



TRADE MARKET INTELLIGENCE
SPECIAL REPORT:
Craft Beer & Cider
in Mainland China & Hong Kong

December 2018

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Nova Scotia Business Inc.



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Report Overview

As one of the largest markets for alcoholic beverages in the world, Asia is a key region for Nova Scotian brewers to consider. Craft beer and cider are both recent introductions to the Chinese and Hong Kong markets and are gaining popularity. Foreign brands are particularly popular among Chinese consumers in these niche categories.

The following report provides information on the current demand, target market, and consumer preferences for both craft beer and cider in mainland China and Hong Kong. When considering such a large market, it is important for companies to make targeted market entry plans. As such, demographic and household spending overviews of five key cities and the special administrative region of Hong Kong have also been provided.

Another key consideration is the legal landscape of China and Hong Kong. While Nova Scotian companies should work closely with local partners to determine the exact export and retail requirements for the market, this report gives a brief overview of what standards and taxes companies can expect to encounter.

Finally, a list of relevant in-market events has been included. Companies interested in pursuing these markets should consider gaining first hand experience through trade shows and conferences.



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TABLE OF CONTENTS

1	Craft Beer
8	Cider
12	Specific Markets
26	Retail and Distribution
27	Legal Considerations
31	Events and Trade Shows

Craft Beer

The beer industry in China is heavily dominated by domestically produced mass-market beers. The largest brewer, China Resources Holdings Co Ltd, held 26.1% of the total market share by volume in 2017, and the top five companies collectively held over 75% of the market share.¹ In Hong Kong, the largest brewer, San Miguel Corp, held 30.1% of the total market share by volume in 2017. The top five companies collectively held more than 70% of the market share.²

The overall beer market in both China and Hong Kong has entered into a period of stagnation relative to previous growth trends. However, this is good news for craft beer producers. The stagnation is due to consumer lifestyle changes such as the increased consumption of alternative drinks and a tendency for younger generations to embrace more Western products.³ Most of the growth in the beer market is coming from premium and imported products, rather than the large domestic beer brands.

Sale of Beer (Value, CAD)	2015	2016	2017	Period Growth
China, Off-trade	33,139,895,000	34,265,246,000	36,078,720,000	9%
China, On-trade	63,963,234,000	67,801,348,000	72,729,549,000	14%
China, Total	97,103,129,000	102,066,575,000	108,808,288,000	12%
Hong Kong, Off-trade	37,036,200	38,348,600	39,409,400	6%
Hong Kong, On-trade	101,746,700	105,003,900	108,131,900	6%
Hong Kong, Total	138,782,900	143,350,800	147,541,300	6%

Source: Euromonitor International - Beer in China 2018, Beer in Hong Kong 2018

Mainland China's on-trade sales (meaning sales through venues such as bars, restaurants, and hotels) are growing at a faster rate than off-trade sales (meaning sales through retailers such as supermarkets or online stores). In Hong Kong, on- and off- trade sales are growing at a similar rate.

Chinese Beer Market Segments and Characteristics

Mass-Consumed Chinese Beer	Leisure Beer	Craft Beer and Foreign Brands on Tap
Chinese brands, domestically brewed	Foreign brands, domestically and internationally brewed	Domestically and internationally brewed
Low price – Starting at CAD\$1.50 per liter both in foodservice and retail	High-price – CAD\$18.95 per litre price on average in bars	Very high-price – CAD\$20.75 averages per litre in bars
Commonly served in 600 ml returnable bottles in foodservice, 330 ml and 500 ml cans in retail	Served in 330 ml bottles, or 500 ml if produced abroad	Typically served in 400-500 ml glass
Consumed by all income levels, everywhere in China	Consumed by urban and high-income consumers, primarily in Tier 1 and 2 cities	Consumed by young, urban, high-income consumers, primarily in Tier 1 cities with some consumption in Tier 2
Homogeneous pale lagers with low alcohol percentage	A wide variety of beer types	A variety of types, but ales are the most common
Consumed along with meals	Consumed as a stand-alone or with finger food, at home and bars	Consumed as a stand-alone or with Western-style meals
Small number of extremely large brands: Snow, Tsingtao, Yanjing, Harbin	Many competing brands	Limited options, but most widely available brands are acquired and distributed by AB InBev

Source: EUSME Centre - The Imported and Craft Beer Market in China 2018

In 2016, the total beer market in China, including domestic production, had a volume of 45,706 million litres. While domestic production has been shrinking since 2013, when it was at a volume of 49,830 million litres, imports have been rising. In 2013, only 184 million litres were imported. In 2017, China imported 716 million litres of beer, with a trade value of approximately CAD\$979 million, primarily from Germany and Mexico.⁴

In terms of beer preferences, lager is clearly the most popular category of beer in both China and Hong Kong, as shown in the table below.

Sale of Beer by Category, 2017	China Volume, Million Litres	China Value (CAD)	Hong Kong Volume, Million Litres	Hong Kong Value (CAD)
Dark Beer	261.3	3,780,924,000	-	-
-Ale	-	-	-	-
-Sorghum	-	-	-	-
-Wheat Beer	261.3	3,780,924,000	-	-
Lager	45,021.0	102,202,064,000	160.6	1,348,508,000
-Flavoured/Mixed Lager	81.2	229,501,000	-	-
-Standard Lager	44,939.8	101,972,563,000	160.6	1,348,508,000
---Premium Lager	4,125.7	29,780,049,000	33.9	524,314,000
-----Domestic Premium Lager	3,564.7	21,628,270,000	-	-
-----Imported Premium Lager	561.0	8,151,779,000	33.9	524,314,000
---Mid-Priced Lager	8,808.4	32,322,401,000	87.2	645,116,000
-----Domestic Mid-Priced Lager	8,808.4	32,322,401,000	38.6	215,203,000
-----Imported Mid-Priced Lager	-	-	48.6	429,913,000
---Economy Lager	32,005.6	39,870,094,000	39.5	179,078,000
-----Domestic Economy Lager	32,005.6	39,870,094,000	18.7	75,276,000
-----Imported Economy Lager	-	-	20.8	103,802,000
Non-Alcoholic Beer	52.6	110,542,000	-	-
Stout	201.0	2,714,758,000	8.7	126,905,000
Total	45,535.8	108,808,288,000	169.2	1,475,413,000

Source: Euromonitor International - Beer in China 2018, Beer in Hong Kong 2018

Beers that are imported to mainland China are primarily in the premium lager category, with the mid and economy lager markets completely dominated by domestic product. In Hong Kong, there is demand for imported mid and economy type lagers, as well as for imported premium lager.

Imported premium lagers in mainland China are worth more than twice as much per million litres as domestic premium lagers.

All of Hong Kong's premium lager sales are on imported products. Imported mid-priced lagers are valued at more than twice the amount of domestic mid-priced lagers, despite only having a slightly higher total volume, which suggests imported products are sold at higher prices. Economy lagers have a similar dynamic between domestic and imported products.

