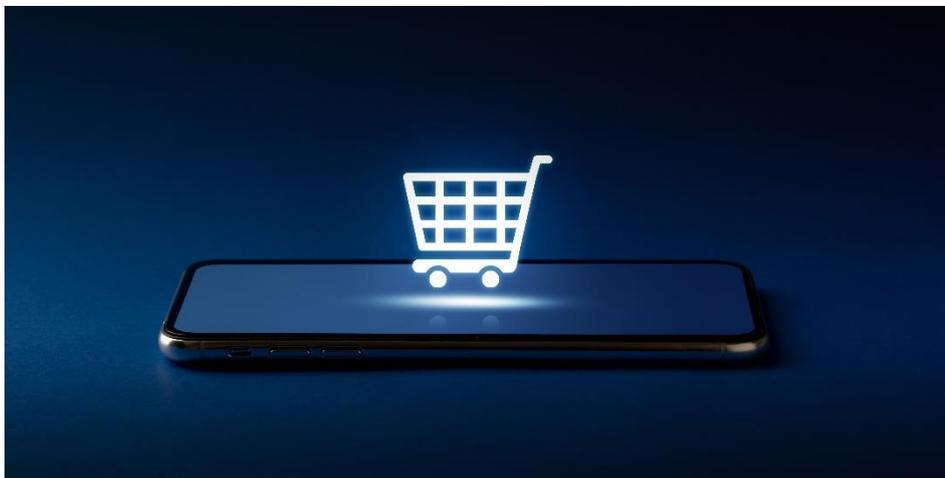


China Retail & E-commerce Weekly Update



I. Sector Review 2

General Retail 2

Suning.com posts net loss of 4.116 billion yuan in 3Q21 2

Sun Art Retail's net profit in fiscal 1H22 drops by 86% 2

Internet & E-commerce..... 2

Youzan and Xiaohongshu launch mini program e-commerce solutions for merchants 2

Nanji E-commerce plans to acquire full ownership and equity of BASIC HOUSE and various trademarks 3

Retail Logistics 3

J&T Express to acquire BEST Inc's domestic express delivery business for 6.8 billion yuan 3

Apparel & Footwear 3

Taobao women's apparel brand Rumere gets listed on the Shenzhen ChiNext Market 3

Viva China acquires Italian luxury brand Amadeo Testoni for HK\$50 million 4

Food & Beverage 4

Hema launches self-operated 'Hema Coffee' brand 4

Meituan's new brand 'Hungry Raccoon' has opened three stores 4

Miscellaneous 4

PopMart's overall revenue in 3Q21 up by 75-80% yoy 4

II. Market Overview 5

Sensormatic Solutions: Large-scale promotional activities still drive consumption in China 5

Bain & Company: 95% of survey respondents will participate in 11.11 this year 5

Custom skincare is becoming a key product for beauty salons 5

III. Policy Spotlight..... 6

Shanghai Municipal Administration for Market Regulation launches administrative guidance for 30 e-commerce businesses, including Pinduoduo and Ctrip 6

China Consumers Association: 11.11 may be the most expensive shopping period 6

References (in Chinese)..... 7

Helen Chin
Vice President

William Kong
Senior Research Manager

Brigitte Ng
Research Analyst

Vivian Liang
Assistant 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>



I. Sector Review

General Retail

Suning.com posts net loss of 4.116 billion yuan in 3Q21

Suning.com recently released its financial results for 3Q21. In 1-3Q21, its revenue was 115.574 billion yuan, down 36.10% yoy. The net profit loss attributable to shareholders of the company was 7.568 billion yuan, down 1,483.29% yoy. In 3Q21, revenue was 21.968 billion yuan, a year-on-year decrease of 64.82%; the net profit loss attributable to shareholders of the company was 4.116 billion yuan, a year-on-year decrease of 676.73%. This is Suning.com's lowest single-quarter revenue in the past five years, and its single-quarter net loss is nearly equal to the 4.275 billion yuan loss for the full year of 2020.¹

