





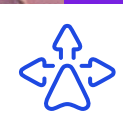










Semi-annual Report on the Consumer & Retail Sector in China

Coverage of China's macro-economic environment,
sector trends, deal scenarios and tax updates



2024 H2

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Summary

In 2024, China's gross domestic product (GDP) growth exceeded expectations, and the consumer market expanded steadily driven by new business models and trends.

Influenced by international oil prices, gold prices and pork prices, China's inflation rate was relatively sound; the consumer price index (CPI) was generally stable on a year-on-year (YoY) basis; and the YoY decline in the producer price index (PPI) was milder than in the previous year.

In December 2024, the US's inflation rate ticked upward by 0.4% month-on-month, which was higher than the 0.3% increase recorded in November and marked the largest increase since March 2024. One of the main factors driving inflation in the US is the energy index.

In the second half of 2024, cultural tourism remained popular, continuing a trend seen in the first half of the year. As a result of the National Day holiday, ice-and-snow tourism, and other factors, retail sales in transportation and travel services, tourism consulting and lease services grew rapidly, and the tourism market continued to thrive.

Trade-in policies for consumer goods have been effective; and more and more market players, especially enterprises, are participating in these programmes, which are stimulating consumption and economic development while also enabling consumers to enjoy better products.

As consumer confidence gradually recovered in the second half of 2024, the investment and financing market began to heat up.

Going forward, China will make concerted efforts to promote the luxury, catering and wellness sectors, among other consumer fields, and enact policy packages to comprehensively drive consumption.

Sub-sectors covered in the report



**Luxury and
fashion**



**Apparel
and
footwear**



**Health
and
beauty**



**Food and
beverage**



Restaurants

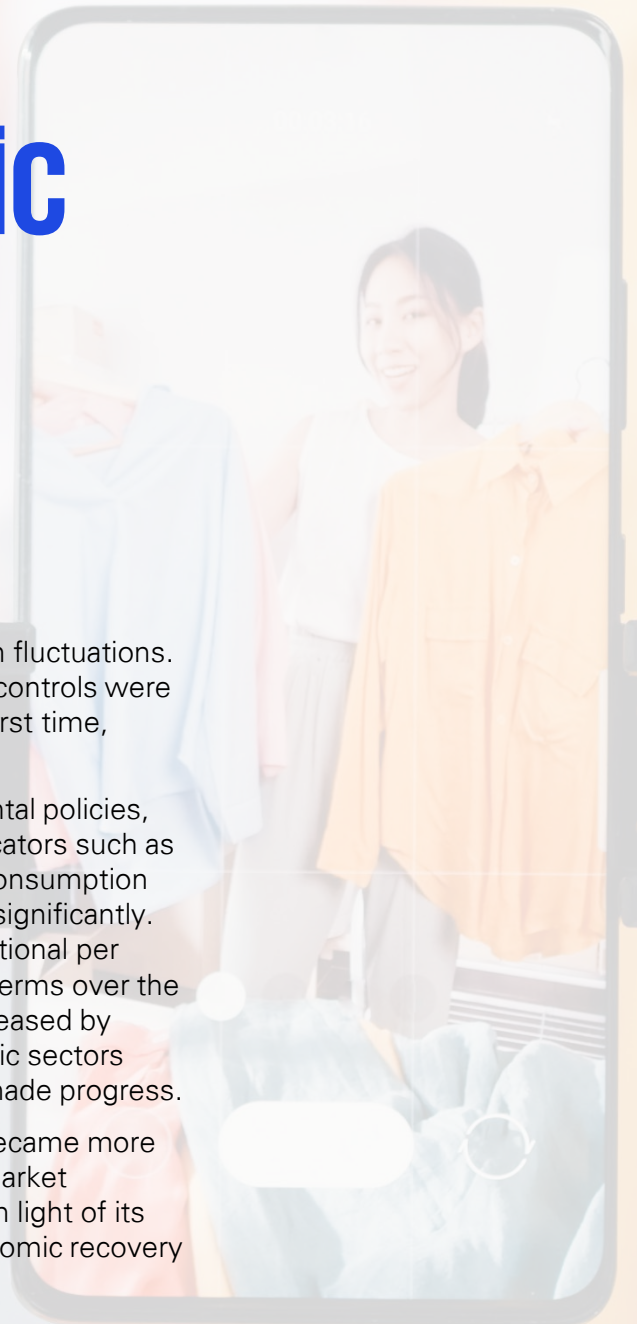


Macro-economic landscape

In 2024, China's economy rebounded in the wake of certain fluctuations. During the year, the efficiency and effectiveness of macro-controls were strengthened; and GDP exceeded CNY 130 trillion for the first time, representing YoY growth of 5%.

With the effective implementation of existing and incremental policies, various economic metrics continued to climb. In 2024, indicators such as national per capita disposable income, national per capita consumption expenditure, and total retail sales of consumer goods rose significantly. Among them, national per capita disposable income and national per capita consumption expenditure grew by 5.3% in nominal terms over the previous year, and total retail sales of consumer goods increased by 3.5% over the previous year. Throughout the year, economic sectors related to people's livelihoods demonstrated stability and made progress.

In general, in 2024, China's macro-economic governance became more systematic and coordinated, and the country's consumer market remained resilient and demonstrated significant potential. In light of its fundamentals and various supportive policies, China's economic recovery is expected to maintain strong momentum in 2025.



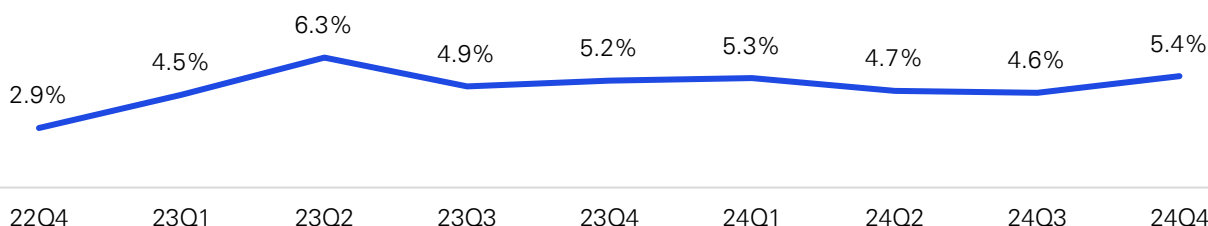
China's GDP exceeded CNY 130 trillion for the first time while residents' income kept pace with economic growth



Gross domestic product (GDP)

2024 was a key year for achieving the goals and tasks of the 14th Five-Year Plan. During the year, in the face of increasing external pressure and domestic difficulties, China's GDP reached CNY 134.9 trillion, exceeding CNY 130 trillion for the first time and representing an increase of 5% over 2023. This growth demonstrates that China's economic fundamentals and conditions have grown stronger, improving the country's ability to mitigate risks as it pursues further development. In terms of the three main factors driving economic development, consumer demand continued to expand, driving GDP growth by 2.2 percentage points; investment growth was generally stable, accounting for 1.3 percentage points of GDP growth; and net exports made steady progress, boosting GDP growth by 1.5 percentage points. Going forward, the government will continue to promote the decisions reached by the Central Economic Work Conference, implement special measures to boost consumption, promote income growth for and reduce the burden shouldered by low- and middle-income groups, improve people's willingness to consume, enable the development of innovative and diversified consumption scenarios, and expand consumption of services.

China's GDP growth, Q4 2022-Q4 2024 (%)



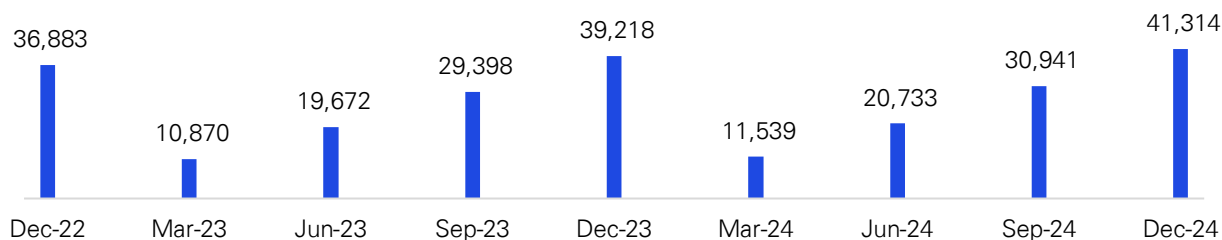
Source: National Bureau of Statistics



Disposable income per capita

In 2024, China's disposable income per capita grew by 5.3% in nominal terms over the previous year and by 5.1% in real terms after excluding price factors. The rapid rise of wages and salaries and net business income is an important factor supporting the growth of residents' income. From the perspective of employment, the national surveyed unemployment rate in urban areas in 2024 remained stable, recording a slight decline. The average surveyed unemployment rate in urban areas was 5.1%, 0.1 percentage points lower than in the previous year, providing security for the growth of residents' wages. At the same time, in 2024, demand for cultural and tourism activities continued to be strong, driving the development of wholesale and retail, accommodation and catering, transportation and other industries, and propelling YoY growth of 5.6% in the per capita net business income of residents. In the future, China will strive to balance stable growth, stable employment and reasonable price recovery; put more emphasis on promoting full, high-quality employment; implement employment support plans in key areas and industries, in urban and rural areas, and for small- and medium-sized enterprises (SMEs); promote employment for key groups; and boost the income growth of residents.

Disposable income per capita, Dec 2022-Dec 2024 (CNY)



Source: National Bureau of Statistics

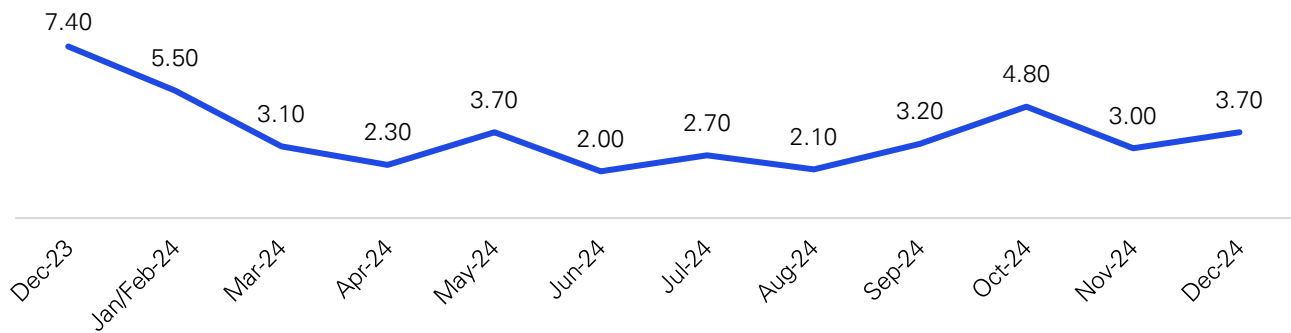


Retail sales growth

In 2024, the scale of China's retail market continued to expand. During the year, total retail sales of consumer goods reached CNY 48.8 trillion, reflecting an increase of 3.5% over the previous year and underscoring the global importance of the country's market. In Q4, total retail sales grew by 3.8% YoY, 1.1 percentage points faster than in Q3.

Following the meeting of the Political Bureau of the Communist Party of China (CPC) Central Committee on 26 September, a package of incremental policies was issued in order to drive development momentum, expand market demand, invigorate production, improve market activity and enhance development confidence. These measures played a decisive role in the economic recovery in the fourth quarter and helped the country achieve its annual economic goals.

YoY retail sales growth, Dec 2023-Dec 2024 (%)



Source: National Bureau of Statistics



In the second half of 2024, the retail market for consumer goods achieved progress while ensuring stability

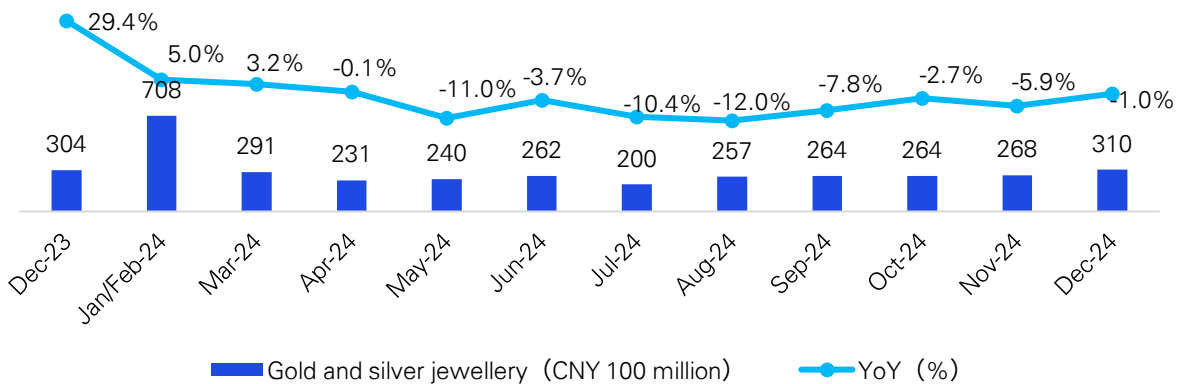
The consumer goods market received policy support and gradually recovered in the second half of 2024. Although the overall market environment improved, retail sales of gold, silver and jewellery still faced significant pressure in the second half of the year and did not see a significant rebound. While monthly YoY sales for clothing, shoes, hats and knitwear declined, cumulative YoY sales still maintained positive growth, reflecting to some extent that overall demand remained stable in the wake of short-term fluctuations. Retail sales of cosmetics recorded a particularly strong performance in early Q4, mainly due to the promotion of the Double 11 Shopping Festival and the implementation of various policies and campaigns to promote consumption. Notably, cosmetics experienced a whopping YoY growth of 40% in October. Overall, sales growth was strong across various categories in Q4. Grain, oil, food and beverage, as well as catering, maintained steady growth, reflecting the gradual recovery of consumer confidence. In contrast, beverage enterprises experienced slowing growth in the second half of 2024, which may be related to intensified market competition, changes in consumer purchasing power and seasonal factors. In addition, some beverage companies may have encountered challenges in product innovation and marketing strategies, negatively impacting their market share.

In general, in 2024, China's economy made progress while maintaining stability, and the country's main development goals were achieved. Officials at the Central Economic Work Conference said that, in 2025, "vigorously boosting consumption, improving investment efficiency and expanding domestic demand in an all-round way" will be the first priority among their key tasks. They also said that, in the coming years, relevant policies will be rolled out in a timely, coordinated manner to stabilise and promote the continuous recovery of the economy.



