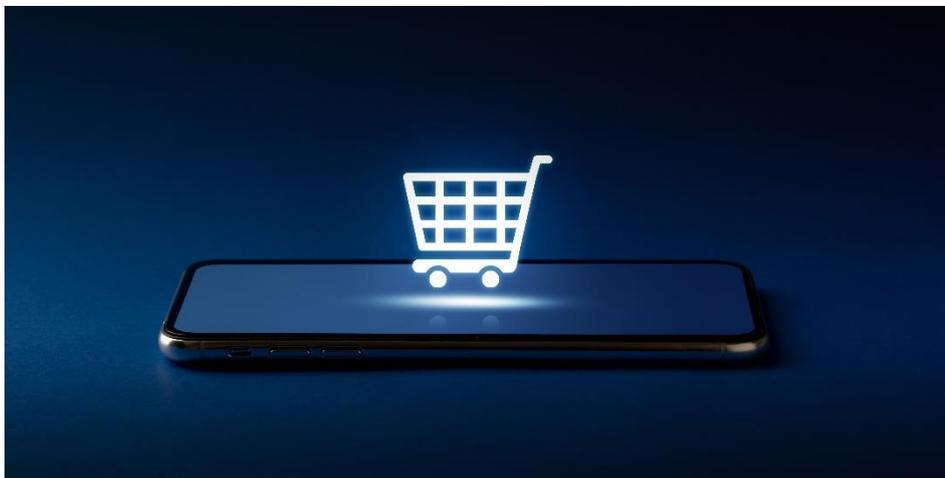


China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Meituan's revenue up 28% yoy in 3Q22 as it turns first profit in two years

Meituan (美团) recently announced its financial results for 3Q22. During this period, the company saw its revenue increase by 28% yoy to 62.6 billion yuan, helping the company finally achieve a net profit after almost two years of losses. Its net profit reached 1.2 billion yuan, against an expected loss of 986.8 million yuan. Its core local commerce revenue, which consists of food delivery, Meituan Instashopping (美团闪购), and in-store, hotel and travel business, increased by 24.6% yoy to 46 billion yuan. Operating profit increased by 124.6% yoy to 9.3 billion yuan, and the operating profit margin increased to 20.1%.¹

Pinduoduo's revenue up 65% yoy to 35.5 billion yuan in 3Q22

Pinduoduo (拼多多) recently announced its financial results for 3Q22. During this period, its revenue surged 65.1% yoy to 35.5 billion yuan, while its GAAP net profit increased 546% yoy to 10.588 billion yuan and non-GAAP net profit rose by 295% yoy to 12.447 billion yuan. The company's research and development expenses increased by 11.4% yoy to a record high of 2.7 billion yuan, while its spending on sales and marketing during the period was also up by 40% yoy.²

Bilibili's monthly active users up by 25% in 3Q22

Video platform Bilibili (哔哩哔哩) recently released its financial results for 3Q22. During this period, its revenue increased by 11% yoy to 5.8 billion yuan, while net loss narrowed by 36% yoy to 1.716 billion yuan, mainly due to the strict cutting of sales and marketing expenses — down 25% from last year. The firm also saw an increase in monthly active users to 332.6 million, up 25% yoy. Average monthly paying users reached 28.5 million, up 19% yoy.³

JD Worldwide: Black Friday turnover of 800 overseas brands up by more than 100% yoy

According to JD Worldwide's (京东国际) sales data, during the Black Friday period from 8PM on 24 November to 27 November, the turnover of nearly 800 overseas brands increased by more than 100% yoy, and the turnover of nearly 140 cross-border import categories increased by more than 100% yoy. Furthermore, during its 'Black Friday Shopping Season', the turnover of JD Worldwide's duty-free business increased by 185% yoy, and the turnover of MYTHERESA increased by more than 200% mom.⁴

Baozun's revenue reaches 1.741 billion yuan while GMV reaches 18.632 billion yuan in 3Q22

Baozun (宝尊电商) recently announced its financial results for 3Q22. The company's total net revenue was 1.741 billion yuan, down 8.3% yoy. Non-GAAP income from operations was 16.9 million yuan compared with non-GAAP loss from operations of 84.3 million yuan in the same period last year. Non-GAAP operating margin was 1.0%, compared with negative 4.4% for the same period of 2021. Total GMV was 18.632 billion yuan, an increase of 15.9% yoy. Distribution GMV was 559 million yuan, a year-on-year decrease of 28.8%; non-distribution GMV was 18.073 billion yuan, a year-on-year increase of 18.2%.⁵

Kuaishou launches a blind dating feature

Kuaishou (快手) recently launched a 'blind date' feature in live studios. In addition, Kuaishou's parent company has already added 'marriage introduction services' to its business scope. The matchmaking service is mainly carried out through Kuaishou's live rooms, and users who want to participate in the activity need to fill in their personal information and complete real-name authentication, after which they can introduce themselves in the live studio.⁶

Kuaishou E-commerce's paid GMV to reach 410 billion in 2022

Kuaishou E-commerce's (快手电商) paid GMV in 2022 is expected to reach 410 billion yuan, an increase of 26% yoy. Paid GMV only includes all paid orders, excluding orders that have been submitted but not paid for. Kuaishou has seen 270 billion yuan in paid GMV over the first three quarters in 2022. In 2022, after Kuaishou E-commerce users submitted their orders, the payment completion rate dropped from 48% to 45%. When Kuaishou CEO Cheng Yixiao personally took over e-commerce team in August, the first task was to deepen the e-commerce business by considering building its own supply chain, which would provide more high-quality product at a lower cost; another priority was to encourage more in-depth cooperation with express delivery services.

