

Impact of COVID-19 on the Finance and Operations of China's Retailing and the Industry Outlook

Deloitte China and the China Chain Store & Franchise Association, March 2020

Preamble

The continuing spread of 2019-Novel Coronavirus Acute Respiratory Disease(COVID-19) since the start of 2020 has affected the world.

The enormity of the pandemic has had a substantial impact on the regular operation of the Chinese economy, in addition to its civic and social health, as society has banded together to fight this extraordinary outbreak.

Sharp declines in market demand and production have had a major impact on investment, consumption, and exports from a macro perspective. The worst affected industries appear to be those related to consumption, e.g. tourism, food & beverages, retail, entertainment, transportation & logistics, offline education and training. Many retail businesses have been dealt an unavoidable blow, and several face severe operational and financial challenges.

The China Chain Store & Franchise Association partnered with Deloitte Financial Advisory to survey retailers' current operational and financial circumstances, releasing the *Survey on the COVID-19's Impact on Chinese Retail's Finance & Operations* through the China Chain Store & Franchise Association's public account and the Deloitte China platform. Many retailers were more than happy to respond to and help us complete this survey within a short timeframe.

This survey presents an accurate snapshot and comprehensive overview of responses to retailer's current operational and financial circumstances in light of the pandemic, and details Deloitte's practical experiences in providing professional support to many enterprises negotiating systematic or structural financial crises and major emergencies.

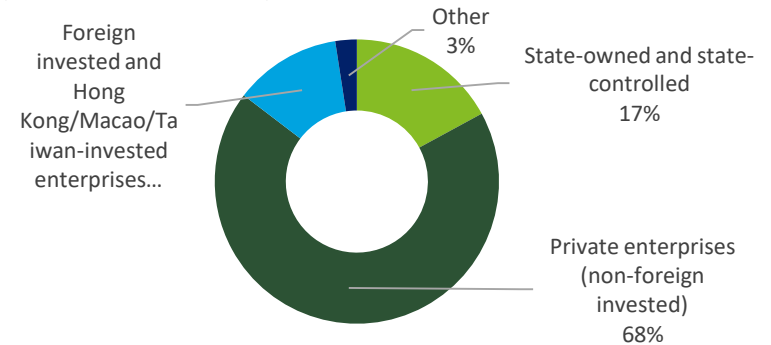


Private enterprises across 15 provinces in China make up the majority of respondents

Respondents' locations and enterprise characteristics

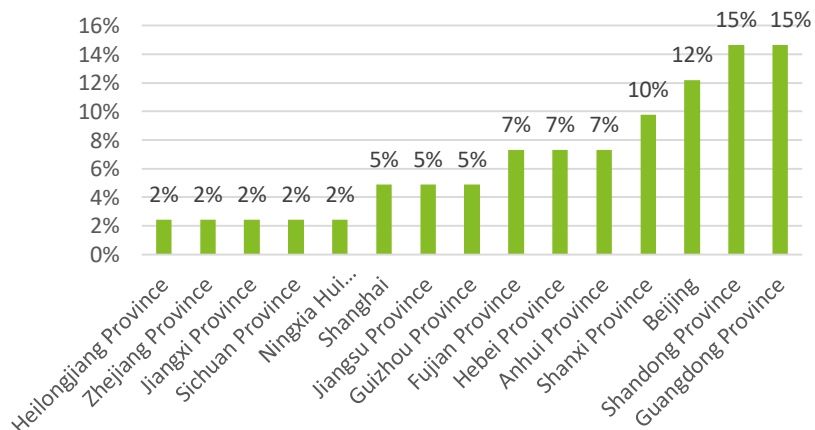
- Survey respondents are located across 15 provinces and major cities throughout China, with most based in Guangdong Province, Shandong Province or Beijing.
- Respondents include all categories of enterprise. Private enterprises (non foreign-invested) make up over two-thirds of the businesses surveyed, with state-owned and state-holding enterprises, foreign-invested and Hong Kong/Macau/Taiwan-invested enterprises accounting for approximately one-third.

Types of businesses surveyed



Locations of surveyed businesses

Survey respondents by location (%)



Enterprises from Beijing make up 12% of the survey respondents, approximately 80% of which are private enterprises. About 20% are foreign- or Hong Kong/Macau/Taiwan-invested enterprises.



Some 15% of the survey respondents are from Shandong Province, within which 83% are private enterprises.



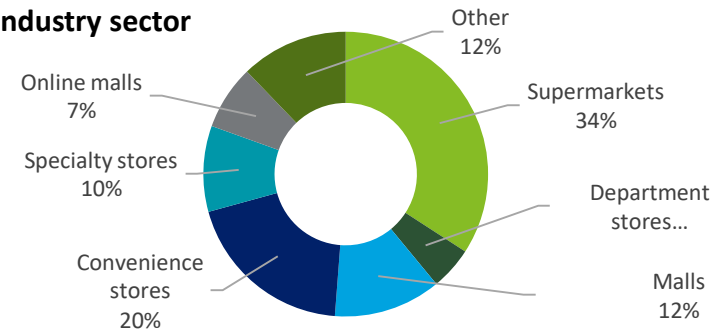
About 15% of respondents are in Guangdong Province, within which one-third are state-owned or state-controlled, one-third are private enterprises, and the remainder are foreign invested or Hong Kong/Macau/Taiwan-invested enterprises.