Luxury and fashion

Retail sales of gold and silver jewellery, Dec 2023-Dec 2024 (CNY 100 million, %)

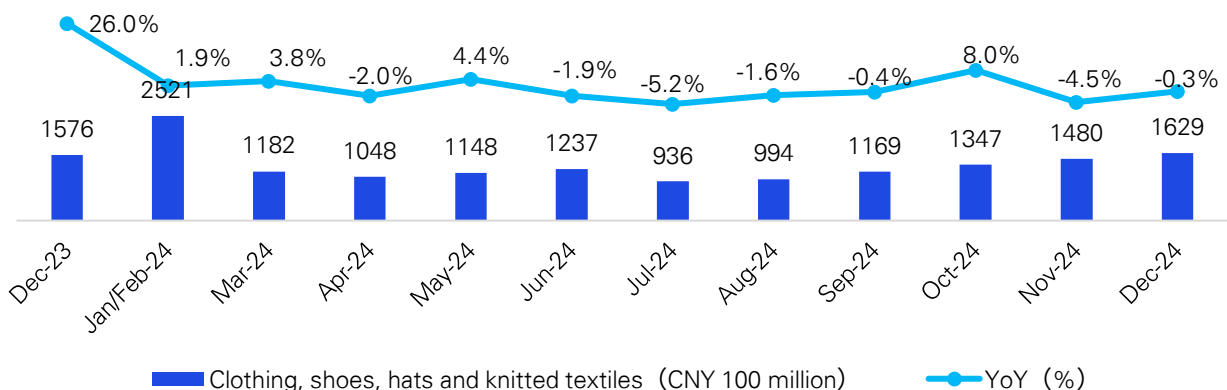


Source: National Bureau of Statistics



Apparel and footwear

Retail sales of clothing, shoes, hats and knitwear, Dec 2023-Dec 2024 (CNY 100 million, %)

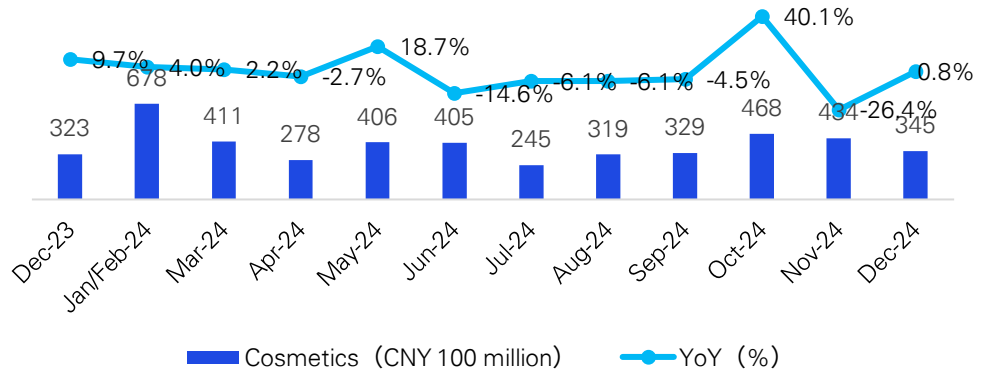


Source: National Bureau of Statistics



Health and personal care

Retail sales of cosmetics, Dec 2023-Dec 2024 (CNY 100 million, %)

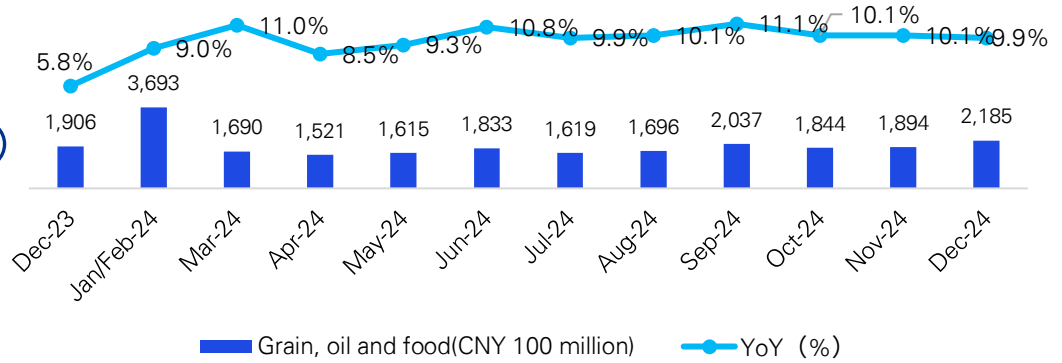


Source: National Bureau of Statistics



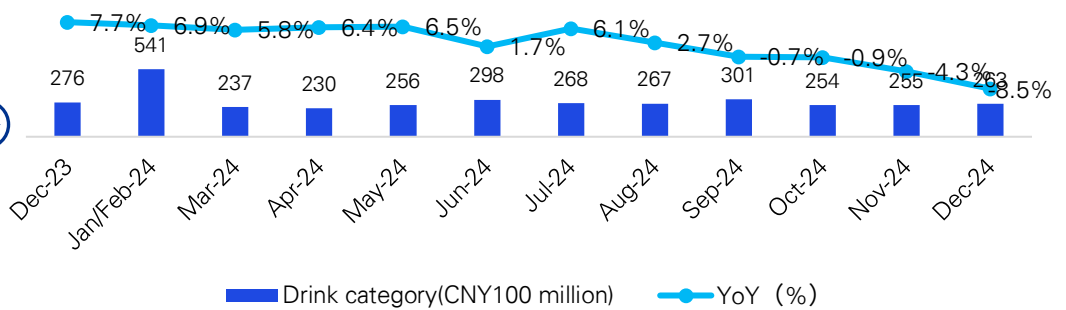
Food and beverage

Retail sales of grain, oil and food, Dec 2023-Dec 2024 (CNY 100 million, %)



Source: National Bureau of Statistics

Retail sales of the drink category, Dec 2023-Dec 2024 (CNY 100 million, %)

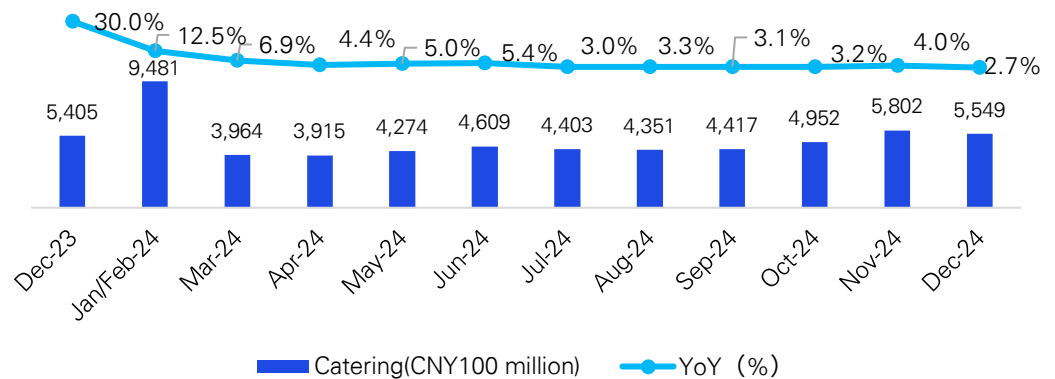


Source: National Bureau of Statistics



Restaurants

Retail sales of catering, Dec 2023-Dec 2024 (CNY 100 million, %)

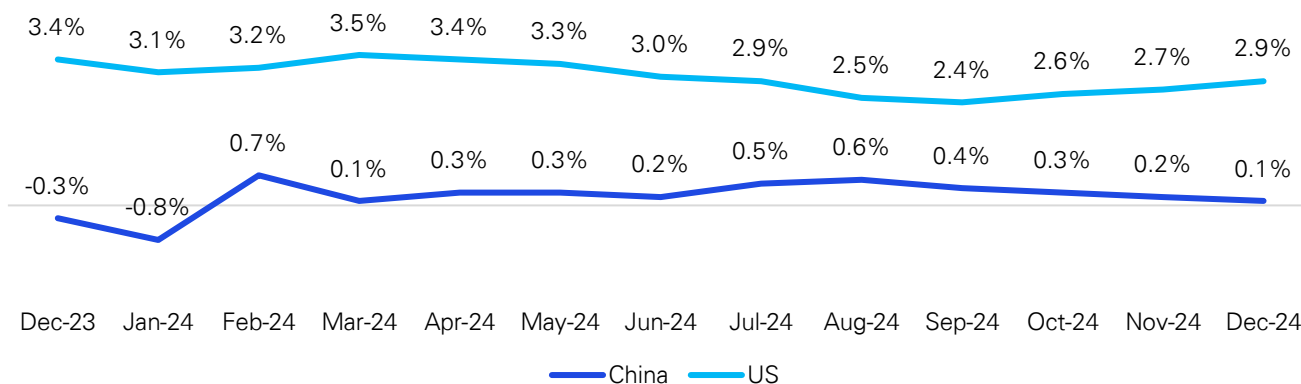


Source: National Bureau of Statistics

Inflation in China was generally stable, while it showed signs of rebounding in the US

In 2024, inflation in China was generally stable, and inflation in the US was stable and trended downward, before showing signs of a rebound at the end of the year.

China and US consumer price index YOY growth (CPI) (%), Dec 2023-Dec 2024



Source: National Bureau of Statistics of China and Bureau of Labor Statistics of the US

In 2024, China's consumer price index (CPI) was basically stable. Specifically:

- The decline in food prices became sharper. In 2024, food prices declined by 0.6%, 0.3 percentage points more than in the previous year, which was the main factor pushing CPI growth downward. It is worth noting that the price of pork and fresh vegetables, as important consumer goods in people's shopping baskets, increased 7.7% and 5.0% compared with increases of 13.6% and 2.6% in the previous year, respectively. These two daily consumer goods were the only ones that saw rising prices.
- Energy prices fell slightly. In 2024, energy prices decreased by 0.1%, which was 2.5 percentage points less than the decline recorded in the previous year.
- The growth of core CPI was higher than that of CPI. Core CPI—which excludes food and energy prices—continued to rise moderately, with YoY growth of 0.3% to 0.7% in most months and average growth of 0.5% throughout the year.

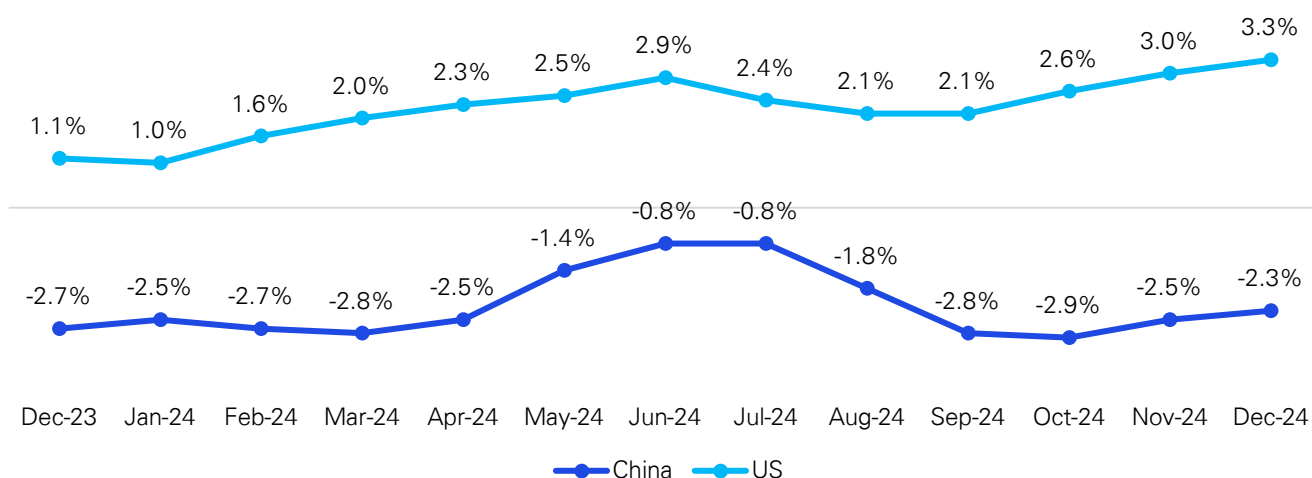
With the impact of existing policies and a package of incremental policies, the economic recovery is strengthening; the recovery of consumer demand is accelerating; and conditions are growing more favourable for a moderate price recovery. CPI is expected to continue to rise in 2025.

On the whole, in 2024, inflation in the US was stable and declined slightly, but there were signs of a rebound at the end of the year. In December, CPI again rose at a rate of 2.9% YoY, with a month-on-month increase of 0.4%, 0.1 percentage points higher than in the previous month and the largest increase since March 2024. The rise in month-on-month inflation was mainly caused by energy and food prices. Energy prices rose 2.6% month-on-month, within which gasoline prices rose 4.4%; this was the primary factor pushing CPI upward.

The Federal Reserve has cut interest rates three times since September 2024. The recent inflation rebound may cause the US central bank to exercise prudence in cutting interest rates in 2025.

In 2024, China's producer price index (PPI) fluctuated at a low level, and US PPI rose steadily.

China and US producer price index YOY growth (%), Dec 2023-Dec 2024



Source: National Bureau of Statistics of China and Bureau of Labor Statistics of the US

Overall, in 2024, China's PPI decreased by 2.2% YoY, which was 0.8 percentage points smaller than the decline recorded in 2023. From a month-to-month perspective, the YoY decline in PPI narrowed from January to July; the decline expanded from August to September; and then the decline steadily narrowed from October. The movement of PPI was mainly caused by decreases in the prices of energy and raw materials-related industries; prices in certain consumer goods equipment and consumer goods manufacturing industries also declined.

In addition, China's industrial transformation and upgrading has had a certain stimulative effect on PPI. In 2024, China's new quality productive forces developed steadily, and the demand for nonferrous metals grew due to improvements in the performance of certain high-tech products, as well as improvements in electrification levels. These factors pushed prices higher and effectively narrowed the decline in PPI.

In the US, PPI rose YoY and reached its highest level for the year in December, but it was still below market expectations. The rise in commodity prices, especially the 3.5% increase in energy prices, has become the main factor driving the increase in prices. Meanwhile, service prices remained the same in December compared with the previous month, while food prices declined slightly by 0.1%.













Sector impact of recent market dynamics

China's consumer sector remained strong in H2 2024. During this period, the country introduced targeted policies to boost domestic demand and consumption. In addition, the 2024 China International Import Expo, which is playing a key role in accelerating the process of "turning exhibits into commodities," was held; and the booming ice-and-snow economy generated excitement among consumers.

Overall, consumers have been shifting their focus towards quality and wellness offerings. Artificial intelligence (AI) has helped drive consumption in the food and beverage sector, indicating that the consumer sector is embracing technology to meet more diversified and personalised needs. In addition, a growing number of food and beverage companies have been expanding into overseas markets, as they look to go global in the long term.

In terms of other sub-sectors, the luxury market saw slow growth as its supply structure continued to adjust and improve, and luxury experiences and the duty-free market made a greater contribution in driving consumption. The apparel and footwear sector recorded remarkable online sales, propelled by soaring sales of outdoor sportswear and cold-protective garments amid the growing popularity of light outdoor activities and the burgeoning ice-and-snow economy. Meanwhile, enterprises in the beauty and personal care sector have increasingly been using "short drama marketing" as a branding tool, enabling them to better address consumer needs that are becoming more varied and diversified.

The luxury sector grew slowly, with consumers showing a preference for luxury experiences while new growth drivers emerged for the duty-free sector

Market dynamics	Luxury and fashion	Impact ^a
<p>Economic activities</p> 	<ul style="list-style-type: none"> In 2024, while China's economy remained stable and improved in general, the consumer sector underperformed. Due to a slowdown in personal income growth, consumers lacked spending power and confidence, which resulted in tighter budgets and more prudent spending. - According to the <i>2024 Research on the Global Luxury Market</i> report, global luxury sales in 2024 were expected to reach almost EUR 1.5 trillion, basically the same as in 2023, with YoY growth falling between -1% and 1%. However, in China, as consumers became less confident and increasingly chose neighbouring countries and Europe as their travel destinations, the consumer sector remained sluggish in 2024, with luxury sales expected to drop by 20% to 22% for the year before recovering in H2 2025¹. - As reported in November 2024, luxury sales fell by 16% in Q3 2024 across Asia (excluding Japan). In a notable exception, Japan actually saw growth in luxury sales, as the weak JPY attracted a large number of Chinese tourists. However, the growth rate of Japan's luxury sales dropped sharply to 20% in Q3 from 57% in the previous quarter², due to upward price adjustments carried out by major brands in the country. - As reported in November 2024, the financial performance of luxury groups declined, due to multiple factors such as geopolitical tensions and local economic developments in regions where they were operating. From a regional perspective, Asia Pacific (APAC) was hit the hardest, especially in China where many major luxury brands experienced significant declines in performance due to weak high-end consumption. On the other hand, luxury sales remained relatively strong in Japan and South Korea, with many luxury groups recording impressive results. The Europe, Middle East and Africa (EMEA) region also performed relatively well, with sales growing across its markets³. - However, according to the CFO and deputy CFO of LVMH Group, the Group will not change its current strategy and will continue to invest in the Chinese market through marketing campaigns⁴, as the demand for high-end consumer goods is still strong in the country despite muted consumer confidence. 	
<p>Travel</p> 	<ul style="list-style-type: none"> As consumers shifted their focus to travel and social activities, luxury experiences maintained a strong allure, and consumers increasingly chose personal care, healthcare and other experiences over physical luxury goods. In addition, high-net-worth individuals showed stronger interest in experience-based products, especially high-end products such as yachts, cars and jets¹. In 2024, shopping enthusiasm recovered rapidly among Chinese tourists, thanks to recent visa-free policies and other factors, with duty-free shopping posting a recovery rate of 62% in the first 10 months of 2024 compared to 2019. Meanwhile, that recovery rate for APAC as a whole reached a staggering 204% compared to 2019⁵. 	
<p>Duty-free market</p> 	<ul style="list-style-type: none"> During 2024, Haikou Customs supervised offshore duty-free sales of CNY 30.94 billion across 5.683 million purchases and 33.082 million items purchased. For the peak tourist consumption season that traditionally comes at the turn of the year, various duty-free consumption vouchers were issued across Hainan. According to the Haikou Municipal Bureau of Commerce, CNY 26 million of duty-free coupons have been issued since December 2024, and more promotional activities were being planned for the upcoming Spring Festival. In addition, the Sanya Municipal Bureau of Commerce announced a plan to invest CNY 74.5 million in consumer coupons from the end of December 2024 to February 2025⁶. In 2024, the <i>Notice on Improving the Policy for Downtown Duty-Free Shops</i> was issued by the State Council. Effective from 1 October 2024, it is expected to further stimulate duty-free consumption in China and bring new growth opportunities for duty-free retailers. 	
<p>Festival celebrations</p> 	<ul style="list-style-type: none"> In H2 2024, luxury goods performed remarkably well across all categories, with a surge in turnover during the Double 11 Shopping Festival. - Surprisingly, in H2 2024, outdoor sports products and high-end home furnishings drove significant growth in the luxury goods category on Tmall, with turnover growing 110% and 240% YoY, respectively⁷. - During the Double 11 Shopping Festival, consumer financial service providers introduced the "interest-free instalment" payment method, which proved useful for many luxury brands and enabled them to grow their transaction volumes. As a special form of consumer finance, interest-free instalment plans allow consumers to optimise their spending without additional burden, and enterprises can use small discounts to generate significant growth in sales⁸. 	



