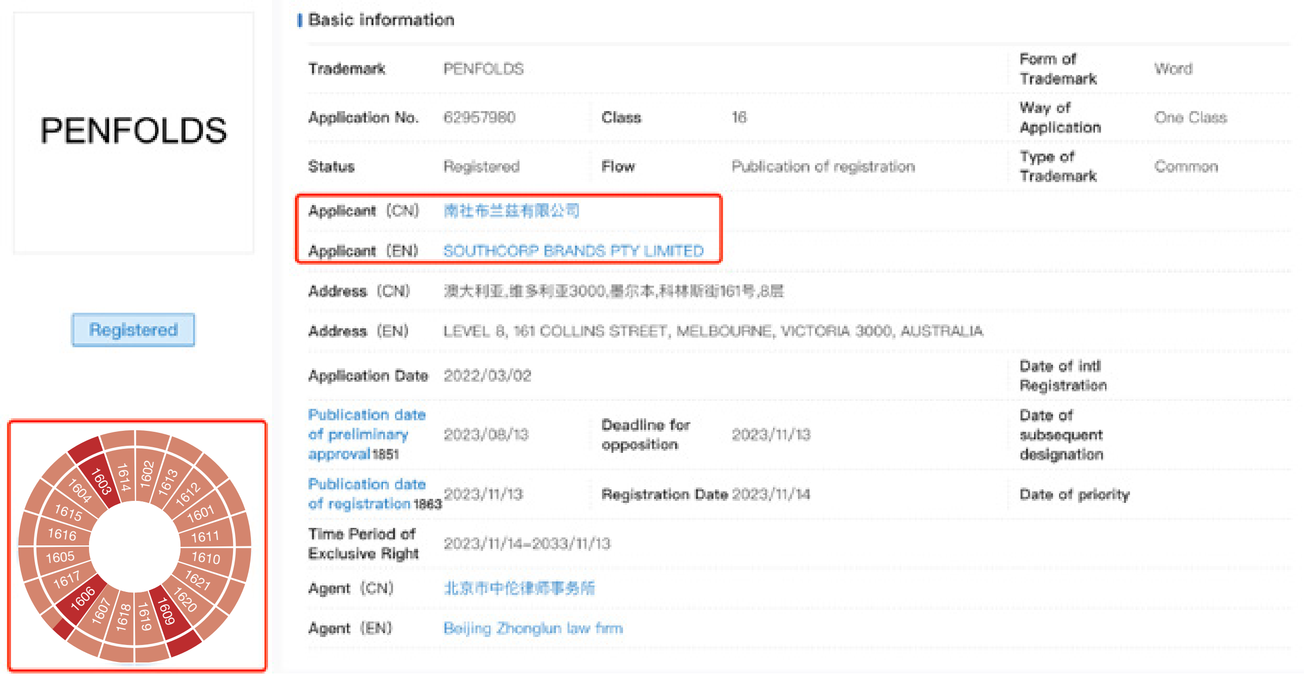


Fig 4. The trademark classes where Penfolds has been taking ongoing fights for years but still unresolved

Trademark squatting is an ongoing phenomenon, and seeking administrative and judicial remedies for trademark protection is a lengthy and uncertain process. Regardless of the current level of brand recognition in China, whether large or small, businesses should be vigilant about the health of their trademarks. It is crucial to establish a robust intellectual property strategy, safeguarding the normal operation of trademarks in China.