The survey includes enterprises from many different industry sectors, including supermarkets, convenience stores, shopping centers and specialty stores, and are mostly large to medium-sized enterprises with annual sales revenues of more than RMB1 billion

Respondents' by industry sector and size

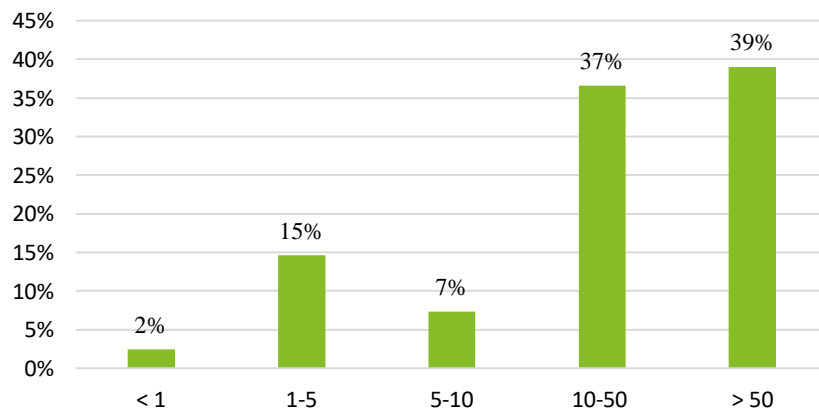
- The survey covers businesses operating through a variety of models, including supermarkets, convenience stores, malls, specialist shops and online malls. Businesses in the supermarket sector were most engaged with the survey, making up about 34% of the responses, followed by convenience store chains at around 20% of the responses.
- Large to medium-sized retail enterprises make up the majority of the businesses surveyed, three-quarters of which recorded sales revenues in excess of RMB1 billion, around 39% generated more than RMB5 billion, and about 37% had sales revenue of RMB1 billion to RMB5 billion.

Survey respondents by industry sector



Respondents' annual sales revenues (RMB100 million)

Survey respondents by sales revenue (%)



The **supermarkets** surveyed tended to be quite large, with about **50%** reporting annual sales revenue of more than RMB5 billion and another 29% generating RMB1 billion to RMB5 billion.



Malls account for the largest proportion of businesses surveyed with annual sales revenue of more than RMB1 billion, with 40% generating in excess of RMB5 billion.



Online malls have reached a decent size after several years of development. The annual sales revenue of online mall respondents is around RMB1 billion-RMB5 billion.



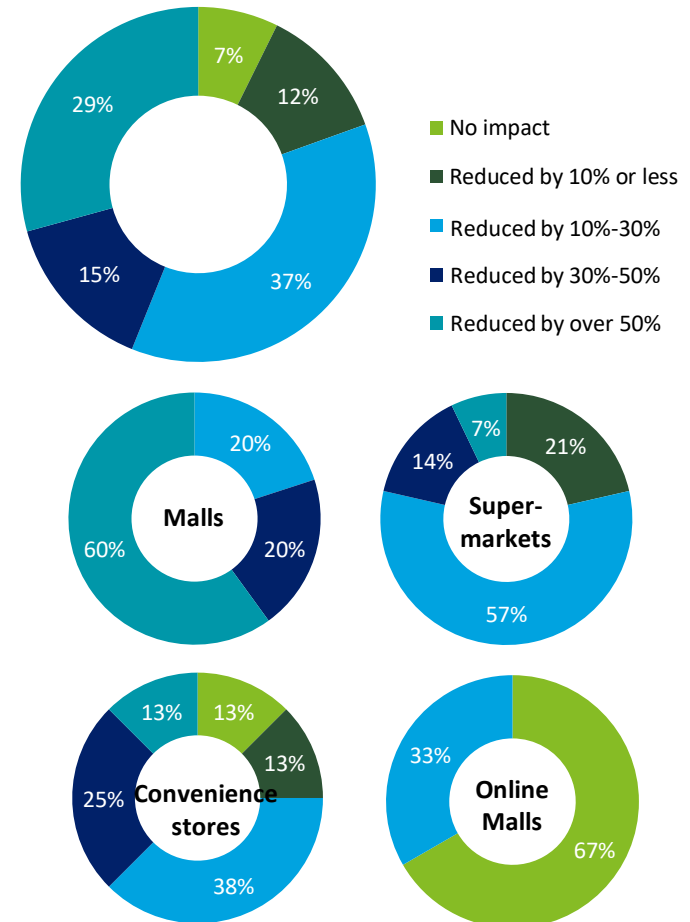
Convenience stores and specialty shops vary significantly in size but are generally smaller and equally distributed across all annual revenue intervals.