Note: a. KPMG analysis

The apparel and footwear sector saw remarkable online sales, with consumers showing a preference for functional items that offer both aesthetics and utility

Market dynamics	Apparel and footwear	Impact ^a
<p>Economic activities</p> 	<ul style="list-style-type: none"> While the consumer sector experienced steady growth in 2024, domestic demand for clothing, shoes, hats and knitwear was muted. <ul style="list-style-type: none"> In 2024, domestic sales of textiles and clothing in China slowed down. Retail sales of clothing, shoes, hats and knitwear of units above the designated size grew by a mere 0.3% YoY, which was significantly lower than the growth rate in 2023, reflecting the need to stimulate domestic demand. Given increasingly fierce competition online and a high YoY growth rate in 2023, online consumption of textiles and clothing was sluggish, with online retail sales of clothing products increasing by only 1.5% YoY, down 9.3 percentage points compared to the growth rate in 2023. In 2024, personal expenditure on clothing per capita stood at CNY 1,521, up 2.8% and accounting for 5.4% of total consumer spending per capita. However, the growth rate of this category was down 5.6 percentage points compared to 2023. 	
<p>Shift in trends</p> 	<ul style="list-style-type: none"> With the rising popularity of light outdoor activities, lightweight outdoor styles with both aesthetics and utility that are suited to a variety of daily living scenarios drove sales growth for outdoor-related clothing. <ul style="list-style-type: none"> Outdoor clothing styles, including Urban Techwear, Mountaincore, and Gorpcore, have made headway in women's clothing, men's clothing, sports clothing and other daily wear categories, expanding choices for consumers and marking new trends in urban wear⁹. From January to October 2024, outdoor clothing retailers experienced rapid growth in online sales, with total turnover of CNY 13.612 billion on Tmall, up 14.5% YoY, and CNY 17.484 billion on Douyin, up 75.5% YoY¹⁰. Mid-range and high-end brands saw faster growth online. One high-end outdoor brand generated turnover of CNY 1.228 billion on Tmall and Douyin from January to October 2024, up more than 220% YoY. Meanwhile, one mid-range brand achieved online sales of CNY 779 million, reflecting a YoY increase of nearly 175%. These figures reflect that consumers are now prioritising a quality wearing experience over other factors¹⁰. 	
<p>Festival celebrations</p> 	<ul style="list-style-type: none"> In 2024, the lengthened Double 11 Shopping Festival further stimulated consumers' shopping demand, and apparel and footwear recorded the highest sales among all sub-categories. <ul style="list-style-type: none"> According to Syntun, sales of clothing categories reached CNY 166.4 billion across integrated e-commerce platforms, up 21.4% YoY and accounting for 14.1% of total sales for all categories, demonstrating strong growth momentum¹¹. According to data released by Douyin e-Commerce for the first 3 days of its Double 11 Festival, both turnover and order volumes grew more than 90% YoY for clothing brands. Riding this momentum, during this period, about 100 major brands generated CNY 10 million or more in turnover, and 480 major brands saw their turnover grow more than 200% YoY¹². 	
<p>Travel</p> 	<ul style="list-style-type: none"> With ice-and-snow tourism and outdoor sports becoming more popular in autumn and winter, consumers' purchasing activity in respect of clothing largely reflected their desire to stay warm and weather the cold. As a result, consumers tended to choose utility items such as sports down jackets and outdoor jackets. <ul style="list-style-type: none"> According to the <i>China Outdoor Sports Industry Development Report (2023-2024)</i> issued by the General Administration of Sport of China, from a consumption perspective, the average annual expenditure by outdoor enthusiasts in China remained high in 2023 and 2024, with the average annual expenditure on individual outdoor activities reaching CNY 2,000 to 5,000; in terms of age groups, the "post-80s" and "post-90s" segments were the core of the outdoor sports consumer base. According to the Ministry of Industry and Information Technology, in 2023, the number of companies operating in ice and snow equipment-related industries grew to approximately 900 (compared to 300 in 2015), with total sales revenue of CNY 22 billion (compared to less than CNY 5 billion in 2015)¹⁴. 	



Note: a. KPMG analysis


In the beauty and personal care category, new R&D initiatives were launched, short drama marketing took off as a branding tool, and the desire for overseas expansion remained strong

Market dynamics	Health and beauty	Impact ^a
<p>Economic activities</p> 	<ul style="list-style-type: none"> In H2 2024, as part of the effort to further stimulate personal consumption and the consumer market, China introduced a package of incremental policies and issued batches of consumption vouchers to accelerate the recovery of the health and beauty market. <ul style="list-style-type: none"> Since July 2024, Taobao has held various promotional activities each month, including discounts, coupons and other promotional measures, with a view to unleashing consumer demand and expanding the beauty and personal care market. In 2024, retail sales of cosmetics for units above the designated size reached CNY 435.7 billion, up 5.2% YOY compared with 2023. New e-commerce models, such as livestreaming and instant retail, continued to evolve and played a significant role in driving online consumption. 	
<p>Shift in trends</p> 	<ul style="list-style-type: none"> To meet the demand among the new generation of Chinese parents for more refined and professional skincare products for their children, brands have begun to conduct research and develop products that are more gentle, safe and effective. <ul style="list-style-type: none"> In September 2024, Curél, which is part of Kao Group, a Japanese cosmetics group, announced its plan to launch a children's skincare line in China that will target children with sensitive skin and serve as a new growth driver¹⁵. A Chinese brand called Hi!papa launched a technology-based anti-acne product line to provide skincare solutions for teens with oily or sensitive skin and acne, marking a breakthrough in the field of skincare for teens¹⁶. As medical cosmetology grows as a share of China's beauty market, consumers are increasingly expecting personal care products to contain ingredients that will maintain the results of medical cosmetology treatments. Therefore, "effective" skin care brands are increasingly aiming to expand into the pre- and post-care space for medical cosmetology, with a view to gaining early-mover advantages in this new space. <ul style="list-style-type: none"> In August 2024, as part of its plan to expand into the medical cosmetology and light medical beauty fields, L'Oreal acquired a 10% stake in Galderma, a Swiss skincare group, to explore the medical beauty market and generate growth for the brand¹⁷. In 2024, domestic beauty companies started to embrace short drama marketing as a branding tool to drive traffic and user fission on e-commerce platforms. Brands such as KANS received wide acclaim and grew in popularity after launching short dramas that told their brand stories and included links to their products¹⁸. 	
<p>Festival celebrations</p> 	<ul style="list-style-type: none"> As reported in November 2024, beauty products delivered a remarkable performance in 2024, with gross merchandise volume across integrated e-commerce platforms growing by 27% compared to the prior year¹⁹. This performance was partly driven by the introduction of significant discount policies, coupon issuance and the distribution of red envelopes in livestreaming sessions during the lengthened Double 11 Shopping Festival. <ul style="list-style-type: none"> Local brands such as Winona, Kefumei and Chando gained spots on Tmall Beauty's Top 20 list due to their strong sales. Of course, mature brands that offer impactful, quality products can gain significant advantages over their competitors in the current environment, as local beauty brands are delivering a remarkable performance by prioritising their quality-to-price ratio. 	
<p>Expansion into overseas markets</p> 	<ul style="list-style-type: none"> Given the increasingly fierce competition in the domestic market, domestic cosmetics companies are looking to the global market for further growth. Data released by General Administration of Customs of the People's Republic of China shows that cosmetics exports are steadily rising, with total exports reaching CNY 7.2 trillion in 2024, as companies continue to expand overseas. <ul style="list-style-type: none"> According to the <i>2024 Guangzhou Cosmetics Industry White Book</i> released during the second Guangzhou Cosmetics Week, as of 30 November 2024, Guangzhou was home to 56% and 30% of all cosmetics manufacturers in Guangdong province and China, respectively, with 1,841 cosmetics manufacturers based there. The city's cosmetics industry also ranked first in China in terms of its annual output value, which stood at more than CNY 100 billion and accounted for over 70% of the industry's total annual output value in the province. In the first three quarters of 2024, cosmetics manufacturing in Guangzhou maintained strong growth momentum, and its industrial added value increased by 46.6%²¹. 	



Note: a. KPMG analysis

As consumers shift their focus towards quality and wellness offerings, the food and beverage sector is embracing innovative AI-driven technologies

Market dynamics	Food and beverage	Impact ^a
<p>Economic activities</p> 	<ul style="list-style-type: none"> In 2024, China's food and beverage market continued to recover, with grain, oil and food; beverage; and tobacco and alcohol product sales growing 9.9%, 2.1% and 5.7%, respectively, with basic daily necessities showing robust growth. In 2024, domestic demand for food and beverages rebounded and continued to grow, with beverage sales of units above the designated size reaching CNY 320 billion, up 2.1% YoY, and retail sales of grain, oil and food of units above the designated size reaching CNY 2,173.7 billion, up 9.9% YoY. In 2024, liquor companies faced mounting pressure due to various factors. Wind data shows that as of 31 December 2024, the liquor sector in the A-share market had fallen 17.19% during the year²². <ul style="list-style-type: none"> Almost all of the 19 liquor companies listed in the A-share market experienced share price declines and saw their market capitalisation shrink. As market demand remained sluggish, several liquor companies responded by reducing their annual business goals for 2024. In addition, given high levels of inventory and price fluctuations, liquor companies had to resort to price adjustments²². 	
<p>Festival celebrations</p> 	<ul style="list-style-type: none"> According to Syntun, during the Double 11 Shopping Festival in 2024, cumulative sales across integrated e-commerce platforms and livestreaming platforms reached CNY 1,441.8 billion, up 26.6% YoY, with sales of food and beverages reaching CNY 64 billion, accounting for 5.4% of total sales, up 11.6% YoY²³. <ul style="list-style-type: none"> Sales of liquor during the Mid-Autumn Festival and National Day holiday met expectations. Peak times for consumption occurred prior to the holiday, when consumers began purchasing gifts, holding banquets and gatherings, and engaging in other holiday activities. As a result, sales peaked during the run-up to the holiday; and consumption remained relatively stable during the holiday, when most consumers were travelling²⁴. 	
<p>Shift in trends</p> 	<ul style="list-style-type: none"> A growing shift towards sugar-free, low-fat and gluten-free products has been driving innovation in the beverage sector. As new flavours, experiences and concepts stimulate demand, opportunities are being created to integrate new and existing industries. <ul style="list-style-type: none"> In a survey focusing on Chinese consumers' awareness of additives, about 70% of respondents said they held a negative attitude towards additives in food, and were even concerned that they might be buying products that contain additives²⁴. The application of new quality productive forces is improving product efficiency and quality, allowing customers to enjoy more personalised and customised goods and services. <ul style="list-style-type: none"> According to a survey on the state of AI conducted by McKinsey in 2024, the number of AI use cases grew significantly in the past year. 72% of organisations reported that they use AI in at least one business function, significantly higher than the figure of 50% reported in the past six years²⁵. A global survey conducted by TraceGains showed that, in 2024, most food and beverage brands were attempting to integrate AI technology into their operations to gain a competitive edge. Specifically, 36% of brands had already tested the technology in their R&D of new products, and 53% of brands were considering using AI in the purchase and development of ingredients and formulas²⁵. 	
<p>Government functions and policies</p> 	<ul style="list-style-type: none"> In 2024, China introduced a number of policies to provide specific guidance for the development and innovation of the food and beverage industry. <ul style="list-style-type: none"> In September 2024, the State Council issued the <i>Opinions on Implementing the "Big Food" Concept and Building a Diversified Food Supply System</i>, which outlined the need to build a diversified food supply system and the goal of improving the country's food supply chain, food varieties, supply diversity and food quality by 2035 in order to meet the increasingly diverse demand for nutritious and healthy food. In October 2024, the State Administration for Market Regulation held a meeting to deliver administrative guidance on food safety amid the emergence of new types of business and business models. The guidance prioritised food quality and safety, promoted the healthy development of China's platform economy, and laid out plans to cultivate a diversified supply system to improve the quality of consumers goods and provide new growth momentum. 	



Note: a. KPMG analysis

Food and beverage consumption rebounded, driven by cultural tourism and holiday celebrations; and Chinese F&B brands took part in a wave of expansion overseas

Market dynamics	Food and beverage	Impact ^a
<p>Economic activities</p> 	<ul style="list-style-type: none"> China's active cultural tourism market has been driving consumption in food and beverage, transportation, entertainment and other related sectors. According to the National Bureau of Statistics, food and beverage companies in China generated revenue of CNY 5.6 trillion in 2024, up 5.3% YoY. <ul style="list-style-type: none"> According to the World Federation of Chinese Catering Industry, from a regional perspective, first-tier cities experienced a slowdown in food and beverage sales, while second-tier cities saw notable growth. In terms of revenue, Chongqing and Chengdu ranked first and second, each with revenue exceeding CNY 140 billion, cementing the two cities' status as powerhouses in the food and beverage sector. They generated a combined revenue of CNY 332.17 billion in the first three quarters of 2024, accounting for 8.4% of total food and beverage revenue in China²⁶. In 2024, the consumer market strengthened following the issuance of a new round of coupons. The coupon initiatives proved to be a key driver for the prosperity of the food and beverage industry. <ul style="list-style-type: none"> At a press conference, Guangzhou announced a plan to issue consumption coupons worth CNY 100 million under the "Eating in Guangzhou" initiative, with a view to sustaining steady growth and boosting consumption²⁷. The Shanghai Municipal Government issued CNY 500 million in coupons for use in restaurants, hotels, movie theatres, sports facilities and other venues²⁸. 	
<p>Festival celebrations</p> 	<ul style="list-style-type: none"> In H2 2024, as a result of targeted policies, innovative business models and the country's appealing local cultures, China saw an upsurge in consumption during the Mid-Autumn Festival and National Day holiday, especially in cultural tourism, which is integrating traditional Chinese culture with modern leisure tourism. <ul style="list-style-type: none"> During the Mid-Autumn Festival and National Day holiday, specific events were planned and carried out to promote local cultures across China, including large light shows in the classical gardens of Suzhou, local cultural shows at West Lake in Hangzhou, and a food festival in Changsha. These events showcased traditional cultures and provided tourists with an exciting new experience, while also raising the notoriety of these cities. In addition, the "Double Festival" effect served as a catalyst for brands to update their offerings, and many of them launched new products focusing on the Mid-Autumn Festival and National Day. <ul style="list-style-type: none"> Catering brands launched a variety of new products during the 618 and Double 11 periods. For example, Haidilao Hot Pot launched six new winter products, such as "extra strong fungus soup hot pot," as well as dishes consisting of mutton-chops from Inner Mongolia white cashmere goats—a national geographical indication product of China—mutton rolls from the Loess Plateau and Chinese yams from Hongdian, Wenshan, Yunnan²⁹. 	
<p>Expansion into overseas markets</p> 	<ul style="list-style-type: none"> 2024 was a key year for Chinese food and beverage brands as an increasing number of enterprises accelerated their efforts to "go global." During the year, many domestic food and beverage companies announced plans to expand into overseas markets and go global in the long term. <ul style="list-style-type: none"> Jasmine Milk White opened its first store in Sydney, which marks its third overseas store following openings in New York City and Bangkok. The company also launched a customised cinnamon-based bubble tea for Australian consumers. Fish with You held a grand opening for its first store in Singapore, which is its second location in Southeast Asia after its location in Malaysia. To mark the 2-year anniversary of the opening of its first store, Cotti Coffee announced that the brand had more than 10,000 stores around the globe, with its 10,000th location having opened in the Pearl Island, Doha, Qatar³⁰. 	
<p>Government functions and policies</p> 	<ul style="list-style-type: none"> In 2024, China implemented an array of policy measures to support continuous development and innovation in the food and beverage industry: <ul style="list-style-type: none"> In July 2024, the State Council issued the <i>Opinions on Promoting the High-Quality Development of Services Consumption</i>, which outlines the need to improve the quality of catering and accommodation services and promote traditional Chinese cuisine. Established brands at home and abroad are encouraged to set up flagship stores in China. In June 2024, five departments including the National Development and Reform Commission (National Development and Reform Commission) and the Ministry of Commerce jointly issued the <i>Measures on Creating New Consumption Scenarios and Cultivating New Growth Points</i>, which is designed to cultivate new consumption scenarios and sub-sectors and encourage large-scale food and beverage store chains to expand in third-tier cities or below. The Measures also provide support for technology-based upgrading and the digital transformation of the industry. 	



