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I. Sector Review

Internet & E-commerce

JD Worldwide partners with inspection agencies to launch the 'International Buyers Alliance'

JD Worldwide's (京东国际) global buyer project has collaborated with international buyer teams, the China Certification & Inspection (Group) Co., Ltd (CCIC) and other authoritative inspection agencies, to launch the 'International Buyer's Alliance'. The authentication services of JD Worldwide will extend to fashion and beauty products of buyer's shops, where qualified agencies will verify the authenticity of these products before shipping. All products that are eligible for this service will be examined on-site by a team of inspectors from authoritative agencies such as CCIC in the warehouse. Only products that have been identified as authentic can be sold. In addition, JD Worldwide will provide targeted support for overseas brands and cross-border merchants in the fields of product selection, marketing operations, logistics & warehousing, supply chain, technical support, etc.¹

Tmall launches 'Dear Baby' channel to provide shopping advice for new parents

baby.tmall.com (天猫母婴) will expand its content-based services with a new 'Dear Baby' (亲宝贝) channel, which will serve parents with children under the age of six by providing parenting tips and shopping advice for relevant products. baby.tmall.com will also regularly release product rankings aimed at parents. In terms of logistics, Tmall has partnered with brands to connect their preposition warehouses and store inventory with the flagship store, and realize multiple delivery methods; orders can be delivered as fast as within half a day.²

Meituan's revenue up 16% yoy to 50.94 billion in 2Q22

Meituan (美团) recently released its financial results for 2Q22. During this quarter, the company's revenue was 50.94 billion yuan, a year-on-year increase of 16%. Its net loss was 1.12 billion yuan, a year-on-year decrease of 67%; the adjusted net profit was 2.06 billion yuan. Meituan's revenue in 1H22 was 97.21 billion yuan, with a net loss of 6.82 billion yuan. In 2Q22, the average number of transactions per annual transacting user increased by 16.2% yoy to 38.1. The number of active merchants on the Meituan platform also increased to 9.2 million.³

Taobao adds authentication service for jewellery and luxury goods

Taobao (淘宝) recently announced a new authentication service for jewellery, luxury goods and other products, which will enhance trust between buyers and sellers. Eligible sellers and products can apply to display the 'Anxinjian' (安心鉴) logo and provide the service for consumers. The service came into effect on 2 September.⁴

Kuaishou host Xinba launches creator platform HOLA X

Famous Kuaishou (快手) livestream host Xin Youzhi (辛有志) (also known as Xinba) recently launched a new creator platform called HOLA X. HOLA X unites cutting-edge product labs and top designers from around the world with senior industrial design teams and mobilizes the supply chain system to build a new user-centric e-commerce platform. This move also marks Xinba's transition from 'influencer' to 'brand creator'. At present, the HOLA X team consists of nearly 100 people. Xinba said that he hopes to expand the team to 1,000 people in the next three years and build a network of 1,000 product R&D laboratories.⁵

Dong Fang Zhen Xuan announces partnership with JD Logistics and SF Logistics

Dong Fang Zhen Xuan (东方甄选), the e-commerce platform of New Oriental (新东方), recently announced a new partnership with JD Logistics (京东物流) and SF Logistics (顺丰物流). It plans to establish 20 self-operated product warehouses in five cities – Beijing, Guangzhou, Hangzhou, Zhengzhou and Chengdu – to guarantee nationwide logistics services for self-operated products. Through SF Logistics, Dong Fang Zhen Xuan's self-operated products will be sent for delivery from normal temperature warehouses across the country. Through JD Logistics, Dong Fang Zhen Xuan will provide same-day or next-day intra-city delivery for self-operated products, while cross-provincial orders can be delivered within 72 hours.⁶

Pinduoduo's net profit up 268% to 8.896 billion yuan in 2Q22

Pinduoduo (拼多多) recently released its financial results for 2Q22. The company's revenue during this period reached 31.44 billion yuan, a year-on-year increase of 36%. The net income attributable to ordinary shareholders was 8.896 billion yuan, a year-on-year increase of 268%. Revenue from online marketing services and other services was 25.2 billion yuan, a year-on-year increase of 39%. Revenue from transaction services (including payment fees, revenue from Duoduo Maicai (多多买菜) and e-commerce commission income) was 6.2 billion yuan, a year-on-year increase of 107%.⁷

Suning.com's revenue reaches 37.2 billion yuan as its loss narrows in 1H22

Suning.com (苏宁易购) recently released its financial results for 1H22. In the period, Suning.com's operating income reached 37.209 billion yuan, a year-on-year decrease of 60.25%; the net loss attributable to shareholders of the company narrowed by 20.60% yoy to 2.74 billion yuan. As of 30 June 2022, Suning.com had 1,589 professional stores for home appliances and consumer electronics, 181 Carrefour supermarkets (家乐福超市), 37 Suning Plazas (苏宁易购广场) (department stores), and 22 stores in Hong Kong, totalling 1,829 locations. It also operates two online platforms, Suning.com and its Tmall (天猫) flagship store.⁸

Retail Logistics

JD Airlines receives air carrier certificate from CAAC

JD Airlines (京东航空) (Jiangsu Jingdong Cargo Airlines), an affiliate of JD Logistics (京东物流), received an air carrier certificate from the Civil Aviation Administration of China (CAAC) on 31 August. JD Airlines aims to improve the industry standards for air express service, and has already achieved over 95% coverage for its air express delivery service among multiple cities in China. JD Logistics began developing its air cargo business with airline companies in 2017, and the establishment of JD Airlines will help build more flexible, stable and controllable supply chain capabilities.⁹

