NEW ZEALAND BUSINESS ROUNDTABLE IN CHINA

QUARTERLY INDUSTRY REPORT

CHINA, QUARTER 2 2024

A quarterly report featuring valuable insights into China-specific industries from NZBRiC member companies operating in the region

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EDITORIAL TEAM

Publisher	The New Zealand Business Roundtable in China
NZBRiC Chair	Mark Anderton
NZBRiC Executive Director	Anna-May Isbey

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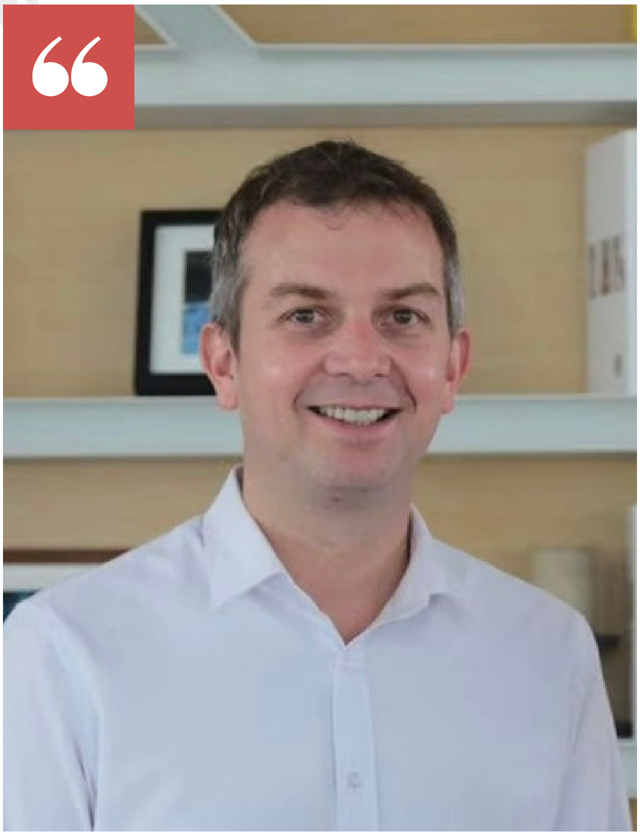
MESSAGE FROM OUR CHAIR



MARK ANDERTON

NZBRiC Chair

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 second 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

04 CHINA: GDP FORECAST UPGRADED, TRAJECTORY UNCHANGED

RAYMOND YEUNG
Chief Economist, Greater China
ANZ Bank

ZHAOPENG XING
Senior China Strategist
ANZ Bank

ANZ 澳新银行

CHINA: GDP FORECAST UPGRADED, TRAJECTORY UNCHANGED

- **We revise our China GDP forecast for 2024 and 2025 to 4.9% and 4.5%, respectively, as Q1 GDP (5.3%) was higher than our previous forecast (4.6%).**
- **We continue to see a two-speed economy, with exports outperforming in H1 2024 and domestic demand staying weak throughout the year.**
- **We expect the People's Bank of China (PBoC) to cut interest rates by 10bp (previously 20bp) as growth momentum picks up and the exchange rate remains a cause for concern.**

EXTERNAL RECOVERY SUPPORTS THE GROWTH FIGURE

China reported 4.2% nominal and 5.3% real growth in Q1 2024. The GDP deflator is estimated to be -1.0% compared to -1.4% in Q4 2023. The seasonally adjusted quarter-on-quarter figure rose to 1.6% from 1.2% in Q4 2023, suggesting a significant gain in growth momentum.

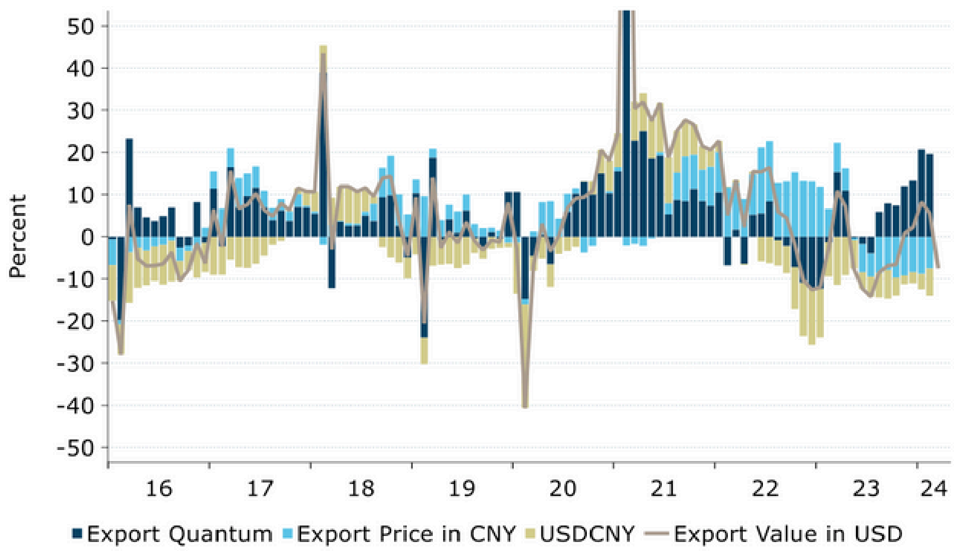
The recovery in external demand explains the improvement in growth. China's export value increased 4.9% y/y in yuan terms in Q1 2024, while the export price dropped about 8%. The implied export quantum surged about 13% in Q1 2024 (Figure 1). We estimate net exports contributed 1.0ppt to Q1 GDP growth (versus -0.6ppt in 2023).

The 7.5% fall in export value in March 2024 was mainly due to the high base last year and the "workday effect". In March 2023, pent-up demand after China's reopening post the Lunar New Year holidays created a 10.9% spike in shipments. Also, March 2024 had 21 working days, two days fewer than March 2023. The daily average export should grow 1.3% y/y after the workday adjustment.

In the near term, China's growth momentum will rely on external demand. The semiconductor cycle is recovering. Our preferred leading indicator for North Asian exports, Apple's share price, suggests China's exports will rebound to 10% in the next few months (Figure 2).

However, the improvement in external demand will be offset by weakness in domestic demand. We see 2024 GDP at 4.9%, 0.3ppt lower than 2023. GDP is likely to rise by 4.5% in 2025. The trajectory remains downward.

Figure 1. China's export value breakdown: quantum, price and USDCNY



Source: GAC, CCS, NBS, Bloomberg, Macrobond, ANZ Research

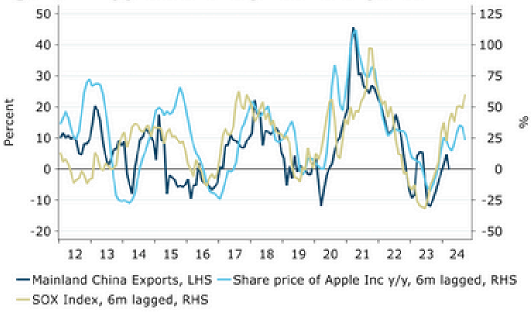
DOMESTIC DEMAND WILL STAY WEAK

Our view on China's domestic demand remains unchanged. Property investment and sales plunged 9.5% and 27.6%, respectively in Q1 2024, with no sign of improvement (Figure 3). New home prices fell 2.7% in March 2024. Due to the negative wealth effect, both domestic consumption and investment are likely to underperform.

We estimate the property downturn will drag GDP growth by 0.3ppt in 2024. Property investment is expected to drop 12% this year. In the first three months, new projects dropped 27.8%. This will reduce the number of projects under construction in subsequent months, while the home delivery policy will set a floor for the project completion. Property investment activity will reduce further.

In our previous note, we highlighted that property rental yield being high enough to cover the mortgage interest is a sign of the property cycle bottoming out. Currently, average rental yield in top-tier cities is 1.5%, much lower than the average mortgage rate of 4.0%. From an investment perspective, a large adjustment of property prices or mortgage rates will be required to bring back homebuyers.

Figure 2. Apple's share price vs exports



Source: Bloomberg, Macrobond, ANZ Research

Figure 3. Property investment and property under construction

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

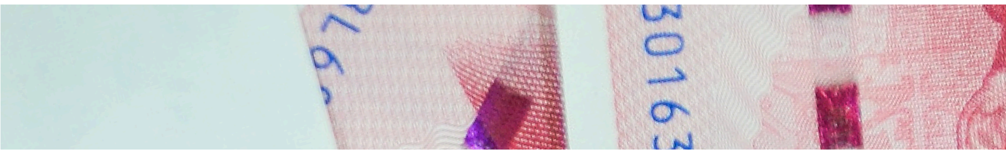
POLICY WILL BE MORE SUPPORTIVE

The weakness in domestic demand revealed in the Q1 2024 data is not consistent with the preference of Chinese policymakers. The economic blueprint of the current leadership is to use 'domestic circulation' to replace 'external circulation,' as China wants to promote self-sufficiency. Retail sales increased 4.7%, while fixed asset investment grew 4.5% in Q1 – both below the 5% mark.

The year 2024 is significant for policymakers: the People's Republic of China will celebrate its 75th founding anniversary in October. The 3rd plenum of the 20th Central Committee will likely be held this year, but the date has not been announced yet. The economic policies to be announced at this meeting will tend to be reform- oriented (such as deleveraging) and may not be consistent with the short-term policy narrative (宏观政策取向一致性).

Against this backdrop, authorities will likely increase policy support in Q2 and Q3 2024, aiming to cement 5% GDP growth. A significant change in policy tone at the Q1 Monetary Policy Committee meeting was the removal of "cross-cyclical adjustment". We will watch April's Politburo meeting for any further stimulus.

China will rely on the fiscal policy going forward. As the timing of US interest rate cuts remains uncertain, capital outflow pressure is still strong. Concerns around the RMB exchange rate will constrain the intensity of monetary policy. We reduce our rate cut call to 10bp this year from 20bp. To offset the government bond supply peak in Q2 2024, the PBoC is expected to inject sufficient liquidity through a 50bp cut to the Required Reserves Ratio or proactively buying Treasury bonds via open market operations.