Note: a. KPMG analysis



Sub-sector trends: Luxury and fashion

In 2024, the growth rate of the consumer market as a whole slowed down, and consumer confidence declined in relation to high-end purchases, reflecting a more rational and prudent attitude among consumers. Against this backdrop, the government has implemented visa-free policies, optimised immigration and enacted other policies to strengthen the rebound in duty-free sales, tap the potential of the market and ultimately boost consumption of luxury goods. Recently, consumers have shown more interest in experience-oriented luxury goods as opposed to physical luxury goods. Products that retain their value have become the new favourites of many consumers, which indicates that more pragmatism could take hold in the market in the future.

In terms of duty-free shopping, the implementation of the “closed customs” policy in Hainan should drive a rebound in domestic luxury consumption, increase inbound tourism consumption from abroad, make duty-free shopping more appealing, and provide the high-end retail industry with greater development space. As luxury brands become increasingly polarised, in the future, most traditional brands likely will withdraw from the luxury camp and become high-end consumer goods, which would lead to a market in which luxury brand customers are more clearly divided into different levels.

Consumers prefer products that retain their value, and the duty-free luxury market is expected to recover

Products that retain their value are finding favour, and the duty-free luxury market is expected to recover

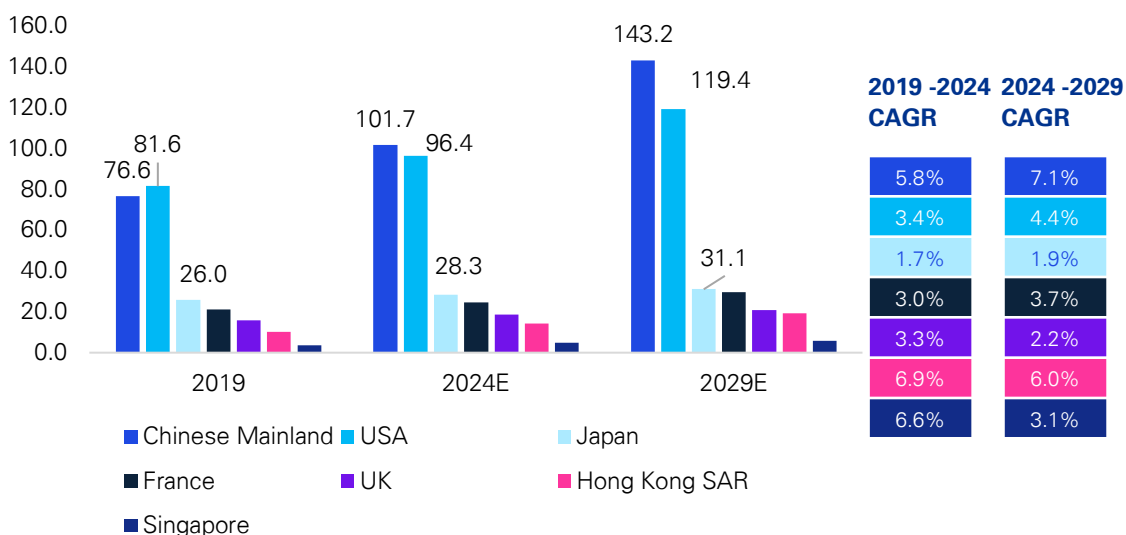
Faced with macro-economic pressure and muted consumption, in 2024, China's luxury market continued to be sluggish. As a result, consumer demand for "value-retaining" and "low-unit-price" products grew, and luxury consumer goods such as jewellery, cosmetics and glasses have become popular choices because of their unique investment value and fashion attributes. Going forward, thanks to the continuous optimisation of the policy environment and increasing inbound and outbound tourism, the duty-free luxury goods market is expected to usher in a new growth cycle.



The Japanese market stands out in the differentiated global luxury market

- According to data from Statista, China, the US and Japan were the top three luxury markets in the world in 2024, with a scale of USD 101.7 billion, USD 96.4 billion and USD 28.3 billion, respectively, accounting for 48% of the total global market.
 - China's millennials number about 400 million, which is five times the total of their American counterparts. In the future, they may become the key driver of the global luxury market. However, the luxury market is subject to consumption spillover due to weak domestic demand and the recovery of outbound tourism.
 - Since 2019, the US market continues to lead the pack (Data as of December 31, 2024). Despite macro-economic pressure and fluctuations in consumer confidence, the country's luxury market revenue is still expected to reach USD 96.4 billion in 2024.
 - Japan has benefited from the depreciation of the JPY and an influx of international tourists, which has promoted the growth of tourist retail consumption. Revenue in Japan's luxury market is expected to reach USD 28.3 billion in 2024 and experience significant growth over the next five years.
 - Europe's luxury market has enjoyed support from inbound tourists, especially in first-tier cities and resorts in southern Europe, but its growth rate has begun to slow. In particular, the UK and Germany have limited growth potential.

Revenue forecast for luxury markets in major jurisdictions (USD billion)



Source: Statista

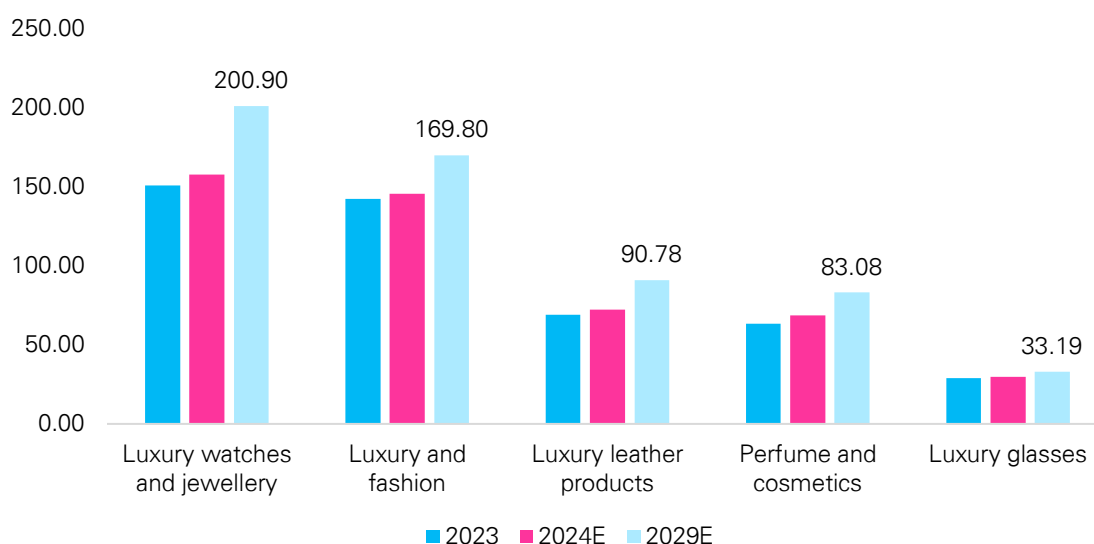


Products that retain their value have become the new favourites of consumers, indicating that more pragmatism could appear in the market in the future

In the face of uncertain economic prospects, consumers are showing a more cautious attitude towards spending. As a result, "value-retaining" and "low-price" products have become their first choice.

- Many fashion and luxury brands had low expectations for 2024, but high-end jewellery and rare gemstones were still popular investments among consumers. These segments were a focus area for consumers looking for stable investments, allowing them to continue to find success in the changing market.
 - According to data from Statista, in 2024, luxury watch and jewellery revenue was about USD 157.6 billion, representing an increase of 4.65% over 2023 and accounting for about 33% of global luxury revenue³¹.

Forecast of global luxury sub-category revenue, 2023-2029 (USD billion)



Source: Statista



Enterprises targeting high-end luxury goods market may be able to capitalise on gold price fluctuations

- In recent years, gold prices fluctuated, and consumers became more cautious about buying gold jewellery, leading to lower demand in the gold market. According to data from the China Gold Association, total domestic gold consumption in the first three quarters of 2024 was 741.732 tons, down 11.18% from the same period last year. Within this amount, consumption of gold jewellery fell sharply, down 27.53% YoY. Conversely, demand for gold bars and coins trended upward, recording YoY growth of 27.14% and reaching 282.721 tons in total. These contrasting figures show that while overall gold consumption has declined, interest in gold as an investment is still exuberant³².
 - For example, by focusing on high-end gold products and unique gold inlay designs, Laopu Gold is attracting high-end consumer groups, and the company is expected to gain a larger share of the market amid fierce competition³³.
- Although overall gold consumption is decreasing, the high-end market is growing steadily. With the continuous expansion of the luxury market, especially in China, this trend has become increasingly clear. The growth of the high-end market represents a huge development opportunity for gold enterprises that are committed to shifting their positioning towards the high-end market and transforming into luxury brands.

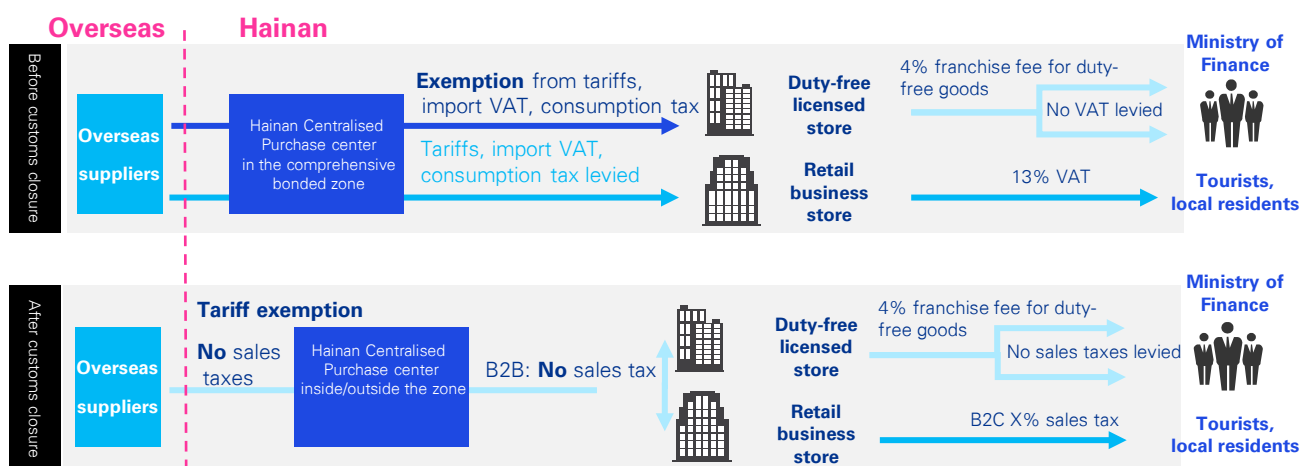


Hainan's "closed customs" policy could expand the duty-free economy and drive the recovery of the luxury market

The implementation of the "closed customs" policy in Hainan could drive the return of domestic luxury consumption, increase foreign inbound tourism consumption, enhance the appeal of duty-free shopping, and present the high-end retail industry with greater development space.

- Hainan's luxury market is rapidly growing. In the list of China's core cities for luxury consumption in 2023, Sanya's luxury consumption surpassed that of Guangzhou, ranking third in the country behind Shanghai and Beijing.
- Important tax incentives such as the offshore duty-free policy, duty-free stores in Sanya, and tax refunds on departure will continue to promote the diversified development of tax exemption and rebate operations, which would effectively drive consumption by domestic and foreign tourists and provide greater momentum for Hainan's duty-free luxury market. In the overall plan for the construction of Hainan Free Trade Port released in 2020, the tax policy after customs closure—particularly zero tariffs and the simplified tax system—has proved to be very attractive to taxed retailers.
 - Zero tariffs: With the implementation of the "closed customs" policy and simplified tax system across the island, imported goods that are not included in the import tax list are allowed to enter Hainan Free Trade Port without being subject to import tariffs.
 - Simplified tax system: As part of the island-wide "closed customs" initiative, existing VAT, consumption tax, vehicle purchase tax, urban maintenance and construction tax, education surcharges and other taxes will be combined in a simplified manner in accordance with the law, and sales tax will be collected for the retail sale of goods and services.
- After customs is closed for the free trade port, imported consumer goods will enjoy zero tariffs, and the sales tax rate in the retail sector will be lower than the current VAT rate. This policy makes the tax burden of taxed retail brands opening stores in Hainan Free Trade Port similar to that of offshore duty-free operators, enabling taxed retail brands to operate at a price level close to that of duty-free stores.

Difference in tax cost between regular retailers and offshore duty-free stores in Hainan



Source: Administrative Measures of the State Taxation Administration of The People's Republic of China on Value-added Tax and Consumption Tax Exemption for Duty-free Goods Sold by Offshore Duty-free Stores in Hainan, Announcement of the General Administration of Customs on Offshore Duty-free Shopping Policies in Hainan for Visitors, Guoyuan Securities (Hong Kong)



Differentiation in brand price strategy could lead to a market in which luxury brand customers are more clearly divided into different levels

- Reports in November 2024 indicated that, in the context of the overall sluggish performance of the luxury industry, some second-tier luxury brands have been trying to regain market share by reducing prices, while first-tier luxury brands are still steadily raising prices.
 - According to financial reporting, in Q3 2024, the revenue of LVMH Group dropped 3% YoY to EUR 19.08 billion, and Hermes Group's comprehensive sales revenue reached EUR 11.2 billion in the same period, representing an increase of 11% YoY, which was slower than in the same period in 2023³⁴.
- According to the *2024 Research on the Global Luxury Market* report, due to frequent price increases by several luxury brands, to some extent, global luxury consumers have become listless, which has led to a gradual reduction in luxury spending and shrunk the global luxury consumer base by about 50 million in the past two years. In particular, young consumers and middle-class individuals were more likely to leave the market.
- As luxury brands become more polarised, in the future, most traditional brands could withdraw from the luxury camp and become high-end consumer goods. A small number of ultra luxury brands may maintain their brand positioning and move to an even more premium level, serving only high-net-worth consumers, resulting in a market in which luxury brand customers are more clearly divided into different levels.



The demand for mass customisation of luxury goods is forcing leading brands to re-examine existing manufacturing processes

- With the rising demand of high-net-worth consumers for high-end customised products, luxury brands are re-examining their existing manufacturing processes. Historically, they have been considered lacking in technological innovation, but luxury goods manufacturers have recently taken the initiative to adopt a series of cutting-edge digital technologies, such as 3D printing, data analysis and material science research, while also integrating augmented reality (AR) technology and AI, in order to improve their production processes.
- Brands are now using digital technology to simulate the in-store shopping experience on e-commerce platforms, and also enhance the physical store experience. AI is currently the most popular technology in the luxury sector because brands can use it to enhance the customer experience and reach a wider audience.
- At the same time, enterprises are increasingly using virtual reality (VR), augmented reality (AR) and other technologies in commerce to enrich the overall consumer experience and bring high-quality content to online marketing. Meanwhile, 3D printing is becoming increasingly popular in the field of luxury fashion, where enterprises are using it to create complex design elements without the need for moulds³¹.





Sub-sector trends: Apparel and footwear

In 2024, domestic demand and consumption slowed down for the apparel sub-sector. However, enterprises recorded impressive online sales, as innovative online retail models helped them better promote consumer spending. On one hand, during the year, consumers shifted their focus towards functional items, especially outdoor clothing items that are suitable for a variety of scenarios and warmth-retaining products, which became the go-to items for people who were travelling. On the other hand, by adopting omni-channel marketing and enhancing their supply chains, apparel and footwear manufacturers seized new opportunities to transform and upgrade. In 2024, clothing products that incorporate technological and brand elements became a bright spot in the consumer market. Meanwhile, many enterprises pursued a blue ocean strategy and expanded into overseas markets by launching stores and engaging in cross-border e-commerce, which helped them expand their popularity among consumers at home and abroad.