Sun Art Retail's net profit in fiscal 1H22 drops by 86%

Sun Art Retail (高鑫零售) recently released its interim results for its fiscal 1H22 ended 30 September. From 1 April to 30 September 2021, Sun Art Retail achieved a revenue of 41.534 billion yuan, down 5% yoy, and net profit attributable to shareholders of 117 million yuan, down 86% yoy. Same-store sales fell by 7.4% yoy. During this financial reporting period, Sun Art Retail opened 3 new RT-Mart hypermarkets (大润发) and 36 new mini stores. It also secured 26 sites to open hypermarkets and signed 16 contracts for new superstores. As of 30 September, Sun Art Retail had a total of 491 hypermarkets, 6 superstores, 68 mini stores and 3 fresh food processing centres in China.²

Internet & E-commerce

Youzan and Xiaohongshu launch mini program e-commerce solutions for merchants

SaaS service provider Youzan (有赞) announced its plans to fully open itself to the Xiaohongshu (小红书) platform. After connecting with the Xiaohongshu mini program, Youzan merchants can establish an 'all-in-one' store within the Xiaohongshu platform. The two companies will also jointly launch an e-commerce solution based on the mini program. Merchants can access Xiaohongshu directly via Youzan without further development. They can also use Youzan's tools to engage in marketing and customer acquisition for meticulous operations. On 22 October 2020, Youzan Beauty (有赞美业) stores first connected to their Xiaohongshu business accounts, allowing consumers to make beauty appointments (for manicures, eyelash services, hairdressing, etc.), thus completing the closed-loop between content and traffic. The latest plan expands the service to various business categories including cosmetics, food, department stores and local lifestyle.³

Nanji E-commerce plans to acquire full ownership and equity of BASIC HOUSE and various trademarks

Nanji E-commerce (南极电商) recently announced its intent to acquire the BASIC HOUSE, Mind Bridge, and JUDY JUDY trademarks and Chinese trademarks 百家好 and 百家好事, etc. held by TBH Global Co. Ltd in the Chinese mainland, Hong Kong SAR and Macau SAR, as well as 100% equity of the Basic House (Shanghai) Co. Ltd held by TBH Hong Kong Ltd. This transaction is worth approximately 500 million yuan.⁴

Retail Logistics

J&T Express to acquire BEST Inc's domestic express delivery business for 6.8 billion yuan

BEST Inc (百世集团) has agreed to sell its domestic express delivery business to J&T Express (J&T 极兔速递) at a price of approximately 6.8 billion yuan. In the future, BEST Inc will focus on freight service, supply chains, and core international logistics while cultivating smart supply chain services. Both parties are working towards completing the transaction, and operations of the express delivery business will continue as usual during this period.⁵

Apparel & Footwear

Taobao women's apparel brand Rumere gets listed on the Shenzhen ChiNext Market

Rumere Co. (日禾戎美), which specializes in high-end Japanese-style women's clothing, has been listed on the Shenzhen ChiNext Market. Founded in 2012, Rumere is an online women's clothing brand that has relied on traffic from Taobao (淘宝) e-commerce channels. Rumere's successful IPO also means that the company has become the first Taobao women's apparel brand on the stock market. According to the IPO prospectus, Rumere currently owns one Taobao store, two Tmall (天猫) stores, and one weidian (微店). These stores have a total of over 5 million followers and their annual revenue exceeds 850 million yuan. As of 5 November, Rumere shares closed at 26.54 yuan per share with a market capitalization of 6.5 billion yuan.⁶

Viva China acquires Italian luxury brand Amadeo Testoni for HK\$50 million

On 3 November, Viva China (非凡中国) (controlled by gymnast Li Ning) announced that it will acquire the entire equity of Sitoy AT Holdings Company Limited from Sitoy International Limited (时代国际) through its wholly-owned subsidiary Ample Fame Investments Limited (满誉投资) at a price of HK\$50 million. The target company owns century-old Italian luxury brand Amadeo Testoni as well as its secondary line i29, and mainly engages in the wholesale and retail of leather goods and apparel.⁷