07 CHINA: RETHINKING PBOC'S TRANSACTION BOND

RAYMOND YEUNG
Chief Economist, Greater China
ANZ Bank

ZHAOPENG XING
Senior China Strategist
ANZ Bank

ANZ 澳新银行

CHINA: RETHINKING PBOC'S BOND TRANSACTION POLICY

- **In our view, the People's Bank of China (PBoC) will likely trade treasury bonds. It is not a move towards quantitative easing (QE), but a structural reform in China's monetary policy that aims to rebalance the role of capital market compared to banks.**
- **Unlike commercial banks, the capital market can allocate monetary resources to emerging industries more effectively. Securities brokers' participation in the open market operation (OMO) will serve this purpose.**
- **The PBoC's participation will not add downside risk to the bond curve. The central bank prefers to align the real interest rate with the potential growth rate so that policy stance remains prudent and conventional.**

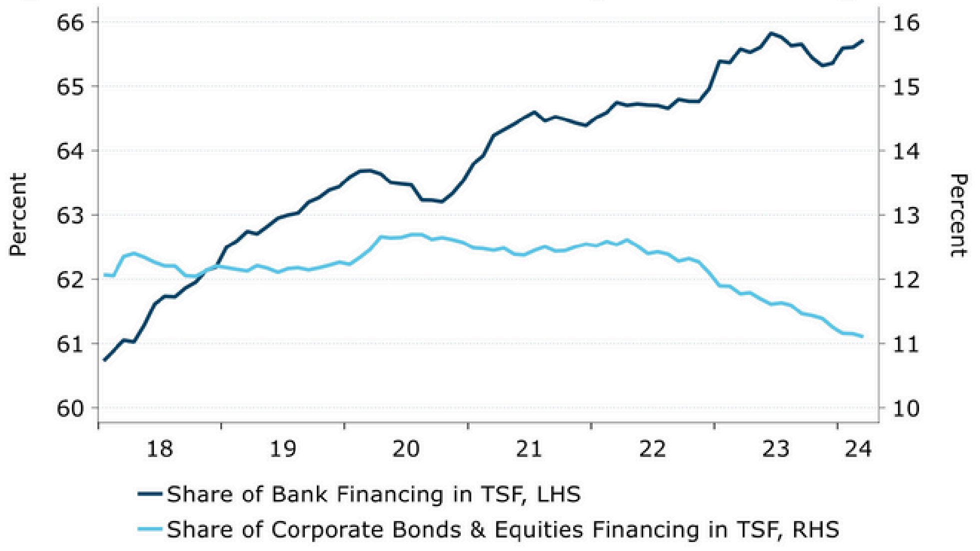
THE BACKDROP: LOANS VERSUS SECURITIES

China is going to reform its monetary policy framework by restarting the PBoC's outright bond transaction in OMO. It was first disclosed in a resurfaced speech by President Xi and then confirmed by both the PBoC and the Ministry of Finance recently. The reform also echoes the direction of high-quality financial development set by the policymakers at the Central Financial Work Conference in 2023.

The move indicates that the policymakers want to rebalance the role of banks and capital market in the financial system. China is heavily dependent on commercial banks and loan issuances for money supply now. With the money multiplier high at 8.0 and M2 over CNY300trn, large-scale bank credit expansion is not as effective as before to boost growth.

Meanwhile, the role of securities market has shrunk in the past few years. The share of corporate bonds and equities in total social financing (TSF) has fallen to 11.1% as of March 2024 (Figure 1). The stock routs in the past few months suggests that the market has very limited liquidity support from the PBoC. Many IPOs were delayed or cancelled, which contradicted President Xi's wish to boost China's "New Productive Forces" utilising the "financial powerhouse".

Figure 1. The role of securities in corporate financing has declined



Source: PBoC, Bloomberg, Macrobond, ANZ Research

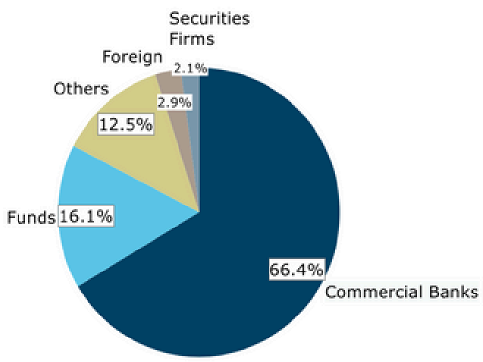
SECURITIES FIRMS AS MONEY BROKERS

- **China's monetary base injection was reformed in 2015. Before 2015, high-powered money was mainly allocated to export-oriented enterprises, which earned USD from overseas and converted their earnings into local money supply. After 2015, the injection has changed to required reserve ratio (RRR) cut or pledged reverse repo operation.**

- **According to the rules, the PBoC chooses different counterparties for different OMO tools. Repo/reverse repo is restricted with depository institutions, while cash bond transactions will be a priority for bond market makers. Due to the 20-year-long pause in bond transactions, there are only two securities firms (versus 48 commercial banks) in the PBoC's primary dealers list. Contrarily, in the US, most prime dealers of NY Fed are securities firms.**

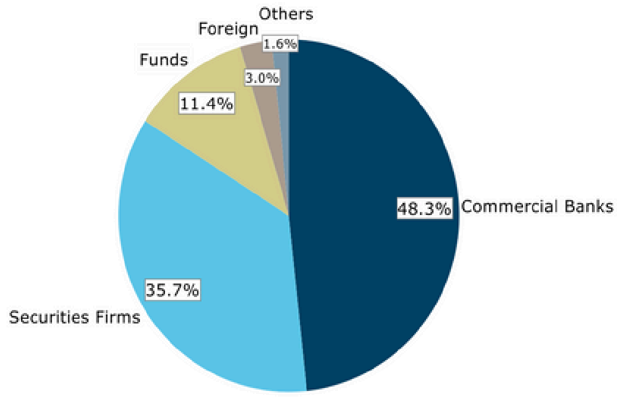
- **We expect the PBoC to add more securities firms to OMO primary dealers list, which may be updated later in May 2024. Securities firms trade bonds more actively and competitively than commercial banks. In Q1 2024, securities firms contributed 35.7% to the bond trading volume despite their limited share of holdings at 2.1% (Figure 2 and 3).**

Figure 2. Bond holding by investor (March 2024)



Source: CCDC, Bloomberg, Macrobond, ANZ Research

Figure 3. Bond trading volume by investor (Q1 2024)



Source: CCDC, Bloomberg, Macrobond, ANZ Research

The PBoC's bond transaction with securities firms will pump liquidity into China's capital market. Securities firms are less risk-averse in asset allocation than commercial banks. They will be able to serve China's emerging sectors, while commercial banks have a strong preference for the large state enterprises and real estate collateral. Their participation will be more effective in improving the monetary transmission into the capital market.

MARKET IMPLICATIONS

- **The PBoC's participation will not add downside risk to the bond curve. The policymakers prefer to align China's real interest rate with potential growth rate. On 24 April, the PBoC warned that the long-dated yields could not be too low. It will be likely for the PBoC to intervene on the yield curve by two-way bond trading, if some tenors are out of the comfortable ranges.**

- **Equity performance will become an important reference for monetary policy. The money injection into capital market will increase market stability and help IPO activities.**

- **The liquidity stratification or money market fragment will ease. We expect the funding cost gap between China's exchange-traded market and the interbank market to narrow.**

- **President Xi's bond transaction comment does not refer to QE. China's securities market remains premature for monetary policy transmission at this moment. There will be a long distance for the PBoC to add QE into its crisis toolbox.**

10 CHINA'S PROPERTY RESCUE PLAN: FUNDAMENTALLY UNCHANGED

ZHAOPENG XING
Senior China Strategist
ANZ Bank

ANZ 澳新银行

CHINA'S PROPERTY RESCUE PLAN: FUNDAMENTALLY UNCHANGED

- **We estimate the new rescue plan released on Friday, 17 May, could provide CNY4.8trn funds for unfinished presold projects. The effort can stabilise the financial position of construction projects.**
- **However, the future of the demand side remains uncertain as rental yield is too low to induce buying. Property purchase by local governments will put a price floor and prevent yield adjustment.**
- **The policymakers have positioned affordable housing to serve the most of housing demand. The private sector will play a secondary role and cater to quality upgrading.**

WHAT ARE THE MEASURES LISTED IN THE NEW RESCUE PLAN?

The new policy package aims to collect money for the battle against unfinished presold projects:

- Whitelist financing: Local governments will add as many unfinished presold projects to the financing whitelist as possible (应进尽进), and commercial banks will lend to the whitelist projects as much as possible (应贷尽贷).
- Government purchase: Local governments can buy existing unsold projects on demand (按需定购) at reasonable prices via local state-owned enterprises. CNY300bn relending for public housing and CNY100bn relending for rental housing will support local governments to do so. The CNY500bn pledged supplementary lending in Q1 2024 can be used for this purpose as well.
- Land reutilisation: Undeveloped land can be sold back to local governments. Unfinished unsold projects can be resold to other developers.
- Household purchase: The floor of down payment ratio has been reduced to 15% from 20% for a first home and to 25% from 30% for a second home. Meanwhile, housing provision fund lending rates were cut by 25bp. Local authorities can decide the mortgage rates.

WILL THE NEW RESCUE PLAN COLLECT SUFFICIENT MONEY FOR THE BATTLE?

The new rescue plan will provide sufficient money for the battle. The authorities should be confident about the financing support. The financing demand and supply have been calculated carefully over the past several months by a joint workforce of different ministries.

In our previous note, we estimated the breakdown of China's property construction sector: 2.4bn m2 unfinished presold, 2.7bn m2 unfinished unsold, 0.3bn m2 existing unsold and 2.0bn m2 land reserves owned by major developers as of 2023.

The policy package targets 2.4bn m2 unfinished presold projects, which will likely need CNY4.8trn funds to complete, assuming CNY2,000/m2 construction cost.

We expect that whitelist financing will lend CNY2.4-3.6trn. Around CNY900bn has been offered to eligible projects as of last week. The policymakers will likely include all 12,000 projects that applied for the whitelist. We expect most of them will be accepted soon. The policy allows local governments to buy at most 0.3bn m2 finished unsold projects, which could provide another CNY1-3trn to developers. The rest can be mitigated by land reutilisation.