Over 90% of the businesses surveyed say the pandemic has impacted customer numbers; 37% say customer numbers have more than halved

Overall impact of the outbreak on retail customer numbers

The vast majority of businesses surveyed say the pandemic had affected customer numbers, but to different extents:

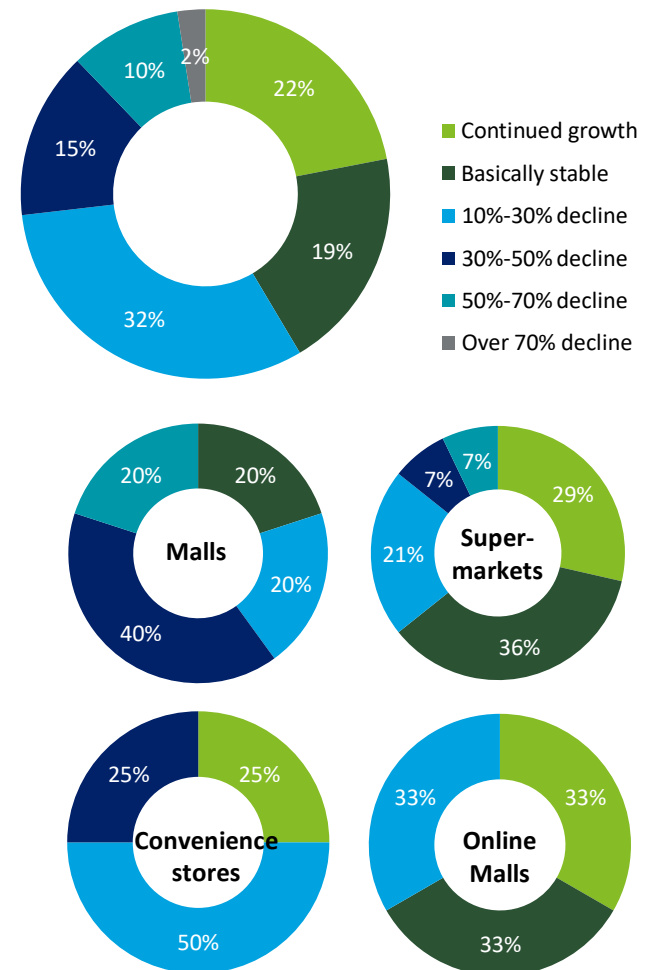
- Malls appear to have lost the most customers. About 60% reported footfall has more than halved, greatly impacting shops, food & beverage, and entertainment precincts in **shopping centers** as people generally elected to practice social distancing by staying at home, avoiding unnecessary outside activities, and in part due to the risk of contagion posed by enclosed spaces (e.g. shopping centers and malls), in response to the pandemic;
- The survey also indicates that public concern about crowded spaces has led to a drop in the frequency with which people go to shops, while diverting some of this demand to online shopping, although customers were also driven to supermarkets and convenience stores by their need for everyday necessities. The virus has had a relatively significant negative impact on footfall in **supermarkets and convenience stores**. Supermarket retailers may want to look at the intensity of their focus on exceptional food inventory management, measures to safeguard their supply chains, monitor food safety, and daily disinfecting and cleaning work, thereby giving themselves extra “reserves” in the battle against the virus. Another, more important focus could be the development of outstanding online delivery services. Large companies can opt to establish their own online systems whereas small to medium-sized ones could prefer to partner with 3rd-party platforms for O2O ordering and distribution systems to meet online demand for fresh food and essential products, and maintain their customer bases.
- The results of the survey highlight that the pandemic has affected **online malls** the least, with nearly two-thirds of these respondents reporting no impact on customer numbers. In fact, e-commerce retailer deliveries, e.g. to people’s homes, saw a massive increase in order volume.



About 59% of the survey respondents forecast a decline in first quarter revenues due to reduced customer numbers.

Overall impact on retailers' first quarter revenues

- A large proportion of the respondents are still optimistic about 2020 first quarter revenues despite 93% of the respondents also expecting a decline in customer numbers. About 41% of these respondents expect first quarter revenues to remain flat with or even slightly improve on the previous year's result.
- **Malls**, which reported the greatest impact on customer numbers among all survey respondents, all appear pessimistic on first quarter revenues, with only around 20% forecasting these will be essentially flat and the remainder expecting a decline. Some 40% of malls expect declines of below 50% and 20% forecast declines in excess of 50%.
- Although **supermarkets** generally believe customer numbers will be significantly affected, 65% still expect revenues to remain flat or even increase. This primary driver for this outlook is supermarket visits now resulting in larger purchases per trip, although the pandemic has caused a decline in the frequency of individuals' visits, as the public's need for food and other everyday essentials has remained strong. Furthermore, larger supermarkets are beginning to roll out O2O home delivery services, working effectively to minimize the impact on supermarkets' physical retail businesses.
- About 25% of **convenience stores** expect first quarter revenues to continue to increase whereas 50% forecast a decline in revenue, albeit limited to within 30%. Convenience stores and supermarkets are now classified as "life-sustaining" retail sectors, but convenience stores appear certain to suffer an overall drop in business due to the pandemic. The public is going out less, and convenience stores that formerly enjoyed high revenues, particularly around business precincts and educational institutions, have seen a decline in revenues along with footfall as many businesses remain on hold or are allowing employees to work from home, and students have yet to resume classes. It might be a different story for local community-based convenience stores, which could be enjoying something of a renaissance amid the pandemic. Reduced outside activities in local communities during the outbreak could have benefited community convenience stores, which operate on a typical "manpower-saving" retail model. Community convenience stores have gradually transformed into centralized places for the sale of a range of items, bringing their commercial value to the fore.
- Online malls generally expect a minimal impact on first quarter revenues, which is consistent with the survey results on customer numbers.