Between 2017 and 2022, Euromonitor is forecasting a 6.2% compound annual growth rate (CAGR) for the total value of lager sales in China, and 3.1% in Hong Kong. In the same period, Euromonitor is forecasting a CAGR of 12.1% for the total value of imported premium lager sales in China, and 2.4% in Hong Kong. In Hong Kong, the total value of imported mid-priced lagers is expected to grow by 3.6% and imported economy lagers by 2.6%.^{5 6}

The craft beer market has also been growing in China and Hong Kong. There were 80 registered microbreweries and brewpubs in mainland China in 2017, with a combined beer count of 750 beer types. This is a significant increase over previous years; at the start of 2016 there were less than 60 registered establishments, and in 2010 there were only 20. Challenges, such as Chinese regulatory requirements, have stilted domestic growth, particularly for off-trade bottled craft beer. The gap between rising demand and low domestic production creates a potential opportunity for imported bottled craft beers in particular.⁷

The situation for brewers in Hong Kong is slightly different. In July 2018, Reuters reported that over the past five years the number of craft beer brewers in Hong Kong has risen from none to more than 35. Craft beer in Hong Kong has become particularly popular as a luxury purchase following mass media reports on local craft breweries. The trend has resulted in several craft beer festivals, the founding of the Craft Beer Association of Hong Kong, and the opening of a store specializing in selling bottled craft beer. Additionally, most premium supermarkets have a shelf for craft beer. Domestic manufacturing growth has been curbed by the limited land available in Hong Kong, which leaves room in the market for international brands to import their products.⁸



Industry Perspectives on Craft Beer

Steve Parr is the Export Development Program manager at the Brewers Association, an American non-profit that supports small and independent brewers. Parr said that China's craft beer market has been primarily driven by expats in the past, but it is also becoming increasingly popular among locals, particularly younger Chinese people who have more experience with Western products and culture. Parr also noted that the illustrative packaging of American craft beer is something the market has responded well to, with many Chinese customers choosing their beer based on how the packaging looks.⁹

The importance of packaging style was also noted by CODO designs, who worked with the Beijing-based Prodigy Brewing company. In CODO's market testing and feedback process, they discovered that the average Chinese craft beer consumer was looking for a recognizably Western beer. Part of the appeal for Chinese consumers is the Western brand image, which carries prestige and associations with higher quality beer.¹⁰

One of the biggest challenges in the market is educating customers who have no prior experience with craft beer. Parr stated that: "For drinkers that are not as familiar with the bitter beers [like IPAs], we see a preference for slightly fruitier, sweeter beers, like wheat beers and hefeweizens."¹¹

Dinghao Pan, founder of Beijing-based craft brewery Panda Brew, has come to similar conclusions. Few people in China understand what craft beer is, and the number is significantly lower outside of Tier 1 cities or expat communities. Consequently, Pan and Panda Brew have had to direct significant resources toward educating customers. Pan has also found that “Chinese people are still trying to switch from industrial lagers to craft beers. [They need] an introductory type of craft beer, like a Belgian wheat, or something sweet and easy to drink.”¹²

Carl Setzer, owner of Great Leap Brewing in Beijing, has also noticed a shifting demographic for craft beer customers. While almost all of his patrons were expats when he opened his first taproom in 2010, around 85% of his customers were local Chinese people in 2018. Great Leap Brewing specializes in using local ingredients like Sichuan peppercorns and Qingdao Flower hops, catering to specific local tastes.¹³

Jackie Zhou, owner of Jackie’s Beer Nest, a beer bar in Shanghai, has a slightly different view on where China’s craft beer market will see growth. While he agrees that younger generations are the key consumer demographic, he sees more potential in Tier 2 cities: “The biggest markets are the second tier cities. In Shanghai, for example, people drink wine, whiskey, they can have VIP experiences. They have a lot of choice. But in the tier two and three cities, people don’t have that choice. If you want to know what the China craft beer industry is really like, go to the tier two cities like Wuhan, Guiyang, and Chengdu because they don’t have a lot of expats—only local Chinese people, and they drink craft beer with many local foods.”¹⁴

Phi Kwan, co-owner of a craft beer bar in Guangdong that sells craft beers from around the world on 12 different taps, has found that taste alone does not always sell craft beer. While he’s interested in carrying local products, he only sells international brands like Scotland’s BrewDog craft beers because “[they] have glasses, full pint glasses, half-pint glasses, coasters, tap handles... a lot of stuff. Any beer that wants to come into my bar should at least have glasses. If they don’t have any accessories, it’s very hard for me to sell to customers.” Like the other business owners mentioned, Phi Kwan has found beer education is essential to selling in China, particularly in smaller cities.¹⁵

Jonathan So, organizer of Beertopia, a Hong Kong festival designed to increase awareness of craft beers, said that the craft beer “explosion” in Hong Kong started around 2011 when importers began bringing in more for retail and wholesale. So notes that the food scene in Hong Kong has been a benefit to the craft beer industry, as fine diners look to pair good food with good beer.¹⁶

Thomas Lau and Ricky Takasu, owners of The Roundhouse, a restaurant/taproom in Hong Kong, have found that customers who come in for the craft beer are interested in drinking more during a visit because they want to try multiple varieties.¹⁷

Key Consumers of Craft Beer

Three major consumer demographic groups emerge from the statistics and qualitative observations of the previous sections:

EXPATS

Primarily those from Western countries where craft beer is already established

YOUNG AND URBAN

High-income Chinese consumers living in Tier 1 cities, who are interested in food trends, luxury products, and/or Western brands

RETURNEES

Consumers in Tier 1 and 2 cities with experience living or working abroad in Western countries where craft beer is already established

Consumers in the latter two categories may not be as familiar with craft beer and require more focused education efforts. Brewers may want to focus on providing lighter, newcomer-friendly tastes for these demographics. However, variety is also valuable. As customers become acquainted with the concept of craft beer, there seems to be a tendency to seek out new varieties and experiment with new tastes.

Illustrative, eye-catching packaging is a boon to brands, as it helps customers decide on products when they are unfamiliar with the taste. Deliberately evoking Western style associations may be particularly helpful for building brand equity.

It is worth noting that the legal purchasing age for alcoholic beverages above 0.5% in mainland China is 18.¹⁸ However, there is no enforceable legal minimum drinking age.¹⁹ In Hong Kong, 18 is the minimum age for purchase and consumption at venues with a liquor licence (such as bars), but there are no restrictions on the sale of alcoholic beverages by retailers (such as supermarkets).²⁰



TIP: When considering an approach to China's vast market, the tiered city system can be a helpful way to choose segments that best suit your company's entry strategy. While there is no official definition of each tier, it is generally understood that there are four tiers with different consumer trends and behaviours. Tier 1 cities are generally the most developed areas of the country with the highest GDP and/or population. For the purposes of this report, Tier 1 cities include Beijing, Shanghai, Guangzhou, Shenzhen, and Tianjin.

While craft beer is relatively new to China and Hong Kong, cider is an even newer introduction. The current demand for cider in Hong Kong is much larger than the demand in mainland China.

Sale of Cider/Perry (Value, CAD)	2015	2016	2017	Period Growth
China, Off-trade	228,000	285,000	342,000	50%
China, On-trade	76,000	76,000	95,000	25%
China, Total	304,000	361,000	437,000	44%
Hong Kong, Off-trade	1,411,000	1,513,000	1,581,000	12%
Hong Kong, On-trade	6,086,000	6,443,000	6,630,000	9%
Hong Kong, Total	7,497,000	7,956,000	8,211,000	10%

Source: Euromonitor International - Cider/Perry in China 2018, Cider/Perry in Hong Kong 2018

Between 2017 and 2022, Euromonitor is forecasting a 14.6% compound annual growth rate (CAGR) for the total value of cider/perry(fermented pear juice) sales in China, and 4.1% in Hong Kong.