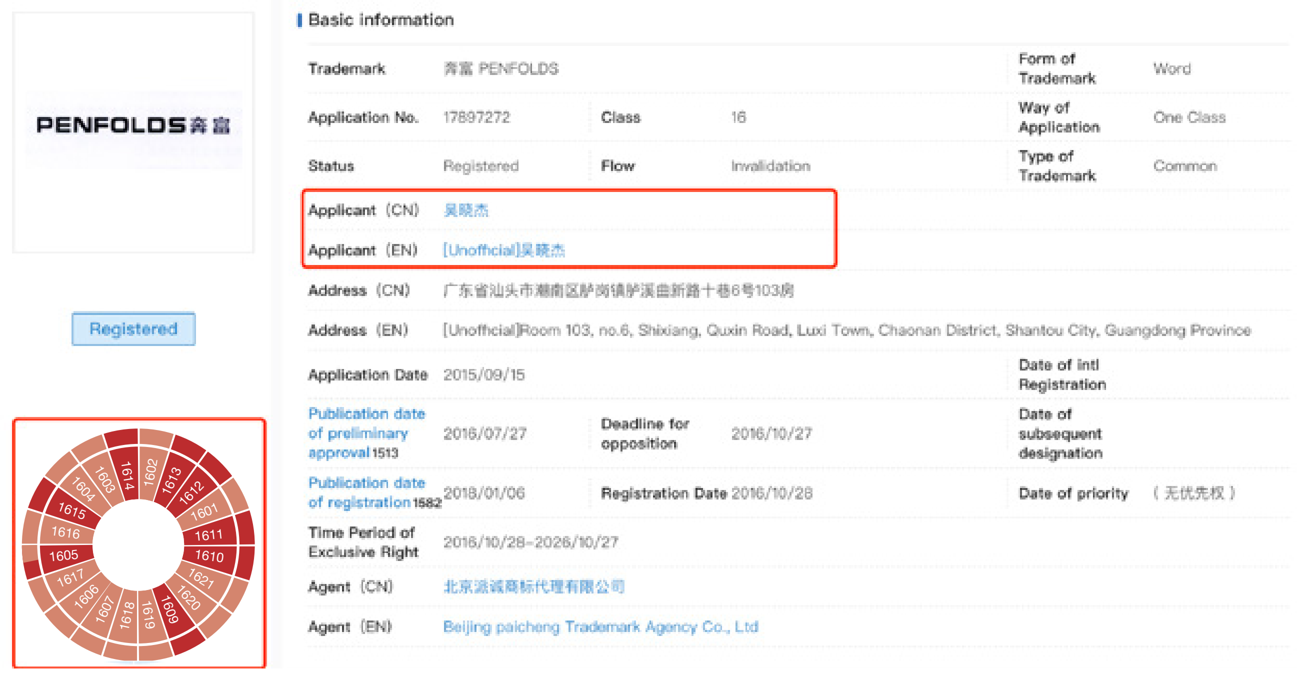
PENFOLDS

Registered

Basic information

Trademark	PENFOLDS			Form of Trademark	Word
Application No.	62957980	Class	16	Way of Application	One Class
Status	Registered	Flow	Publication of registration	Type of Trademark	Common
Applicant（CN）	南社布兰兹有限公司				
Applicant（EN）	SOUTHCORP BRANDS PTY LIMITED				
Address（CN）	澳大利亚,维多利亚3000,墨尔本,科林斯街161号,8层				
Address（EN）	LEVEL 8, 161 COLLINS STREET, MELBOURNE, VICTORIA 3000, AUSTRALIA				
Application Date	2022/03/02			Date of intl Registration	
Publication date of preliminary approval 1851	2023/08/13	Deadline for opposition	2023/11/13	Date of subsequent designation	
Publication date of registration 1863	2023/11/13	Registration Date	2023/11/14	Date of priority	
Time Period of Exclusive Right	2023/11/14–2033/11/13				
Agent（CN）	北京市中伦律师事务所				
Agent（EN）	Beijing Zhonglun law firm				

Penfolds's TM under class 16, subclass 1603, 1606, 1609



PENFOLDS奔富

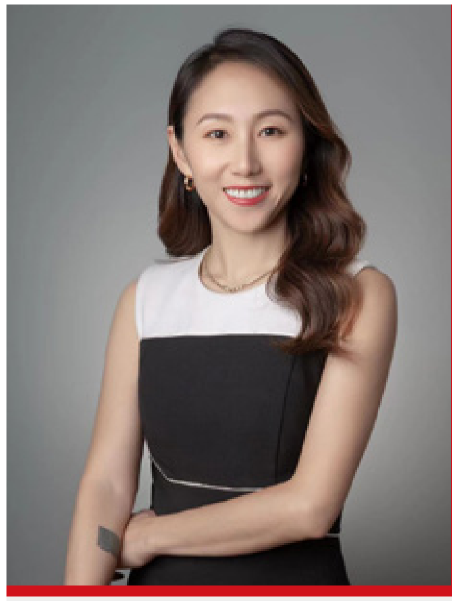
Registered

Basic information

Trademark	奔富 PENFOLDS			Form of Trademark	Word
Application No.	17897272	Class	16	Way of Application	One Class
Status	Registered	Flow	Invalidation	Type of Trademark	Common
Applicant（CN）	吴晓杰				
Applicant（EN）	[Unofficial]吴晓杰				
Address（CN）	广东省汕头市潮南区胪岗镇胪溪曲新路十巷6号103房				
Address（EN）	[Unofficial]Room 103, no.6, Shixiang, Quxin Road, Luxi Town, Chaonan District, Shantou City, Guangdong Province				
Application Date	2015/09/15			Date of intl Registration	
Publication date of preliminary approval 1513	2016/07/27	Deadline for opposition	2016/10/27	Date of subsequent designation	
Publication date of registration 1582	2018/01/06	Registration Date	2016/10/28	Date of priority	（无优先权）
Time Period of Exclusive Right	2016/10/28–2026/10/27				
Agent（CN）	北京派诚商标代理有限公司				
Agent（EN）	Beijing paicheng Trademark Agency Co., Ltd				

Squatter trademark under class 16, subclasses 1605 & 1610-1615

> **CHINA DOMESTIC MEAT MARKET EXPERIENCING WEAK DEMAND.**
> MANY STAKEHOLDERS ADOPT WAIT-AND-SEE APPROACH
>
> —SILVER FERN FARMS



Claire Tan, Head of Marketing, China Silver Fern Farms | Board Member of NZBRiC

Beef market

With weak demand, there are differences in the willingness of stockholders to sell. The majority of stockholders adopt a wait-and see approach, with low willingness to sell at reduced price. While a few stockholders slightly increase bargaining space compared to yesterday. Overall, spot transaction prices today mostly remain at low levels.

