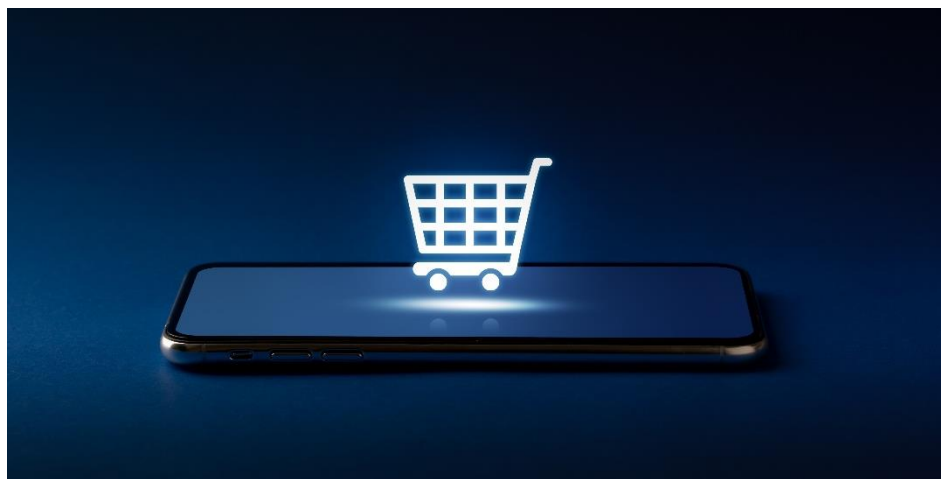


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I. Sector Review

Internet & E-commerce

Alibaba launches its new Orange Innovation Centre in Hangzhou

Alibaba recently officially launched its new Orange Innovation Centre. Tmall Genie, Ziliu MCN and Xiankankan have signed an entry agreement with the centre. The Orange Innovation Centre is located in the core area of the Future Science and Technology City in Yuhang, Hangzhou, with an office area of nearly 12,000 square metres. It is a smart shared office space under Alibaba which began trial operations in March 2021. The number of staff working in the centre has exceeded 1,000 in just over three months, and a number of high-quality, fast-developing projects have joined the centre. The current occupancy rate of the centre is 95%.¹

Alibaba and Tencent consider gradually opening up their ecosystems to each other

33 Internet companies including Alibaba, Tencent, ByteDance, and JD.com recently became the first batch of companies to sign the 'Convention on Anti-Monopoly Self-Regulation for Internet Platform Operators' at the 2021 China Internet Conference. Sources say that Alibaba and Tencent are considering gradually opening up their services to each other. Alibaba will introduce Tencent's WeChat payment function on its e-commerce platforms, Taobao, and Tmall. Tencent may allow the Alibaba's e-commerce content to be shared in WeChat, or allow WeChat users to use Alibaba's services through mini programs.²

Alibaba and Bilibili become shareholders of internet celebrity Zhang Dayi's parent company RUHNN

RUHNN has undergone several equity changes lately, with Alibaba and Bilibili's parent company Shanghai Phantom Information Technology Co. among the new corporate shareholders. However, financial details about the investments were not disclosed. It is worth noting that RUHNN, known as 'the number one share of Internet celebrities', was delisted from the Nasdaq in April this year. The company is currently focusing on the incubation of new internet celebrities in order to reduce their dependence on top influencer Zhang Dayi.³

Douyin begins testing their new takeaway service

ByteDance subsidiary Douyin recently established a new takeaway division and began testing within the Douyin app. The business is currently called 'Heartbeat Takeaway' and their slogan is 'Heartbeat Takeaway, Eat What You Love'. Sources say that Heartbeat Takeaway will most likely invite catering businesses on Douyin to join the service, with the businesses providing their own delivery services. It is possible that the business may become an online ordering aggregator through cooperation with Ele.me or Meituan.⁴

Meituan launches new WeChat mini program for finding local entertainment activities

Meituan has launched a new WeChat mini program called Meituan Pingchang (or 'Meituan Pooling') which allows users to find teammates for local social games such as Mafia (also known as Werewolf) and escape rooms. The mini program uses single-column display to show matchmaking information on the game's page, and each page will show activity details such as location, price, time, etc.⁵

Meituan Taxi launches its new app

A new version of the Meituan Taxi app, which was removed from app stores in May 2019, launched on all major app stores on 9 July as a safe and high-quality taxi hailing and car renting app. Meituan Taxi services are currently available in over 100 cities, including Beijing, Shanghai, Chengdu, Guangzhou, Shenzhen, Hangzhou, Nanjing, Zhengzhou, Hefei, Xi'an, Taiyuan, Changsha, Wuhan, Shenyang, and Xiamen.⁶

Supermarkets & Hypermarkets

Freshippo reveals new 'New Hong Kong Products Debut Centre'

The Freshippo Xiangyueli Store in Nanshan District, Shenzhen held an offline launch ceremony for the 'Hong Kong New Trends Festival' and the 'New Hong Kong Products Debut Centre'. The festival is supervised by the Shenzhen Municipal Bureau of Commerce and the Nanshan District Government, hosted by Freshippo Shenzhen, and co-organized by the Hong Kong Commerce and Industry Associations. The 'Hong Kong New Trends Festival' will further deepen community integration and economic and trade exchanges between Shenzhen and Hong Kong while meeting the needs of Shenzhen residents. Shenzhen residents can purchase 200 kinds of Hong Kong products at Freshippo's 22 stores in Shenzhen or place orders through Freshippo's mobile app.⁷

