e-Commerce in China
Business Update

May 2017
HOW TO ASK QUESTIONS

1. Select questions function

2. Type your question here

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## Agenda

<table>
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<tr>
<th>Topic</th>
<th>Speaker</th>
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<td>Online trade in food: Business and regulatory trends</td>
<td>Brent Moore, Trade Commissioner, Shanghai</td>
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<td>Cross-border e-Commerce trading conditions</td>
<td>Luna, Deputy-General Manager, Tmall Global</td>
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<td>Q&amp;A</td>
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### MILESTONES OF CHINA CBEC POLICY

<table>
<thead>
<tr>
<th>Date</th>
<th>Milestone Description</th>
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| Early 2014 | “Year Zero” of CBEC  
• Official establishment of “cross-border e-commerce” as a pilot area |
| Apr 2016   | “4.8 New Policy”  
• Disruptive policy update  
• Custom clearance form  
• Two positive lists |
| May 2016   | “Grace Period”  
• Grace period announced till 11th May, 2017 |
| Nov 2016   | “Grace Period” extended  
• Grace period extended to 31st Dec, 2017 |
| 17 Mar 2017| Tone set for CBEC development                                                          |
MofCom announcement on the direction of CBEC development on 17 Mar

Key message

- Steady/stability and healthy
- CBEC retail import commodities being supervised as personal items
- Strengthen e-commerce traders' responsibility
- Improve regulatory measures and establish risk emergency response mechanism
- 15 comprehensive experimental areas for CBEC

Transition policies to be continuously implemented prior to the end of 2017
• Measures are a signal of support for both China’s ecommerce sector and CBEC as mode of business

• Currently no change to positive list system of duty and tax concessions

• Industry expects that China’s standard product inspection rules will not apply to CBEC on 31 December 31 (as previously announced)

• Further details to be released in coming months
Cross-border Retail Import Market Size 2014 -2016

https://www.analysys.cn/analysis/22/details?articleId=1000572
Online sales on Alibaba platforms of select categories 2015 v 2016

Source: MarketEngine.com
Select Australian Food and Agriculture Exports to China 2015 v 2016

Source: UN Comtrade and Austrade
Hema Fresh: Blurring lines between online and offline
Presale fresh food
Australia China Air Seat Capacity 2012-2016

Source: Tourism Australia
Cities with new air links – 2016/17

Online shoppers in lower tier cities = 257 million
Online shoppers in higher tier cities = 183 million
Home delivered food market
Consolidation and investment between online and offline
Cross-border e-Commerce in China
Alibaba’s Mission: To Make It Easy To Do Business Anywhere

- **CORE COMMERCE**
  - Alibaba.com
  - Taobao
  - 1688.com
  - Tmall
  - Lazada

- **MOBILE MEDIA & ENTERTAINMENT**
  - Youku
  - Alibaba Music
  - UC Browser
  - AliSports

- **LOCAL SERVICES**
  - Ticketta
  - Kaola
  - Ele.me

- **PAYMENT & FINANCIAL SERVICES**
  - Alipay

- **LOGISTICS**
  - Cainiao

- **MARKETING SERVICES**
  - Alibaba妈妈
  - Alibaba Cloud
Tmall Global

14,500+ International Brands
63 Countries and Regions
3,700+ Categories
More than 80% of brands on Tmall Global made their China debut on the platform.
Full Sales Force in 2017

平台开店
Operating stores on the platform

直采直供
Direct distribution & consignment

品牌代销
Taobao Global top seller distribution
Consumption escalation:
The real driving force behind policy innovation and business innovation

A small number of high-income people began to conduct overseas purchasing, mainly through personal carry.

Bonded warehouse and consolidation modes were born and Tmall Global was launched.

Negative list was replaced by positive list and postal tax was changed to cross-border comprehensive tax.

Cross-border retail import commodities will be supervised as personal items.

Consumption escalation:
The real driving force behind policy innovation and business innovation

Forming Period
Before 2012

Development Period
2012 – April 8th, 2016

Perfecting Period
April 8th, 2016 till now

Stable Period
From January 1st, 2018
By 2020, half of all Chinese online shoppers or a quarter of the population will have bought an item from cross border e-commerce.