Food & Beverage

Hema launches self-operated 'Hema Coffee' brand

Alibaba subsidiary Hema (盒马) has entered the coffee market with its self-operated brand 'Hema Coffee' (盒马咖啡). The brand is still in the testing stages, and has a Hema Coffee store in Kunming, Yunnan. According to the store menu, Hema Coffee will offer classic drinks such as Americanos and lattes, as well as speciality coffees with Yunnan flavours. The coffees will be priced at 15-27 yuan, similar to other coffee products on the market.⁸

Meituan's new brand 'Hungry Raccoon' has opened three stores

Meituan recently opened a new spicy hot pot restaurant called 'Hungry Raccoon' (饿阿狸). This is Meituan's latest offline catering brand after launching the 'Meixiang Meicha' (美象美茶) tea brand in 2019. 'Hungry Raccoon' currently has three stores – two in Zhengzhou (Daxuecheng and Jinshui stores) and one in Beijing (Wangjing store). The Wangjing store only provides takeout and delivery. This new venture also marks Meituan's entry into the self-operated restaurant chain market.⁹

Miscellaneous

PopMart's overall revenue in 3Q21 up by 75-80% yoy

On 1 November, PopMart (泡泡玛特) announced that its overall revenue grew by 75-80% yoy in 3Q21. Retail stores recorded revenue growth of 40-45% yoy, while roboshops recorded growth of 20-25% yoy. Pop Draw vending machines recorded revenue growth of 130-135% yoy; e-commerce platforms recorded growth of 125-130% (of which the Tmall flagship store recorded revenue growth of 75-80% yoy while the JD.com flagship store recorded growth of 270-275% yoy); revenue from wholesale and other channels grew by 125-130% yoy. As of 30 September, PopMart had 250 offline stores and 1,687 roboshops.¹⁰

II. Market Overview

Sensormatic Solutions: Large-scale promotional activities still drive consumption in China

According to a survey conducted by Sensormatic Solutions of Johnson Controls, 52% of Chinese consumers shop in large-scale promotional activities. The 11.11 Global Shopping Festival is the most popular shopping event for Chinese consumers, and 72% of respondents plan to shop on this day. The second most popular shopping events are on Chinese New Year (41%), followed by New Year's Day (25%), Christmas and Boxing Day (18%), and Black Friday and Cyber Monday (11%).¹¹

Bain & Company: 95% of survey respondents will participate in 11.11 this year

Bain & Company and Toluna recently published the report *China Retail: A New Definition of Singles Day Success*, in which they surveyed nearly 3,000 Chinese consumers to determine the latest 11.11 trends. According to their survey results, up to 95% of respondents plan to participate in this year's 11.11 shopping events. 52% of consumers plan to increase spending this year, and only 8% said they will reduce their spending. Female consumers are more likely to increase their spending this year.¹²

Custom skincare is becoming a key product for beauty salons

Many beauty salons are now launching customised skin care products which are tailored to individual skin types on site. Consumers can conduct skin testing and analysis with in-store instruments. After understanding their skin's characteristics, the beauty salons can combine various ingredients to formulate an effective skincare product suitable for their skin types. Industry insiders believe that the launch of customised skin care products by beauty salons is, to a certain extent, a measure for the industry to cater to consumer needs and expand their market share. However, the safety of on-site preparation will be an issue that beauty salons need to consider.¹³

III. Policy Spotlight

Shanghai Municipal Administration for Market Regulation launches administrative guidance for 30 e-commerce businesses, including Pinduoduo and Ctrip