Main factors cited for sales revenue declines include logistics issues, sales and service personnel not yet returning, the closure of places of business, and a drop in customer demand

We break down the results further by looking at the main factors contributing to declining sales. The survey shows declining customer demand does not account for the entirety of revenue declines at surveyed businesses. Transport and logistics issues, sales personnel not yet fully returning to work, the closure of places of business, and the drop in customer demand were the top four concerns among survey respondents:

- **Transport and logistics issues have proved the largest hindrance for supermarkets and convenience stores:** More than 85% of supermarkets and convenience stores surveyed say this factor has the biggest impact on sales. As highlighted in the preceding analysis, individuals' supermarket purchases have increased in size while they are making fewer trips, so the primary challenge here is not one of demand. The three major challenges for supermarkets are insufficient stock of certain products, logistics issues, and a lack of manpower to handle online order distribution and deliveries. Many of these issues could be tackled in the short term with more inventory sharing across different sectors. Supermarkets could partner with other retail businesses to help move inventory and achieve some sales, e.g. of the large stockpiles food & beverage businesses have been unable to offload, which could also help alleviate supply shortages. In the long-term, however, larger supermarkets will need to think about more ways to safeguard and strengthen supply chain arrangements and build stronger comprehensive upstream-midstream-downstream capabilities, e.g. supply security, logistics timeliness and use of digital transformations, to further reduce their vulnerability to risks.



Logistics and transport issues

71%



Sales and service personnel not yet fully returned to work

66%



Closures of places of business

56%



Drop in customer demand

56%

Main factors cited for declining sales revenues include logistics issues, sales and service personnel not yet returning to work, the closure of places of business, and a drop in customer demand (cont.)

- **Sales and service personnel not yet fully returned to work** was cited as a significant negative factor by almost all industry sectors except online malls. It could prove difficult to resolve employee shortages caused by the pandemic in the short-term, but new ways of thinking could offer alternative approaches; companies could consider employee sharing schemes with other industries, e.g. the much-affected food & beverage sector, to help resolve short-term staff shortages. Hema Fresh Food and other e-commerce platforms have already joined staff sharing arrangements with restaurant operators, e.g. Xibei, to help lighten food & beverage companies' wage pressures and help Hema acquire sufficient online delivery and distribution personnel.
- **Closures of places of business appear to have had a relatively substantial impact on department stores and malls**, with almost 100% of them saying it is the primary factor impacting sales.

Other negative factors include rising product prices because some manufacturers have yet to resume production, as well as ongoing closures of many rental spaces near supermarkets.



Logistics and transport issues

71%



Sales and service personnel not yet fully returned to work

66%



Closures of places of business

56%

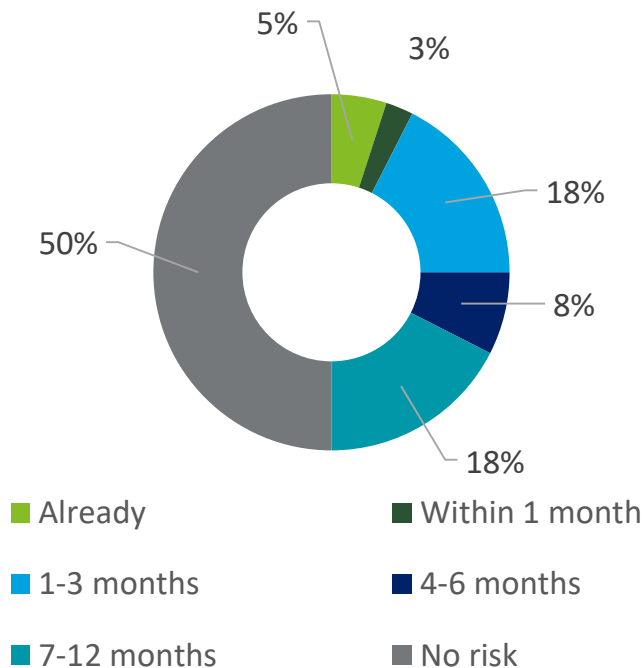


Drop in customer demand

56%

Approximately 26% of businesses expect a funding shortfall within 3 months or are already facing one, and about 26% expect a funding shortfall within 12 months