Benefitting from product diversification and omni-channel marketing, the apparel and footwear sector achieved high-quality development

Product diversification and omni-channel marketing were two key growth drivers

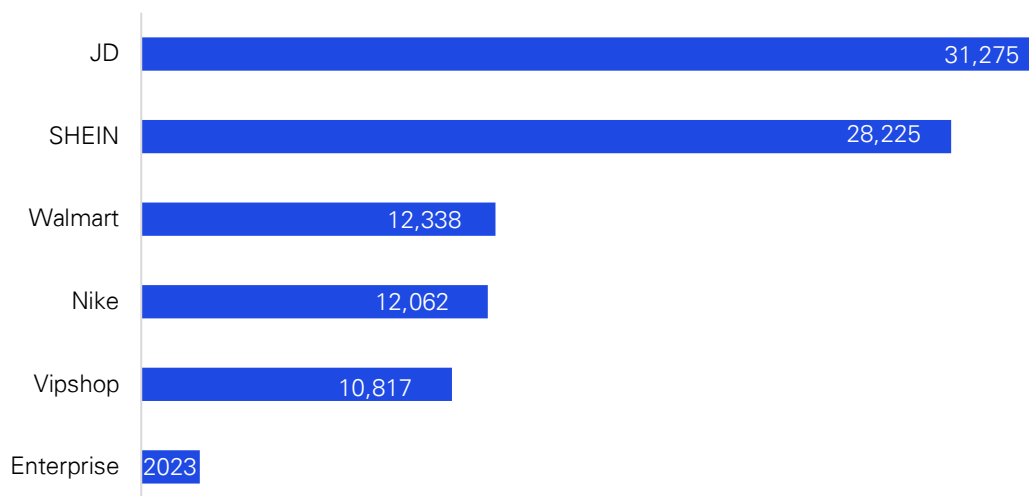
In the face of increasing competition in the marketplace, China's apparel and footwear brands expanded their product offerings to meet the diversified needs of consumers. By adopting an omni-channel approach, they were able to reach both in-store consumers and online users and enhance consumer coverage and engagement. Meanwhile, apparel and footwear brands continued to optimise their domestic and global supply chains to improve productivity and product quality, providing strong support for their sound and sustainable development.



Omni-channel marketing and enhanced supply chains helped drive industrial upgrading

- By engaging in omni-channel marketing and enhancing their supply chains, apparel and footwear manufacturers seized new opportunities to transform and upgrade. By integrating online and offline sales channels, brands can reach a wider range of customer groups and provide a better user experience. In addition, as a result of their effort to enhance supply chains, they were able to improve productivity, shorten product turnaround times and enhance inventory management, while also reducing operating costs.
 - Belle—a well-established apparel and footwear group in China—was recently able to successfully maintain steady growth across its group by adopting a multi-brand strategy and omni-channel approach and engaging in digital transformation. Belle attributed its success to these three key factors³⁵. In addition, Belle leveraged its own sales channels such as its WeChat mini-programme and the Belle shopping app to enhance customer stickiness. Through its efforts both online and offline, Belle cultivated a stream of private domain traffic through its stores on various e-commerce platforms—including Tmall, JD, and Vipshop—as well as through livestreaming sessions.
 - A fast fashion e-commerce platform has used a new technology-driven digital model to transform the traditional garment supply chain. This flexible, on-demand “Small Order, Quick Response” model enables the company to balance supply and demand and quickly respond to customers. As a result, the company has significantly improved its competitiveness, capital efficiency and productivity and reduced prices, and it has been able to share gains with its customers³⁶.
- According to Statista, in 2023, China's e-commerce brands JD and Vipshop ranked first and fifth, respectively, in global fashion e-commerce platform sales, thanks to their robust operating and supply chain management capabilities.

Global fashion e-commerce platforms by net sales in 2023 (USD million)



Source: Statista



Fitness and outdoor recreation became new hotspots, and demand for sports clothing grew more diverse

According to Tianyancha, as of 3 December 2024, China had 257 outdoor clothing-related companies, and from January to November 2024 alone, 19 were newly incorporated, 4 more than the number incorporated during the entirety of 2023.

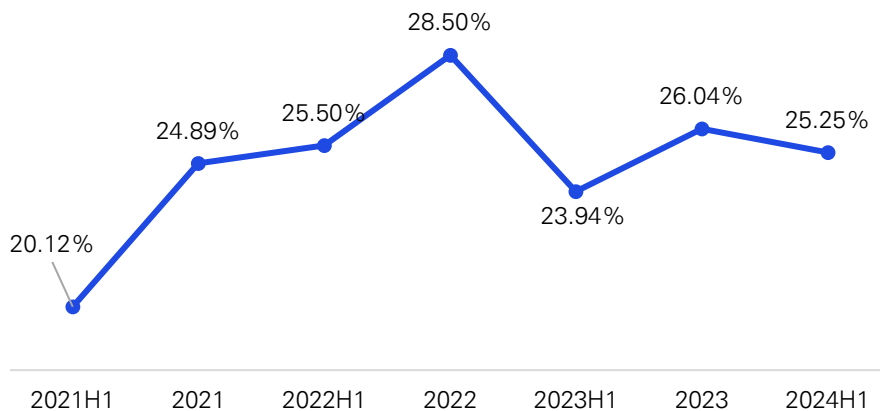
- According to data released by Tmall, during the Double 11 Shopping Festival, sales of bicycles, cycling outfits and cycling equipment—the “three major areas of cycling”—each increased by more than 100%, including 300% sales growth for road bicycles, 230% for bicycle meters and accessories, and 210% for cycling goggles³⁷.
- According to the *2023 China Fitness Industry Data Report* released by the General Administration of Sport of China, in 2023, 55.41% of fitness consumers were women. This group has become a major contributor to overall fitness consumption, reflecting modern women’s pursuit of a healthier life; and their unique choices and preferences are having a significant impact in the field of consumption³⁸.



Companies looking to expand overseas are increasingly focusing on technology and branding

- Nearly two years after the pandemic, Chinese apparel brands are rushing to go global.
- According to Wind’s Shenwan textile and garment manufacturing data, in recent years, foreign sales have accounted for around 25% of the total sales of China’s listed apparel companies. Foreign sales as a share of total sales have fluctuated and mostly risen since H1 2021, climbing from 20.1% in H1 2021 to 25.3% in H1 2024.

Share (%) of foreign sales for listed textile and garment companies in China (2021-H1 2024)



Source: Wind

- At the end of 2023, according to a survey of China’s “100 key textile and garment brands” conducted by the Ministry of Industry and Information Technology, among 46 consumer brands surveyed, 32.6% had opened a brick-and-mortar store overseas, and 21.7% were operating in overseas markets through cross-border e-commerce. Due to its proximity to China, Southeast Asia was a preferred target market for Chinese fashion brands expanding overseas, while the European and American markets, with their deep foundations in the fashion industry, were also attractive destinations due to the sector’s popularity and loyalty among consumers³⁹.
- For example, in H1 2024, Hailan Home generated revenue of CNY 161 million, up 25.44% YoY, from its 68 overseas stores, including nearly 60 across Malaysia, Thailand, Singapore, Vietnam, the Philippines and other Southeast Asian countries. These markets, with their significant spending power and potential, have become key targets in Hailan Home’s overseas expansion plans⁴⁰.
- According to GlobalData’s recent *2028 Garment Market in Germany* report, SHEIN became the fourth-largest fashion brand in Germany in 2023, and it is expected to climb in the rankings in 2024 based on its fashionable and cost-effective products and digital, on-demand, flexible supply chain⁴¹.



Sub-sector trends: Health and beauty

In 2024, China's cosmetics market experienced an overall slowdown, but the shopping festivals carried out on online e-commerce platforms helped boost consumption and drive rapid growth in gross merchandise value (GMV) for cosmetics products. Chinese brands increased their investment in R&D to meet consumer demand, especially the growing demand for better skincare products for children and for medical beauty products. They also adopted short drama marketing as a branding tool to drive user fission. During the year, many domestic cosmetics companies explored overseas markets and implemented strategic plans to expand their market presence abroad.

Intensifying competition led to greater polarisation in the beauty and personal care market, with super high-end brands and affordable brands dominating the market based on their premium service and higher cost performance, respectively, squeezing the space for brands in the middle. In terms of raw materials, consumers tended to focus more on core ingredients rather than just being able to try the product and feel it. As a result, products that used healthy and environmentally-friendly sources stood a better chance at winning over customers.

The beauty and personal care sector grew beyond expectations amid the rise of domestic brands and consumers' heightened focus on product sustainability

Domestic beauty brands gained popularity, and product sustainability drew consumers' attention

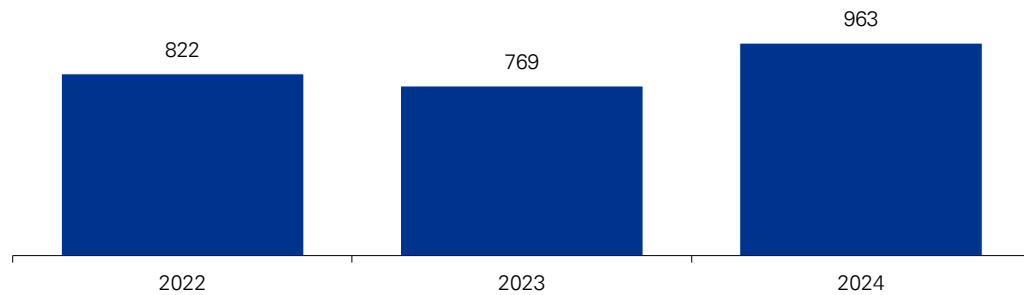
- In 2024, sales of cosmetics during the Double 11 Shopping Festival exceeded expectations, and skincare became the fastest-growing sub-category. Domestic brands appeared frequently on lists of the best-selling beauty and personal care products⁴². Many beauty brands increased their investments in initiatives to develop innovative, environmentally-friendly skincare products in response to consumers' growing preference for natural and green ingredients and their pursuit of a sustainable lifestyle.



The beauty market rebounded due to the significant incentives that were offered during the Double 11 Shopping Festival

- In 2024, with the beauty market experiencing a slow down and sluggish consumer confidence, beauty brands looked to the Double 11 Shopping Festival to boost their sales. To this end, they offered significant discounts and provided better touch points to mobilise consumers and encourage them to spend.
 - According to data released by Syntun, during the Double 11 Shopping Festival from 2022 to 2024, sales of beauty products fluctuated and grew. Notably, in 2024, the market for beauty products experienced a robust recovery, growing more than 20% YoY compared with 2023. Purchases grew significantly due to effective incentives, including a prolonged pre-sale period, issuance of consumption vouchers and distribution of red envelopes⁴².

Sales of beauty products during Double 11 from 2022 to 2024 (CNY 100 million)



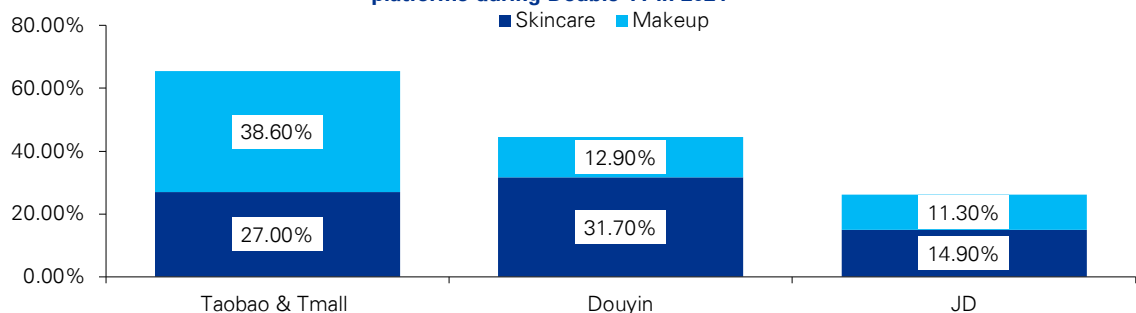
Source: Syntun



Taobao & Tmall remained popular, and Douyin became a mainstream platform for the sale of personal care products

- As reported in November 2024, according to data released by Qingyan, beauty products saw double-digit growth in GMV across the three major domestic platforms, with YoY growth of 25.8% for Taobao & Tmall, 21.6% for Douyin and 10.5% for JD⁴³.
 - The GMV YoY for makeup products on Taobao & Tmall was twice as high as that on the other two platforms. However, among the three platforms, Douyin enjoyed a clear lead in the field of personal care products, with the highest growth in GMV. Going forward, Taobao & Tmall are still predicted to be the leading platforms in the beauty and personal care subsector. Meanwhile, as a rising star, Douyin also has the potential to become a key sales channel in the beauty and personal care space, if the platform continues to pursue the operational and development strategy that enables it drive GMV, enhance consumer stickiness, and expand its customer base and traffic.

YoY GMV growth (%) for beauty and personal care products on China's main e-commerce platforms during Double 11 in 2024



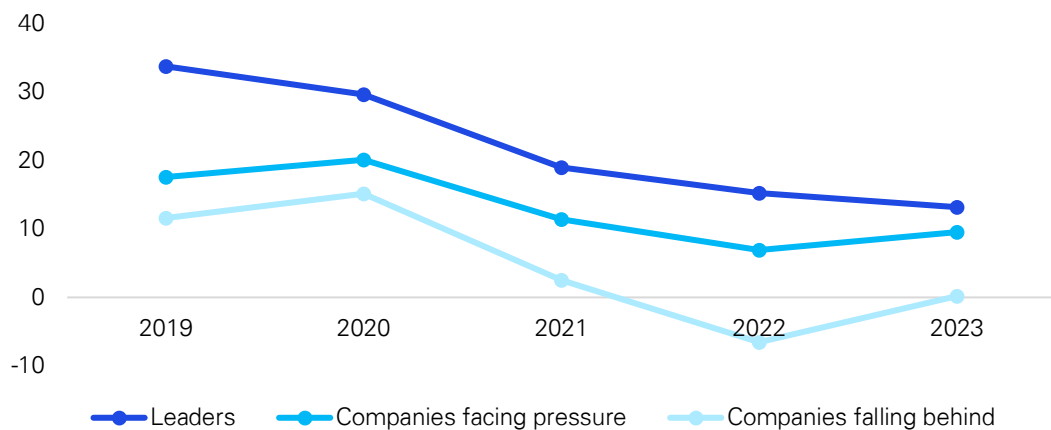
Source: Qingyan



Leading beauty brands proved the most resilient, and SMEs needed to adjust their strategy in response to market volatility

According to analysis by Wind, from 2019 to 2023, given sluggish economic growth in China, leaders in the beauty and skincare industry tended to experience declines in return on invested capital (ROIC), indicating that even highly-recognised brands struggled with performance amid economic pressure. However, these brands were more resilient during this period as they had stronger brand impact, profitability and risk management capabilities. In contrast, middle- and lower-ranked companies experienced greater setbacks, with their ROIC rebounding briefly in 2020 before falling into negative territory (about negative 6.5%) in 2022. In 2023, as domestic demand rebounded, middle- and lower-ranked companies saw the most significant recovery in ROIC, highlighting both the flexibility and vulnerability of these enterprises. Overall, industry leaders significantly outperformed other firms both in terms of stability and long-term growth, while SMEs needed to pursue product innovation and make enhancements to cost management and channel planning so as to achieve growth amid market volatility.

Average ROIC (%) across different tiers of companies in the beauty and care sector (2019-2023)



Source: Wind

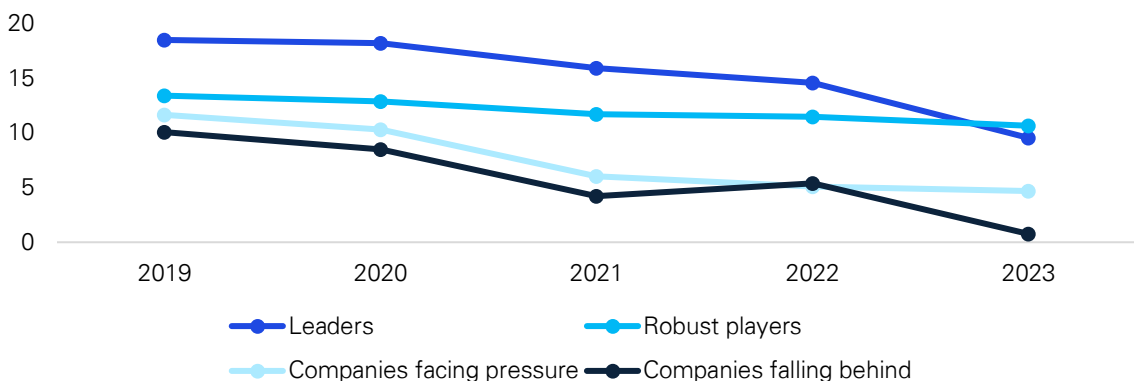
Note: Based on the Shenwan Index for the beauty & care field, companies have been ranked by market capitalisation (after removing outliers) across three tiers, each of which includes 10 companies.