The Shanghai Municipal Administration for Market Regulation and other authorities recently convened 30 key e-commerce companies, including Pinduoduo (拼多多), Ctrip (携程), Meituan Dianping (美团点评), Xiaohongshu (小红书), Ele.me (饿了么), Dewu (得物) App, Freshippo (盒马鲜生), Dingdong Maicai (叮咚买菜), etc. for an administrative guidance meeting on 'Regulating 11.11 Internet Marketing Activities'. At the meeting, the Shanghai Municipal Administration for Market Regulation put forward three guiding opinions for the city's e-commerce platform enterprises: strengthen the sense of responsibility and carry out promotional activities in accordance with laws and regulations; consciously maintain fair competition and market order, ensuring the legitimate rights and interests of consumers; increase emergency protections and improve overall service standards. Participating e-commerce companies stated that they will strictly follow the requirements to strengthen the compliance management of promotional activities during the 11.11 period.¹⁴

China Consumers Association: 11.11 may be the most expensive shopping period

On 4 November, the China Consumers Association released a 'consumption reminder' regarding rights protections and consumer complaints for 11.11. There are six main tips for consumers: 'low prices' should not be taken at face value; promotional terms and conditions are complicated and should be read carefully; don't overstock products which will expire easily; save evidence of SMS harassment so it can be reported; remember that livestreaming can promote low-quality products; consumers should pay attention to after-sales services and protect their rights in a timely manner.¹⁵

References (in Chinese)

- 1 《30 年来最艰难时期！苏宁易购：前三季度亏损 75.68 亿元》，2021 年 10 月 30 日，澎湃网
https://m.thepaper.cn/baijiahao_15149131
- 2 《高鑫零售发布 2022 财年半年报：净利同比下滑 86%》，2021 年 11 月 2 日，联商网
<http://www.linkshop.com/news/2021476964.shtml>
- 3 《有赞小红书打通了，双方合推小程序电商解决方案》，2021 年 11 月 2 日，联商网
<http://www.linkshop.com/news/2021476956.shtml>
- 4 《南极电商：拟收购百家好等商标所有权和股权》，2021 年 11 月 3 日，亿邦动力网
https://www.ebrun.com/ebrungo/zb/459496.shtml?eb=newest_chan_feed
- 5 《极兔双十一“血拼” 68 亿收购百世国内业务》，2021 年 11 月 1 日，新浪财经
<https://baijiahao.baidu.com/s?id=1715195716840929590&wfr=spider&for=pc>
- 6 《靠一家淘宝店完成上市 戎美股份成淘系女装第一股》，2021 年 10 月 28 日，亿邦动力网
<https://www.ebrun.com/20211028/458542.shtml>
- 7 《非凡中国以 5000 万港元收购意大利奢侈品牌 Amedeo Testoni》，2021 年 11 月 4 日，财经生活
<http://life.caijing.com.cn/20211104/4814757.shtml>
- 8 《盒马公布自营品牌“盒马咖啡”》，2021 年 10 月 29 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/458676.shtml>
- 9 《美团推出餐饮品牌“馋阿狸”，已开 3 家店》，2021 年 10 月 24 日，联商网
<http://www.linkshop.com/news/2021476410.shtml>
- 10 《泡泡玛特第三季度整体收益同比增长 75%-80%》，2021 年 11 月 2 日，新浪财经
<https://baijiahao.baidu.com/s?id=1715273169795715197&wfr=spider&for=pc>
- 11 《先讯美资调研：大型促销活动仍是中国消费者购物重要推动因素》，2021 年 11 月 2 日，网易
<https://www.163.com/dy/article/GNQ9D01O0531C2YP.html>
- 12 《贝恩报告：95%受访者计划参加今年“双十一”活动》，2021 年 10 月 28 日，电商报
<https://www.dsb.cn/news-flash/83147.html>
- 13 《定制护肤品”成吸睛神器，生活美容院夹缝生存》，2021 年 10 月 28 日，联商网
<http://www.linkshop.com/news/2021476708.shtml>
- 14 《上海市监局对拼多多 携程等 30 家电商企业开展行政指导》，2021 年 10 月 29 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/458687.shtml>
- 15 《中消协发布消费提示：“双十一”购物可能会是全年最贵》，2021 年 11 月 4 日，联商网
<http://www.linkshop.com/news/2021477097.shtml>

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.

For more information, please visit www.funggroup.com.

© Copyright 2021 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.