Home Products

MINISO sees revenue of 10.09 billion yuan in fiscal 2022

MINISO (名创优品) recently announced its financial results for the June quarter and 2022 fiscal year. The company's revenue in the June quarter was 2.32 billion yuan. Its revenue in fiscal 2022 was 10.09 billion yuan. During the fiscal year, revenue from domestic operations was 7.44 billion yuan, while revenue from international operations was 2.64 billion yuan. The non-GAAP net profit for the fiscal year was 723 million yuan, a year-on-year increase of 51%; and the net profit for the June quarter was 223 million yuan, a year-on-year increase of 57%. At the end of the June quarter, MINISO had 5,199 stores worldwide, including 3,226 domestic stores, a net increase of 29 this quarter, and 1,973 overseas stores, a net increase of 57 this quarter – showing a steady pace of global store openings.¹⁰

Food & Beverage

Nayuki launches new 'Nayuki Lifestyle' format

Tea beverage brand Nayuki (奈雪的茶) unveiled its new business on 31 August. Compared to the existing 'Nayuki Fantasy Factory' (奈雪梦工厂) which provides tea, coffee, food, retail and claw machines, Nayuki Lifestyle (奈雪生活) offers new lifestyle experiences such as bookstores, floral arrangements, and simple meals. In addition to Nayuki's own brands, it also offers others such as Fang Suo Commune (方所), Aokka (澳咖), Ziia (吱芽), and monster – with a total of 16 brands.¹¹

Miscellaneous

Pop Mart's 1H22 net profit down 7.2% yoy

Pop Mart (泡泡玛特) recently released its 2022 interim results. In 1H22, Pop Mart's revenue was 2.359 billion yuan, a year-on-year increase of 33.1%; gross profit was 1.37 billion yuan, a year-on-year increase of 22.7%; operating profit was 446 million yuan, a year-on-year decrease of 8.3%; net profit attributable to shareholders was 333 million yuan, a year-on-year decrease of 7.2%. During this period, the company opened 23 physical stores in the Chinese mainland, bringing the store count to 308 on 30 June 2022. 55 new roboshops also opened in the Chinese mainland, bring the store count to 1,916 on 30 June 2022.¹²

Designest and Alibaba Design collaborate to serve businesses in Guangdong, Hong Kong and Macao

Brand incubator Designest (云巢创新) and Alibaba Design's Product Development Centre recently announced a new partnership around design trends, user research and other fields. In the future, both parties will integrate their capabilities and resources to help enterprises in Guangdong, Hong Kong and Macao enhance product innovation and branding. Alibaba Design's Product Development Centre leverages consumer insights to provide high-end strategic services while driving new product trends. It also selects high-quality global innovative resources to help brands and merchants carry out new product design and development processes more efficiently.¹³

II. Market Overview

CGCC, CNCIC: Sales growth of brick-and-mortar retail enterprises edge down in 2021

The China General Chamber of Commerce and the China National Commercial Information Centre recently released the *Analysis of China's Top 100 Retailers in 2021*. The report pointed out that the sales volume of the top 100 retailers in 2021 reached 12.1 trillion yuan, a year-on-year increase of 14.1%, which is 1.6% higher than the growth rate of total retail sales of consumer goods. In 2021, the sales of the top 100 retailers accounted for 27.5% of the total retail sales of consumer goods, an increase of 1.2 pts year-on-year. The sales growth rate of brick-and-mortar retail enterprises declined, while consumption at brick-and-mortar stores showed recovery.¹⁴

iResearch: Mini programs are now the most important source of private traffic for Chinese merchants

iResearch recently released the *2022 Insight Report on Private Domain Deployment for Chinese Merchants*. WeChat (微信), Alipay (支付宝), and short video platforms have become the three most important channels within the private domain in an increasingly multi-channel landscape. Mini programs are the most important source of private traffic. Nearly 80% of merchants are satisfied with the outcome of private traffic operations, among which the growth of new customers and members is the most significant. Over 80% of merchants believe that the cost of operating in the private domain has risen, with an average increase of 40%. Conversion efficiency, operating costs, and attracting public traffic have become the core business concerns regarding private domain deployment. Public traffic is the most important source of private traffic, and the public-private linkage model will accelerate the development of the industry. Among mainstream Internet platforms, after Alipay proposed the public-private integrated open model in 2018, WeChat, Kuaishou (快手), etc., have also begun to construct public-private domains.¹⁵

CNNIC: Internet users in China top 1.05 billion, with 68.1% consuming livestreams

The China Internet Network Information Centre (CNNIC) recently released the 50th *Statistical Report on Internet Development in China*. As of June 2022, there were 1.051 billion Internet users in China, and this number has continued to grow steadily as nationwide Internet penetration has reached 74.4%. In addition, the proportion of Internet users using mobile phones to access the Internet has reached 99.6%. The user scale of short videos has grown rapidly, reaching 962 million, an increase of 28.05 million compared with December 2021 and now accounting for 91.5% of all Internet users. The number of livestream users reached 716 million, an increase of 12.9 million from December 2021 and now accounting for 68.1% of all Internet users.¹⁶

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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.

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