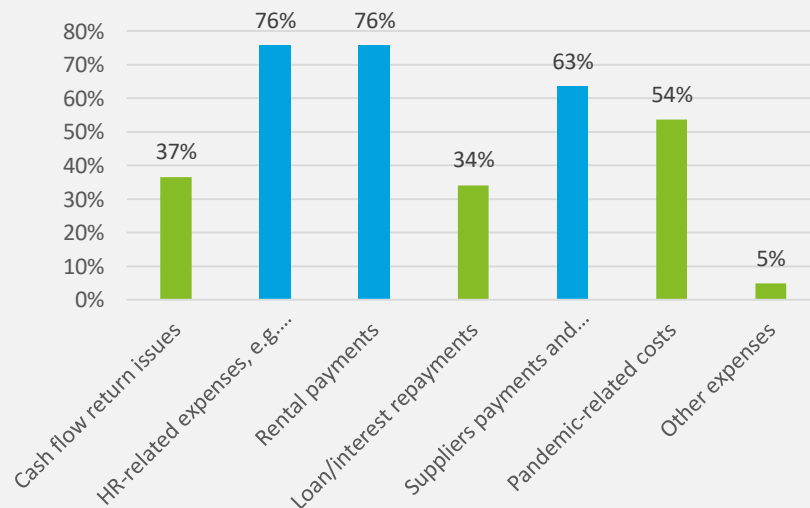
Funding gap expectations



- About half of respondents forecast a risk of insufficient cash to meet outgoings within 12 months, with more than 20% having already faced a cashflow gap or expecting to face one within three months;
- The remaining respondents say that are at no risk of a funding gap within the next 12 months.

The survey indicates businesses' main sources of funding pressures are wage expenditure, rent and supplier payments:

Businesses' main sources of cashflow pressures due to the pandemic



The main methods respondents plan to use to improve cashflows include negotiating more favorable loan arrangements, cost savings, additional financing and improvements to working capital

Plans to improve cash flows

- About 50% of businesses surveyed hope to negotiate extensions and/or more favorable interest rates with their banks to address cash flow pressures. The China Banking & Insurance Regulatory Commission and some local government organizations have already released a series of financial policies and measures to protect and sustain businesses' operating environments under the cloud of the pandemic, including a directive to help with the Postponement of Principal and Interest Repayment for Loans to SMEs and Micro Enterprises (CBIRC [2020] No. 6), which asks financial institutions to exercise restraint and avoid "blindly" calling in, discontinuing or putting pressure on loans to businesses in industries that have suffered significantly from the pandemic, e.g. retail, food & beverage and logistics, as well as other businesses suffering temporary difficulties. This and other measures provide a basis for loans to businesses particularly affected by the outbreak to be extended or renewed and are intended to help them conquer the crisis with appropriate downward adjustments to interest rates, the provision of additional credit and medium to long-term loans (CBIRC [2020] No. 29). Businesses should be proactive in negotiating with financial institutions to get a better understanding of such favorable policies and fight for additional lending support.
- About 40% of businesses surveyed hope various cost-cutting measures, e.g. staff and wage cuts, could ease pressure on their business. However, any reductions in number of employees or wage levels would also have to comply with Labor Law and could require professional legal advice to guarantee their legality and reduce the risks in such a course of action.



Negotiating loan extensions with banks and favorable interest rates

49%



Cost-cutting measures, e.g. reducing staff numbers and wages

39%



Additional loans, private lending or short-term bridge financing

32%



Negotiating payment extensions with upstream entities

27%



Funding from existing shareholders

22%



Disposal of non-core assets

20%

The main methods respondents plan to use to improve cash flows include negotiating more favorable loan arrangements, cost savings, additional financing and improvements to working capital (cont.)

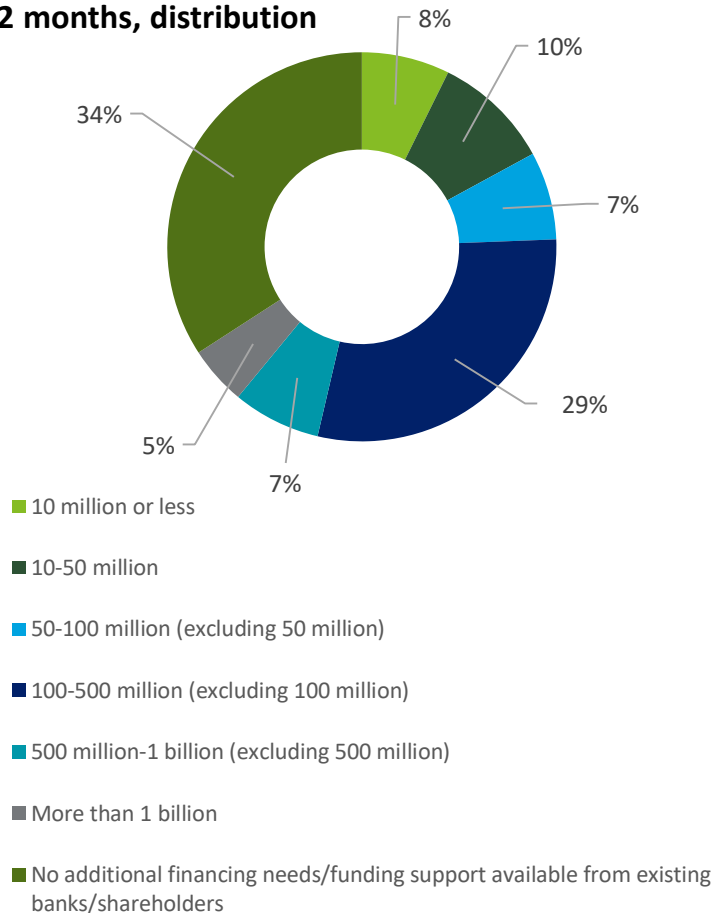
Plans to improve current cash flows (cont.)