The largest company in both markets is Carlsberg A/S, the company behind the Somersby brand, which held 27% of China's market share and 52.9% of Hong Kong's market share in 2017. Heineken NV, which produces the Strongbow brand, was the second largest company in the market and held a market share of 23.6% in mainland China and 15.6% in Hong Kong in 2017.^{21 22}

The Somersby brand was introduced to Hong Kong in 2012 and was heavily promoted in the region both in retail outlets and through bars and pubs. Somerby's extensive off-trade distribution helped it to become the leading brand, as most other brands are sold primarily on-trade in Hong Kong.

Somerby came to mainland China in 2016 and instantly became the leading brand, due in large part to the company's promotion strategy. Carlsberg focused on major cities where people prefer a relatively slower pace of life (specifically Chengdu, Guangzhou, and Chongqing) and collaborated with the Strawberry Music Festival in Chengdu, which is popular among the young and creative demographic who are often social media influencers.

The other major company in the region, Heineken, had the strongest increase in total volume sales in 2017 in Hong Kong. Their main brand, Strongbow, gained market share by introducing several new cider flavours such as "honey and elderflower" and "dark fruit". The brand also actively promotes itself to millennials through social media. Over the coming years, it is expected that more international brands will enter the market with innovative products such as ice cider, which originated in Quebec. There are currently no domestic brands or manufacturers of cider in Hong Kong.

In China, international brands are driving growth but there are also domestic companies entering the market. While international cider producers are mostly from the beer or wine industries, new Chinese producers come primarily from the fruit processing industries. The Chinese company Shaanxi Lan Hai Fruit Co, which produces Malan Mountain Cider, was originally in the apple trading and storage business. Their cider, which advertises it's organically grown raw materials and specified origin, is only one area of apple product development for the company.^{23 24}



Industry Perspectives on Cider

Cherry Bird Orchards Cider is an Australian brand of premium cider made from cherries and apples. In designing Cherry Bird Orchards' packaging for their product launch in China, the design company found that female Chinese drinkers were moving more towards fashionable alcoholic fruit sodas as an alternative to other alcoholic drinks. Their market research also found that consumers of craft products imported into China often measured the worth of a product by the perception of authenticity in regards to its origin as well as the product's overall shelf appeal.²⁵

Authentic Cider is an Asia-Pacific cider distributor based out of Hong Kong. They focus on bringing "traditional, artisan ciders and perries to discerning customers through a trusted network of bars, restaurants and retailers in Hong Kong and across Asia Pacific". They consider the best ciders for their market to be those that are made traditionally, are award winning, and have beautiful presentation.²⁶ Their focus implies a market preference for authenticity, prestige, and visually appealing packaging, which echoes the conclusions drawn by the Cherry Bird Orchards design team.

Magners, an Irish brand owned by C&C International, secured distribution deals throughout the APAC region (including China) in 2017. Magners rebranded to aid their expansion and created a new, sweeter cider that they felt matched the market taste. All of their packaging, marketing and promotional collateral, and in-store point-of-sale displays were redesigned and a ring-pull cap was added to their bottles.²⁷ Again, this implies a strong focus on the importance of branding. Magners also plays to the market preference for sweeter, more approachable drinks, which is similar to the preferences demonstrated by new craft beer drinkers in the region.

Toby Cooper, landlord of The Globe, a UK-style gastropub in Hong Kong, said that they carried about 20 different ciders in 2015. Most of the ciders were from the UK and Australia, though they also carried some from France and one from Spain. He noted that "the main difference between Australian and British ciders is that British ciders tend to be made by brewers, so are more robust and have more apple characteristics. Australian ciders tend to be made by wine makers, with better balance, smaller champagne-like carbonation, and are a little more delicate".²⁸ Clearly, both flavour profiles have a place in Hong Kong's market. Regional authenticity may be an important factor to consider when branding. As with craft beer, foreign ciders seem to have a certain amount of prestige attached to them.

In July 2018, Cider Supply Co, a French company, signed a 'strategic brand management agreement' with Shanghai-based imported Craft Republic to distribute their Galipette brand cider in mainland China. The brand focuses on 'purity and tradition' and uses simple contemporary packaging. Cider Supply partnered with Craft Republic to take advantage of Craft Republic's brand-building capabilities and market experience, as well as the company's complementary import portfolio.²⁹ Craft Republic's Ben Joseph said that: "From the outside, brands get very excited about the potential of expanding into China, though it is fraught with unique challenges. The market is maturing rapidly and gaining momentum, driven by an increasingly sophisticated consumer class that wants superior quality and better experiences."³⁰

Zeffer Cider Co is New Zealand's largest independent dedicated cider producer, and is one of the larger brands being distributed in China. Zeffer also works with importers and distributors in China and, as of July 2018, their brand was being poured by over 200 Chinese accounts. They recently recruited a sales manager for the Greater China area, following a crowdfunding campaign that raised them NZD\$2.4 million (approximately CAD\$2.05 million) to be used for expansion.³¹ Zeffer has recognized the importance of close working ties with local partners in China in order to expand their brand.

Key Consumers of Cider

The key consumers of cider in mainland China are mainly women and students, especially female students. The lower alcohol content and fruity flavours make cider an appealing alternative to this demographic, as does the perception of cider as a healthier drink compared to something like beer or sweeter RTD alcoholic beverages (Ready to Drink; packaged and pre-prepared mixed drinks). Female customers in China respond well to the use of natural ingredients and lack of artificial colours and flavourings.³²

In Hong Kong, international brands of alcoholic drinks like cider are more popular among younger consumers because these consumers tend to assume international brands are a guarantee of quality. Those with higher disposable income are willing to spend more on cider with a good quality and reputation, which gives international brands an advantage in the market.³³

The demand for cider in Hong Kong is currently much higher than in mainland China, which suggests most Chinese consumers have very little to no exposure to cider. Like with craft beer, consumers living in larger cities or who have more experience with Western products are more likely to be aware of cider. Customer education will likely be an important factor in gaining market share in mainland China.

Specific Markets

Both craft beer and cider are relatively new products to the Chinese and Hong Kong market. Consumers located in Tier 1 cities in China are much more likely to have been exposed to craft beer in the past. This exposure reduces the barrier to adoption for new craft beer products, compared to the inhabitants of smaller cities. The following section gives an overview of the demographic profiles of China's five Tier 1 cities (Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin) and the special administrative region of Hong Kong.

Looking Beyond Tier 1

While consumers in Tier 1 cities and Hong Kong are more likely to be aware of craft beer and cider, competition will also be stronger. Producers of craft beer and cider may want to consider smaller cities as well, particularly those cities that have agreements or educational ties to Nova Scotia.

The general public in smaller cities will require more dedicated product education resources, but students returning from exchanges and business people with work ties to Nova Scotia may be more open to Nova Scotian products.

Other cities with ties to Nova Scotia include...

- Chengdu
- Dongguan
- Fuzhou
- Haikou
- Hangzhou
- Jinan
- Jingjiang
- Maoming
- Nanchang
- Nanjing
- Qingdao
- Quzhou
- Sanya
- Shenyang
- Suqian
- Suzhou
- Wuhan
- Xiamen
- Xi'an
- Zhuhai



TIP: It is important that companies considering China and Hong Kong assess their company's ability to scale their operations and grow production to match market demand. For example, Shanghai is home to over 25 million people, so even a small market share can mean thousands of customers. It is also important to consider working with local contacts and distributors to understand the scale requirements for each potential export region. Note also that some retail channels may not take on new products if suppliers are unable to guarantee a set volume of supply.

