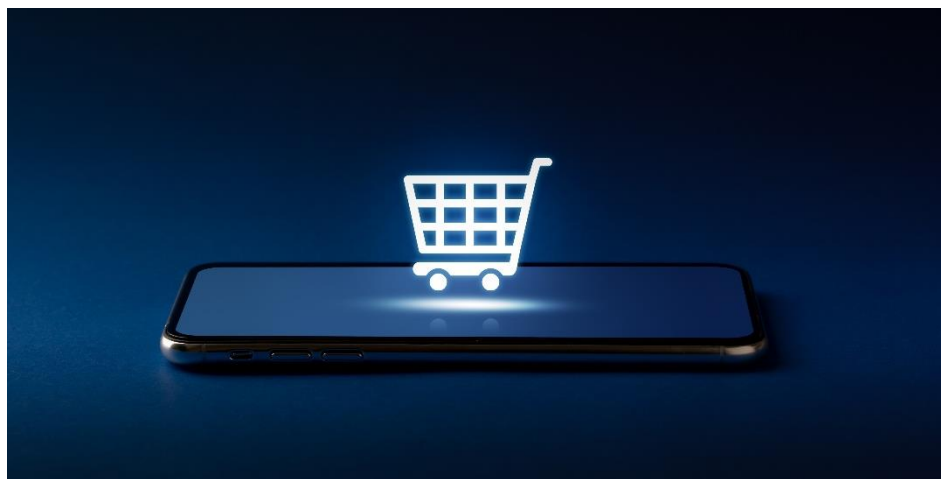


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Helen Chin

Vice President

Vivian Liang

Assistant Manager

Brigitte Ng

Research Analyst

William Kong

Senior Research Manager

Fung Business Intelligence

1/F LiFung Tower

888 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: fbicgroup@fung1937.com

W: <http://www.fbicgroup.com>



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I. Sector Review

Internet & e-commerce

Xinxuan's 'Xin Manufacturing' brings together over 3,000 factories in China's industrial areas

Xinxuan's new Xin Manufacturing initiative integrates the resources of more than 3,000 factories to engage in C2M production. Starting with the product design and R&D process, Xinxuan will work with factories to develop new products. Since 2018, the company has established a team of nearly 1,000 people based in Hangzhou who specialize in developing digital systems to improve supply chain efficiency. Furthermore, there are dedicated product selection and development teams in major industrial cities such as Guangzhou, Hangzhou, Shanghai, Yiwu, and Harbin.¹

Ymatou launches 'Big Brands Good Factories' campaign to promote domestic products

Ymatou has partnered with around a dozen OEM domestic factories, mainly apparel manufacturers (product categories include shoes, clothing, household goods, luggage, and glasses), for its 'Big Brands Good Factories' campaign. Product prices range from 20 to 300 yuan. Ymatou may also cooperate with factories to produce customized products. In addition to these partnerships, the company is also exploring business operations beyond imports. On 16 June, it announced a strategic partnership with MCN agency Hot Media to enter the domestic second-hand luxury goods market.²

ByteDance invests in global fast fashion e-commerce brand Xinchao Wuxian

The new shareholders of Xinchao Wuxian include ByteDance subsidiary Beijing Quantum Leap Technology Limited and Beijing Xinchao Pengbai Information Consultancy Centre. Xinchao Wuxian is a global fast fashion e-commerce brand that aims to elevate the online apparel shopping experience through new technology.³

Cross-border e-commerce

Onion Global announces new flagship store ZIP LAB

On 20 June, Onion Global unveiled its new retail flagship store ZIP LAB, which is in the prime location of Xiuying Wanda Plaza in Hainan. ZIP LAB aims to integrate online and offline channels to elevate the shopping experience. Onion Global also plans to invite KOLs and brands across the country for content co-creation and partnerships with platforms such as Douyin, Kuaishou and Bilibili in order to reshape brand growth.⁴