WILL THE RESCUE PLAN CHANGE THE PROPERTY OUTLOOK?

The impact of the rescue plan will be mixed. Under the destocking plan, the government is virtually a single buyer acquiring the existing inventory and redistributing to potential buyers who are financially insufficient or unwilling to buy at the prevailing price. Our view is that the rescue plan will be sufficient to stabilise the market outlook on the supply side, but the demand-side measures are insufficient.

On the supply side, the battle against unfinished projects will reduce excessive commodity housing supply significantly. Developers will receive funds to accelerate the process of home delivery. Some unsold existing projects will be turned into public housing units. The authorities have prohibited new land sales in cities with inventory- to-sales ratio higher than 36 months.

On the demand side, however, the outlook will be uncertain. We maintain our view that China's housing demand can bottom out if the average housing rental yield is higher than the mortgage rate. The rescue plan scraps the floor of mortgage rates. Yet, it will be hard for commercial banks to cut mortgage rate to 2.0% immediately because mortgages contributed CNY1.5trn to their CNY2.3trn net profits in 2023.

The structural adjustment of China's property sector will last longer, as both economic growth and demography have passed the peak. The outlook for household earnings is constrained by the macroeconomic prospect. Particularly, the shrinking demand and supply will result in a big contraction in property investment in the next few years. We maintain our view that property investment will drop 12% and drag China's GDP growth by 0.3ppt in 2024.

WHY HAVE THE POLICYMAKERS LAUNCHED THE NEW RESCUE PLAN NOW?

The policymakers recognise the urgency to prevent an outright property crisis. The slow pace of policy rescue has resulted in the deterioration of developers' cash flow. The Vanke saga suggests that no developer can survive the crisis. The new rescue plan demonstrates the policymakers' resolution to turn things around.

The external environment has become increasingly challenging with the US government introducing Section 301 tariff on some Chinese products last week. The EU will likely follow suit. The upcoming US presidential election will likely affect decision making. We estimate Trump's proposed 60% tariffs could affect China's growth rate as much as 0.9%. The policymakers will have to fix the property problem and rely on domestic drivers to boost growth.

China's Third Plenum to be held in July 2024 will likely announce more details of the new property development model. The Ministry of Housing and Urban-Rural Development has already stated that affordable housing will be the main tool to serve housing needs. The private sector will play a secondary role to cater the demand for quality upgrade only.

WHAT ARE THE IMPLICATIONS OF LOCAL GOVERNMENTS' PROPERTY PURCHASES?

We expect local governments' involvement will have the following outcome:

- **Completion of unfinished projects: With relending support from People's Bank of China (PBoC), local governments will be able to transfer funds to developers to help them complete unfinished projects.**

- **Stop the downward spiral: The purchases will set a price floor for housing prices, which will stabilise households' expectation and avoid further sell-off. The price consensus will stop the downward spiral of price and volume. It can also explain why the PBoC cut the down payment ratio to 15%, the lowest in the history.**

However, executing the home purchasing plan will strain local governments' debt levels. The fiscal capacity of local governments has been reliant on land sales and property developments in the last few decades. The coming fiscal and tax reforms will likely rebuild the relationship between the central and local governments. Property tax is expected to be discussed before the Third Plenum by the leadership soon.

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15 Q2 REVIEW OF NEW ZEALAND BUSINESS IN CHINA

DAVID BOYLE

CEO of Primary Collaboration New Zealand

Board Member at NZBRiC

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

Greetings.

April began with the Qing Ming ('Tomb-sweeping') holiday and ended with the May 1st Labour holiday. Our PCNZ brands, and in fact all NZ exporters we associate with in China, have been working hard to ensure the shelves and warehouses are fully stocked in anticipation of shoppers catching up on some holiday-fueled retail therapy. If the number of people in the malls was any indication, including in the second and third tier cities we have visited, (Hefei, Changsha, Chengdu, Anji) purchase inclinations are still strong, but the numbers suggest spending is cautious. We are still seeing strong themes of pragmatism, and prudent spending.

We were very pleased to host New Zealand's Trade Minister, Todd McClay in the PCNZ offices, along with NZ Ambassador to China Grahame Morton, MPI's Deputy Director General, Charlotte Austin, Shanghai Consul General Ardi Barnard, and Trade Commissioner Richard Dunsheath. (And their teams, pictured). From our team, Jacky Qin (the Apple Coalition), Felix Shen (Deer Industry NZ) and Alberto Diaz each presented short case studies to Minister McClay, to impart a cross-section of our SME businesses work, and key issues facing NZ exporters to China. The honorable Minister asked good questions, and assured the whole team that our NZ Government is firmly supportive of our export work, as NZ aims to double sales 'value' in the next 10 years.

Recent meetings with Zespri, ANZCO, Tatua and Fonterra senior managers reveal a number of consistent themes. There is high inventory of fresh produce in market, supplied both locally, and from international importers. Zespri is competing for 'share of mouth' with Yunnan blueberries, Thai Durian, as well as locally grown Kiwifruit, and is seeking to grow >40% in 2024. Zespri's China CEO Michael Jiang made an insightful observation about the delicate balancing act between growing Volume and growing Value in a very competitive market. In the beef and lamb sector, ANZCO sees stronger pricing for their beef in USA, which makes for difficult choices when supplying China, which is another Volume / Value conundrum. Beef prices are much stronger in North America, given a drop in supply there. They also see strong competition from local supply of Chinese lamb.

In the dairy sector, Fonterra is seeing a glut of infant and adult milk formula in market, supplied by the local dairy behemoths Mengniu, Yili and Yashili, and is diversifying its product development into cheese, ice cream, yoghurt, and ingredients for food services channels. And their big recent news is the recent announcement to consider the sale of its retail brands, which caused a ripple in dairy circles. Fonterra's China CEO Teh-Han Chow reported there are a number of options on the table regarding the sale, but there is a long way to go before any final decision is made. The first offers to purchase Fonterra's brands were unsolicited. Tatua is reporting strong growth with its Mascarpone products, which are selling well into food service channels, and so they are hiring new staff to support business growth. Good to hear positive news from Tatua. So, it's a sea of contrasts; some good signs, and some weaker. High Inventories, strong competition, and the contrasting fortunes of different channels, require nimble management.

One startling statistic in McKinsey's April report, was that total household savings from 2020 - 2023 increased by 56 trillion RMB (USD 7.8 trillion), more than the entire retail sales in China in 2023, of 47 trillion RMB. China's household savings rate is 31.7%, versus 13.0% in Europe, and 3.9% in USA. Summarily, Chinese households have money, but are not spending it.

Despite holding significant amounts of cash on hand, confidence has been soft amongst consumers, largely on the back of uncertainty about a clear government policy, especially in relation to the real estate market. Property sales continued to decline 22.8% in April, after the 18.3% drop in March.

However, on April 30th, just prior to the May Labour holiday, two important announcements gave a glimmer of hope. Firstly, the government announced an intention to take a different approach to the property crisis, after acknowledging measures taken thus far have failed. Secondly it has scheduled the long-awaited third economic plenum (of each five-year term) for July, at which it intends to affirm a willingness to use both fiscal and monetary policy to bolster growth. Policy measures taken this far have relied on the traditional supply-side fiscal responses only.

April Retail sales growth decelerated to 2.3% growth YoY, down from 3.1% growth in March. (and missed expectations). The data appear to confirm that strong consumption in Q1 was in part the seasonal travel boom boost over the lunar new year public holiday.

Exports sales rose 5.3% after the 3.8% decline previously. Exports propelled a large part of China's economic growth in April, as domestic demand slowed in several sectors. Exports are the primary support to manufacturing growth and accelerated again in April. External demand appears solid across nearly every region; new export orders from the US and Europe, suggest that exports will continue to lift overall industrial output going forward.

Core CPI increased to 0.7% from 0.6%, a small signal that prices improving somewhat. Our New Zealand exporters are looking for stronger price strength, as we approach the middle of the year, with key selling points upon us now. However, domestic demand is weak in several areas. The well documented Achilles heel of China's economic weakness is the Property Sector, which shows little sign of improvement: housing sales declined in April from an already low level, while the fall in housing prices accelerated.

The unemployment rate declined and employment PMIs improved in April.
Manufacturing and infrastructure investment growth cooled, but probably not for long. The expansion of manufacturing capacity, supported by easier credit policies, and low inflation have supported a recent surge in China's exports, along with a weaker RMB, and lower prices. Western officials have recently delivered a series of warnings to Chinese leaders about the global implications of their low prices and government supported supply-side policies. China rejects the dumping accusations, stating that manufacturing efficiencies in the West are in decline. Rival policies are producing 'protectionist' reactions. Government bond issuance is picking up; a further 360 billion RMB in special purpose bonds were issued in May, and will fund more spending on housing infrastructure.

NZ Visitors to China. We have thoroughly enjoyed the steady stream of visitors from NZ, from all of our shareholders and members. The very best way to navigate the somewhat choppy waters of the Chinese business environment, is to be here and experience first-hand the market situation. We will continue to encourage and support our NZ shareholder and members to visit.

Warm Regards,
David

18 OVERVIEW OF AMENDMENTS TO THE NEW COMPANY LAW

ROCKY MENG

Founder of Sparks Partners

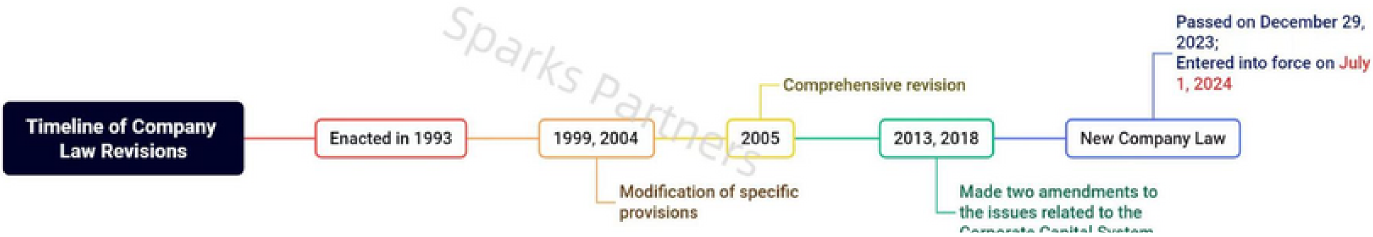
Vice-Chair of NZBRiC

SPARKS PARTNERS

上海辉岩律师事务所

INTRODUCTION

On December 29, 2023, the 7th session of the Standing Committee of the 14th National People's Congress approved the amendment of the Company Law. The new Company Law will come into effect on July 1, 2024. This amendment is the sixth revision since the enactment of the "Company Law" in 1993 and is considered the most substantial revision thus far (the following picture is the timeline of the Company Law revisions).