Beijing

Beijing, located in northern China, is one of the four direct-administered municipalities in China and the second largest metropolis in the country, accounting for 3.3% of China's GDP. Beijing's population increased by 13% between 2011 and 2016; in comparison the rest of China registered 2.4% growth during the same period. The Beijing Capital International Airport ranks second in the world in terms of passenger traffic (90 million passengers in 2015) and 13th in the world in terms of cargo (1.9 million tonnes of cargo handled in the same year). Nanyuan Airport is the city's secondary airport, handling mainly domestic flights. A new large-scale airport is expected to be opened in the Daxing district.

Metropolitan Beijing is comprised of 14 urban and suburban districts and two rural counties. The city of Beijing corresponds to six districts of the metropolitan area, including two urban districts (Dongcheng and Xicheng) and four inner-suburban districts (Chaoyang, Haidian, Fengtai and Shijingshan).

Beijing's Central Business District (CBD) is located in the centre of Chaoyang district. The CBD concentrates most of the regional headquarters of multinational companies (such as Hewlett-Packard, Samsung, Motorola, Ford and UBS), international financial organisations and chambers of commerce in Beijing. The Zhongguancun technology hub, dubbed as "China's Silicon Valley", is located in Haidian district in the northwest the city of Beijing. Zhongguancun is home to many hi-tech enterprises, IT companies and software businesses, including companies such as Google, IBM and Lenovo.

Beijing's economy is heavily dependent on business services, which provided 31% of all metropolitan jobs in 2016. Commerce is the second most important sector, also employing 31% of Beijing's working inhabitants in 2016.

The average household income in Beijing was USD\$26,500 in 2016 (approximately CAD\$35,000). Alcoholic drinks and tobacco accounted for 3.5% of the average household budget in 2016 and is expected to remain the same through to 2021.³⁴

Nova Scotia's Dalhousie University has MOUs or exchange programs with Beijing Normal University, Tsinghua University, Beijing Jiaotong University, the China University of Political Science and Law, the Chinese Academy of Geological Sciences, University of International Business and Economics, Chinese Academy of Sciences, Research Center of Fictitious Economy and Data Science, and a joint international degree program with the Renmin University of China. Cape Breton University has an MOU with the Shougang Institute of Technology, and MSVU has an articulation program with Beijing Jiaotong University.

Beijing Population Statistics		Household Income Distribution	Households, '000s, 2016	Percentage, 2016	Percentage, 2021 (est.)
Population, '000s (2016)	22,719	USD \$5,000+	9,413	98.8	100
Male Population, '000s (2016)	11,733	USD \$10,000+	8,448	88.3	95
Female Population, '000s (2016)	10,986	USD \$15,000+	6,452	66.8	81
Population Aged 15-64 (2016)	80%	USD \$25,000+	3,708	31.4	46
Estimated Expat Population, '000s (2016) ³⁵	107	USD \$45,000+	975	9.9	15
Average Household Size (2016)	2.4 people	USD \$65,000+	483	4.9	7
Projected Population Growth Rate (2016-21)	9.9%	USD \$100,000+	241	2.5	3
		USD \$150,000+	142	1.5	2

Source: Euromonitor International - Beijing City Review, 2017

Select Competitors in Beijing

Brand/Website	Product Type	Price Range (CAD)	Sizes	Sales Venues
Ping Dynasty Cider Brewing Co.	Cider	\$4.27/can (24)	24 x 330 ml bottles	Online
Yanjing Beer	Beer	\$2.35 - 11.20	330 ml bottles 500 ml cans	Restaurant, bar, supermarket, online
Arrow Factory Brewery	Beer	Starting at \$45.32/case	24 x 330 ml bottles	Brewery, restaurant
Great Leap Brewing	Beer	Starting at \$4.58/glass (in restaurant)	500 ml cans	Restaurant, stores (launching this year)
Jing A Brewing Co.	Beer	\$90.50/case (24)	24 x 330 ml bottles	Bar, restaurant, online
Slow Boat	Beer	\$24.13/pack (6) \$88.23/case (24)	cans and bottles (exact size unknown)	Restaurant, online, brewery

Shanghai

Shanghai, located on China's central coast, is one of the four direct-controlled regions in the country and enjoys an administrative status just below that of the central government. Consumer expenditure was 84% greater than in the rest of the country in 2016, with higher spending in categories such as 'recreation and culture' and 'hotel and restaurants'. Shanghai Pudong International Airport handled 60 million passengers in 2015. By cargo throughput, it is China's busiest airport. The city's secondary airport, Shanghai Hongqiao International Airport, is used mainly for domestic flights. The Port of Shanghai, which is comprised of multiple terminals in the city, ranks first in the world in terms of volume of cargo.

Shanghai's metropolitan areas is divided into 16 districts: eight urban and eight suburban. The core urban area (Shanghai City) covers eight districts (Huangpu, Xuhui, Changning, Jing'an, Putuo, Zhabei, Hongkou and Yangpu). Hongkou is the most densely populated district. Pudong, the suburban district east of the Huangpu River, became the city's main business district following massive investments driven by foreign capital inflows. Pudong is divided into four functional areas to promote specialisation and development: Lujiazui Finance and Trade Zone (the largest financial centre in Mainland China); Waigaoqiao Free Trade Zone (China's first FTZ); Jinqiao Export Processing Zone (specialised in electronics, machinery, fine chemicals and automotives); Zhangjiang Hi-Tech Park (specialised in life sciences, software, semiconductors, and information technology).

Business services is the most important service sector in Shanghai's economy, followed by commerce. Shanghai is a major world financial centre and home to one of the largest stock exchanges. Shanghai witnessed a major shift from manufacturing to services between 2011 and 2016. However, manufacturing still employed 29% of the total workforce in Shanghai in 2016.

The average household income in Shanghai was USD\$26,799 in 2015 (approximately CAD\$35,000). Alcoholic drinks and tobacco accounted for 3.4% of the average household budget in 2016 and is expected to decrease to 3.3% by 2021.³⁶

Nova Scotia's Dalhousie University has an MOU with Shanghai Jiao Tong University. NSBI has a Provincial Membership with [CanCham Shanghai](#). The original agreement was from September 1, 2017 to August 31, 2018, and it has been extended until December 31, 2018. This membership is for provincial-owned organizations/associations like NSBI that do not have a full-time presence in China. It is designed to provide benefits to both the main member (NSBI) as well as to clients/members of their organization/association. The benefits of the membership include referrals and logistical support for NSBI clients.