According to feedback, terminal purchase volumes remained low this week. In the trading and wholesale stages, facing a market with slow shipment speeds and downward price fluctuations, buyers were more cautious to purchase, and all segments of the market faced significant pressure to sell. Transaction prices mostly remained in a low range. In response to the current market situation, most stockholders participated in offering sales according to market conditions, while some of them gradually adopted a cautious selling mentality due to cost pressures.

In 2023, the domestic beef supply in New Zealand continued to show a steady upward trend. However, due to weak demand in the Chinese market and the strong supply from countries such as Brazil, Argentina, Bolivia, and Australia, the Chinese Mainland's import volume from New Zealand did not continue the year-on-year growth seen in the past two years. According to data from Beef to China (BTC), the import volume of beef from New Zealand to the Chinese Mainland in 2023 was 206,000 tons, a year-on-year decrease of 9,806 tons; the import proportion reduced to 7.5%; and the average import price was USD5,072 /Ton.

Looking at December alone, the Chinese Mainland imported 15,000 tons of beef from New Zealand, a month-on-month increase of 5,591 tons and a year-on-year growth of 2,495 tons.

In terms of bone-in and boneless beef, the decline in the import volume of beef from New Zealand to the Chinese Mainland in 2023 was mainly reflected in the import volume of boneless beef. According to data from Beef to China (BTC), in 2023, the

Chinese Mainland imported nearly 138,000 tons of boneless beef from New Zealand, a year-on-year decrease of 21,000 tons, with a decline of 13%; the average import price was USD5,895 /Ton.

On the other hand, the import volume of bone-in beef from New Zealand increased from 57,000 tons in 2022 to 69,000 tons in 2023, reaching a historical high. Among the source countries of bone-in beef imported to the Chinese Mainland in 2023, New Zealand ranked third, accounting for 16% of the total import volume; the average import price was USD3,419 /Ton. In December, the import volumes of boneless and bone-in beef from New Zealand were 9,202 tons and 6,136 tons, respectively, both achieving significant growth.

"

TECH SOLUTION FOR FILM INDUSTRY

—VISTA GROUP CHINA

Lawrence Wang, CEO of Vista | Board Member of NZBRiC

Overview in Film Industry

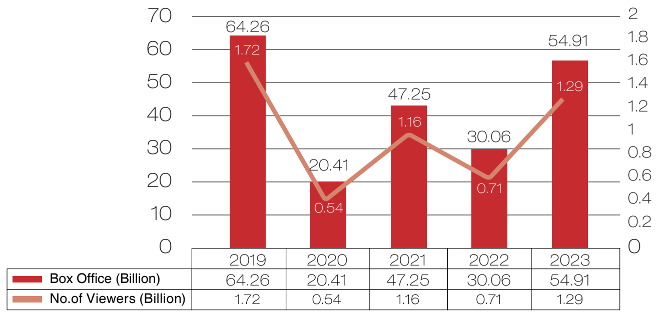
In 2023, the annual box office of Chinese films reached 54.915 billion yuan, and the number of viewers in urban cinemas reached 1.299 billion yuan. Domestic films contributed 83.8% of the annual box office, demonstrating the strong development momentum of domestic films. China has become one of the world's largest film markets, with box office revenue and an increasing audience base.

The Chinese film industry is currently in a golden period of technological innovation, bringing unprecedented changes to film production and audience experience, from the comprehensive upgrade of image quality to the deep integration of computer technology.

Domestic Movies

According to Guangming Net, in 2023, domestic films ranked second in the global box office with a box office of 7.571 billion US dollars, and won the global monthly box office championship twice (in January and August). This achievement indicates a significant improvement in the competitiveness

Annual box office and number of viewers in the Chinese film marke



	2019	2020	2021	2022	2023
Box Office (Billion)	64.26	20.41	47.25	30.06	54.91
No.of Viewers (Billion)	1.72	0.54	1.16	0.71	1.29

of domestic films in the international market. Domestic films have also performed strongly in the domestic market, with an annual box office of 54.915 billion yuan, of which domestic films contributed 83.8% of the box office, demonstrating their dominant position in the local market.

Domestic films have won certain recognition in major international film festivals. For example, films such as Man Jianghong, Chang'an 30000 Miles and Wandering Earth 2 have not only gained both box office and public praise in China, but also gained international attention and praise. The diversity of themes and types has also been recognized by the international market.

Although domestic films have achieved some success in the international market, they still face many challenges, such as cultural differences and market access barriers. Meanwhile, with the continuous changes in the global film market, domestic films need to constantly innovate and adjust strategies to meet the needs of the international market.