Cainiao to establish over 30,000 self-service pickup points overseas this year

On 18 June, Cainiao announced its plans to set up over 2,000 self-service counters in Spain and France by March next year. It is estimated that by the end of this year, Cainiao will have over 30,000 self-service pickup points and counters in overseas locations. In March, their daily cross-border parcel volume across their global network exceeded 5 million, with their “US\$5 10-day delivery” logistics products covering European countries including Spain, France, and the Netherlands. It is expected to cover 20 countries around the world this year.⁵

Supermarkets & hypermarkets

METRO PLUS membership stores to open in Beijing, Chengdu

On 20 June, METRO China, a subsidiary of Wumart, announced the opening of two exclusive PLUS members-only stores in Beijing and Chengdu on 27 June. This follows METRO's extensive promotion of its paid membership system in 60 cities across China last December. The product range will be more differentiated than those in existing METRO stores, with a higher proportion of imported goods, METRO exclusives and private brands – these will account for around 40% of all products.⁶

All 69 Auchan Supermarket locations to be rebranded as RT-Mart; Renovations to be completed in the second half of this year

All 69 Auchan stores across the country will be rebranded as RT-Mart stores by the end of the year as part of their ongoing integration. Sun Art Retail began the integration process between the two supermarket brands in late 2018. Their headquarters, supply chains, product structures and logistics centres were completely integrated by 2019.⁷

Convenience stores

Lawson and other convenience stores participate in pilot to revive Beijing subway convenience stores

Lawson convenience stores under construction have appeared in Beijing Metro stations. The Beijing subway convenience store project is reportedly in the pilot phase, with Lawson and several other convenience stores participating. Bidding will begin after the pilot phase, and large-scale implementation will have to wait until next year at the latest. Beijing has strengthened its support policies for convenience stores in recent years. In addition to liberalizing restrictions on fresh food and providing subsidies, the government has also proposed a “15-minute community lifestyle service circle” supported by commercial entities such as convenience stores.⁸

Sports

Anta and Tsinghua establish joint research centre focusing on four areas of cooperation

On 22 June, Anta Group and Tsinghua University unveiled the ‘Tsinghua-Anta Sports Fashion Joint Research Centre’.

The two parties will focus on four areas of in-depth cooperation: R&D of industry-leading materials and fabric technology (in particular professional sports materials); integration of global design resources and improving the overall level of original design of professional sports equipment through innovative design competitions; providing training and development platforms for professional R&D and design talents in the industry; and engaging in cutting-edge industry research.⁹

Cosmetics

T-mall and La Prairie parent company to incubate Chinese beauty startups

T-mall and Beiersdorf, La Prairie's parent company, have signed a joint agreement to act as incubators for Chinese beauty startups. According to Launchmetrics data, the Chinese beauty market is worth US\$38.6 billion, second only to the US market, which is worth US\$56 billion. China will become the world's largest beauty market by 2023.¹⁰

Dada Group enters strategic partnership with The Colorist and Wow Colour

Dada Group recently announced their partnership with The Colorist and Wow Colour. Dada Group will use its JD Daojia platform to connect The Colorist and Wow Colour with their online and offline membership systems. The platform uses big data to provide precision marketing strategies while improving product selection and inventory management. JD Logistics will also provide one-hour delivery for both companies' offline locations.¹¹

Sa Sa International to close 20 stores in Hong Kong in favour of development in the GBA through 30 new locations

Sa Sa International recently announced the planned closure of 15 to 20 locations in Hong Kong this year. Their business focus will shift to developing their presence in the Greater Bay Area (GBA), with over 30 new locations planned. As of market close on 22 June, Sa Sa's stock price rose by 7.5% to HK\$2.15, with a market capitalization of approximately HK\$6.7 billion.¹²

China's largest beauty e-commerce company Yoko Group approved to be listed on HKEX