Shanghai Population Statistics		Household Income Distribution	Households, '000s, 2016	Percentage, 2016	Percentage, 2021 (est.)
Population, '000s (2016)	25,196	USD \$5,000+	10,738	99.4	100.0
Male Population, '000s (2016)	12,960	USD \$10,000+	9,357	86.1	94.0
Female Population, '000s (2016)	12,236	USD \$15,000+	6,377	57.9	75.0
Population Aged 15-64 (2016)	80%	USD \$25,000+	2,976	26.8	38.0
Estimated Expat Population, '000s (2016) ³⁷	209	USD \$45,000+	1,156	10.4	15.0
Average Household Size (2016)	2.3 people	USD \$65,000+	644	5.8	8.0
Projected Population Growth Rate (2016-21)	4.7%	USD \$100,000+	332	3.0	4.0
		USD \$150,000+	185	1.7	2.0

Source: Euromonitor International - Shanghai City Review, 2017

Select Competitors in Shanghai

Brand/Website	Product Type	Price Range (CAD)	Sizes	Sales Venues
Zapfler	Beer and Cider	\$90.75/case (24) \$7.76/pint of cider	24 x 330 ml bottles cider only available in restaurant	Online, bar, restaurant
Shanghai Brewery	Beer and Cider	\$9.05/pint	200 ml glasses	Restaurant
Liquid Laundry	Beer	\$7.55/glass	350 ml glasses	Restaurant
Boxing Cat Brewery (sister brand of Liquid Laundry)	Beer	\$14.16/pack (4)	4 x 330 ml bottles	Online, bar, restaurant

Guangzhou

Guangzhou is the capital of Guangdong province, located in southern China, and was ranked the third largest Chinese metropolis by GDP in 2016. Consumer spending per household (excluding housing and transport) was 72% higher than the Chinese average in 2016. The Port of Guangzhou features several terminals in the delta of the Pearl River. In 2015, the port ranked seventh in the world in terms of cargo volume. Guangzhou Baiyun International Airport is located in the Baiyun district, 28km north of the city centre. The airport ranked 17th for passengers and 19th for cargo volume in the world.

Guangzhou has ten districts and two counties that form the metropolis. The core urban area (Guangzhou City) includes the six urban districts of Guangzhou metropolitan area (Liwan, Yuexiu, Haizhu, and Huangpu). The Tianhe district was developed into Guangzhou's Central Business District as a centre of international finance, commerce and business.

Commerce and manufacturing are the largest sectors in terms of employment in Guangzhou. The services industries in Guangzhou are growing, and commerce was the largest contributor to job market growth between 2011 and 2016. Business services also contributed significantly to job growth, while manufacturing and construction posted net losses in employment.

The average household income in Guangzhou was USD\$24,100 in 2016 (approximately CAD\$32,000). Alcoholic drinks and tobacco accounted for 3.0% of the average household budget in 2016 and is expected to decrease to 2.9% by 2021.³⁸

The province of Nova Scotia has signed an MOU with Guangdong Province, with the Premier of Nova Scotia attending a signing ceremony in September 2017.

Nova Scotia's Saint Mary's University has an MOU with the Guangdong University of Finance & Economics, an exchange program with Jinan University, and credit transfer programs with the Guangdong University of Finance, the Guangdong University of Technology, and the South China Business College - Guangdong University of Foreign Studies. Dalhousie University has an MOU with the Guangdong University of Technology.

Guangzhou Population Statistics		Household Income Distribution	Households, '000s, 2016	Percentage, 2016	Percentage, 2021 (est.)
Population, '000s (2016)	13,369	USD \$5,000+	5,509	95.0	97.0
Male Population, '000s (2016)	6,980	USD \$10,000+	4,428	80.4	87.0
Female Population, '000s (2016)	6,389	USD \$15,000+	3,472	62.7	74.0
Population Aged 15-64 (2016)	82%	USD \$25,000+	1,978	35.3	47.0
Estimated Expat Population, '000s (2016) ³⁹	80	USD \$45,000+	746	13.2	20.0
Average Household Size (2016)	2.4 people	USD \$65,000+	372	6.6	10.0
Projected Population Growth Rate (2016-21)	5.1%	USD \$100,000+	169	3.0	4.0
		USD \$150,000+	89.8	1.6	2.0

Source: Euromonitor International - Guangzhou City Review, 2017

Select Competitors in Guangzhou

Brand/Website	Product Type	Price Range (CAD)	Sizes	Sales Venues
Strand Beer	Beer	\$8.48/glass	470 ml glass	Bars
Bravo Brewing Co.	Beer	Not Available	330 ml bottles	Restaurants, Bars, Stores

Shenzhen

Located in the Southern province of Guangdong, Shenzhen is the fifth most-populated city in China. In 2015, the Port of Shenzhen was ranked third globally based on cargo volume, whereas Shenzhen Bao'an International Airport was ranked fifth and fourth based on passenger traffic and cargo traffic in China respectively. In 2016, Shenzhen ranked as the fifth largest urban economy in China.

There are ten districts in Shenzhen: six are the initial districts, including Futian, Luohu, Nanshan, Yantian, Bao'an, and Longgang, while the other four are the new districts, including Guangming, Longhua, Pingshan, and Dapeng. Geographically, Futian, Luohu, Nanshan and Yantian are the busiest districts in Shenzhen, all of which are adjacent to Hong Kong. Luohu is known as the financial and trading centre; Futian is where the municipal government is located; and Nanshan is known as the high-tech industries centre.

The following are the three main economic areas in Shenzhen:

The Shenzhen Science and Technology Industrial Park – electronics, information technology, biology, optical-electrical-mechanical integration, and pharmaceuticals

Guangdong Free Trade Zone – warehousing, logistics, trade, and export processing

Shenzhen Export Processing Zone (EPZ) – electronics, information technology, and equipment manufacturing

The average household income in Shenzhen was USD\$21,400 in 2016 (approximately CAD\$28,000). Alcoholic drinks and tobacco accounted for 3.0% of the average household budget in 2016 and is expected to decrease to 2.9% in 2021.⁴⁰

As mentioned earlier, Nova Scotia has signed an MOU with Guangdong Province. The Port of Halifax also has an agreement with Shenzhen specifically.

Shenzhen Population Statistics		Household Income Distribution	Households, '000s, 2016	Percentage, 2016	Percentage, 2021 (est.)
Population, '000s (2016)	11,020	USD \$5,000+	5,018	94.9	97.0
Male Population, '000s (2016)	6,064	USD \$10,000+	4,261	80.3	87.0
Female Population, '000s (2016)	4,956	USD \$15,000+	3,338	62.5	74.0
Population Aged 15-64 (2016)	87%	USD \$25,000+	1,899	35.2	48.0
Estimated Expat Population, '000s (2016) ⁴¹	27	USD \$45,000+	716	13.2	20.0
Average Household Size (2016)	2.1 people	USD \$65,000+	357	6.6	10.0
Projected Population Growth Rate (2016-21)	5.3%	USD \$100,000+	162	3.0	4.0
		USD \$150,000+	86	1.6	2.0

Source: Euromonitor International - Shenzhen City Review, 2017

Select Competitors in Shenzhen

Brand/Website	Product Type	Price Range (CAD)	Sizes	Sales Venues
E.T. Brewery	Beer	\$7.57 - 11.35	keg/pint	Pub
Evil Duck	Beer	\$6.62 - 13.25	keg/pint	Bar, pub, restaurant
Fury	Beer	\$9.46	keg/pint 360 ml glass	Bar
Bionic Brew	Beer	\$4.25 - 6.80 \$5.10 - 7.65	330 ml glass 473 ml glass	Taproom, bar, pub, restaurant
Peko Brewing Co.	Beer and Cider	\$1.70 - 8.50	keg/pint	Bar, pub, restaurant
Zhenker Craft Beer	Beer	\$4.76 \$5.10 - 6.80 \$10.20, \$28.56	180 mL glass 500 mL glass 1L keg 3L keg	Bar, pub, restaurant

Tianjin

Located between Beijing and the Bohai Sea, Tianjin is one of the four direct-administered municipalities in China and is a crucial gateway to the sea for Beijing. In 2016, the city was the third most-populated metropolis and had the fourth highest GDP in China. In 2015, Tianjin Port ranked tenth globally based on cargo volume, whereas Tianjin Binhai International Airport ranked twentieth and thirteenth based on passenger traffic and cargo traffic in China respectively.