Tech Solution for Film Industry

The Chinese film software service industry plays a crucial role in supporting various aspects of the film industry, but also faces challenges and opportunities. With the continuous progress of technology and the expansion of the market, the software service industry is expected to continue to drive innovation and development in the Chinese film industry.

The business models of the Chinese film industry are complex and diverse, involving multiple links and various cooperation methods. The software services industry provides diverse solutions, such as distribution protocols, projection protocols, box office revenue distribution, etc., to meet different business needs. The Chinese government's support policies for the film industry and technological innovation have driven the development of the software service industry. At the same time, policy regulation is also ensuring the healthy operation of the industry, such as tax reduction, rent reduction, financial subsidies and other relief policies, as well as censorship and copyright protection of film content.

Technological Innovation drives Industry Development

With the advancement of technology, especially the rise of digitization and streaming media, the Chinese film software service industry is undergoing unprecedented changes. For example, the adoption of 4K and 8K resolutions, high frame rate technology, improvements in dynamic range and color gamut, as well as the application of virtual reality (VR) technology, are all changing the visual representation of movies and continuously improving the audience experience

• **Immersive viewing:** VR technology allows viewers to immerse themselves in a 360 degree virtual environment, providing a comprehensive audience experience. This technology is particularly suitable for horror, science fiction, or adventure movies, making the audience feel like they are really in the movie scene.

• **Interactive storytelling:** AR technology can overlay virtual objects onto the real world, providing audience with an interactive experience. For example, viewers can interact with virtual characters in movies through mobile devices, or explore virtual elements in real environments.

• Artificial Intelligence (AI)

-Personalized recommendation: AI can analyze the audience's viewing history and preferences, provide personalized movie recommendations, and enhance the audience experience.

-Content creation: The application of AI in film production is becoming increasingly widespread, including automatic generation of special effects, assisting screenwriters in creating scripts, and even creating virtual actors, bringing new possibilities to the audience experience.

-Big data market analysis: By analyzing a large amount of data, film producers can better understand audience needs, optimize film promotion and distribution strategies.

-Movie watching behavior analysis: Big data can help cinemas understand the viewing habits of audiences, adjust film scheduling and ticket pricing strategies, and improve the audience experience.

• Internet of Things (IoT)

-Intelligent Cinema: IoT technology can interconnect cinema equipment, automatically adjust lighting, temperature, and sound effects, and provide viewers with a more comfortable viewing environment.

-Real time feedback: By collecting real-time feedback from audiences through smart devices, movie producers can adjust content in real time and provide a better and unexpected audience experience.

• Metaverse

-Virtual cinema: In the metaverse, viewers can create their own virtual images and watch movies together with other viewers in the virtual cinema, experiencing the fun of social viewing.

-Cross media storytelling: The metaverse provides the possibility for multi-platform and cross media expansion of movie stories, allowing audiences to experience the extended stories of movies in different virtual spaces.

• Non fungible tokens (NFTS)

-Digital collectibles: Art works, scripts, posters, etc. related to movies can be sold through NFTs, providing audiences with unique digital collectibles.

-Viewing rights: NFTs can serve as proof of viewing rights, and after purchasing specific NFTs, viewers can enjoy exclusive ns or participate in early movie screenings and other activities.

The development and integration of these technologies indicate that the audience experience will become more personalized, interactive, and immersive, bringing new growth points and innovation opportunities to the film industry.

Vista Technology

VISTA is a well-known cinema management system in the global film industry. It not only provides ticketing services, but also covers multiple aspects of cinema operation, including but not limited to scheduling management, membership system, sales management, financial reporting, etc. The design concept of VISTA system is to provide a comprehensive solution for cinemas to improve operational efficiency and customer satisfaction.

The development of VISTA in China is based on the judgment of the Chinese film market towards refined management, especially under the trend of cinema mergers and acquisitions integration, the demand for a unified and efficient management system is increasing.

The localization efforts of VISTA in the Chinese market are also one of the key factors for its success. VISTA China team has developed Internet software products specially serving the Chinese market, such as self operated e-commerce channels, scanning and ordering food, which are all innovations based on domestic consumer habits and market demand. Through these localized products and services, the VISTA system can better serve the Chinese film industry, helping cinemas improve their management level and customer experience.

Insights of Tech Service Industry

With the internationalization of the Chinese film market, the software service industry is also adapting to the needs of the global market. The creative power and market potential of domestic films have been internationally recognized, and the software service industry plays a positive role in promoting Chinese films to the world. The Chinese cinema tech service industry has shown positive development trends in policy norms, technological innovation, market competition, user experience, and market potential. At the same time, it also needs to continuously adapt to new market environments and technological changes to cope with future challenges.

Opportunities:

-Market growth: The rapid growth of the Chinese film market has provided huge market space and development potential for ticketing software.

-Technological innovation: The development of mobile payment, big data, cloud computing and other technologies has provided innovative opportunities for ticketing software.

-Consumer upgrade: With the increasing demand for service quality from consumers, ticketing software could attract users by providing a better user experience.

Challenge:

-Intense competition: Due to the fierce competition, t is necessary to continuously innovate and improve service quality to maintain competitiveness.