REVISION BACKGROUND

In relation to the existing Company Law (referred to as the "Current Company Law") in China, due to its long period of enactment, many provisions and regulations can no longer adapt to the development and reforms of the present era, where some sections and clauses are relatively outdated and insufficient. Therefore, it is necessary to revise the Current Company Law to create a more favorable business environment, address the loopholes in the previous legislation, strengthen corporate governance, and provide more suitable legal frameworks and protections for businesses.

OVERVIEW OF AMENDMENTS TO THE NEW COMPANY LAW:

This amendment specifies the following key changes (list is not exhaustive)

1. **the maximum period for the subscribed capital to be paid in, being five years;**
2. **clarifies the system for maintaining capital by accelerating contribution deadlines,**
3. **urging prompt payment of capital by the board of directors, and forfeiting shareholder rights;**
4. **strengthens the responsibilities and obligations of directors, supervisors, and senior management personnel;**
5. **optimizes company structure and corporate governance...**

This article will provide explanations and discussions on some key amendments under the New Company Law.

FIVE YEAR CAPITAL CONTRIBUTION RULE UNDER THE NEW COMPANY LAW

1.KEY POINTS REGARDING THE CHANGE IN THE MAXIMUM FIVE-YEAR PERIOD FOR CAPITAL CONTRIBUTIONS IN THE NEW COMPANY LAW

(1) The new Company Law explicitly mandates that limited liability companies have a maximum capital contribution period of five years.

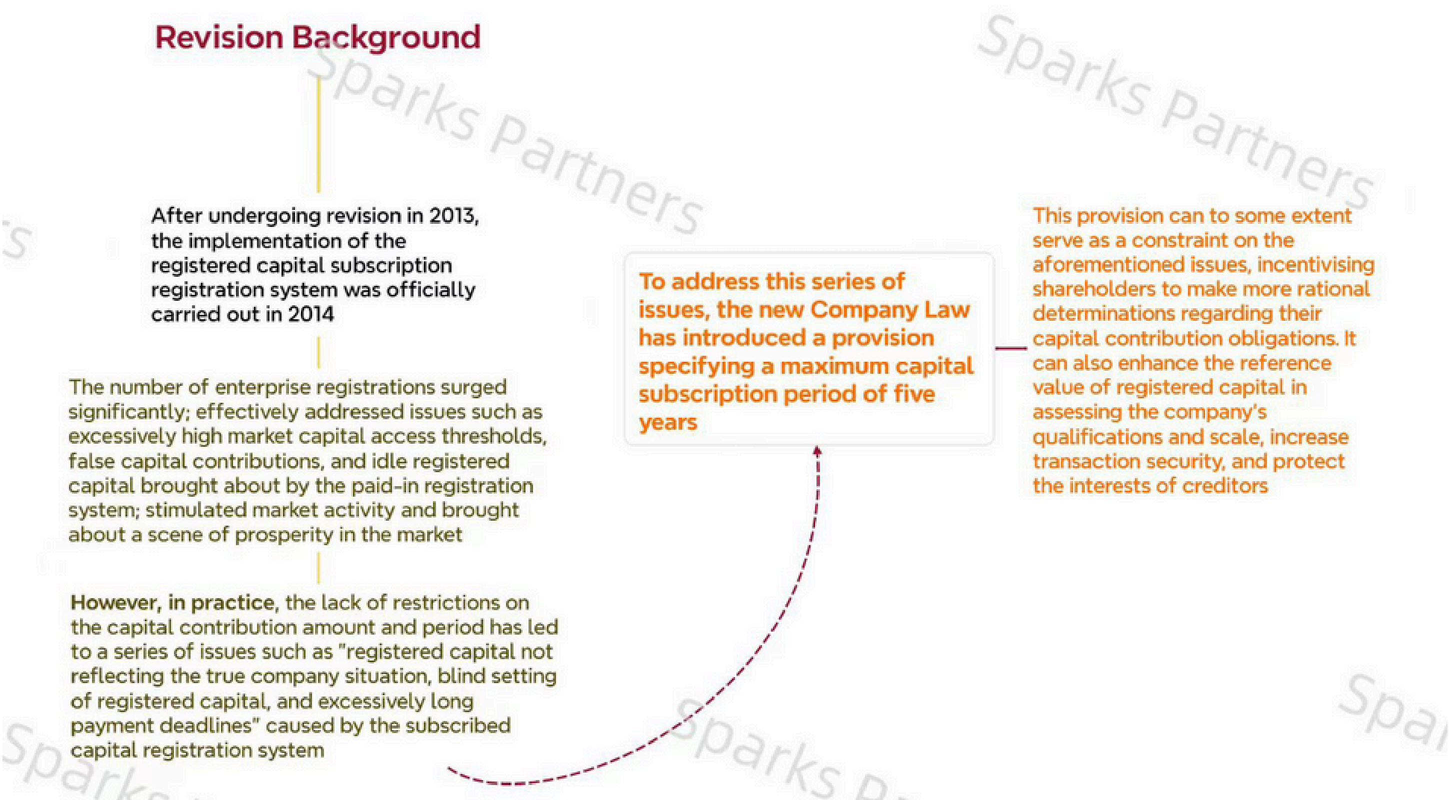
(2) For companies that have already been established, if the contribution period exceeds the new statutory period, it should be gradually adjusted to a five-year capital contribution period.

(3) In cases where the contribution period or amount is significantly abnormal, the registration authority may require timely adjustments in accordance with the law.

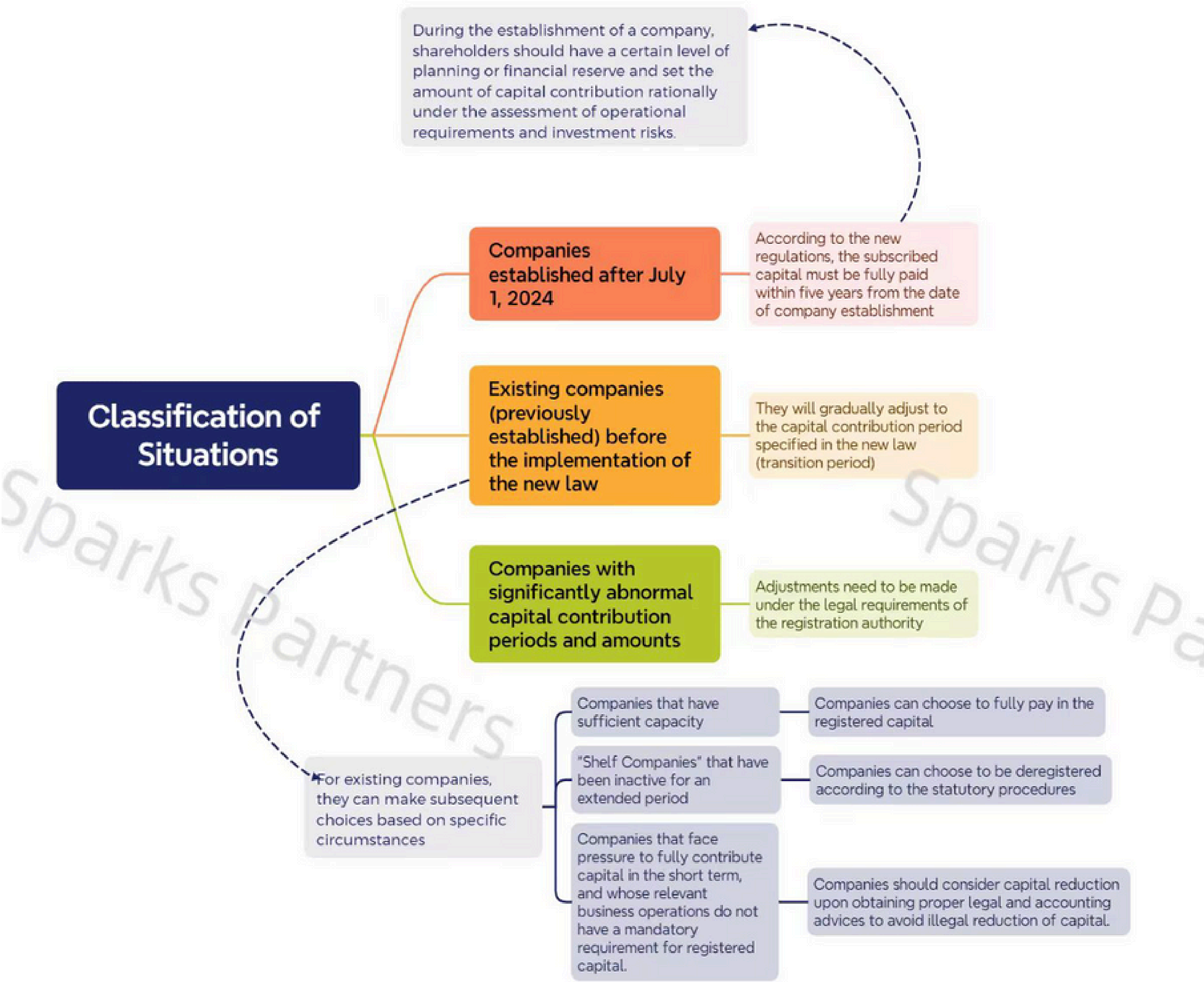
SPARKS TIP

Maximum capital contribution period is five years. Existing companies are required to gradually adjust their contribution period to five years (with a transition period of three years as provided in the "Draft Opinions"). Please closely monitor the release of the final implementation rules.