- Some 30% of respondents hope to obtain new financing arrangements, including short-term bridging loans, to manage financial stress and resolve short-term liquidity problems as a result of the pandemic.
- 27% of survey respondents are hopeful of improved payment terms to improve cash flow and alleviate funding shortfalls. Enterprises might also want to consider stricter management of working capital and cash via other means, specifically:
 - **cash flow monitoring and control:** businesses could organize cash flow forecasting and control mechanisms to eliminate potential cash shortfalls in advance and provide faster solutions.
 - **Operating capital management:** businesses could try to work with upstream and downstream partners to meet the challenges of the pandemic by minimizing receivables (seeking shorter accounts receivable terms with downstream partners) while seeking extended payment terms with upstream partners. This might even foster closer ties after the pandemic while protecting these partnerships.
 - **Destocking:** companies could make even greater efforts and focus to their inventory abilities by clearing inventory or helping related businesses clear inventory, thereby minimizing liquidity risks and potential potential funding pressures from excess stock.
- 22% of respondents are hopeful of extra capital funding support.
- 20% of businesses are considering disposing of non-core assets to improve cash flows. Companies encountering operational difficulties must distinguish between businesses and/or non-core assets with subpar performance and then reduce the potential losses and “cash bleed” areas from the sale of services or assets in exceptional times, clawing back funds for management to put to better use and focusing on the company's core business.

The survey results indicate department stores are more likely than other retail businesses to attempt to resolve cash flow pressures by reducing capital expenditure and accessing new loans, private lending or short-term bridging finance; supermarkets are more likely to seek to negotiate extensions and more favorable interest arrangements with banks to help with worsening cash flows. Malls, which tend to have diverse services, also show substantial interest in the disposal of non-core assets to get through their financial difficulties.

Accordingly, more than 60% of businesses expected to need additional financing within the next 12 months

Expected need for additional financing within 12 months, distribution



- More than 60% of businesses surveyed expect to need additional financing in the next 12 months, and many expect to need a quite substantial amount. Some 29% of businesses will require financing of >RMB100 million-RMB500 million, whereas only 20% expect to need financing of RMB5 million or less.
- It could be difficult for all of these businesses to guarantee their financing needs simultaneously via traditional financing channels or government support, and each would do well to consider current cash flows and their business features to formulate operational and management plans that include **proactive engagement with financing channels**.
- **In the short-term**, businesses might also want to look at expanding **existing financing channels** or **requesting new bridge financing** to get through their difficulties in the face of enormous cash flow pressures;
- **From a long-term perspective**, most businesses severely affected by the pandemic occupy or used to occupy a market niche, with their own customer bases and sophisticated operating models, so have a very high likelihood of a consumption rebound after the pandemic has passed. Companies could consider this an opportunity to add **financial or strategic investors to secure long-term funding via equity financing** to resolve their cashflow problems, strengthen their capital positions and integrate these into future strategic growth plans.

Financial investors

- Can help resolve business' short-term financial difficulties due to the pandemic
- Professional investment institutions are highly experienced investors, familiar with transaction procedures and potentially of service to companies seeking a schedule to complete financing
- Financial investors can also draw on their experience in corporate governance, portfolio management, and bolster potential synergies.

Strategic investors

- Strategic investors can help a company coordinate its development in line with a strategic vision
- Can help grow profit
- Retain market competitiveness
- Facilitate portfolio diversification to reduce risks, reset operations, expand capacity, extend product lines, etc.
- Prevent takeovers, resolve operational and management issues, etc.
- Obtain unique market and competitive opportunities, develop operating models, etc.

Respondents also hope for more favorable tax and social insurance policies and/or rental and loan subsidies via the government or banks to tide their businesses over in this difficult period

Businesses intending to obtain favorable policies or similar support from government or financial institutions should quickly speak to all stakeholders to detail their circumstances, core issues, solicit support, establish robust procedures and schedules, and seek to maintain effective, regular dialogue.