The health sector made significant investments but experienced declining returns

The health industry traditionally relies on huge investments, especially in medical equipment and services. According to Wind, the overall ROIC of the health industry declined over the past 5 years. In 2021, the ROIC of the “companies falling behind” tier stood at only 4.2%, reflecting high R&D, compliance and promotional costs, limited spending power in the grassroots market, and low use of high-end equipment. In addition, with profits being squeezed by tighter regulations and the introduction of centralised procurement policies, combined with strong competition from foreign brands in the high-end market, local companies faced profitability pressure. Nevertheless, in the future, the “Healthy China 2030” initiative is expected to benefit the industry. Going forward, health companies that can enhance the added value of their products, improve their cost structures, penetrate into grassroots markets and expand their income models should be able to improve profitability while driving the growth of the industry as a whole.

Average ROIC (%) across the health sector (2019-Q3 2023)



Source: Wind

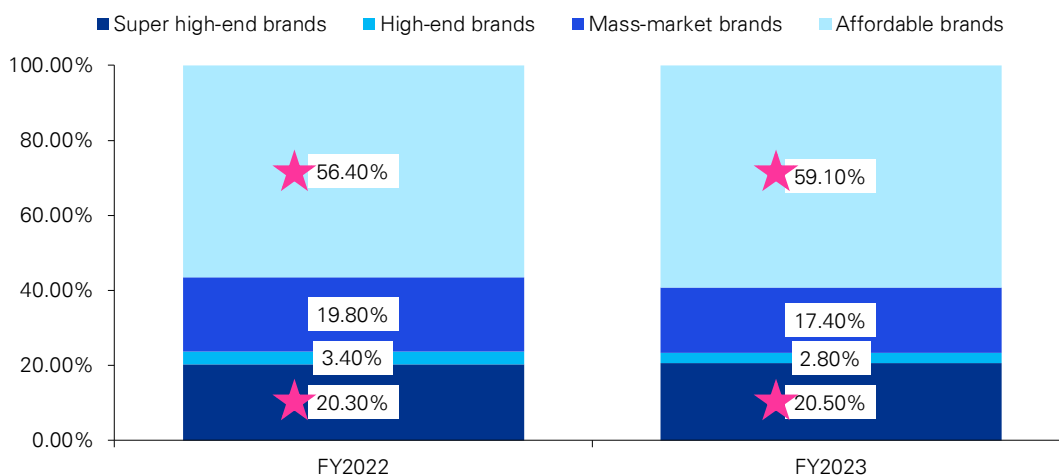
Note: Enterprises have been divided into four tiers based on health industry data from CSI. The tiers are leaders, robust players, companies facing pressure and companies falling behind, which correspond to the top 25, 26th-45th, 46th-75th, and 76th-100th enterprises, respectively, in the ranking of market capitalisation in the sector.



The beauty and personal care market has become polarised, with brands in the middle facing greater pressure

- Recently, the beauty and personal care market has grown more polarised. The two sides consist of super high-end brands that have strong brand impact, innovative capabilities and service quality that can attract consumers who are pursuing a premium luxury experience, and affordable brands that have won the favour of the mass market for their cost performance. On the other hand, brands in the middle are being squeezed from both sides and facing difficulties in maintaining their existing market share, let alone expanding it. This development reflects a shift in consumer demand and poses new challenges and opportunities for the development of the beauty and personal care sector going forward⁴⁴.

Market share of skincare brands by tier (%) (2022-2023)



Source: NIQ's retail research data



AI use cases are expanding and emerging as a new growth driver for the beauty sector

Advancements in AI are introducing profound changes to the beauty industry, including in terms of how enterprises develop and market their products and provide personalised service.

- According to InsightAce Analytic, the value of the global AI beauty and cosmetics market is estimated to reach USD 16.01 billion by 2031, reflecting a compound annual growth rate (CAGR) of 20.1% between 2024 and 2030. AI algorithms are being used to help customise skincare products based on consumers' personal skin needs and preferences, as well as environmental factors⁴⁶. This personalised skincare approach helps consumers better understand their own unique needs and enables companies to enhance consumer engagement and loyalty and offer personalised skincare solutions. Using AI models, beauty companies can gain better insights into consumer preferences and needs, more accurately predict and recommend products, and devise more efficient marketing plans.
- In addition, during the biological R&D stage, beauty companies can use AI models to discover ingredients with new biological functions, verify the efficacy of ingredients more accurately, improve R&D results, design and research proteins, simplify the R&D process for protein raw materials, and promote the biosynthesis and industrialisation of protein active ingredients.
 - The 2024 Nobel Prize in Chemistry was awarded for work related to proteins that made use of AI technology. The winners successfully used an AI model to predict the structures of almost all known proteins—the building blocks of life—and they successfully built new kinds of proteins. As life sciences AI gradually makes its way into the beauty sector, more and more enterprises in the beauty industry could harness this technology to pursue innovation.



With more ESG elements being integrated into beauty products, sustainability is becoming a key differentiator for beauty brands

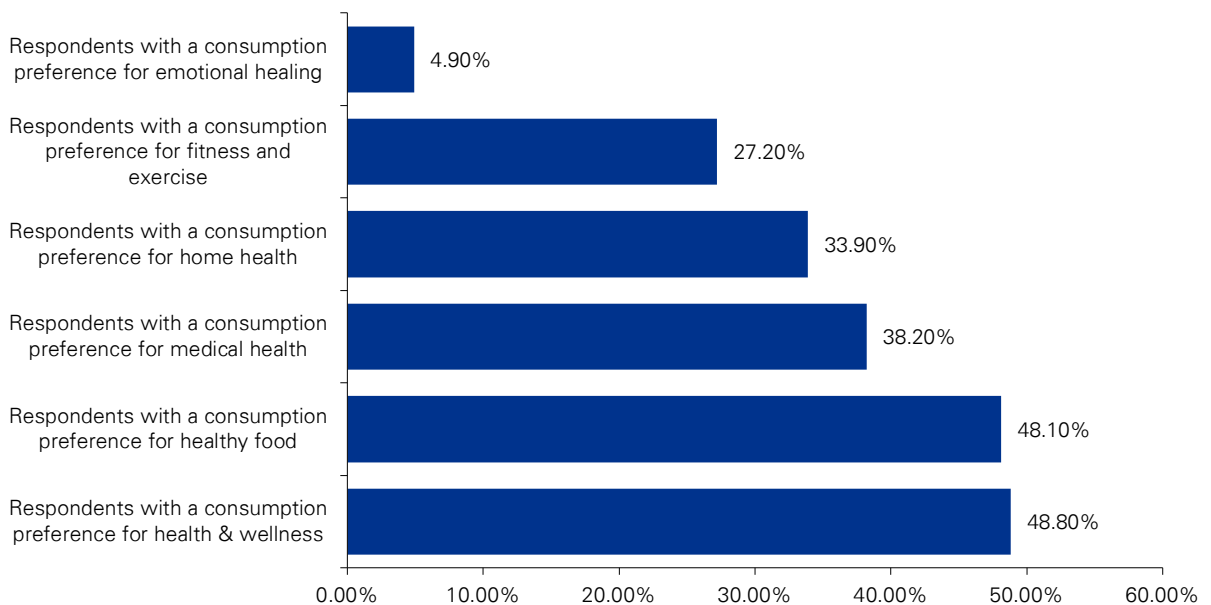
- As the challenges posed by climate change become more challenging, and the importance of environmental protection and sustainability topics grows, consumers are becoming increasingly aware of the importance of green consumption to the sustainability of society as a whole.
 - According to KPMG’s recent report *Beyond the noise: Orchestrating AI-driven customer excellence*, 53% of consumers are willing to pay more for sustainable products, which indicates that consumers are becoming more focused on the importance of ESG issues⁴⁷.
 - Beauty brands are continuing to develop sustainable cosmetics as a key differentiator to attract consumers with ESG preferences, and this trend is only expected to grow in the future. According to Statista, the scale of the global natural cosmetics market was USD 13.86 billion in 2024, and it is expected to reach USD 18.64 billion in 2029, reflecting an expected CAGR of 6.11% between 2024 to 2029.
- In 2024, a collection of beauty brands collaborated globally to create the Traceability Alliance for Sustainable Cosmetics (TRASCE) to help address destructive events across the cosmetics supply chain.
 - Relatedly, Chinese beauty brands have been adopting similar practices, with a number of brands joining forces to form the Beauty Sustainability Coalition to share resources and experiences across the industry, in a joint effort to address resource and environmental issues while exploring new ways to drive sustainability in China’s beauty industry⁴⁷.



As health awareness rises, consumer demand for products with healthy sources is growing

- As disposable income per capita and people’s health awareness rise in China, and population aging continues, there has been a growing demand for health products that protect and improve health, and health spending has become the new “holy grail” of the consumer market.
 - According to a survey conducted in 2024 on new consumer trends and characteristics, health and wellness, healthy food, home health, and other health-related areas have become new hotspots in the consumer market. Increasingly, consumers are focused on buying healthcare products and supplements for nutritional purposes, and more people are choosing natural or organic food and buying products with pure, natural and additive-free ingredients⁴⁸.

Survey of consumer preferences in health spending in 2024 (%)



Source: People’s Daily Online

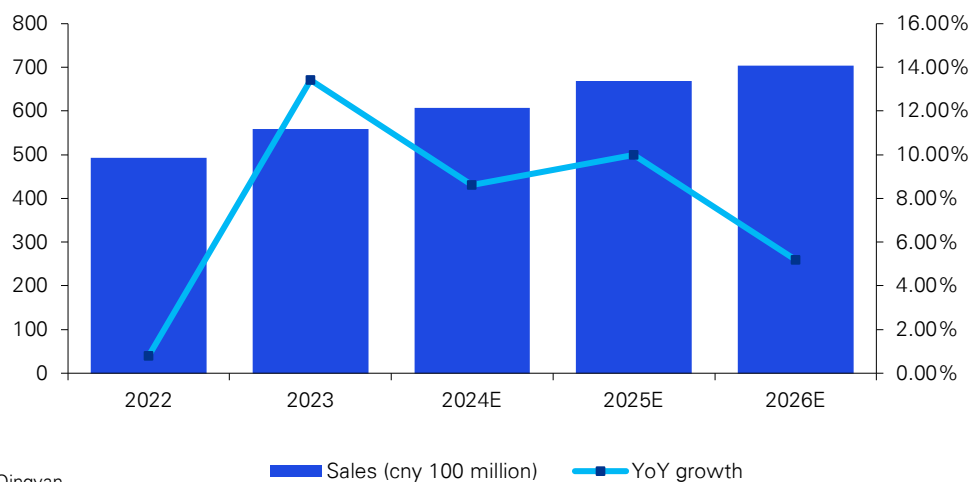


Personal care starts with “haircare”: consumers are focusing more on hair health

When it comes to personal care, in recent years, consumers who previously focused only on traditional facial and body care have been shifting their attention to hair and scalp care. This trend has been driving the demand for more refined personal care products in the market.

- In the haircare field, consumers have moved towards haircare solutions that integrate hair cleaning and care rather than just cleaning, and they have also developed more specific preferences in terms of the effects they are looking for. In 2023, the value of China’s haircare market stood at CNY 55.9 billion, representing steady YoY growth of 13.4%, and the market is expected to reach the CNY 70 billion mark by 2026.
- As the pace of modern life quickens, many people are experiencing hair loss, hair breakage and other hair issues due to irregular schedules and other reasons. As a result, consumers increasingly prefer to buy haircare products that can help control these issues. In addition, as personal consumption rises, more people aim to improve their overall appearance, which is driving the beauty economy as a whole, and particularly demand for hair products. Hair growth devices, hair straighteners and other hair beauty appliances have become widely popular among young consumers because of their unique efficacy. Going forward, scalp care could become a key area in haircare, as consumers become more interested in haircare products that solve a variety of scalp and hair quality problems and improve their scalp health⁴⁹.

Value of China’s haircare market (CNY 100 million, %) (2022-2026)



Source: Qingyan



Innovation achievements are encouraging beauty and health companies to go overseas, and they are expanding their presence in the global market through multiple channels

- Innovation in ingredients and formulas enables beauty companies to expand their product lines, and achievements in this area are also bringing new opportunities for the “big health” industry in China. For example, Chinese herbs, natural extracts and other ingredients are being widely used not only in functional skincare products, but also in healthcare products and medical products. Especially in overseas markets, products with these innovative, effective and safe ingredients and formulas are gaining popularity among consumers.
 - According to the *2024 White Paper on the Overseas Beauty Market* released by Magic Mirror Insight, Chinese beauty brands operating in overseas markets generated online sales of CNY 187.8 billion from 2023 to H1 2024, up 8% YoY, on Amazon, the main sales channel for beauty and skincare products. While North America was the stand-out market, Europe and Japan also became key targets for Chinese beauty brands given the environmental protection trends in these regions⁵⁰.
 - During the year, the “big health” industry continued to expand overseas. While Chinese medical and healthcare companies are typically drawn to Europe and the US due to their sound regulatory environments and high product pricing, more companies are also exploring emerging markets, such as the Middle East and South America, due to their growing populations, and Southeast Asia and Central Asia, due to their geographical advantages and involvement in the Belt and Road initiative. In addition, as the EU has relaxed restrictions on the sale of cordyceps products, Chinese companies have been attracting more attention in the Nordic countries’ healthcare product markets⁵¹.



Sub-sector trends: Food and beverage

For the food and beverage **sub-sector**, consumption growth in 2024 was relatively stable. Compared with normal periods, the Double 11 Shopping Festival featured an array of promotional activities that stimulated the market for daily consumer goods, which helped consumer demand recover and drove rapid sales growth. Meanwhile, with health awareness improving, consumers are favouring sugar-free, low-fat and gluten-free products, and AI is increasingly being used to support people's health planning.

Amid the transformation of digitalisation and the development of AI technology, many enterprises are selling products through a multi-channel model that combines modern and traditional channels. Under this approach, they are expanding their product sales channels in different ways, and coordinating development online and offline to drive steady sales growth.

Food and beverage brands are focusing on high-quality raw materials, functionality and personalised trends to drive innovative development



The food and beverage sector posted a strong recovery and is expected to maintain its momentum in 2025

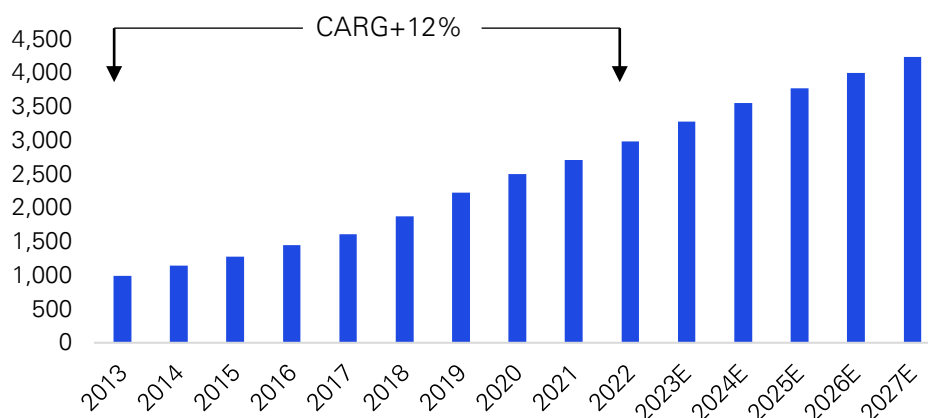
- On 30 July 2024 at a meeting of the Political Bureau of the CPC Central Committee, policymakers emphasised that the focus of economic policy should shift to improving people's lives and promoting consumption. Against this backdrop, the food and beverage industry has recorded a strong recovery. According to Wind data, the food and beverage sector index declined slightly in the first half of the year, and then rose by 24.61% in September, with various sub-sectors such as meat processing, alcoholic beverages, dairy beverages, seasonings and snacks all enjoying varying degrees of growth⁵². In 2025, the food and beverage industry is expected to continue to experience robust development and undergo transformation and upgrading towards high-quality and diversified products.



Driven by health trends, the functional food market expanded steadily

- With consumers focusing on health and nutrition, the development of functional foods and health foods—particularly those that are natural, organic, low-sugar, and high-protein—has accelerated. In order to adapt to this development, enterprises are sparing no effort in R&D, with a view to creating new healthy food products that are rich in plant protein and trace elements.