2. REVISION BACKGROUND



3.DIFFERENT RESOLUTIONS THAT ENTERPRISES MAY CURRENTLY FACE UNDER THE NEW CAPITAL CONTRIBUTIONS RULE



ACTUAL CAPITAL CONTRIBUTION, CAPITAL REDUCTION AND DEREGISTRATION

1.Actual Capital Contribution

In addition to the traditional forms of capital contribution such as currency, assets, and intellectual property rights, the new Company Law incorporates provisions from the "Detailed Rules for the Implementation of the Regulations on the Administration of Market Entities", explicitly stating that shareholders of limited liability companies can contribute capital in the form of equity and debenture.

2. Capital Reduction

(1)Requirements for pro rata capital reduction:

In principle, a company shall reduce its registered capital proportionally according to the contributions made by shareholders or the proportion of their shareholdings, except where the articles of association provide otherwise.

(2)The simplified capital reduction (formal capital reduction) system is clarified, which allows for the offsetting of losses through capital reduction when a company still has losses after using its accumulation fund to cover them. This type of capital reduction does not require individual notification to creditors, nor does it require the repayment of debts or the provision of guarantees upon creditors' request (because the formal reduction does not result in a decrease in the company's assets). However, there are certain limitations to this capital reduction:

- **It shall not be distributed to shareholders, nor shall it exempt shareholders from their obligations to contribute capital or pay for shares.**

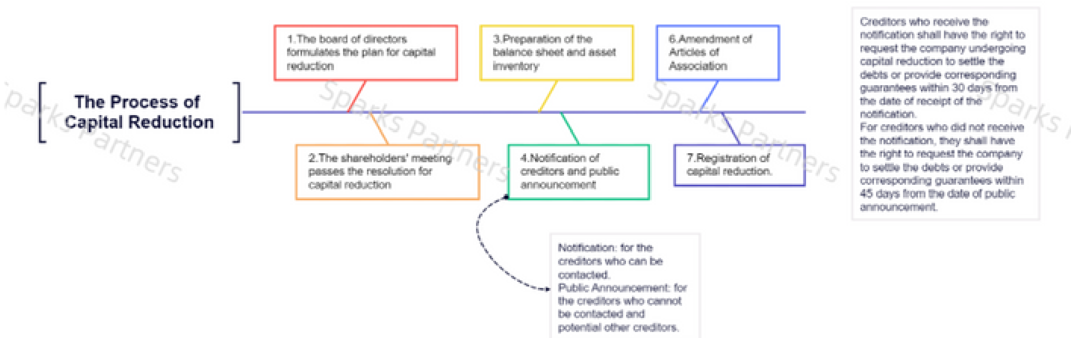
- **Profits shall not be distributed until the cumulative amount of the legal accumulation fund and optional accumulation fund reaches fifty percent of the company's registered capital.**

Note: According to the current provisions of the new Company Law, this capital reduction provision only applies to enterprises that still have losses after using accumulation funds to cover them.

(3)Civil Liability for Illegal Capital Reduction is Clearly Specified:

- **Shareholders shall refund the funds they have received, and the reduction or exemption of shareholders' contributions shall be restored to their original state.**
- **Shareholders, as well as directors, supervisors, and senior management personnel who bear responsibility for causing losses to the company, shall be held liable for compensation.**
-

If a company needs to reduce its capital due to excessive registered capital and is unable to make the actual payment within a short period of time, it would still be considered a substantial capital reduction and would not be eligible for the simplified capital reduction provisions introduced in the new Company Law mentioned above. Currently, the following procedures are required for substantial capital reduction:



(1) In conjunction with other relevant legal provisions, provisions for simplified deregistration have been added.

Simplified Deregistration	
Premise	The company has not incurred any debts during its existence, or all debts have been fully settled (subject to a commitment from all shareholders).
Procedure	By publishing a notice on the National Enterprise Credit Information Publicity System for a minimum of 20 days, if there are no objections, the company can apply for deregistration with the company registration authority within 20 days.
Shareholders' Liability	After the company is deregistered through the simplified procedure, if shareholders fail to fulfill their commitments regarding the absence of debts incurred during the existence of the company or the full settlement of all debts, they shall bear joint liability for the debts prior to the deregistration.

2)The introduction of the compulsory deregistration system has been added, which helps eliminate a large number of "Shelf Companies" that exist in name only but are non-operational in the market.

Compulsory Deregistration	
Target Audience	Companies whose business licenses have been revoked, ordered to cease operations, or have been cancelled, and have failed to apply for deregistration with the company registration authority for three years
The Authority responsible for Compulsory Deregistration	The company registration authority
Procedure	After publishing a notice on the National Enterprise Credit Information Publicity System for a minimum of 60 days, if there are no objections, compulsory deregistration can be carried out

The compulsory deregistration does not affect the liability of the original company shareholders or liquidation obligors.

SPARKS TIP

Companies should consider their own circumstances. If a company faces financial pressure, it may choose to reduce capital. If a company is no longer operational, it may choose to deregister. However, it is important to ensure legality and compliance in these actions.

THE OBLIGATION OF THE BOARD OF DIRECTORS TO DEMAND PAYMENT AND THE SYSTEM OF DISQUALIFICATION OF SHAREHOLDERS

1.Duty of Enforcement

Currently, Article 13, Clause 4 of the Company Law only stipulates that directors who fail to fulfill their duty of enforcing capital contributions during the capital increase stage shall bear corresponding responsibilities. The recent amendment formally expands the duty of enforcement by directors from the "capital increase stage" to the entire process after the establishment of the company.

(1) How to enforce capital contributions?

- **Entity: Board of Directors (If there is no board of directors, the duty shall be fulfilled by the directors themselves; there is no "executive director" anymore under the new Company Law).**
- **Process: The board of directors/director shall issue a written notice of enforcement to the respective shareholders on behalf of the company.**

SPARKS TIP

If the shareholder fails to pay the registered capital on time, the director shall have the obligation to enforce capital contribution.

(2)Under what circumstances does director bear responsibility for failure to enforce?

- **Legal Liability: According to Article 51, Clause 2 of the new Company Law, directors who fail to fulfill the obligations (i.e., the duty of enforcing capital contributions) in a timely manner and thereby cause losses to the company shall be liable for compensation.**
- **Practical Elements: Based on relevant precedents, directors are required to bear legal responsibilities when the following elements are met:**

  a. **Directors' failure to fulfill the duty of enforcing capital contributions;**
  b. **Directors' fault;**
  c. **Company's actual losses; and**
  d. **Causal relationship between the losses and the failure to fulfill the duty.**

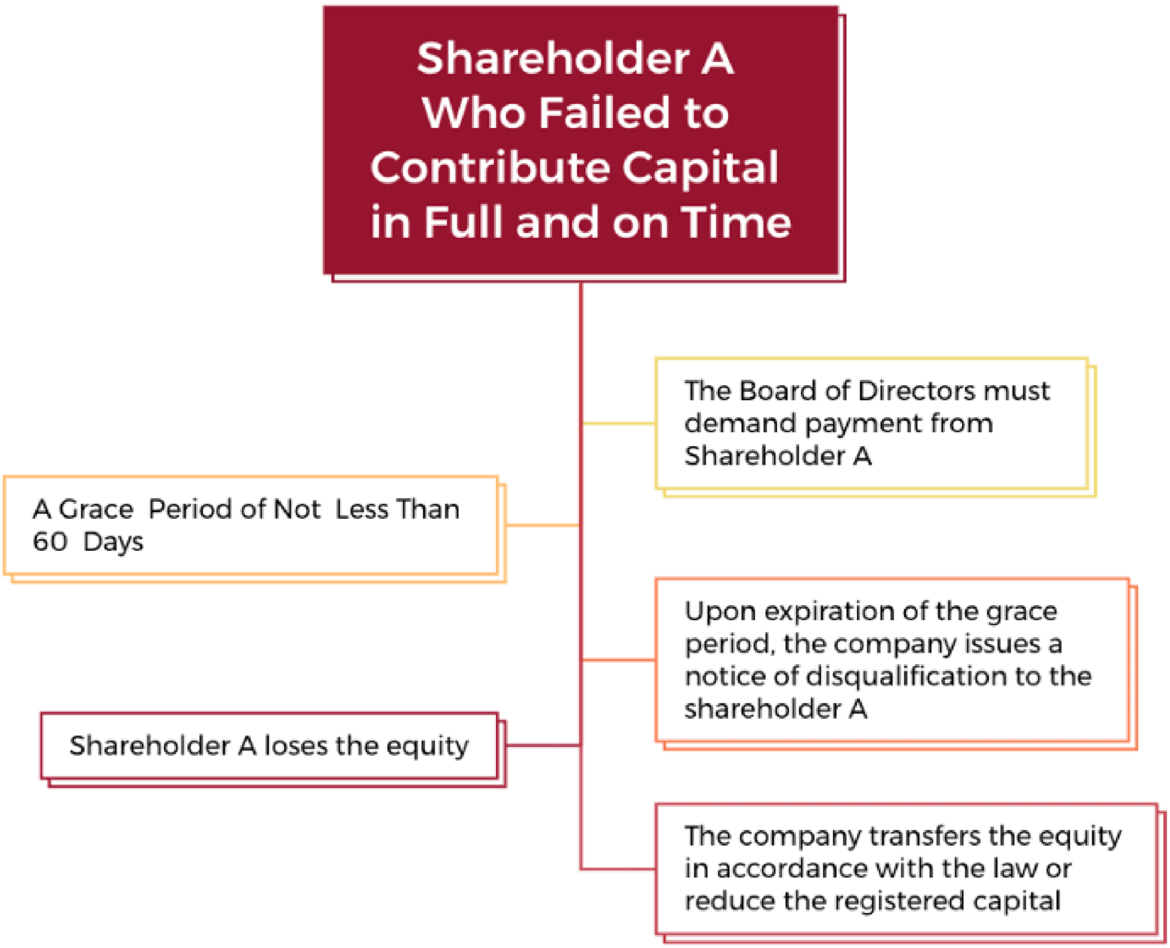
THE OBLIGATION OF THE BOARD OF DIRECTORS TO DEMAND PAYMENT AND THE SYSTEM OF DISQUALIFICATION OF SHAREHOLDERS

2.Disqualification System

The disqualification system originates from the "forfeiture of shares" system in the Anglo-American corporate law system, which refers to the confiscation of shares by the company's directors when shareholders fail to make the required capital contributions within the specified period. The disqualification system can result in the deprivation of shareholders' equity and have a significant impact on their interests. Therefore, according to the provisions of the new Company Law, the application of the disqualification system must meet the following requirements:

SPARKS TIP

If the shareholder fails to contribute the registered capital within the prescribed period, they may face the risk of losing their shareholder rights after being notified and urged.