-Technical security: With the increasing number of online transactions, ticketing software needs to ensure system security and data privacy protection.

-Regulatory adaptation: Ticketing software needs to continuously adapt to and comply with government regulatory policies, such as real name ticket purchases and box office data reporting.

CHINA FRUIT INDUSTRY REPORT Q1 2024

—ZESPRI FRUIT (SHANGHAI) CO., LTD.

Ivan Kinsella, Vice President of Corporate Affairs, Greater China, Zespri | Board Member of NZBRiC

-China fruit industry highlights
-China fruit imports 2023 including from New Zealand
-Zespri kiwifruit 2024 export forecast for China
-Chinese consumers' perceptions of New Zealand F&B including fruit
-China fruit IP enforcement

Overview

China's fruit market is huge. Imports contribute a very small percentage of overall consumption but a rapidly rising segment by value. New Zealand kiwifruit and apples made up 97% of the total of $864 million of NZ fruit exports to China, of which kiwifruit were 78% ($670m) and apples 19%. New Zealand has a dominant market share of value in kiwifruit and apples which are branded and mainly comprise new protected varieties supplied during China's off-season for these fruits.

New Zealand's export performance for kiwifruit and apples is largely driven by supply side challenges but they are also increasingly facing headwinds from brand counterfeiting and unauthorised growing of protected varieties.

China fruit imports 2023

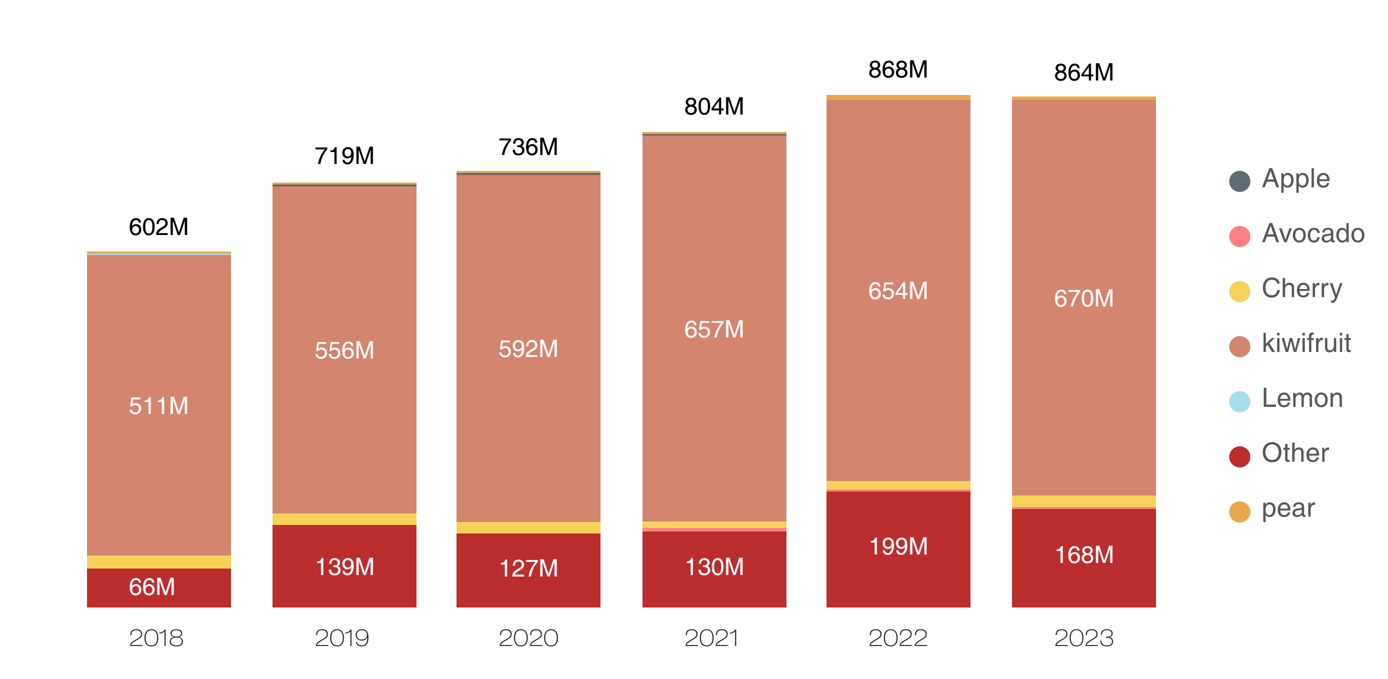
- Over the last few years China's overall fruit market has been relatively flat with a slight reduction in per capita consumption in 2024.

- However, imported fruit has shown strong growth. In 2024, the total value of imported fruits were up 15.4% in value to US$16.85 billion and by 2.7% in volume to 7.52 million tonnes.

- Most of the growth in imports has been among the most premium fruit varieties, particularly durians, cherries, blueberries and kiwifruit. New Zealand kiwifruit's premium is around 400% of the average fruit price index.