Forecast of the scale of China's functional food market, 2013-2027 (CNY 100 million)



Source: iiMedia Research

- In recent years, with increases in people's disposable income and improving awareness of the importance of a healthy lifestyle, the demand for balanced and healthy food options has expanded rapidly. According to data from iiMedia Research, the scale of China's functional food market increased from CNY 99.3 billion in 2013 to CNY 298.9 billion in 2022⁵³, reflecting a CAGR of 12%. From 2018 to 2022, the value of the market increased by nearly 60%, and this development trend is expected to continue over the next several years.
- In the China market, functional foods that can help strengthen immunity and relieve fatigue are particularly valued. At present, the boundaries of the health food industry are expanding. The sector no longer simply emphasises functionality; it now covers the entire food production process—from crop cultivation to final product packaging—to ensure the traceability and integrity of the supply chain.
 - Master Zong Beverage Company plans to launch a series of high-quality water and tea drinks, including “Master Yipin@Nutrition Lightness,” “Master Quan@Natural Snow Mountain Mineral Water” and other health drinks. By offering these products, which also have medicinal features, the company aims to provide consumers with a wider range of healthy drink options⁵⁴.



Liquor delivered a strong performance, and marketing strategies were more focused on the C-end

- In 2024, China Alcoholic Drinks Association regained momentum after undergoing an adjustment, and the market entered a transition period. Consumers focused on cost performance, causing liquor sales to fluctuate based on price changes. In the high-end and secondary high-end markets, although price sensitivity was high, demand still grew. According to the report in November 2024, the China Alcohol Association (CADA) expects that more and more companies will invest resources in the C end of the liquor industry in the future, triggering a new round of consumer centered competition⁵⁵.
 - In the first three quarters of 2024, Kweichow Moutai's revenue reached CNY 120.776 billion, up 16.95% YoY. In Q3 2024, the total revenue of listed companies in the liquor sector rose to CNY 96.5 billion, reflecting the sector's overall growth trend.
 - Awareness of consumer sovereignty is rising, and the basic elements of the industry—such as brand, quality, flavour, price and channel—have been restructured. At the same time, implicit needs related to areas such as experience, culture, health, and environmental protection are becoming more prominent, which has prompted liquor companies to move towards the C-end to attract and retain consumers. For example, Kweichow Moutai upgraded the Moutai Fan Festival to the Moutai Fan Carnival; during the Spring Sugar Festival, Wuliangye carried out activities such as card draws, games that involved matching ancient poems, and photo opportunities with the young version of the famous ancient poet Su Dongpo; and Luzhou Laojiao held its "Jiaozhu Festival of Luzhou Laojiao" in several cities, including Chengdu, Qinhuangdao, Hangzhou, and Shenzhen.



Digital transformation and AI technology are unstoppable

- Amid the digital transformation of global industries, AI is bringing new changes to the food and beverage industry. According to data from Mordor Intelligence, the scale of AI in the food and beverage market in 2020 was USD 3.07 billion, and it is expected to reach USD 29.94 billion by 2026, representing a CAGR of more than 45.8%⁵⁷. With the help of AI, enterprises are improving supply chain efficiency, providing personalised services, promoting sustainable development and achieving autonomous operations, which enables them to reduce costs, boost efficiency and enhance their market competitiveness.
 - **Improving supply chain efficiency:** Using AI-driven big data analysis and machine learning, enterprises can make more accurate predictions and optimisations, such as predicting demand for materials, planning transportation routes, and adjusting the temperature and humidity of storage environments, thereby reducing losses, decreasing expenses and enhancing efficiency.
 - **Providing personalised services:** AI can generate highly customised product recommendations based on each consumer's dietary preferences and purchasing behaviour. Such highly personalised services not only enhance user experience, but also drive sales growth.
 - **Promoting sustainable development:** Using AI, enterprises can improve resource allocation, reduce waste and optimise distribution networks, allowing them to reduce emissions and save costs. Companies can use smart sensors and Internet of Things (IoT) devices to monitor resource usage, and they can harness machine learning to optimise process flows and reduce waste.
 - **Automated operations:** Advances in AI technology enable the automation of a number of strenuous and repetitive tasks, delivering significant benefits for automated assembly lines, unmanned logistics centers and intelligent cleaning systems. These capabilities lower labour intensity and boost production efficiency.



Strengthening omni-channel strategies

In the future, enterprises will probably continue to pursue omni-channel strategies, with the aim of coordinating the development of online and offline operations.

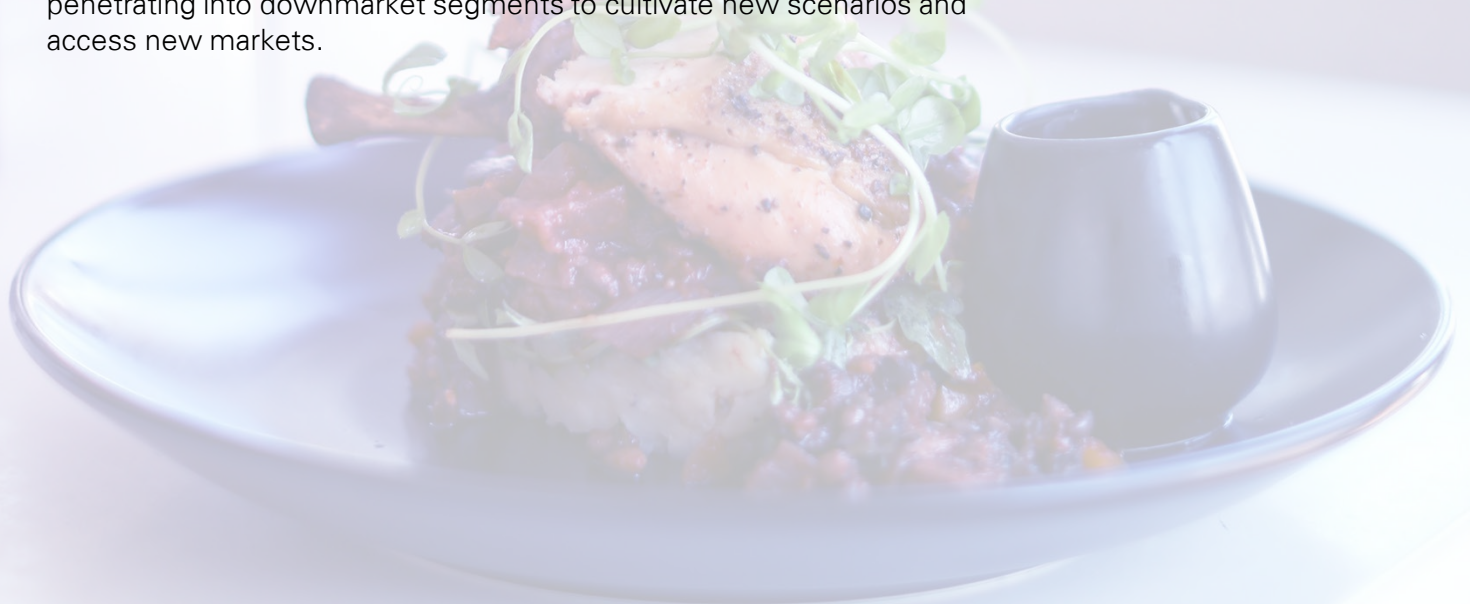
- In online channels, companies will continue to make services more convenient, personalised and customised; and in offline channels, they will focus on improving the consumer experience and shaping their brand image.
 - At present, enterprises in the food and beverage industry are actively integrating into various e-commerce platforms (such as Taobao, JD and Pinduoduo) and social media platforms (such as WeChat applet, TikTok store and Kwai e-commerce) to expand their sales channels. At the same time, they are also working to build their own online stores and integrate them with their physical stores, with a view to enhancing customers' shopping experience and brand awareness.
- In addition, emerging models such as new retail, community group buying, and cross-brand alliances are becoming key drivers of industry development.
 - Hybrid business models such as Hema Fresh allow consumers to conveniently purchase healthy beverages, and promotional efforts in content marketing and on video platforms are boosting sales of these products.
 - Community group buying, with its unique "word-of-mouth" characteristics, has quickly risen in popularity. Platforms such as Pinduoduo are attracting large numbers of users from grassroots markets through group buying activities. Meanwhile, Yunji is recruiting merchants and using distribution mechanisms to reach areas that have not been covered by traditional e-commerce platforms.



Sub-sector trends: Restaurants

China's restaurant **sub-sector** recorded a robust recovery in 2024, thanks to the improvements in the overall consumer market and various cultural events and travel coupon initiatives. In recent years, healthy diet has become a new trend, and many restaurants are upholding nutritious and healthy dietary concepts and offering "low oil," "low salt" and "low sugar" options to meet the personalised needs of consumers. In addition, digital transformation and cross-border integration are accelerating the efficient development of restaurants and encouraging them to embrace digitalisation, intelligence, convenience and quality.

China's restaurant **sector** is still very enthusiastic about going global, with many restaurants having gradually expanded into overseas markets and introduced local flavours there. Meanwhile, restaurant chains are actively penetrating into downmarket segments to cultivate new scenarios and access new markets.



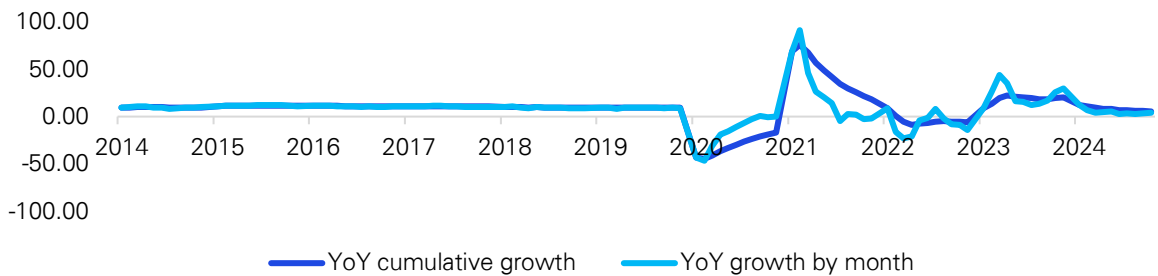
Entrepreneurship in the restaurant sector is becoming more prudent, cross-border integration is accelerating, and companies are penetrating downmarket segments and going global in order to expand



Catering revenue dropped to a 10-year low as structural problems posed challenges

Affected by factors such as low consumer confidence, increasing economic pressure and rising costs in the restaurant sector, China's retail sales of consumer goods grew slowly from January to November 2024. In the restaurant sector, total national catering revenue rose by only 5.7% YoY, with only 3% growth in July; both of these figures were the lowest recorded in the last decade (excluding 2020 and 2022). Meanwhile, structural problems such as the saturated takeaway market and weakening demand for high-end catering have made operations more difficult in the restaurant sector⁵⁷.

YoY growth by month and YoY cumulative growth of national catering revenue from 2014 to November 2024 (%)



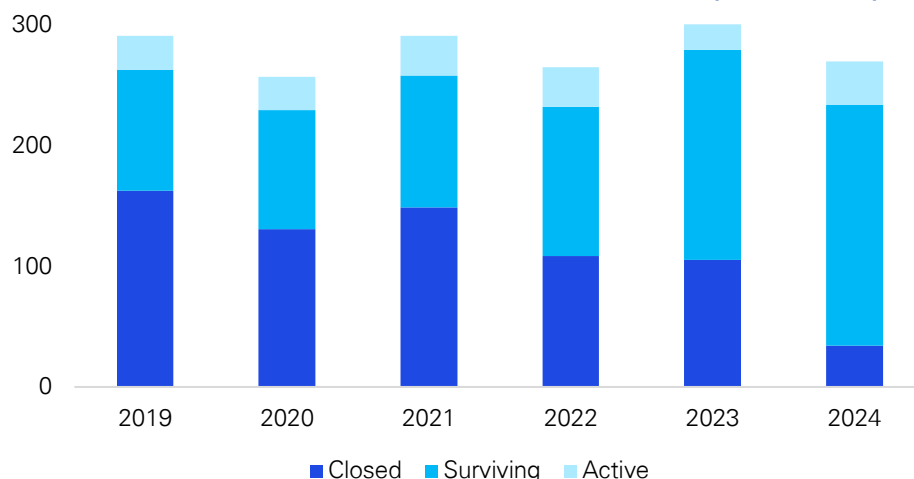
Source: National Bureau of Statistics



Greater operating difficulties in the restaurant sector have caused entrepreneurs to become more prudent

In recent years, running a small boutique has become an ideal project in the minds of many regular employees who are eager to escape the 996 work schedule. However, the reality of the restaurant sector is that it is full of challenges. According to Tianyancha, about 2.67 million (including all operating statuses) were established in 2024. The number of new restaurants opened in the year represented a decline of 16.5% compared to the 3.23 million witnessed in 2023. However, among the incremental restaurants, only 360,000, or 13.4%, were operating as of 27 February 2025. Additionally, based on available data, 55.8% of those restaurants that were launched in 2019 had been shuttered within five years, indicating a survival rate of less than 50%. The high closure rate in the restaurant sector reflects the difficulties faced by new restaurants. Factors such as fierce market competition, rising operating costs and management complexity have put great pressure on entrepreneurs, leading to a decline in the number of newly established restaurants.

Status of restaurants in China from 2019 to 2024 (Unit: 10,000)



Source: Tianyancha Professional Edition



As consumer confidence continues to be weak and enterprises exit high-end categories, value-for-money catering options have become more popular

- Influenced by various domestic and overseas factors, in 2024, China's economy experienced a slowdown, with increasing employment pressure and a weaker growth rate in residents' income, which intensified consumer concerns about the prospects of the country's economy and dampened consumer confidence. Amid the economic downturn, some consumers began to cut back on spending and look to more affordable options, which led to greater challenges for high-end categories that previously dominated the market, forcing them to adjust their strategies or withdraw from the market entirely.
 - Consumers are becoming more pragmatic and judicious, and they are less likely to pay for high-end brands and be swayed marketing and promotional activities. Consumers are focusing more on nutritional value, quality of ingredients and health impact when choosing restaurants and foods.
 - healthy diet has become a new trend. To address consumers' growing concerns about wellness, restaurants are actively upholding nutritious and healthy dietary concepts and introducing healthy menus with "low oil," "low salt" and "low sugar" options to meet the personalised needs of consumers.
 - In the high-end segment, dishes with high unit prices are being phased out to make room for money-for-value offerings. For example, Xiabu Xiabu and other brands have lowered their prices to attract customers, and new brands such as Chef Fei and Lanxiangzi have entered the high-end segment with their value-for-money options. Generally, compared with high-priced dishes, fast food and snacks are becoming more popular due to their convenient nature.



Multi-brand development, cross-border integration and digital transformation are accelerating the reform of the restaurant sector

- To survive increasingly fierce market competition, many restaurants have begun to explore diversified development paths in order to stand out in the market. In particular, the creation of new sub-brands, innovative cross-border cooperation models, destination dining trends and digital transformation are bringing new opportunities for the restaurant sector.

Creation of new sub-brands	<p><u>Tapping new growth by adopting innovative expansion models and intensively exploring local markets</u></p> <ul style="list-style-type: none"> – Haidilao launched its "Hailao Hot Pot" sub-brand – Xinrongji designed a fashionable fast food sub-brand specifically for business dinners and young people – Fangshan Restaurant launched a series of sub-brands
Innovative cross-border cooperation models	<p><u>"Catering+," an innovative integrated service model, has gradually become mainstream</u></p> <ul style="list-style-type: none"> – The "retail + hotel" model: Haikou Wanda Plaza integrates shopping and accommodation to provide a convenient one-stop experience – The "IP concept + hotel" model: Themed hotels in Disney Resort, Universal Studios Hotel, the domestic ULTRAMAN HOTEL in Haichang, and Huaqiang Fangte's Boonie Bears Bay Hotel
Destination dining	<p><u>Enjoying a comprehensive experience that combines food, shopping and accommodation has become a new trend in travel culture</u></p> <ul style="list-style-type: none"> – Restaurants in Sanlitun in Beijing and the Bund in Shanghai have set fashionable trends; restaurants along Kuanzhai Alley in Chengdu and around the Dayan Pagoda in Xi'an exhibit the charm of history and culture; restaurants in Song City in Hangzhou and the Guangzhou Chimelong Tourist Resort seamlessly integrate entertainment with cuisine; and restaurants on Gulangyu in Xiamen are famous for their classical flavours
Application of AI	<p><u>Restaurants are using smart equipment and data analysis to accelerate upgrading, transformation and model innovation</u></p> <ul style="list-style-type: none"> – Sanhe Group launched an AI smart meal delivery system, which is know for its "instant delivery" service, with point-to-point meal delivery initiated upon order confirmation – Heytea recently launched an intelligent tea dispenser. The new device, which includes a cloud-based formula and automatic control features, can produce drinks in only 3 seconds

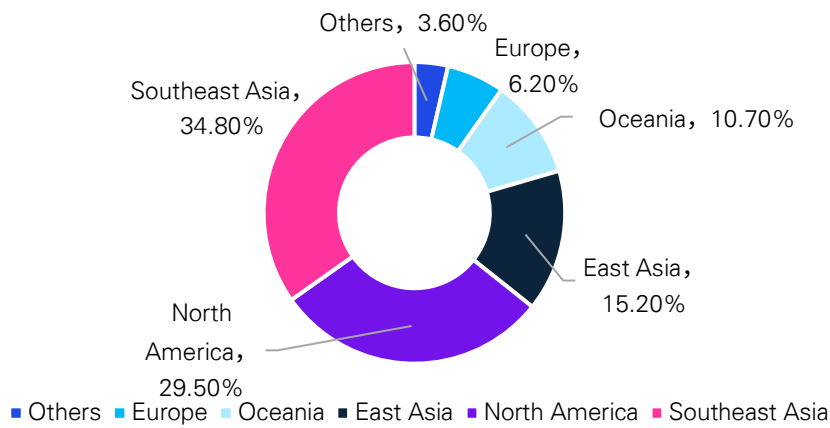


Expanding overseas and penetrating downmarket segments to unlock growth

In recent years, "downmarket penetration," "going global" and "globalisation" have become important topics in the restaurant sector. To handle intensifying market competition and diversified consumer demand, catering brands are taking various measures to explore new markets and boost their brand influence.