There are 13 districts and 3 rural counties in Tianjin:

Urban districts: Heping, Hedong, Hexi, Nankai, Hebei, and Hongqiao

Suburb districts: Dongli, Jinnan, Xiqing, Baichen, Wuqing, Baodi, and Binhai Xin

Rural counties: Ji, Jinghai, and Ninghe

The majority of Tianjin's business activity is in Binhai Xin, also known as 'Tianjin Binhai New Area' (TBNA). TBNA has three essential areas: the Tianjin Economic-Technological Development Area (TEDA), Tianjin Port Free Trade Zone (TJFTZ), and Tianjin Port.

The average household income in Tianjin was USD\$19,300 in 2016 (approximately CAD\$25,000). Alcoholic drinks and tobacco accounted for 3.5% of the average household budget in 2016 and is expected to decrease to 3.4% by 2021.⁴²

Nova Scotia's Dalhousie University has an MOU and Joint International Degree Program with Tianjin University.

Tianjin Population Statistics		Household Income Distribution	Households, '000s, 2016	Percentage, 2016	Percentage, 2021 (est.)
Population, '000s (2016)	16,653	USD \$5,000+	6,008	98.5	99.0
Male Population, '000s (2016)	8,938	USD \$10,000+	4,979	81.0	91.0
Female Population, '000s (2016)	7,715	USD \$15,000+	3,246	52.2	69.0
Population Aged 15-64 (2016)	81%	USD \$25,000+	1,370	21.8	32.0
Estimated Expat Population, '000s (2016)	N/A	USD \$45,000+	463	7.4	11.0
Average Household Size (2016)	2.7 people	USD \$65,000+	245	3.9	6.0
Projected Population Growth Rate (2016-21)	20%	USD \$100,000+	128	2.1	3.0
		USD \$150,000+	76	1.2	2.0

Source: Euromonitor International - Tianjin City Review, 2017

Select Competitors in Tianjin

Brand/Website	Product Type	Price Range (CAD)	Sizes	Sales Venues
WE Brewery	Beer	\$9.00 - 18.00	keg/pint	Bar, pub, restaurant
YY Beer House	Beer	\$6.62	keg/pint 330 mL bottle	Restaurant

Hong Kong

Located next to the Pearl River Delta, Hong Kong was a British Crown Colony until July 1997; it is now a territory known as the Hong Kong Special Administrative Region (HKSAR), a political subdivision of mainland China. Hong Kong is comprised of Hong Kong Island, Kowloon Peninsula, the New Territories and the Outlying Islands. There are 18 districts in Hong Kong. The districts in New Territories are rural, while the others are urban.

As one of the world's freest economies, Hong Kong's tax system is renowned for its simplicity and efficiency. High earners pay little or no taxes, salaries and corporate gains taxes are restricted, and capital gains and inheritance taxes are exempted entirely.

Once a manufacturing-based economy, Hong Kong is now a service-based economy, with services accounting for 81.5% of GDP. Tourism and banking are major industries within the city-state.

Hong Kong is the world's sixth largest exporter of merchandise trade. Mainland China is its largest trading partner and accounted for 54.1% of the total export value, including re-exported goods, in 2017.

Most population growth in Hong Kong is the result of immigration, with more than four fifths of all immigrants coming from mainland China. Hong Kong's population is much older than many other regions; the median age in 2017 was 43.9 years old and government officials have predicted that the number of people aged 64 and over will account for a third of the Hong Kong's population by 2033, if the current trend continues.

Disposable income per capita totaled USD\$38,107 (approximately CAD\$51,000) in 2017 and was expected to grow by 3.2% in 2018. While per capita GDP is growing, the gap between rich and poor is widening.

Alcoholic drinks and tobacco accounted for 1.2% overall of consumer expenditure in 2017. However, it is worth noting that the bottom (lowest income) decile of the population spent 1.9% of their share of consumer expenditure on alcoholic drinks and tobacco, the middle decile spent 1.4%, and the top decile spent 0.9%.⁴³

Hong Kong Population Statistics		Households with Disposable Income Over..	Households, '000s, 2016	Percentage, 2016
Population, '000s (2017)	7,392	USD \$5,000+	2,445	97.4
Male Population, '000s (2017)	3,393	USD \$10,000+	2,350	93.7
Female Population, '000s (2017)	3,999	USD \$15,000+	2,244	89.6
Population Aged 15-64 (2017)	72%	USD \$25,000+	2,023	80.9
Estimated Expat Population, '000s (2017) ⁴⁴	679	USD \$45,000+	1,607	64.4
Average Household Size (2017)	2.8 people	USD \$65,000+	1,263.8	50.8
Projected Population Growth Rate (2016-21)	N/A	USD \$100,000+	837.8	33.8
		USD \$150,000+	490	19.8

Source: Euromonitor International - Hong Kong Country Profile, 2018

Hong Kong Imports from Canada	2015	2016	2017
Beer made from malt (Quantity, Litres)	11,069 L	88,108 L	12,307 L
Beer made from malt (Trade Value, USD)	\$33,857	\$116,623	\$40,597
Cider, Perry, Mead (Quantity, Litres)	207 L	167 L	7,453 L (*also includes sake)
Cider, Perry, Mead (Trade Value, USD)	\$6,498	\$1,964	\$84,759 (*also includes sake)

Source: UN Comtrade Database, HS Codes 2206 and 2203

Select Competitors in Hong Kong

Brand/Website	Product Type	Price Range (CAD)	Sizes	Sales Venues
Lion Rock Brewery	Beer	\$5.35 – 6.19 (per bottle)	330 mL bottle 10 L keg 30 L keg	Online, bar, pub, restaurant
Deadman Brewery	Beer	N/A	330 mL bottle	Bar, pop-up
Young Master Brewery	Beer	\$4.18 – 83.66	330 mL bottle/can 750 mL bottle 946 mL growler 24 x 330 mL bottle/ can case	Online, bar, pub, pop-up, restaurant, club, supermarket, convenient store
The Artist	Beer	\$43.16 \$71.60	6 x 330 mL bottle 12 x 330 mL bottle	Online, pop-up, bar, pub, restaurant, hotel
Yardley Brothers	Beer	\$7.02 – 20.91	330 mL bottle 650 mL bottle	Online, bar
Moonzen Brewery	Beer	\$5.86 – 8.36 \$53.52 – 73.26	330 mL Limited gift set	Online, bar, pub
Gweilo	Beer	\$3.51 – 5.35 \$64.90	330 mL bottle/can 24 x 330 mL can	Online, bar, pub, restaurant
Mak's Beer	Beer	\$6.69	330 mL bottle keg	Online, bar, pub, pop-up, restaurant, club, supermarket, convenient store
Black Kite Brewery	Beer	\$5.35 \$90.32	330 mL bottle 24 x 330 mL bottle	Online, bar, pub, pop-up, restaurant
Fat Rooster Brewing Co.	Beer	N/A	keg	Bar, pub, pop-up, restaurant
Hong Kong Beer Co. (HKBC)	Beer	\$4.18	330 mL bottle	Online, bar, pub, restaurant, club, hotel
Kowloon Bay Brewery	Beer	5.02 – 5.86	330 mL bottle	Online, bar, pub, restaurant

Retail and Distribution

In China, craft beer is sold primarily on-trade due to regulations that prevent many domestic brands from bottling their products. The majority of on-trade sales are through supermarkets or independent small grocers.