- **Leaseholders:** businesses should negotiate with landlords at the first available opportunity to organize their temporary closure and proactively discuss rental concessions or at least payment delays;
- **Upstream suppliers:** businesses should get in touch with their suppliers as soon as possible to describe their issues and seek extended payment terms;
- **Financial organizations:** businesses should maintain excellent relationships with partner financial institutions and discuss the possibility of additional loan support. They should seek improved financing arrangements with financial institutions to reduce cashflow pressures from interest repayments with appropriate rate adjustments, additional credit or loans, and medium to long-term lending, etc.
- **Government:** businesses should keep abreast of any new favorable policies released by the Government, e.g. tax relief or extensions, rental reductions, social insurance repayments or payment extensions, and engage with government to obtain policy support;
- **Corporate employees:** businesses should set up safety mechanisms for employees to stabilize staff morale. They should take legal advice when putting employees on leave or reducing wages where the law permits, and discuss with employees possible ways to get through these difficult times.



Reducing or delaying tax payments **85%**



Reducing or delaying “five insurance and housing fund” payments **85%**



Rent reductions or exemptions due to the pandemic **71%**



Appropriate reductions in interest rates with banks **44%**



Extension of existing loans from banks **41%**

The survey also gives insights into the most affected operations of retail companies, which include Logistics, Marketing & Sales and Procurement

Survey participants generally think all areas of their businesses are affected but to differing extents. Logistics, Sales & Marketing and Procurement are seen as the three most affected departments.

83% of businesses say **Logistics** has been affected

73% of businesses say **Sales & Marketing** has been affected

68% say **Procurement** has been affected

Business could consider the following ways to help reduce the impact on these core departments and return them to regular operations sooner:

- It is important for Logistics departments to gain accurate, reasonable forecasts of distribution needs and time costs and negotiate with upstream suppliers and downstream customers quickly to minimize the impact on service procedures at this extraordinary time.
- Procurement departments need to access reasonable assessments of actual supply needs that will reduce needless inventory, and coordinate with upstream supplier partners if they face resource or stock shortages, make their procurement needs known more broadly and even consider new supply sources.
- For corporate management, it could be worth incorporating Chief Restructuring Officers, Interim Chief Financial Officers or other highly experienced professionals into senior teams to help management get through the crisis.



Logistics

83%



Sales & Marketing

73%



Procurement

68%



Human Resources

49%



Management

27%

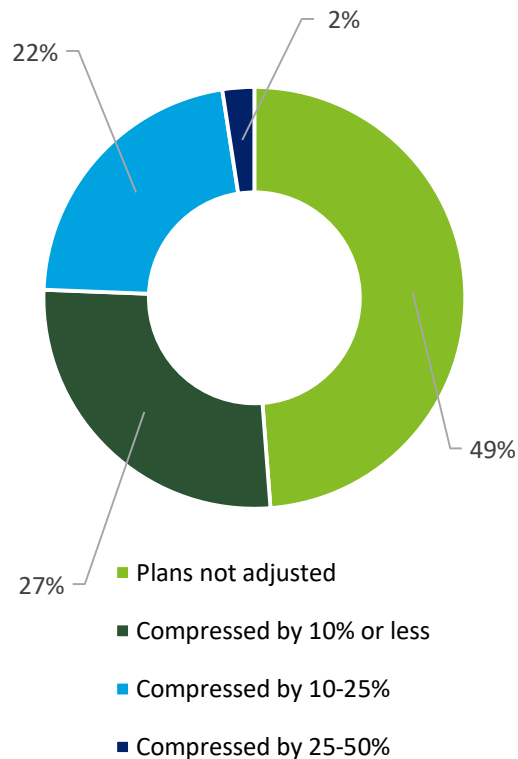


Finance

27%

Nearly 50% of businesses will make no adjustments to 2020 budget or financial targets despite stiff challenges. Most also plan to modify or enhance their business operations with new methods

Adjustments to 2020 budget plans



The survey reveals most businesses have modified or plan to modify their development plans as a result of the epidemic.

It appears pandemic has given many retailers new-found awareness of the urgency of developing online services. Most of the businesses surveyed have included the development of online sales channels and accelerating online-offline integration into their growth plans, within which most businesses have also incorporated digital ecosystem construction, integrated systems to link multiple service areas together, and more diversified development.

Some respondents also believe there will be a fast-growing trend of supermarkets offering more boutique products at a smaller scale to better satisfy customer needs.



Developing online sales channels, accelerating O2O integration **83%**



Establishing a digital ecosystem, creating a complete, consistent marketing system **68%**



Developing a cross-sector integrated system linking supermarkets, convenience stores, shopping centers and e-commerce **51%**



Diverse growth for greater experiential and diverse strengths **49%**

Conclusion

The coronavirus outbreak has caused short-term upheaval in China's retail industry, but this can also be viewed as an opportunity for businesses to take advantage of new possibilities for the industry's long-term transformation.