Supermarkets & Hypermarkets

Beijing CSF Market's instant retail sales up by 210% yoy

The China Chain Store and Franchise Association recently released the *2022 CCFA Chain Supermarket Innovation Cases*, which included practical cases of transformation and upgrading, development and growth across 14 supermarket businesses. In 2022, Beijing CSF Market (北京超市发) launched an instant retail platform to achieve a substantial increase in online sales at low cost, providing a useful reference for the industry. Through cooperation with instant retail platforms such as Meituan (美团) and interactive operations on multiple platforms, the supermarket chain's online sales increased by 210% yoy in 2022 with almost no other additional investment.⁷

Apparel

Bosideng's down apparel business accounts for 62.4% of total revenue in first half of fiscal 2022/23

Bosideng (波司登) announced its interim results for the 2022/23 fiscal year on 25 November. During the six months ended 30 September 2022, Bosideng's revenue reached 6.18 billion yuan, up 14.1% yoy. The company saw steady growth in both revenue and profit, with profit growth faster than revenue growth for five consecutive years. The gross profit margin of its two core businesses both grew steadily – the gross profit margin of the Bosideng brand reached 66.5%, an increase of 3.9% percentage points, while the gross profit margin of OEM business reached 20.4%, an increase of 1.3% percentage points. The inventory turnover days have further shortened, decreasing by 31 days year-on-year. Among the businesses, branded down apparel business accounts for 62.4%; OEM business accounts for 30.7%; ladieswear business accounts for 5.5%; and diversified apparels business accounts for 1.4%.⁸

SHEIN to reduce water use through thermal transfer printing technology

SHEIN is adopting digital thermal transfer technology to improve printing efficiency and reduce water use. This technology is suitable for SHEIN's small batch production model. The new printing technology helps cut down inventory waste and conserves resources, the retailer said. It allows SHEIN to print on thermal transfer paper which is then transferred to fabric to form a pattern. This saves the company 0.49 tonnes of water that conventional screen printing uses to produce 100 metres of fabric. In the future, the technology will be scaled to over 50% of SHEIN's production.⁹

Consumer Electronics

Gome expands livestreaming across its physical stores

Gome Electrical Appliances (国美电器), one of China's biggest home appliance retailers, plans to expand livestream sales to more offline stores after trialling the new channel at select locations. Gome will try to turn some store managers into Internet celebrities and will invite famous KOLs from social media platforms such as Xiaohongshu (小红书), Weibo (微博), and Douyin (抖音). Non-employees can also sign up to promote goods for Gome via livestreaming, and participants can get a cut of the sales revenue by helping advance word-of-mouth marketing and social retailing. More than 330,000 people have already signed up for the programme as of late November.¹⁰

JD.com launches quality alliance for consumer electronics accessories

The 2022 Asia Charging Expo (Winter), co-sponsored by the China Electronics Standardization Institute (CESI), JD.com (京东), and Chongdiantou (充电头网), was recently held in Shenzhen. As two of the event organizers, JD.com and the CESI jointly launched the Accessories Quality Alliance. Under the partnership, JD.com will send electronics products and accessories for inspection. After passing the relevant inspection, these goods will be marked and certified on the JD.com app, making it easier for consumers to choose high quality electronics products and accessories.¹¹

Food & Beverage

Tims China's revenue up by 67.9% yoy in 3Q22

Tims China recently announced its financial results for 3Q22. Total revenue reached 3.057 billion yuan, up 67.9% yoy. Company owned and operated stores saw their revenues up 67.0% yoy to 290 million yuan, and registered a 7.5% yoy same-store sales growth during the quarter. Company operated store costs and expenses were 299.9 million yuan during this period, representing an increase of 36.3% yoy. Adjusted store EBITDA margin increased by 4.1 percentage points to 6.7%.¹²

II. Market Overview

85 new first stores open in 3Q22

85 first stores opened across the country in 3Q22. Among them, 28 first stores belong to catering brands, accounting for 33% and ranking first among the 11 business categories. Clothing stores ranked second with 25 new first stores, accounting for 29%. Nine first stores opened in the cosmetics category, including five fragrance stores. The 85 first stores are located in 12 cities. Shanghai ranks first with 41 new stores, accounting for 48%; then there are 11 in Beijing, and nine in Hangzhou and Shenzhen respectively.¹³

STA: 1,641 billion yuan in export tax refunds processed nationwide this year

According to the State Taxation Administration (STA), the taxation authorities have continued to accelerate the progress of export tax rebates this year, while foreign trade in services has grown steadily. A total of 1,640.6 billion yuan of export tax refunds or exemptions have been processed nationwide from 1 January to 10 November this year, a year-on-year increase of 14.9%. The taxation authorities have also further optimized the export tax rebate handling process. It has helped enterprises reduce their burden and improve tax efficiency by promoting 'contactless' processes and streamlining 11 types of declaration materials. Up until 10 November, all export tax rebate matters can now be handled online, meaning that 49,000 enterprises have reduced the submission of paper materials by 430,000 copies. Furthermore, over 15,000 new applicants have enjoyed a quicker application process.¹⁴

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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.

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