SPARKS TIP

Recommendations for Shareholders

(1)Carefully determine the registered capital and fulfill the contribution obligations promptly

(2)Dispose of disqualified shares promptly

According to the requirements of the new Company Law, if the company fails to transfer or reduce the disqualified shares within a six-month period, the shareholder has an obligation to make the corresponding contributions in proportion to their capital contributions.

(3)Initiate legal proceedings for recourse after disqualification if you have objections:

Recommendations for Directors

(1)Fulfill verification and demand obligations in a timely manner and retain relevant evidence.

(2)Convene board meetings in accordance with the Company Law and the articles of association, and issue disqualification notices based on board resolutions

THE ACCELERATED CRYSTALISATION OF SHAREHOLDER LIABILITY

1.Background of the Revision:

After the third revision of the "Company Law" in December 2013, there was no longer a limit on the initial amount and duration of shareholder contributions. The system of fully paid-in capital was established, granting benefits to shareholders with contribution deadlines. However, in practice, there were many cases where the company's assets were insufficient to repay debts before the expiration of the shareholder contribution period.

2. Highlights of the Revision:

In this revision of the "Company Law," a new Article 54 is added, which states: "If a company is unable to repay its due debts, the company or the creditor whose debt has already matured has the right to demand that shareholders who have made subscribed contributions but have not reached the contribution deadline to make early payment of their contributions." Based on the establishment of the maximum period for subscribed contributions, the system of accelerated crystalisation of shareholder liability is formally established established. As long as the condition of "the company is unable to repay its due debts" is met, both the company and the creditors have the right to demand the accelerated crystalisation of shareholder liability . Therefore, there is no longer a need to prove that the company clearly lacks the ability to repay, and the scope of application of the "accelerated expiration of contributions" is expanded. The court also does not need to examine the company's balance sheet and make a substantive judgment on the company's ability to repay.

SPARKS TIP

If a company is unable to repay its due debts, the company or the creditor whose debt has already matured has the right to demand that shareholders who have made subscribed contributions but have not reached the contribution deadline to make early payment of their contributions.

27 TASTING THE FUTURE: SUSTAINABLE FOOD PRODUCTION IN CHINA

CLEO GILMOUR

Chair of the New Zealand China Council Sustainable Food Working Group

Ko Te Kaunihera o Aotearoa me Haina

New Zealand China Council

新西兰-中国关系促进委员会

When we think about "sustainability" and China, the world's largest greenhouse gas emitter is often perceived as the opposite. This attitude is extremely dangerous for New Zealand exporters, who risk remaining ignorant of the rapid pace at which China is implementing sustainable policy and business changes. Keeping abreast of policy signals is cruicial to enable New Zealand to position ourselves strategically to meet the evolving needs and requirements of our largest trading partner.

In 2023, the New Zealand China Council Sustainable Food Working Group released a research report offering insights into China's sustainable food policy. Following this, the Council and the North Asia Centre for Asia Pacific Excellence led a tour for current and emerging agri-food leaders to understand how policy shapes sustainable food production in the Chinese market. The tour provided valuable perspectives on China's food production and nutrition priorities, along with the opportunities and risks for New Zealand exporters.

China's unique challenges will shape a distinct path to decarbonizing the agri-food sector, a path driven by data, investment and government intervention, progressing at "China speed." The following are a number of my key takeaways from the week-long trip to China which I hope will inform Kiwi businesses on signals China is sending in relation to "sustainable food" priorities.

Food security will trump sustainability, at least in the short term

The importance of food security and its influence on food sustainability policy can be perplexing to New Zealanders who have visited China and experienced the convenience and abundance of food, often culminating in lavish banquets. A key finding from the NZCC report, and a recurring theme throughout the tour's meetings, was the emphasis on ensuring the safe and stable availability of food. Understanding the context of China's policymaking is crucial to grasping the differences in priorities regarding sustainability efforts.

China feeds approximately 17% of the world's population but has only 7% of the world's arable land and uses nearly four times the global average of pesticides. Unlike New Zealand, where the agri-food sector is the largest emitter, China's initial focus is on heavy industry and energy emissions. Combined with food security challenges, it is clear why Beijing appears to have a relatively light touch when it comes to food sustainability policy.

The concern around food security was evident at all the state-owned enterprises, government organisations, and businesses the study tour visited. The China Meat Industry Association revealed staggering meat consumption that puts New Zealand's production into perspective:

China would consume New Zealand's total annual meat production in less than a week.

AI generated image of the great wall of China, made out of meat

Although China's population growth has halted, lifestyle expectations are rising, especially in tier 3 and 4 cities where an emerging middle class is demanding more protein. "Eating well" is now as much of a consideration for food security as "eating enough." President Chen of the China Meat Industry Association noted, "China needs an estimated 250 million tonnes more meat every year to meet growing demand." This is equivalent to more than five times the weight of the Great Wall of China and presents huge opportunities for both traditional and emerging proteins.

The elephant in the margins

Dr. Ben Fath at the University of Auckland spoke to the group participants about looking to the margins rather than the markets to understand China's future direction. Nowhere was this statement more pertinent than in discussions surrounding food production and the potential for future protein technologies. As one COFCO employee mentioned, "China has a lot of knowledge and technology ready to release when the market is ready."

"A lot" in the context of China is an amount to be taken seriously. If we consider what China has achieved in industries such as electric vehicle uptake and mobile payment adoption, we start to understand just how quickly we might be looking at an entire step change happening in the blink of an eye. Similarly, "market readiness' in China can be hugely dictated by government intervention. While China currently faces similar ethical and "not natural" reservations about emerging protein technologies seen in New Zealand, the investment into understanding emerging protein and acceptance of new and traditional protein coexisting, is something New Zealand can learn from.

What can New Zealand learn from China's approach to protein?

The "alternative protein" discussion causes much polarisation in the New Zealand agrifood sector; however, it does not seem to create the same tension in China. Economic, cultural and historical differences have enabled plant-based and animal-based proteins to coexist for centuries; soy is still more commonly consumed than dairy, and tofu is as often found in a seafood hotpot as in a vegetarian dish.

In China, "alternative" proteins are referred to as "new proteins," reflecting an acceptance that traditional and new can coexist where both provide benefits. The Ministry for Agriculture and Rural Affairs shared examples of "blended proteins" being developed in the beverage space that bridge nutritional and consumer acceptance needs.

There is a growing recognition that developing food technology will require time and research. The study tour met with Christiana Zhu, founder of Marvellous Foods, who has been developing coconut-based products in China for over ten years. She is connecting with an increasing number of investors and entrepreneurs who understand the long-term vision and patience required for agrifood technology development. There is clear maturity in how the government and companies approach the long-term commitment necessary for food technologies to succeed.

Sustainability is still "With the marketing department," but not for long

At the retail level, sustainability efforts are still focused on consumer education. Premium brands such as Olé supermarket and INGKA group (the parent company of IKEA) are implementing initiatives aimed at encouraging customers to bring their own bags, recycle plastic bottles, and choose lower-carbon food items. Retailers' focus on sustainability will be driven by high-level policy and will will increasingly impact suppliers looking for shelf space

NZ Sustainable Food Group at INGKA, the parent company of IKEA

Olé Sustainable Marketing displays

New Zealand brands should consider how their sustainability credentials can assist Chinese trading partners in customer education and awareness—not just in sustainability, but in solving customer problems. Sustainability credentials alone are not purchase drivers for most Chinese consumers, but many of the related health and food-safety benefits are. Exporters should not underestimate the connection Chinese consumers have between the health of the planet and their own personal health. Food safety and quality are still top of mind when it comes to choosing what to eat, a space New Zealand leads in and should continue to leverage. Sustainability credentials can enhance the reputation of New Zealand products, and help us go beyond place-of-origin marketing to deliver on consumers' needs.

New Zealand companies that are not ahead of sustainability requirements today will likely find themselves left behind when China implements legislation. Policy signals surrounding food sustainability are already in their early days, and many Chinese companies are making moves ahead of national targets to remain competitive internationally. New Zealand exporters should keep a close eye on sustainable policy direction or risk being blindsided by new developments.