Most remarkable has been the growth of durian imports. After several years of strong

Fruit exports to China by product(NZD)



Source: New Zealand Trade & Enterprise

growth, in 2023 this accelerated further with a 66% in value and 73% by volume to reach US$6.72 billion (NZ10.9bn). Durians now comprise 40% of China's total fruit import value.

• To put this in perspective with New Zealand's position in China's imported fruit market, in 2023 just the increase in imported durians was around NZ$6 billion which was 7 times more than the total value of New Zealand fruit exports to China that year.

• China's cherry imports have also been growing very strongly in the last few years. While last year China's cherry imports saw a slight decline in value of 4% to total US$2.65 billion (NZ$4.3bn), while volume was down 5%, this decline was due to a poor early season harvest in Chile rather than less demand in China.

• Cherries share of China's fruit imports is 15.7%

• Taken together, the value of durians and cherries imported by China (NZ$15.2 billion) was greater than the total of New Zealand's F&B exports to China of $13 billion.

Kiwifruit

• In 2023 China's kiwifruit import value were flat at US$492.5 million while value declined 0.5%.

• China's kiwifruit import volume decline in 2023 was due to a poor harvest due to weather events in New Zealand, particularly the heavy frost in October 2022 which destroyed around 15% of the total crop on the vine.

• Within the kiwifruit segment, New Zealand kiwifruits play a dominant role. Zespri's share of value of China's total kiwifruit imports was 91% and 88% of volume.

• Most (90%+) of the volume of imports from Italy were kiwifruit imported by Zespri and sold as Zespri. Italy is Zespri's largest northern hemisphere production supply base mainly supplying Europe but also providing 1 million to 2.5 million trays to the China market during the New Zealand off-season.

• China's own kiwifruit production is estimated at around 2.5 million tonnes. Kiwifruit imports were 118,000 tonnes of which NZ kiwifruit was around 100,000 tonnes giving a NZ share of 4%, most of which is imported during the off-season for Chinese kiwifruit.

• NZ kiwifruit is estimated to be around 6 times the average value of Chinese kiwifruit which would give Zespri around 25% of the value of kiwifruit consumed in China.

• Kiwifruit has a 3% share of the value of China's total imported fruit market.

Apples

• China is the world's largest apple grower with around 40 million tonnes produced in most years.

• Apple imports make up only 0.2% of China's consumption and only 1% of the value of China's total fruit imports.

• In 2023, China's apple imports in 2023 were 82,000 tonnes, down 14% on the previous year. By value, imports totalled US$181 million (NZ$294m), down 16% on the previous year.

• New Zealand apples exports to China were NZ$168 million which give NZ an approximate 70% share of the imported apple market.

• Much of China's reduction in apple imports was driven by supply side constraints from New Zealand apples

2024 kiwifruit exports to China forecast

• Kiwifruit exports to China will receive a major boost this year. Zespri is planning to send 53.5 million trays (193,000 tonnes) to the greater China region accounting for 27 percent of total New Zealand grown Zespri fruit.

• Of this total China mainland will take 42.5 million trays (153,000 tonnes), up 42 percent.

China Fruit Import by top origins(USD)

Top 5 Trade Partner	Rank by Val	Imp Val (USD)	Value Share	Imp Qty	Qty Units	Imp UP	Val ΔPY%	Qty ΔPY%	UP ΔPY%
Thailand	1	5,692M	38.9%	1,514.3M	KG	3.8	14%	7%	6%
Chile	2	3,012M	20.6%	548.1M	KG	5.5	-8%	-10%	3%
Vietnam	3	2,755M	18.8%	1,466.7M	KG	1.9	130%	10%	110%
Philippines	4	620M	4.2%	896.5M	KG	0.7	-5%	-4%	-1%
New Zealand	5	590M	4.0%	151.7M	KG	3.9	-5%	-8%	3%
Peru	6	503M	3.4%	133.1M	KG	3.8	-11%	-4%	-8%
Australia	7	276M	1.9%	103.0M	KG	2.7	31%	29%	2%

Source: New Zealand Trade & Enterprise

Prompted awareness of countries that produce premium quality food and drink | Oct 23
% ALL

China		Japan		Australia		USA		UK	
China	68% ▲	Japan	90%	Australia	79%	Italy	82%	Italv	80%
New Zealand	67% ▼	France	67%	France	58% ▼	France	76%	France	78%
Australia	54%	Italy	58%	Italy	56% ▼	USA	73%	Spain	58%
France	52%	Australia	37%	New Zealand	51% ▼	Japan	46%	UK	57%
Italy	37% ▼	New Zealand	35%	Japan	44% ▼	Mexico	31%	Japan	43%
Chile	30% ▼	Canada	32% ▲	USA	19%	New Zealand	27%	New Zealand	39%
USA	30% ▼	USA	21%	UK	19%	Australia	26%	Australia	30% ▼
Japan	22% ▼	Chile	17%	1.9%	103.0M	Chile	25% ▲	Chile	24%

Source: New Zealand Trade & Enterprise

• Due to the slightly smaller profile of the fruit, this will mean an increase of more than 50 percent in the pieces of Zespri fruit to be marketed.