Luxury

Berluti opens official JD.com flagship store, integrating AR technology to enhance shopping experience

LVMH's French luxury menswear brand Berluti recently opened its official flagship store on JD.com. The store offers a range of shoes, leather goods, ready-to-wear, accessories, and lifestyle products for men. As the brand's first official online flagship store in the Chinese mainland, Berluti has also partnered with JD.com to explore innovative online shopping technology. Through the use of AR shoe-fitting technology, consumers can experience trying on shoes without actually visiting the offline store.⁸

Catering

HEYTEA establishes first professional nutrition and scientific research centre

HEYTEA recently made public the details of its professional food nutrition and scientific research centre, the first of its kind in the tea beverage industry. The research centre has nine laboratories and seven research groups and is equipped with cutting-edge research and testing equipment. Within the newly established research team, 58% of the researchers are CNAS-certified assessors. Through this research centre, HEYTEA aims to boost its products, supply chain, and operations through technological improvements. The centre will also provide technical support for the upstream and downstream supply chains as well as the establishment and improvement of the tea beverage industry standards.⁹

Hand-brewed lemon tea brand Ningji raises tens of millions in Series A funding from ByteDance

Hand-brewed lemon tea brand Ningji recently completed its Series A financing with ByteDance as its investor. ByteDance has increased its investments in the F&B sector since 2020, with successive investments in light food brand Sharkfit, offline tea brand inWe, and community food retail brand Lazy Bear Hot Pot. The most recent investment before Ningji was made in June this year, when ByteDance participated in the latest round of financing of a local specialty coffee brand, Manner. ByteDance's investments in F&B companies might signal its ambition to expand the group's presence in the local lifestyle services market.¹⁰

Consumer Electronics

Suning Appliance reduces its stake in Suning.com to 1.39%

On 12 July, Suning.com announced that the relevant provisions of certain stock pledged repurchase agreements between Suning Appliance Group and lenders was triggered. As a result, Suning Appliance has reduced its shareholding in Suning.com by 379 million shares, accounting for 4.08% of Suning.com's equity. After the shareholding reduction, Suning Appliance's equity share in Suning.com will drop to 1.39%.¹¹

II. Market Overview

National Bureau of Statistics: Total retail sales of consumer goods from January to June 2021 increase by 23.0% yoy

According to data from the National Bureau of Statistics, from January to June of this year, the total retail sales of consumer goods was up 23.0% yoy, reaching 21,190.4 billion yuan, and the two-year average growth rate was 4.4%. During this period, retail sales of goods amounted to 19,199.2 billion yuan, reaching a year-on-year increase of 20.6% and a two-year average growth rate of 4.9%. Catering revenue was 21,712 billion yuan in the period, which showed an increase of 48.6% yoy and was flat compared with the same period in 2019. National online retail sales reached 6,113.3 billion yuan in the period, showing a year-on-year increase of 23.2% and a two-year average growth rate of 15.0%.¹²

Ministry of Commerce: China's cross-border e-commerce industry has grown tenfold in five years

At the State Council's regular policy briefing on 12 July, a spokesperson for the Ministry of Commerce announced that China's cross-border e-commerce has grown tenfold in the past five years. In the first five months of 2021, China's cross-border e-commerce imports and exports exceeded 700 billion yuan, with a growth rate of 36.9% yoy. The Ministry of Commerce stated that its next steps will be to actively expand the cross-border e-commerce comprehensive pilot zones, improve support policies for industry development, research and formulate guidelines for intellectual property protections, provide guidance for cross-border e-commerce platforms to avoid intellectual property issues, prevent counterfeit and low-quality goods, protect enterprises' legitimate rights and interests, and optimize the list of cross-border e-commerce retail import products.¹³

III. Policy Spotlight

Ministry of Commerce publishes '14th FYP for Business Development'

The Ministry of Commerce recently published the '14th Five-Year Plan for Business Development' which clarifies the guiding ideology, main objectives, and priorities for business development during the 14th Five-Year Plan period. The Plan puts forth several key objectives across nine areas: promoting the formation of a strong domestic market, advancing the innovative development of foreign trade, improving the utilization of foreign capital, promoting the high-quality development of free trade zones and ports, optimizing regional opening-up, increasing outward investment and economic cooperation, deepening economic and trade cooperation under the 'Belt and Road' initiative, actively participating in global economic governance, and improving risk management systems in the commercial sector.¹⁴

General Administration of Customs: Support and regulate new business formats of foreign trade such as cross-border e-commerce

The General Administration of Customs recently convened the 41st Situation Analysis and Work Inspection Meeting. The meeting requested customs agencies countrywide to support the innovative development of foreign trade so as to build a new development pattern through the following actions: continue to optimize business environment in ports; support the development of strategic emerging industries in the Pilot Free Trade Zones; promote the exploration and implementation of the bonded model for the whole supply chain of high-end manufacturing industry; support and regulate the healthy development of new business formats in foreign trade including cross-border e-commerce, market procurement, and integrated foreign trade services; improve quarantine measures for germplasm resources; expand and diversify the import markets to ensure stable supply and prices.¹⁵

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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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