For more information on China's sustainable food policy, the full New Zealand China Council report Tasting the Future: China's Sustainable Protein Outlook can be found here

32 IS CHINA GOING TO BECOME THE BIG CHEESE?

JAMES ROBERTSON
Trade Strategy Manager Asia at Fonterra
Chair of the NZBRiC Dairy Industry Forum

Fonterra
Dairy for life
恒天然

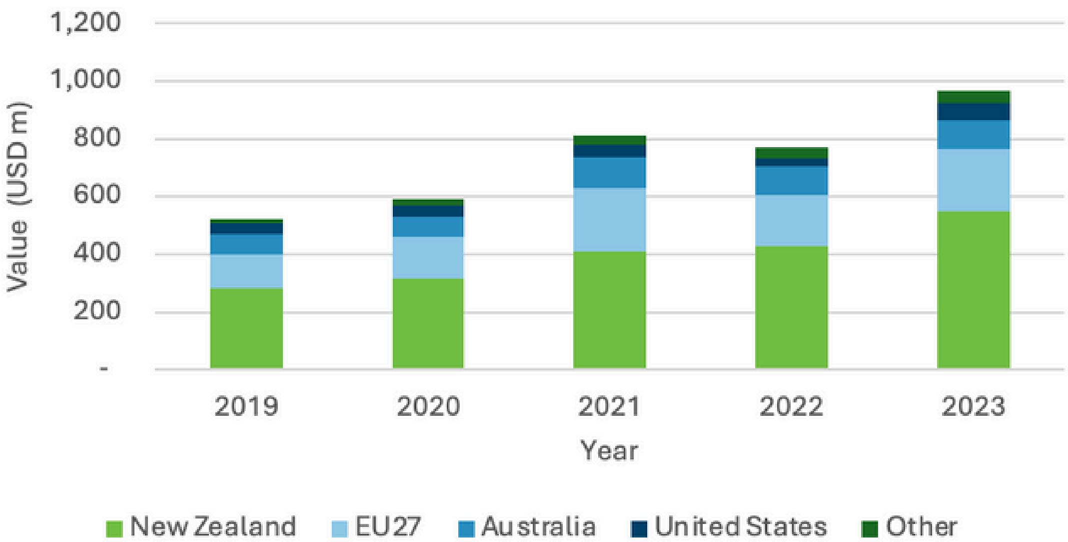
The value of New Zealand's dairy exports to China declined by 3.9% to NZD 8.0 billion in 2023 (NZTE1). This downward trend has been off the back of slower post-pandemic growth in domestic consumption coinciding with a period of strong domestic milk supply over the past three seasons. The reduced import demand for New Zealand exports has predominantly been felt in the milk powder category, where China's milk producers in some instances have dried fresh milk during peak production. But in 2023 the import value for other key dairy products exhibited strong growth, in particular cheese, see below.

• **Milk powders**	• **-17%**
• **Butter**	• **-11.5%**
• **Liquid milk and cream**	• **5%**
• **Caseinates**	• **19%**
• **Cheese**	• **26%**

The cheese market in China is experiencing a period of growth, presenting an opportunity for New Zealand's dairy industry. As Chinese consumers' tastes evolve and they seek out new and diverse food experiences, cheese is becoming an increasingly popular choice.

Over the past five years the import of New Zealand cheese products has grown at a compound annual growth rate (CAGR) of 13.1%. New Zealand's market share of the imports has also increased from 43% in 2014 to 57% in 2023, with New Zealand being well positioned to continue this trajectory with the duty-free access offered under the free trade agreement between New Zealand and China. According to Euromonitor in 2023 the retail cheese market alone in China was valued at RMB 11bn and this excluded the food service channel, some analysts are expecting the double-digit growth rates to continue into 2030.

China's cheese imports by value (USD m)



This burgeoning demand is driven by rising incomes, urbanization, and the influence of Western diets. Cheese is now considered a major dairy food in China, with consumers looking for healthy and natural products, where cheese's high vitamin and calcium content is viewed favourably. In China cheese innovation pre-COVID saw a strong focus on the promotion the nutritional benefits of cheese for children, with products such as cheese lollipops driving market growth. Since 2021 these segments have matured and slowed with brands now beginning to focus on diversifying their offerings to serve the adult nutrition and snacking categories. Recent trends in the market include innovations to create ambient process cheeses that do not require refrigeration. These shelf stable products are enabling brands to reach customers in tier 3 and 4 cities, where refrigeration space in small convenience type stores is limited.

These products tap into the growing importance of convenient nutrition, where cheese is positioned as a versatile ingredient or flavouring that provides consumers with a nutritious, but also practical meal or snack.

There continues to be an opportunity in China to grow the cheese category by building consumers and customers knowledge of using and cooking with cheese. Fonterra invests in this market development through its five application centres and fifty chefs throughout the market, these chefs work closely with new and existing customers to develop new applications for dairy and our award-winning cheeses. These applications seek to combine the taste and texture of cheese with traditional Chinese dishes or experimenting with new flavours that resonate with the local palate.

1) Data from NZTE. Definition of Dairy = HS 0401, 0402, 0403, 0404, 0405, 0406, 2105, 3501, 3502, 190110. Milk Powder = HS 040221, 040229, 040210. Butter = HS 0405. Cheese = 0406. Liquid Milk and Cream = 0401. Caseinates = 3501, 350220.

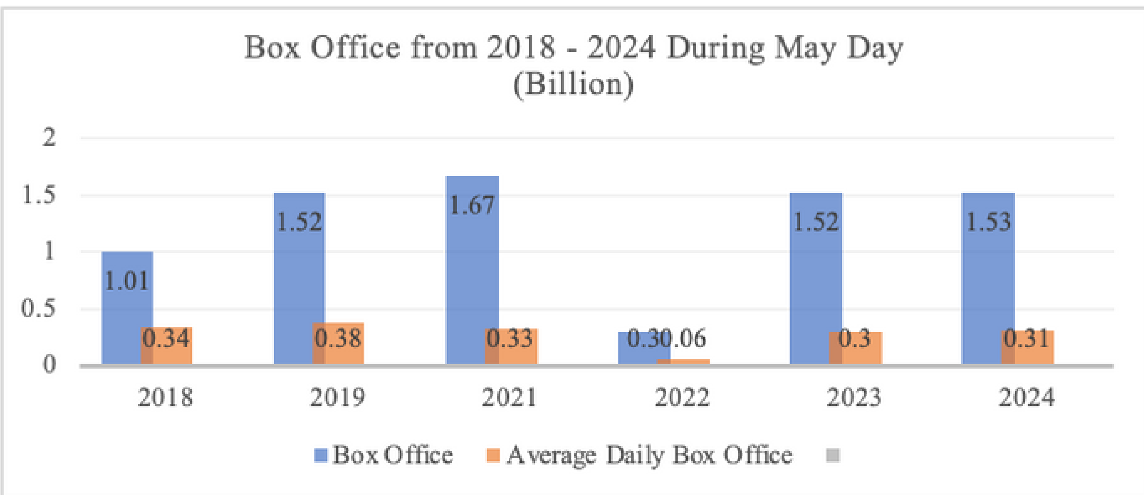
35 STATE OF THE FILM MARKET AND INDUSTRY TRENDS

LAWRENCE WANG
CEO of Vista Group
Board Member of NZBRiC

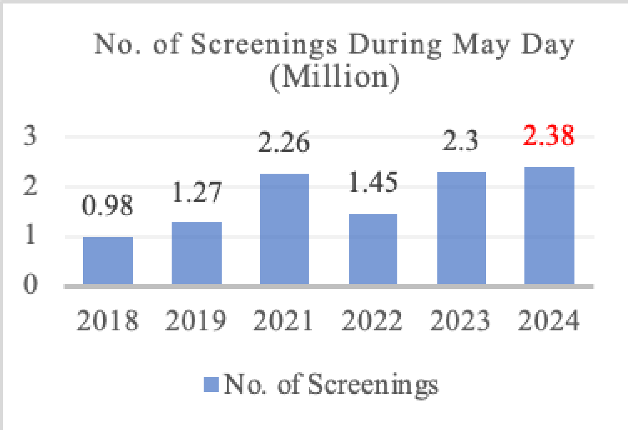
VISTA GROUP

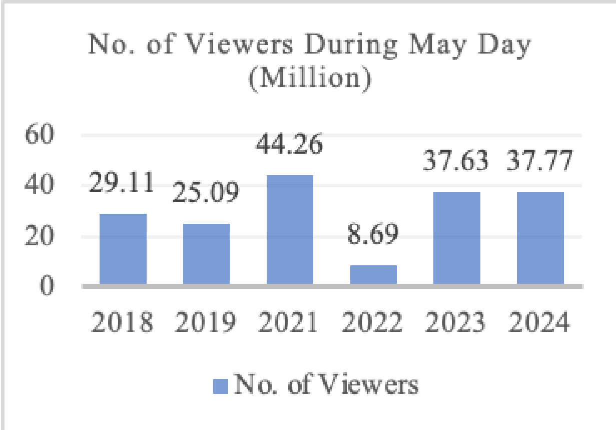
The Chinese film industry has experienced a significant recovery, with box office revenues for the New Year's Day, Spring Festival, Qingming Festival, and May Day holidays all setting new records for the same periods in Chinese film history. These figures paint a positive outlook for the Chinese film industry in 2024, emphasizing the market's recovery, the return of audiences, and the industry's optimistic attitude towards future growth. So far in 2024, "YOLO," "Pegasus 2," and "Article 20" have respectively dominated the domestic box office with 3.46 billion, 3.398 billion, and 2.454 billion.

According to Data that National Film Administration released on May 6th, the box office for the 2024 May Day holiday (May Day slot) in China reached 1.527 billion yuan, with



37.77 million viewers. Overall, this year's May Day slot offered an abundant supply of films with a rich variety of themes, including action, comedy, romance, animation, and more, meeting the diverse viewing needs of the audience and showcasing the potential of China's film market. The total number of viewers and screenings during the slot set a new record for the May Day slot in Chinese film history.



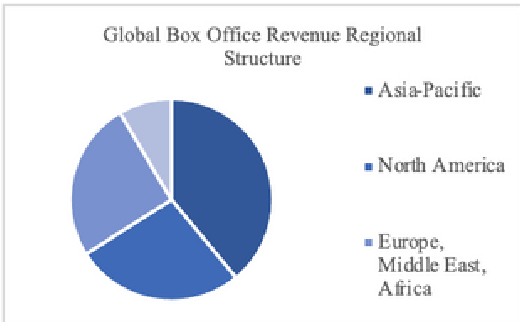


The prosperity of the film market is attributed to the combined effects of various factors. On one hand, with the continuous development of the domestic economy and the improvement of people's living standards, the audience's demand for cultural and entertainment consumption keeps growing, providing a broad market space for the development of the film market. On the other hand, film producers and distributors are also continuously innovating and improving, introducing more high-quality and profound film works, which have attracted the attention and affection of more audiences. The performance of the film market during the May Day holiday also reflects the audience's diversified demand for different types of films. The box office data indicates that different types of films all performed well during the May Day slot, demonstrating that the audience's preferences for films are diverse, and the film market also needs to continuously meet the different needs of the audience.

The global film industry has also been on a path of recovery, with a significant uptick in box office revenues and film production. In 2023, the global box office revenues rose by 29.4% to USD 33.2 billion, which is close to 80% of the pre-pandemic peak in 2019.