• Over the last two years there was decreased supply due mainly to labour shortages following the transition out of Covid controls and weather events.

• The first charter of the season with NZ fruit is scheduled to arrive in Shanghai on 26 March. There will be a total of around 22 chartered reefers unloading through ports in Shanghai, Taizhou and Dongguan and around 2,500 containers of kiwifruit in addition through ports including Shanghai and Yantian in Shenzhen.

Chinese consumers perception of New Zealand F&B including fruit

• Research by NZTE shows that Chinese consumers perceptions of NZ F&B products being premium is higher than other foreign countries and on a part with consumers perceptions of the quality of Chinese fruit. See charts below.

• Within that fruit is a key driver with perceptions only slightly below that of NZ dairy products.

China fruit IP enforcement

• Counterfeiting of imported and local Chinese fruit brands is a serious issue. A large range of other premium products also face this challenge. There has been improvement in recent years but there are also new challenges from the new ecommerce platforms such as Pinduoduo and Douyin.

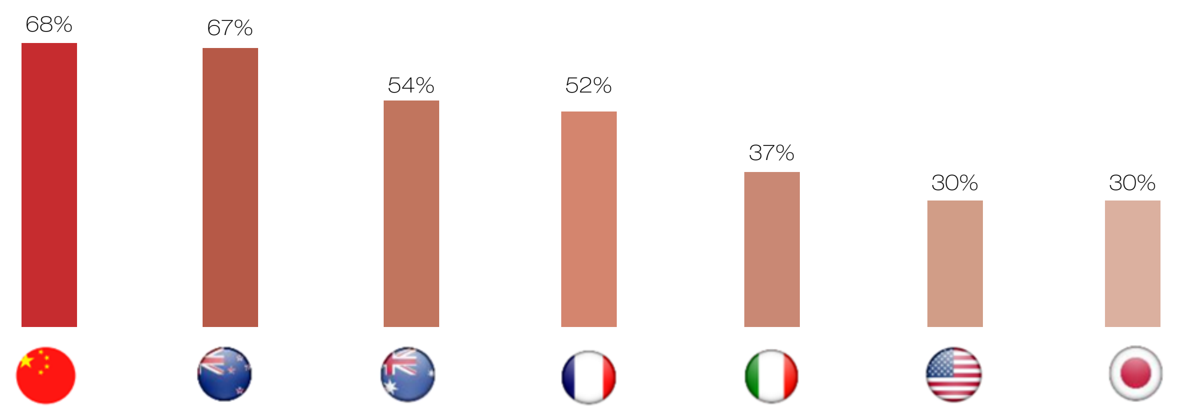
• Zespri has several large counterfeit criminal actions underway in conjunction with the Shanghai public security authorities which have been announced publicly. The outcomes from the legal actions are expected later this year.

Chinese consumers show a high level of local F&B preference and awareness. New Zealand competes in the top tier alongside China itself.

Prompted awareness of countries that produce premium quality food and drink | Wave 5

% All respondents

Qu: From the list below, which of the following countries are recognised for producing premium quality food and drink?



Source: New Zealand Trade & Enterprise

• Last August Zespri filed a civil action against a local grower and vendor for infringement of Zespri's plant varietal right in a Nanjing court. An appeal is underway to the Supreme Court regarding the jurisdiction for the case and a decision is expected by April.

Q&A ON THE CHINESE ECONOMY AND HOW TO POSITION FUTURE BUSINESS IN CHINA

—ZIWI PET FOOD LIMITED

ZIWI

Jamie Zhu,Greater China General Manager of Ziwi | Board Member of NZBRiC

A DIALOGUE BETWEEN CHINA DAILY AND ZIWI

China Daily: Given the complex world economic and geopolitical situations currently, how do you position the Chinese market in your overall global business radar in general? What's your outlook for China's economy and your company's operations in China this year and the next?

Jamie: China markets holds a prominent position within our global strategy and stands as one of our largest markets. Over the past few years, the Chinese pet market has experienced rapid growth, becoming a flourishing consumption hotspot within the country's economy. With economic development and evolving consumer attitudes towards pets, we've seen a growing number of pet owners who are keen on providing their pets with a high-quality lifestyle, as pets are playing an increasingly important role in people's lives. We believe that Chinese consumers still possess significant demands of pet food products, particularly for the high-quality pet food.

We plan to continue investing and expanding in Chinese market. In June 2023, we established our China office in Shanghai, signifying our commitment to exploring new partnerships, and identifying more market opportunities. In the coming year, we will remain actively engaged in the Chinese market and dedicated to meeting the needs of Chinese pet owners.

China Daily: Are you confident for the Chinese economy in the long run? How would you rate your confidence in the Chinese economy on a scale of 1 to 10? What do you believe are the positive factors driving China's economic development?