Impacts, challenges

Declining customer numbers

- Less liquid outgoings with large declines in customer numbers
- Increased need for convenience and delivery services
- Overall decline in consumer confidence

Cashflow pressures

- Declining demand and cashflow return issues
- Cashflow pressures from upstream and downstream partners
- Fixed costs, e.g. wages, rents

Increased financing needs

- Risk of revenues not meeting outgoings in the short- to medium-term
- Need for additional financing to restore and grow operations in medium- to long-term

Online impact

- Social distancing has temporarily or permanently closed shops, "circuit-breaking" offline businesses
- The outbreak has made consumers more reliant on the online space

Short-term

Medium- to long-term

Countermeasures

Strict cashflow oversight

- Implementation of cashflow forecasting and monitoring systems
- Stronger working capital management
- Accelerated cash collection, reduction of fixed costs, more control of outgoings
- Close monitoring of signs of financial distress

New financing and investors

- Full use of relevant policies to reduce financing costs
- Expansion of financing avenues and channels (e.g. overseas channels)
- Addition of strategic investors with a coordinating industry role to play (e.g. in online channels)

General restructuring

- Disposal of non-core assets, clawing back assets to supplement main business
- Cost cutting and revenue-boosting measures, streamlined corporate structures
- Adjustments to operating capital and improvements to capital structure

Faster business transformation

- Development of online sales channels, accelerated O2O integration
- Faster transition to New Retail
- Accelerated "omni-channel strategies"

Cloud consumption is retail's "new normal" as consumption needs emerge in relation to contactless payments, supported by new retail technologies; retailers' operations, sale and supply chain models will continue trending towards digital transformation



Shopping centers, department stores and specialist stores

Pandemic closures: Accelerate supply chain and channel digital transformations; create "omni-touchpoint" connections with consumers.

- Business could extend their channels and expand their online reach to gain customers; good choices in the online realm can give companies excellent channels through which to gain customers, to which they could add efficient, precise online touchpoints to improve online marketing conversion rates
- Businesses should assess the pandemic's impact on their operations and make targeted adjustments to annual plans, e.g. by formulating strategies to dispose of excess stock, manage and plan future consumption needs with front-end departments, and achieve long-term improvements by correcting shortcomings from a conceptual, retention, and digital systems perspective
- Companies might want to digitally restructure products and services offered in shopping centers to focus on healthcare, the shopping experience, and immersiveness



Supermarkets and convenience stores

O2O and community-based services offer malls, supermarkets, and convenience stores room to grow: Businesses could establish standardized, complete suites of product offerings and services online and accelerate stores' digital transformations.

- Retail stores should develop their online presences and expand online SKUs quickly as they seek to offer integrated sales ecosystems in their own online spaces, or via 3rd-party apps and mini-programs. Retailers should also pay keen attention to the home delivery and franchised, community-based fresh food and convenience stores
- Businesses could partner with 3rd-party platforms or develop their own long-term delivery systems based on their capabilities and economics



Online malls

Rapid growth in consumer products, fresh food and health products: Promoting more finesse in online retail operations.

- Community-based retail is set to become an important entrance point for internet traffic, and businesses should move quickly to establish online communities and add new sales methods, e.g. new or community-based group purchases on WeChat, to create closed-loop ecosystems built on WeChat and e-commerce platforms
- Businesses should reassess the prospects for and social value of unmanned deliveries, and seek to incorporate "contactless, safe and hygienic" smart delivery services as per consumers' needs, e.g. they could realistically use driverless cars, drones, unmanned stores, or other technological means to cover the "last mile"

Retail industry forecasts



Trends

- **Continue to adopt an expansionary and open approach to shore up consumer resilience:** the continued adoption of expansionary, open measures and supportive policies to increase incomes and boost consumption can help shore up consumer resilience and promote more of a pro-consumption attitude against the social backdrop of a slowdown in overall spending on retail goods and online consumption
- **E-commerce will help promote “down-tier” consumption:** e-commerce continues to penetrate Tier-3-or-below cities and rural areas and these will continue to be a major growth driver of China's overall consumption market in the next five years as they embrace consumption upgrading. We will continue to see the widespread adoption of pro-quality, pro-personalization and pro-diversity attitudes to consumption across cities of all tiers
- **Physical retail to accelerate embrace of digital transformation:** digitalization and other new models are driving major industry changes as consumption market re-orientates around the consumer, exemplified by more rapid O2O integration and the data-driven remodeling of offline retail



Challenges

- Existing dividends from high internet traffic volumes will begin to fade as online operations bloom and online retailers face growth pressure
- New Retail will also encourage online retailers to gradually cover the offline consumption space, concentrating consumers' data in online platforms' hands. Ultimately, brands and physical or offline businesses will have to rely on these platforms, given they lack advanced insights into big data and consumers
- An outgoing wave of capital will lead to a major restructuring of the retail industry as new models and technologies are tested and proved



Opportunities

- **Omni-channel, connected inventory:** creating a seamless omni-channel capability to serve consumer needs with optimal inventory
- **Connecting social media to social commerce:** engaging with consumers through social media and capturing their needs at moments that matter.

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