In the total box office revenue of $33.9 billion in 2023, the Asia-Pacific region accounted for 39% of the market share;

followed by North America and Europe, the Middle East, and Africa, with a share of 27% respectively; the market share of Latin America is less than 10%.



Considering the current development trends of the global market and the pace of the growth of box office, it is expected that the global box office will maintain a stable recovery trend in the foreseeable future, with the potential to exceed 40 billion U.S. dollars by 2029.

"Super Mario Brothers" and "Barbie" brought real opportunities for the new film series after the popularity of the large superhero series was no longer there. The success of films like "Super Mario Bros." and "Barbie" suggests that audiences are eager for new types of stories and characters, especially as some superhero franchises have become saturated in the market.

These movies, based on popular and nostalgic brands, offer a fresh alternative to the typical superhero narrative and have the potential to launch their own successful franchises.

Taylor Swift's concert film offers fans a new way to engage with her music. Even those who cannot attend the concert in person can experience its charm through the film.The release of the film reflects the trend of integration between the music and film industries. By presenting the concert experience in a cinematic format, it has attracted a broader audience and promoted the development of the concert film genre.

Nowadays, films that hit social topics and provide emotional value are continuously breaking through circles and becoming the mainstream aesthetic of the current film market. Compared with the years when IP incubation was very hot, big IPs are no longer a guarantee for box office success, and the phenomenon of star-led box office is gradually fading.

As the uncertainty of a film's "hit" increases, it has become a norm for producers to "invest in multiple projects and collaborate with multiple partners," with a weakened willingness to take the lead and control in the film market. A successful film can not only bring significant enhancement of market reputation to listed companies but may also be directly reflected in the positive performance of stock prices. In addition to box office revenue, the reputation and evaluation of a film are equally important. They not only promote the film itself but also serve as a display of brand image for the investing companies.

The industry has seen a shift in regional contributions, with the Asia-Pacific region leading the market share, followed by North America and Europe, Middle East, and Africa. Latin America's market share remains relatively low.

Industry Observation: The Star Power Fades At The Box Office, Film Themes, Types, And Reputation Become Key To Reversing Box Office Declines

Today, the box office appeal of Hollywood "blockbusters" and celebrities is failing. As movies become more diversified, the range of choices for audiences also expands. Compared to the cast, viewers pay more attention to the themes and genres of the films. Films that hit social topics and provide emotional value, as well as those that draw on traditional Chinese culture and promote Eastern aesthetics, are continuously breaking through the mold; the film's reputation has become the key to reversing the decline in box office sales.

Industry Trend: The era of theatrical film inventory is approaching, with ticketing platforms building new "social movie-watching" scenarios.

- **Theatrical Film Inventory Era: With a growing emphasis on content diversity and the maturation of the film market, there is an increasing need for a broader range of films to cater to various audience tastes. The concept of a "film inventory" suggests a shift towards a more sustainable and curated approach to film distribution, where theaters maintain a selection of films that can be watched at any time, similar to a library or streaming service.**
- **Curation and Personalization: In this era, curation becomes crucial. Theaters and ticketing platforms will need to carefully select films that resonate with local audiences and offer personalized recommendations to enhance the movie-going experience.**
- **Social Movie-Watching Scenarios: Ticketing platforms are exploring ways to integrate social elements into the movie-watching experience. This could involve creating online communities where users can discuss films, share recommendations, and even arrange group outings to watch movies together.**
- **Enhanced In-Theater Experiences: To complement the social aspect, theaters may offer enhanced experiences such as themed nights, interactive screenings, or Q&A sessions with filmmakers and actors. These experiences aim to bring people together around a shared love for cinema.**
- **Integration with Digital Platforms: As the inventory era approaches, there will be a greater integration between physical theaters and digital platforms. This could involve hybrid models where films are released simultaneously in theaters and on digital platforms, or where digital platforms offer exclusive content that drives people to theaters.**

- **Data-Driven Insights: Ticketing platforms will leverage data analytics to understand audience preferences and behaviors better. This will help in crafting the film inventory and social movie-watching scenarios that are most likely to engage viewers.**

- **Community Building: Building a community around cinema will be key. Ticketing platforms may facilitate this by offering loyalty programs, social events, and exclusive content that encourages repeat visits and fosters a sense of belonging among moviegoers.**

- **Accessibility and Convenience: With the rise of social movie-watching, there will be a focus on making the movie-watching experience more accessible and convenient. This could include better scheduling, easier ticket booking processes, and improved in-theater amenities.**

- **Marketing and Promotion: The promotion of films will also adapt to this trend, with more emphasis on social media marketing, influencer partnerships, and word-of-mouth strategies to create buzz around films and events.**

- **Economic Implications: The shift towards an inventory model will have economic implications for the industry, requiring theaters to manage their inventory effectively and for filmmakers to consider how their films fit into this new landscape.**

In summary, the impending era of theatrical film inventory and the construction of social movie-watching scenarios by ticketing platforms represent a significant evolution in the film industry. It underscores a move towards a more audience-centric, community-driven approach to cinema, where the social aspects of movie-watching are as important as the films themselves.

41 ZIWI PEAK'S FIRST OFFLINE STORE OPENS IN SHANGHAI

JAMIE ZHU

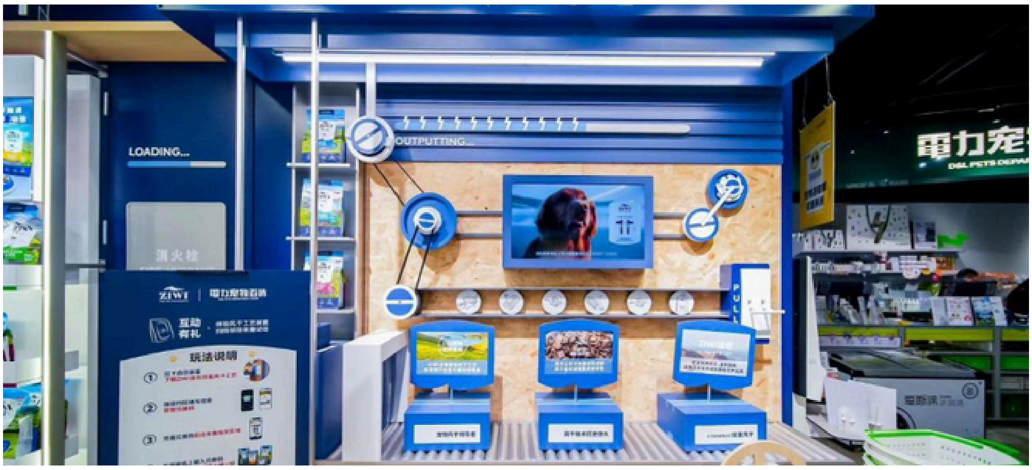
General Manager of Ziwi
Board Member of NZBRiC

On May 18, ZIWI® Peak celebrated the grand opening of its first branded offline flagship store in Shanghai. Following the successful launch of innovations at the 2024 TOPS in April, ZIWI has once again captured the attention of pet owners and the pet industry. The opening of this flagship store signifies ZIWI's commitment to invest in offline channels within the Chinese market, continuously develop omni-channel and deliver brand experience to pet owners.

ZIWI® Peak's First Offline Store Opens in Shanghai — "ZIWI BRINGS NEW ZEALAND INTO YOUR LIFE"

Since entering the Chinese market in 2016, ZIWI has achieved rapid growth, becoming the leader in the Chinese pet food market in eight years. As an ultra-premium brand, ZIWI is dedicated to obtaining deep consumer insights, developing innovation, continuously investing in consumer education, and building brand investment. These efforts enable us to maintain growth, capture consumer loyalty, and succeed in the rapidly evolving pet food market in China.

ZIWI is committed to engaging in the Chinese market, dedicated to meeting the needs of consumers and responding agilely to market demands. As Stuart Irvine, ZIWI's Global CEO, mentioned during the opening of ZIWI's China office last June, " Rooted in China, Dedicated to Pet Lovers ". ZIWI will continue to implement the omnichannel growth strategy, striving to enhance Chinese consumers' experience of the brand. To continuously strengthen brand influence and product experience in China, and to foster two-way interaction with consumers, ZIWI, in partnership with D&L Pets Department Store, has established its first branded offline flagship store — the Peak Life Pure Nutrition Experience Centre in Shanghai, which officially opened on May 18.



ZIWI adopts "Peak Life, Pure Nutrition" as the core concept of the store, conveying ZIWI Peak's nutritional philosophy. ZIWI consistently adheres to its “Four Peak Standards”, demanding that every ingredient be ethically sourced and sustainably obtained, crafted with the most advanced innovative processes to deliver peak nutrition. ZIWI offers nutrient-dense raw meat that caters to the needs of pets, enriching the lives of pets and their people.

To vividly demonstrate ZIWI's 100% New Zealand brand heritage, the flagship store theme “ZIWI BRINGS NEW ZEALAND INTO YOUR LIFE" utilises extensive visual elements like skies, grasslands, and mountains to bring you back to New Zealand. This design not only highlights the natural beauty of New Zealand but also the pure and natural quality of ZIWI products. The store has creatively turned ZIWI’s Air-Dried process into a digital video, providing consumers with an immersive experience of this unique high-tech innovation. This innovative display not only enhances consumer engagement but also deepens their understanding of ZIWI's production processes.

To further enhance consumer-brand bonding, the flagship store provides interactive activities. There is a participatory area, you can try out products for free with a sampling service. They have also got a photo booth where you can record the happy moments with your pet. You can print the photos instantly or post them on Red (a social media platform) for your friends to see your happy times right away. The flagship store will also host regular salon sessions and carnival activities, building a warm pet-loving community. The flagship store is where we connect with customers, building communication and interaction to achieve our purpose of “Peak Life, Pure Nutrition”.

ZIWI also announces that preparations are underway for a flagship store in Chengdu. In the future, ZIWI plans to open more offline stores in different cities, bringing our products closer to more consumers.

NZBRiC
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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mail: information@nzbric.com
website: www.nzbric.com