In Hong Kong, craft beer is sold both on- and off-trade. Most off-trade sales are through supermarkets. Similarly, cider is sold both on- and off-trade in Hong Kong. Many on-trade operators in Hong Kong import smaller foreign brands to differentiate their menus and attract younger customers. However, distributors are also expanding their off-trade sales, focusing on price promotions in supermarkets and convenience stores. More imported, premium products will be found in high-end supermarket chains such as TASTE and Citysuper, along with department stores such as Sogo and Yata. Lower priced brands will be sold at large distribution networks such as ParknShop and convenience stores. International brands are expected to dominate over the coming years.⁴⁵

Unlike Hong Kong, off-trade is the main distribution channel for cider in mainland China. The profile of high-end supermarket customers overlaps with the key customer demographics for cider. Additionally, the popularity of internet retailing in mainland China has allowed for several international cider brands to reach Chinese customers.⁴⁶

Off-Trade Channel Distribution, 2017	China Beer	Hong Kong Beer	China Cider/Perry	Hong Kong Cider/Perry
Hypermarkets	11.1%	-	15.0%	-
Supermarkets	35.3%	60.9%	53.9%	65.0%
Convenience Stores	1.0%	26.1%	-	30.9%
Independent Small Grocers	40.9%	11.2%	-	2.5%
Other Grocery Retailers	6.0%	-	-	-
Food/Drink/Tabaco Specialists	-	1.8%	3.1%	1.5%
Internet Retailing	5.6%	-	28.0%	-

Source: Euromonitor International - Beer in China 2018, Beer in Hong Kong 2018, Cider/Perry in China 2018, Cider/Perry in Hong Kong 2018

Legal Considerations

China does not have a dedicated agency that monitors the alcohol industry.⁴⁷ As such, it is extremely important to verify all of the import and sales requirements with a local partner. A partner located in China is usually the best equipped to contact the local authorities for guidance. With that in mind, it is still useful for exporters to understand the general systems and standards they can expect to encounter.

China uses GuoBiao Standards (GB Standards) to regulate products and services on a national level. There are mandatory (GB) and recommended (GB/T) standards. Mandatory standards are enforced by law. All products sold in China must be tested in order to ensure compliance with GB Standards.

The [General Administration of Quality Supervision, Inspection and Quarantine of P.R.C.](#) (AQSIQ) is the authority appointed to manage the administration of GB Standards. AQSIQ operates under the [Standardization Administration of China](#).⁴⁸

Brewing and Bottling Regulations

Craft beer producers in China face regulatory challenges. Brewers are restricted to industrial zones away from city centers unless they are producing beer for sale on their own premises, which stifles their ability to sell to retailers or food services. Additionally, the stamp of quality approval needed to bottle beer in China is only available to production lines capable of bottling more than 12,000 bottles an hour. Beer bottles also need to be filtered and pasteurized, which disrupts the recipes and processes of many craft brewers.⁴⁹ These standards largely prevent local brewers from selling their products off-trade.

While this lowers off-trade competition for international brands, it also means that international brands looking to set up manufacturing operations in China to ensure fresher products for the market will also face the same challenge.

Harvest Brewery, located in Chengdu, circumvented the bottling problem by getting a keg licence. They are able to put their beer in metal barrels, which can then be sold at off-premises locations.⁵⁰

Another solution to the bottling problem is outsourcing. There is a contract brewery in Handan that handles production for many craft brands in China.⁵¹ The facility is large enough to meet the 12,000 bottles an hour requirement, so smaller producers are able to bottle their beer without having to meet the scale requirements themselves.

Tariffs and Taxes

There are four duties/taxes that companies should be aware of when exporting beer or cider to China:

- Tariff duty rates
- Valued Added Tax (VAT)
- Consumption Tax (CT)
- Cross-Border e-Commerce Import Tax (CBEC)

Tariff Duty Rates

Tariffs between Canada and China/Hong Kong currently fall under the Most Favoured Nation (MFN) agreement.⁵² Alcoholic beverage tariffs can generally be found under [Chapter 22 of the Customs Tariffs](#) published by the Canada Border Services Agency. These tariffs are organized by the codes prescribed by the Harmonized Commodity Description and Coding System (HS). The HS Code system is standardized internationally up to the first 6 digits. Some countries have more detailed classifications after the first six digits, but these are not internationally standardized and may vary by country.

Below is a list of HS Codes and their applicable tariffs, as of 2018, which may apply to craft beer or cider products. It should be noted that (HS 2203.00.00 – Beer made from malt) has several sub-categories within Canada which are not included below, as they are not internationally recognized and carry the same tariff rate as the general category.

HS Code	Description	MFN Tariff
2202.91.00	Non-alcoholic beer	Free
2203.00.00	Beer made from malt.	Free
2206.00.80	Ginger beer and herbal beer	2.11¢/litre
2206.00.11	Cider: - Sparkling, of an alcoholic strength by volume not exceeding 22.9% vol	28.16¢/litre
2206.00.12	Cider: - Other sparkling	28.16¢/litre
2206.00.18	Cider: - Other cider, of an alcoholic strength by volume not exceeding 22.9% vol	3%
2206.00.19	Cider: - Other	3%

Value Added Tax (VAT)

VAT applies to the sale and importation of all goods in, from, or to China. VAT only applies to mainland China. Hong Kong does not have a VAT, GST, or other equivalent indirect tax.⁵³

The standard rate of VAT is 17% for general VAT taxpayers and is applied to the sale and importation of most goods.⁵⁴ In 2015, the USDA Foreign Agricultural Service noted that 'HS Code: 2203.0000.00 - Beer made from malt' used the standard 17% VAT rate. Cider products also appear to use the 17% general VAT rate.⁵⁵

Consumption Tax (CT)

Consumption Tax (CT) applies to a number of nonessential goods, including alcohol. CT only applies to mainland China.⁵⁶ The tax is calculated based upon either the sales value of the goods, the volume, or a combination of the value and volume. The CT rate is from 1% to 56% on the sales revenue of the goods.⁵⁷

The USDA Foreign Agricultural Service stated that, in 2015, the CT rates for 'HS Code: 2203.0000.00 - Beer made from malt' were as follows:

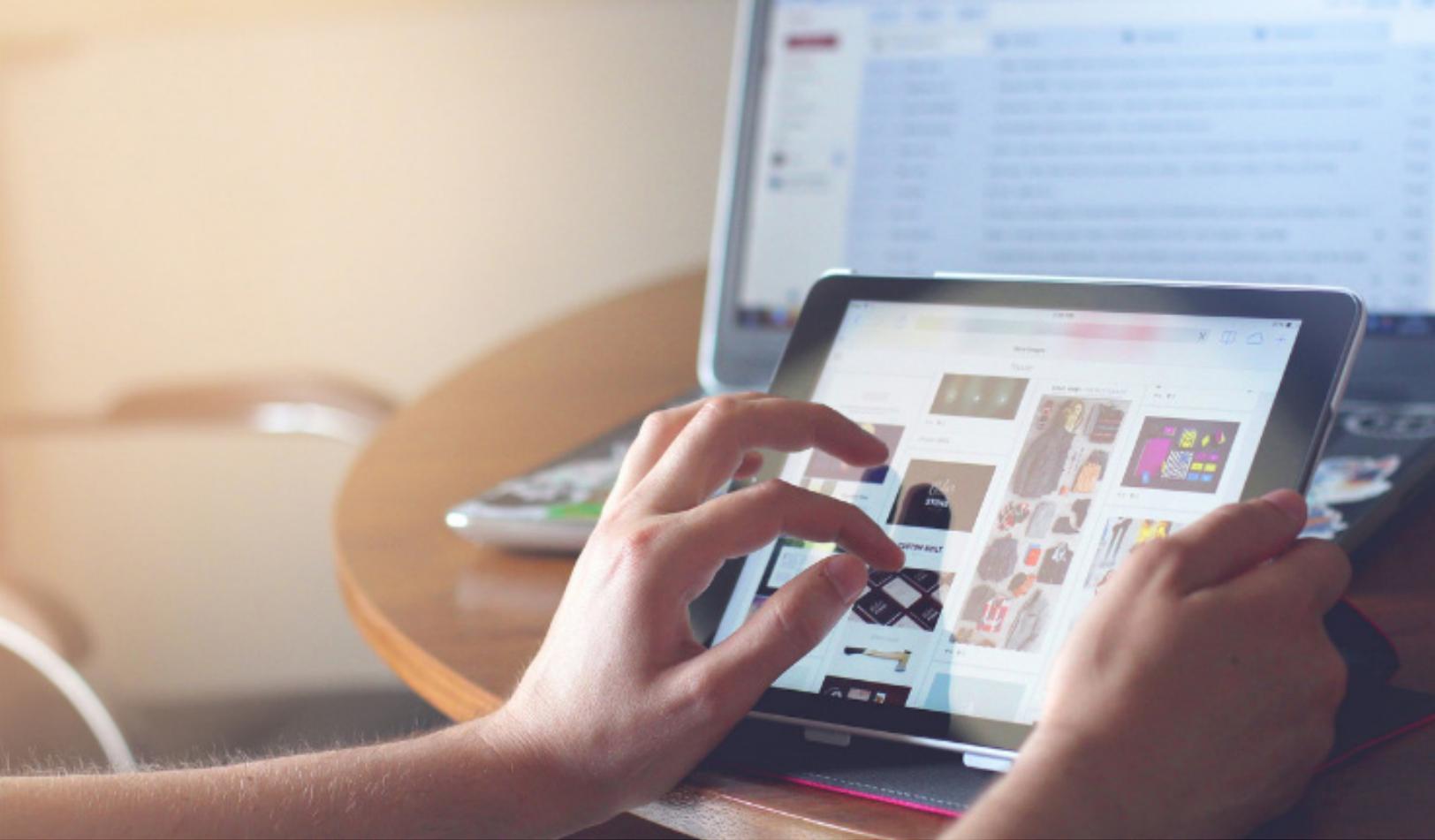
RMB250 per ton (USD\$42 per ton; 1 ton = 998 liters), if the price (after VAT paid) is greater than or equal to USD\$370 per ton.

RMB220 per ton (USD\$37 per ton), if the price (after VAT paid) is less than USD\$370 per ton.⁵⁸

Current CT rates are not readily available online or in English. It is strongly recommended that companies work closely with a local partner to ensure they are meeting the most recent CT requirements for their products.



TIP: The [Canadian Trade Commissioner Service \(TCS\)](#) can provide Canadian businesses with on-the-ground intelligence, qualified contacts, partnership opportunities, and practical advice on foreign markets. The TCS has offices in [China](#) and [Hong Kong](#). Companies looking to find or vet in-market partners may want to consider contacting the TCS for their expertise.



Cross-Border e-Commerce (CBEC) Import Tax

Producers considering selling through e-commerce channels will also need to be aware of CBEC import taxes.

In 2016, the Chinese government released regulations that change the import tax for CBEC products, making them subject to tariffs, VAT, and CT taxes. The government also created a 'positive list' of items, meaning that only items on the list were allowed to enter China through CBEC. At the same time, the personal postal parcel tax was changed for goods shipped from vendors outside of China, making this tax subject to a 'negative list' of banned items.⁵⁹ The personal postal parcel tax on wine and liquor products is 60%.⁶⁰

CBEC rules are applied to both bonded import (where stock is sent to a bonded warehouse and then shipped to customers from the warehouse) and direct purchase import (where stock is sent directly to the customer).⁶¹ The import tariff for both methods is temporarily set to 0% and VAT is set at 11.9% (70% of the normal rate).⁶² If an order exceeds 2,000 RMB (approximately CAD\$377), or the accumulated value exceeds an annual quota of 20,000 RMB per person RMB (approximately CAD\$3,766), the normal rates for the items will be charged instead of the CBEC modified rates. CT taxed products, such as alcohol, which are imported as CBEC items are subject to 70% of the normal CT rate.⁶³

Events and Trade Shows

Beertopia

October 6-5, 2018 - Annual

Hong Kong

<https://beertopiahk.com/>

Beertopia is Hong Kong's largest craft beer festival. The goal of Beertopia is to provide an opportunity for people to taste and learn about quality beers they might not be aware of, and to do this in a fun and lively environment.

The 2015 festival featured over 13,000 attendees.

China Brew-Beverage

October 23-28, 2018 - Biennial

Shanghai

<http://www.chinabrew-beverage.com/english.htm>

CBB is dedicated to the beverage and liquid food industry in China. It covers the whole process chain of the beverage and liquid food industry including related processing technology, packaging, raw materials, logistic, equipment and components.

CBB 2016 had 800 exhibitors and over 53,000 visitors.

Food & Hotel China - Beer China

November 13-15, 2018 - Annual

Shanghai

<https://www.fhcchina.com/en/>

FHC is an international exhibition for the food, drink, hotel, restaurant, food service, bakery and super market industries.

FHC 2017 had 91,301 trade buyers. There were 170 beer sector exhibitors, which drew in over 22,000 beer sector focused visitors.

China Food & Drinks Fair

October 11-27, 2018 / March 17-23, 2019 - Biannual

Chengdu (Spring), Various Cities (Autumn)

<http://www.cfdf.org/>

CFDF is the largest and oldest exhibition fair, and has been considered as the most important branding and communication platform for the wine industry in China. Industry players receive informative data during the fair. CFDF will be held every Spring in Chengdu, and every Autumn in another selected city.

As the leading Chinese trade Fair in the wine industry, it recorded approximately 3,000 exhibitors, 300,000 buyers and 20 billion RMB transactions each fair.

SIAL China

May 14-16, 2019 - Annual

Shanghai

<http://www.sialchina.com/>

Asia's largest and the 3rd biggest food innovation exhibition in the world, SIAL China 2018 concluded at Shanghai New International Expo Center on May 16th with a record number of visitors, exhibitors and exhibition squares. There were 3,400 exhibitors.

Craft Beer China

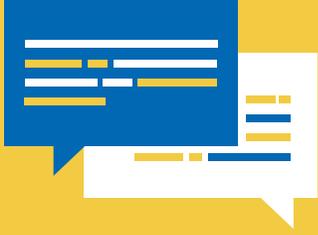
May 15-27, 2019 - Annual

Shanghai

<http://www.cbcechina.com/en/>

CBCE 2019 will organize several outstanding, high-level and deeply focused seminars. Professional visitors and delegates of CBCE 2019 will be domestic and foreign beer makers, beer tasters, professionals from the catering industry, senior executives of large beer enterprises, professionals from medium-sized and small breweries, manufacturers, distributors, agents and retailers.

CBCE 2018 had 9,841 trade visitors.



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NSBI is dedicated to helping Nova Scotia companies enter and grow in markets around the world. Our team of sector and market specialists bring the intelligence and insights companies need to make informed export decisions.





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