Cross-border ecommerce buyers in China (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>% of online shoppers</th>
<th>% of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>20.0%</td>
<td>6.5%</td>
</tr>
<tr>
<td>2015</td>
<td>31.0%</td>
<td>11.2%</td>
</tr>
<tr>
<td>2016</td>
<td>40.0%</td>
<td>15.8%</td>
</tr>
<tr>
<td>2017e</td>
<td>45.5%</td>
<td>19.1%</td>
</tr>
<tr>
<td>2018e</td>
<td>48.0%</td>
<td>21.5%</td>
</tr>
<tr>
<td>2019e</td>
<td>49.5%</td>
<td>23.4%</td>
</tr>
<tr>
<td>2020e</td>
<td>50.7%</td>
<td>25.0%</td>
</tr>
</tbody>
</table>

Source: Emarketer 2016. Internet users who have made at least one purchase from a foreign seller either directly or through an intermediate, excludes Hong Kong.
Policy

- Taxation
- Access Condition
- Products Varieties
### CBEC Taxation

<table>
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<th>Before Tax Reform</th>
<th>After Tax Reform</th>
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</thead>
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<tr>
<td><strong>Bonded Warehouse and Consolidation</strong></td>
<td><strong>Tax</strong></td>
<td>Postal Tax</td>
</tr>
<tr>
<td></td>
<td><strong>Tax Exemption</strong></td>
<td>50 RMB</td>
</tr>
<tr>
<td></td>
<td><strong>Tax Rate</strong></td>
<td>10%、20%、30%、50%</td>
</tr>
<tr>
<td><strong>Postal and Express Items</strong></td>
<td><strong>Tax</strong></td>
<td>Postal Tax</td>
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Access Conditions

**BONDED WAREHOUSE AND CONSOLIDATION**

**Positive List**

* * * * Single Purchase Limit 2,000 RMB * * * *
* * * Annual Purchase Limit 20,000 RMB * * * *

mom and baby products, cosmetics, personal care, food and beverage, healthcare, apparel, household items, small electric appliances, etc.

With CIQ’s Pre-approval Certificate of Quarantine:

animal-source products like pet food

**Not Included in the Positive List**

some functional healthcare products and electronics not aligned with Chinese voltage standard.

**POSTAL AND EXPRESS ITEMS**

**Customs’ Personal Article List Management**

**CIQ’s Negative List Management**
Latest Update issued by China Ministry of Commerce for the Post-transition Regulation of Cross-border E-commerce Retail Import Business

- On March 17\textsuperscript{th} 2017, the Ministry of Commerce announced that the cross-border retail import commodities will be supervised as personal items after the transition period which will end on 31\textsuperscript{st} Dec 2017, implying the continuity and stability of policy in this area in the long term.
- Pilot cities that enjoy preferential policies for bonded warehouse and consolidation shipment models will be increased from 10 to 15, with Hefei, Chengdu, Suzhou, Dalian and Qingdao newly added into the list.
- Cross-border sellers and cross-border platforms need to be more self-disciplined and assume the responsibility of ensuring product quality & safety.
- More specific regulations for annual/single purchase limit, positive list, products standards etc will be released in the coming months.

Our Anticipation

- Single purchase limit of 2000 RMB could be removed or raised.
- No pre-approval process for commodities on the positive list, but once a serious accident occurs, the market access of a specific kind of product could be affected.
- Supervision on express delivery (DHL, Fedex etc) and direct mail of UPU (Universal Postal Union) will be strengthened with higher checking rate. The 50 RMB tax exemption for express delivery could be abolished.
- In order to truly fit the attribute of “personal items”, further distribution/consignment of cross-border products could be strictly supervised to guarantee that there’s no transference of property between merchants in Chinese market.
We are Family

Supermarkets
- Target
- Aldi
- Emart
- Sainsbury’s
- Costco
- Woolworths

Health & Pharmacy
- Chemist Warehouse
- Discount Chemist
- Swisse
- GNC
- Move Free
- Doppel Herz
- Nature’s Way

Department Stores
- Macy’s
- AEON
- House of Fraser

Fashion
- Kenneth Cole
- Desigual
- BCBGMAXAZRIA
- Urban Outfitters
- DW
- Daniel Wellington
- Skechers
- Jill Stuart

Fast-moving consumer goods (FMCG)
- P&G
- Unilever
- Kao
- LG

Beauty, Personal Care, Cosmetics
- Shiseido
- Missha
- Moroccanoil
- Lush
- AmorePacific

Mother & Baby
- Moony
- Merries
- a2

Food & Beverages
- Nestlé
- Orkla
- Ocean Spray
- Sanitarium

了猫国际
Q&A
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