Chinese beauty e-commerce giant Yoko Group has passed its HKEX review hearing. According to an iResearch report, Yoko Group is China's top beauty brand e-commerce service provider, with a market share of 13.3% (based on GMV); the group is also China's leading third-party beauty brand incubator. The Group's GMV increased from 4.6 billion yuan in 2018 to 16.3 billion yuan in 2020, with an average annual compound growth rate of 88.5%; total revenue increased from 1.164.5 billion yuan in 2018 to 1.659.5 billion yuan in 2020; adjusted profit increased from 207.1 million yuan in 2018 to 424.2 million yuan in 2020, with a two-year compound annual growth rate of 43.1%.¹³

Others

Pop Mart establishes new trading company for apparel and cosmetics retail

Pop Mart has established the Anhui Pop Mart Trading Company Limited, with Zhou Pei Pei acting as legal representative and registered capital of 5 million yuan. Their business scope includes daily necessities, apparel and cosmetic retail, and vending machine sales. Shareholder information indicates that the company is fully owned by Beijing Pop Mart Cultural and Creative Co., Ltd.¹⁴

II. Market Overview

CCFA and Nielsen: China's Top Ten Shopping Centre Consumer Insights 2020-2021

Recently, the China Chain Store and Franchise Association (CCFA) and Nielsen IQ (Nielsen IQ) published the top ten findings of the "2020-2021 China Shopping Centre Consumer Insights Report":

1. In the post-pandemic year of 2021, the consumer composite index has recovered significantly;
2. Benchmark shopping centres remain important. Convenience and purpose are priorities, and shopping habits have become routine;
3. The frequency of customer visits has become geographically differentiated. The northeast and northwest areas have shown strong recovery;
4. Consumption patterns vary significantly depending on shopping companions;
5. Increased consumer expectations towards hardware and software in shopping malls;
6. Consumers are no longer satisfied with shopping malls that only provide the bare essentials. They are looking for shopping centres that meet a range of needs;
7. Impact of the pandemic on consumption: offline shopping experiences are irreplaceable, and will retain value among consumers;
8. Higher expectations of shopping centres, which should provide smart services and experiential shopping;
9. Higher expectations for normalization and refinement of pandemic response measures;
10. Increased concentration of memberships in shopping centres.¹⁵

China's pop-up store industry white paper: 2020 industry scale exceeds 320 billion yuan

In collaboration with Guangdong Brandmax, 36kr Research Institute and Zhejiang University, LOCATION recently published the first domestic "White Paper on China's Pop-Up Store Industry". As a form of experiential marketing for flexible store openings, pop-up stores are a creative reinvention of traditional retail formats, an instantaneous offline traffic acquisition channel for new brands, and a commercial space that fully utilizes on-site resources to enhance and create new value.

Since its emergence in 2012, the domestic pop-up store industry experienced a period of rapid development in 2015 and is currently entering an explosive growth phase. Market size of the industry exceeded 320 billion yuan in 2020 – of which the short-term rental market for commercial space reached 80 billion yuan – with approximately 9.6 million pop-up events nationwide.¹⁶

China's cross-border e-commerce retail imports exceed 100 billion yuan

In 2020, China's cross-border e-commerce retail imports exceeded 100 billion yuan. 46 new cross-border e-commerce pilot areas were established, reaching a total of 105 areas. There are over 330 industrial parks in various pilot areas which have created over 3 million employment opportunities. Furthermore, there are over 1,800 overseas cross-border e-commerce warehouses, with a growth rate of 80% in 2020 and a total area of over 12 million square metres.¹⁷

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Fung Business Intelligence

Fung Business Intelligence collects, analyses and interprets global market data on sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to monitor, research and report on these global issues with a particular focus on business trends and developments in China. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consulting services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

Fung Group

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including sourcing, logistics, distribution and retail. The Fung Group comprises over 26,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

Listed entities of the Group include Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include Li & Fung Limited, LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

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