Jamie: I have great confidence in the Chinese economy (9/10). China has maintained rapid economic growth over the past decades and has become one of the world's largest economies. The government commitment to economic reform,

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innovation, and infrastructure development has achieved remarkable success. Focusing on the pet food market, pet food achieves more than half (50.7%) of the overall pet consumption market. This reflects the rise of the new economy and new consumer trends.

A significant characteristic of the Chinese pet market is the substantial proportion of young pet owners. They are independent, well educated, possess a strong willingness to consume, and pay close attention to what they are feeding their pets and making pet food decisions carefully. They are willing to pay more on high-quality pet food to provide better nutrition to pets. This has greatly contributed the development of the Chinese pet market.

Furthermore, Chinese market is increasingly emphasizing pet care and pet’s health awareness, which will continue to foster a positive development of the pet food market. Looking ahead, we anticipate more business opportunities in the pet industry, and we believe the pet market will continue to growth.

China Daily: What major challenges do you think China's economic development faces and needs to address? China’s economic policymakers have assured greater efforts to attract foreign capital, widen market access and ensure a level playing field for all kinds of companies (either Chinese or foreign companies; State-owned or private ones). In this context, what new policy measures do you expect from the Chinese authority in the near future?

Jamie: From a pet food brand perspective, as the Chinese economy continues to develop, it brings challenges for the pet food industry. More and more pet food brands are entering the Chinese market, providing consumers with a wider range of choices. To compete effectively in the market, brands need to remain agile, constantly innovate, adapt to market changes, and proactively respond to consumer demands. Furthermore, establishing a strong brand reputation and providing transparent product information are key factors in maintaining a competitive edge. We also look forward to having more policies that can support the development of the pet food industry.

China Daily: As China continues to pursue high-quality development through a Chinese path to modernization, what is your vision for your company’s business in the country in the long run? What business opportunities do you foresee emerging as part of this process (of Chinese modernization)?

Jamie: Our vision for our business in China market closely aligns with China's path to modernization. We aim to make a greater contribution to China's pet food industry to have a positive, responsible, and sustainable development.

We will continue to focus on Chinese market and the needs of Chinese pet owners with a consumer-centric approach. Additionally, we will continue to invest more resources on innovation and new product development, providing Chinese consumers with more and better pet food choices, and bringing joy and peace of mind to pets and pets owners.

Also, we will pay great attention to ESG. ZIWI takes pride in using only ethically raised meat and sustainably caught seafood ingredients.

China's modernization path is also driving significant changes in the pet economy. From a pet food brand perspective, we can see lots of opportunities within the market changes, such as the growing demand for high-quality products, and e-commerce platforms such as cross-border platforms and live streaming channels. By adapting to these market dynamics, we will have more opportunities in expanding our brand in the market.

China Daily: Could you share with us one or two of your successful business or personal stores in the process of growing with China?

Jamie:ZIWI’s growth in the Chinese market demonstrates how an overseas company is closely aligned with China's development. ZIWI is New Zealand's largest pet food brand established in 2002. Since entering the Chinese market in 2016, ZIWI has achieved steady and rapid growth, becoming the leader in the Chinese wet pet food market in just five years. An achievement like this is unique to the Chinese market and would be hard to replicate in other markets.

Firstly, with the significantly development of the Chinese economy and the improvement of people's living standards, pet owners have become increasingly willing to invest more on their pets' health and happiness. As an ultra-premium pet food brand, the ingredients we are using and the Peak Prey formula we are providing for dogs and cats perfectly meet the pets’ needs, offering pets high-quality nutrition.

China's internet development has also created more opportunities such as social media platforms, cross-border e-commerce and live streaming channels, and logistics services in the market enable us to introduce products into the market more efficiently and deliver products to consumers quickly. ZIWI caught these opportunities that China's modernization path provided, so we had the chance to achieve such rapid growth.

New Zealand Business Roundtable in China | 新西兰中国商业圆桌会

About Us

The New Zealand Business Roundtable in China is a non-profit organization that brings together industry, corporate, and individual members who share a common interest in the success of the New Zealand/China trading relationship. Our goal is to promote mutual business interests and advance key trade sectors in the New Zealand and China trade relationship.

As a collaborative network of key business and government leaders in the New Zealand-China relationship, we strive to be the leading voice and advocate on New Zealand-China trade matters. Our members represent a wide range of sectors from New Zealand, including food and beverage, services, cosmetics, technology, travel, HR, FMCG, health, and more.

In the past few years, NZBRiC has focused on collaborating and supporting NZ businesses and their teams through various challenges created by ever-changing responses to the pandemic. From 2023, we have moved into our post-COVID recovery phase with an emphasis on advocacy, representation, and providing insights to our members. We are dedicated to advancing the interests of our members and promoting a successful New Zealand-China trading relationship.

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Email: information@nzbric.com
Website: www.nzbric.com

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Digital Marketing Specialist

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Co-CEO, Becty Yan: becty@umssocial.com
Website: umssocial.com