- With the smooth flow of factors between urban and rural areas, the catering consumption market is experiencing profound changes and a robust recovery.
 - As domestic consumption evolves, major county-level brands are entering the first-tier city markets at an unprecedented pace and becoming rising stars in the catering market. According to Meituan, in 2023, the number of stores opened by county-level catering brands in Beijing and Shanghai grew at an average rate of 148% and 225%, respectively. Meanwhile, for mid-sized county-level catering brands with about 10,000 stores (mid-level) nation-wide, orders received and users gained grew at an average rate of 94.3% and 84.5%, respectively, in first- and second-tier cities⁵⁸.
- The accelerated integration of different catering segments has quickened the pace at which Chinese restaurants are going global. According to incomplete statistics, Southeast Asia and North America are the most popular destinations for overseas expansion, with Singapore becoming the most favoured market.
 - In terms of regions chosen as locations of overseas stores, many brands prefer to expand into Southeast Asia and North America. According to incomplete statistics, in 2024, 34.8% of brands that were opening their first overseas location chose Southeast Asia, while 29.5% chose North America, accounting for over 60% of the total⁵⁹.

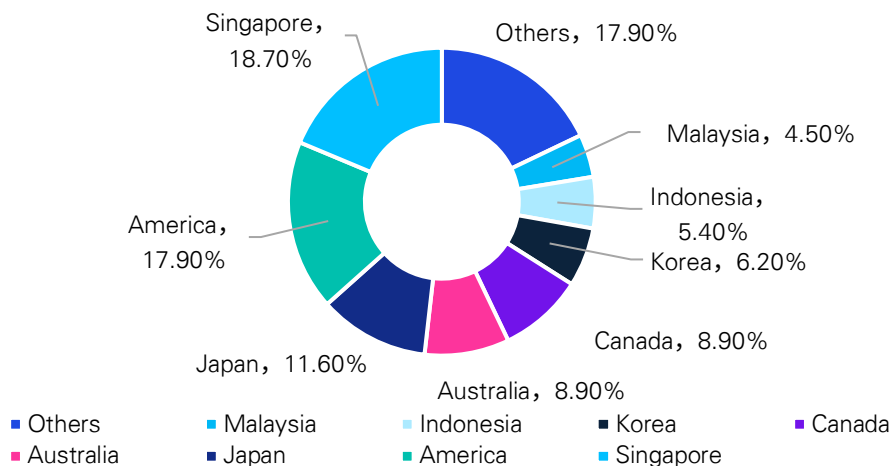
Regions chosen as locations for the first overseas stores of Chinese restaurants in 2024 (by continent, %)



Source: Red Dining Big Data

- In terms of countries chosen as locations of overseas stores, Singapore was the most popular, accounting for 18.7% and ranking first, followed by the US and Japan, which accounted for 17.9% and 11.6%, respectively. Australia and Canada accounted for 8.9% each.

Countries chosen as locations for the first overseas stores of Chinese restaurants in 2024 (by country, %)



Source: Red Dining Big Data



Deal scenarios

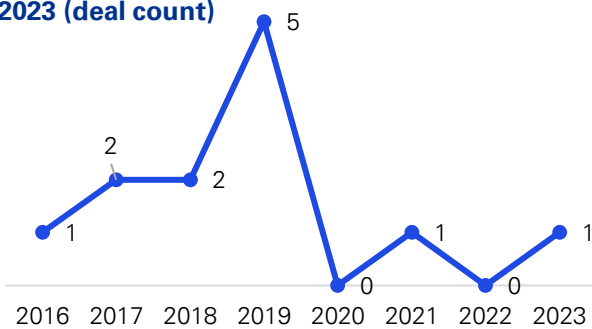
The spending enthusiasm of consumers drives economic recovery, and robust investment promises future growth. As the global landscape evolves and the global economy recovers, greenfield investments in the consumer goods sector are gradually gaining momentum, with countries in Southeast Asia (such as Indonesia, Thailand and Vietnam) becoming the main destinations for greenfield investments by Chinese consumer goods companies. Chinese consumer goods companies are actively expanding globally, mainly in fields such as e-commerce, foods, household appliances and daily consumer goods.

In 2024, investment and financing in China's luxury and fashion sector experienced a structural recovery. In particular, the apparel and footwear sector saw brisk mergers and acquisitions (M&A) activity, and SMEs raised funds at an accelerated pace in the capital market. In contrast, M&A activity in the country's health and beauty sector was muted, reflecting weak demand for expansion. Finally, in 2024, private equity (PE) and private investment in public equity (PIPE) activity in food and beverage remained stable, and M&A activity in the restaurant and hotel sector continued to be slow in terms of deal volume and value.

Greenfield investment: Greenfield investment: With rising policy uncertainty in Europe and America, the consumer goods sector may increasingly look to emerging markets like Southeast Asia for Greenfield investments

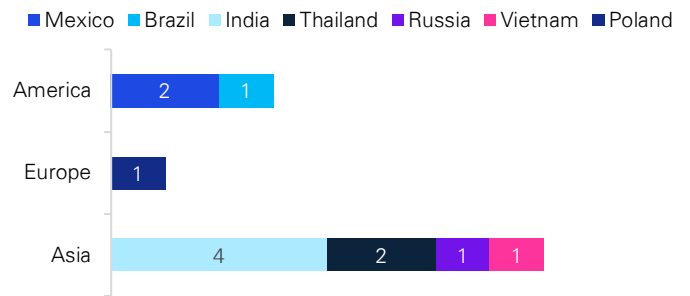
From 2016 to 2023, the annual number of Greenfield Investment cases in China fluctuated significantly, peaking at 5 cases in 2019, and with 1 case each in 2021 and 2023. In the past few years, policy uncertainty in the European and American markets has increased. Going forward, the consumer goods sector will potentially shift its focus towards emerging markets such as Southeast Asia, the Middle East, and Latin America. These regions are characterised by greater openness to foreign investments and significant growth potential in their consumer markets.

China's greenfield investments by year, 2016-2023 (deal count)



Source: The American Enterprise Institute and the Heritage Foundation

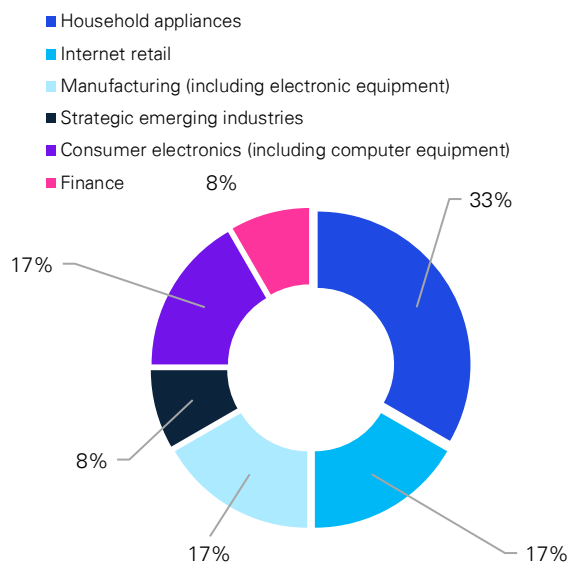
China's greenfield investments by country/region, 2016-2023 (deal count)



Source: The American Enterprise Institute and the Heritage Foundation

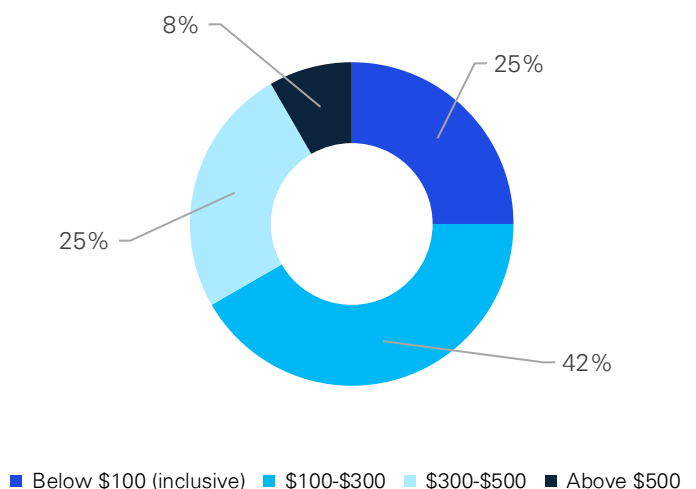
As investments gradually diversify, Chinese enterprises are engaging in various fields such as e-commerce, food, household appliances and daily consumer goods. Online retail (e-commerce) giants are actively expanding globally by investing in overseas retail platforms, logistics infrastructure and cross-border e-commerce channels. Gaps exist among sectors and regions in terms of deal value; however, according to relevant statistics, transactions with an investment amount between USD 1 to 3 million account for 67% of the total, mainly representing investments in Southeast Asia and Europe. Investments in cross-border e-commerce, household appliances, high-end manufacturing and other fields are usually at a larger scale, into the USD millions.

China's greenfield investments by sector, 2016-2023 (%)



Source: The American Enterprise Institute and the Heritage Foundation

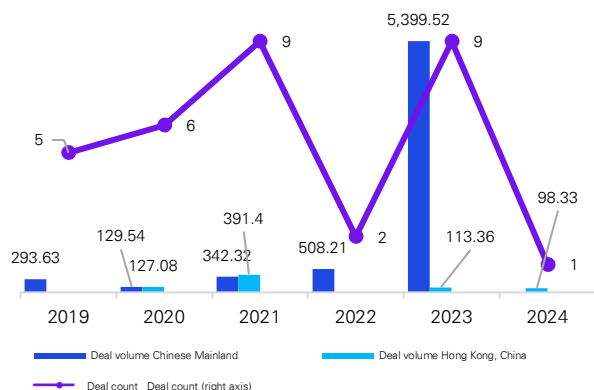
China's greenfield investments by deal value, 2016-2023 (%)



Source: The American Enterprise Institute and the Heritage Foundation

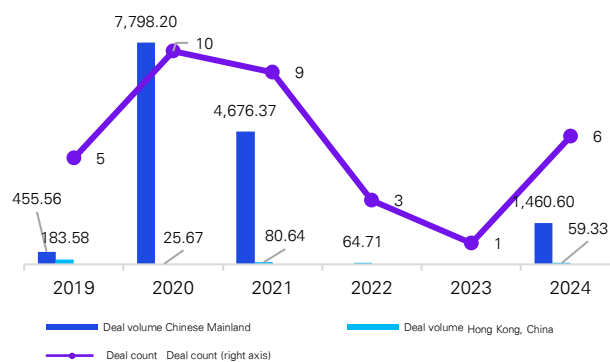
Luxury and fashion: The investment and financing market remained under pressure, and there was low enthusiasm for M&A transactions

M&As in China's luxury and fashion sector, by deal value and volume, 2019-2024 (CNY million, deal count)^{ab}



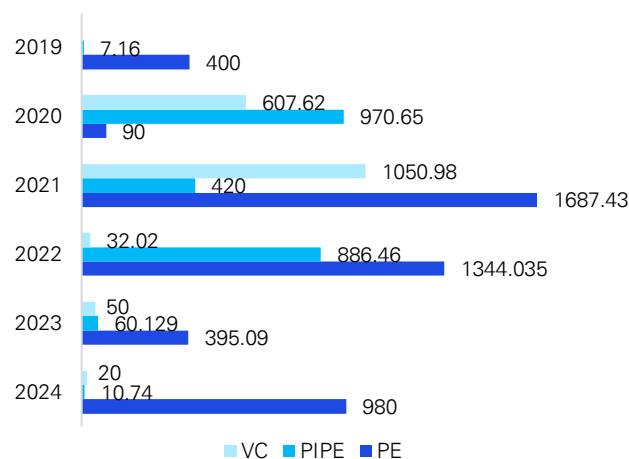
Source: Capital IQ

IPOs in China's luxury and fashion sector, by deal value and volume, 2019-2024 (CNY million, deal count)^{ab}



Source: Capital IQ

PE, VC and PIPE investment in China's luxury and fashion sector, by deal value, 2019-2024 (CNY million)^{ab}



Source: Capital IQ

In 2024, investment and financing in China's luxury and fashion sector experienced a structural recovery. The M&A market in 2024 remained depressed, with only one M&A transaction throughout the whole year. Amid the weak macro-economic recovery and rising financing costs, enterprises are more cautious about expanding, which may reflect a gap between valuation expectations and actual market demand. In H2 2024, the number of IPOs increased by 5, and the most valuable IPO stood at CNY 900 million (calculated using historical exchange rates), indicating that the capital market's enthusiasm for the luxury sector is picking up. Private equity (PE) and venture capital (VC) transactions increased by 1 and 2, respectively, with a total deal value of about CNY 1 billion (calculated using historical exchange rates).

Although M&A activity remained sluggish, the recovery of the IPO market and growth in PE/VC investment suggest that investor interest in the high-end luxury sector and innovative segments is rising.

Recently announced deals in China's luxury and fashion sector

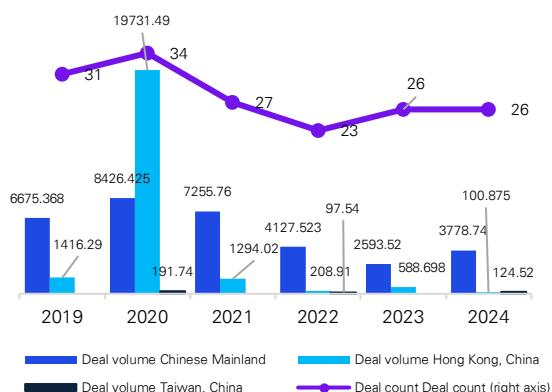
Deal date	Target company	Investor	Deal value (CNY million)
Dec 2024	Mokingran Jewellery Group Co., Ltd.	Matrix Capital Management and four other investment institutions	490.89

Source: Capital IQ

Note: a. Deal values only cover deals for which values have been disclosed; b. PIPE refers to a deal in which the buyer purchases shares in a public company at a price below current market value.

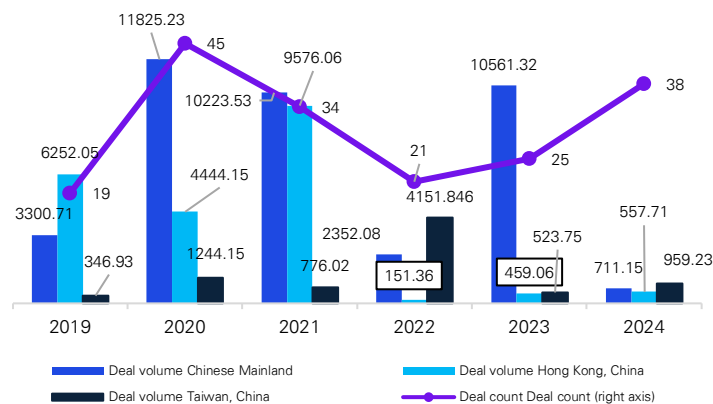
Apparel and footwear: Fundraising activity fluctuated, with some enterprises facing development bottlenecks

M&As in China's apparel and footwear sector, by deal value and volume, 2019-2024 (CNY million, deal count)^{ab}



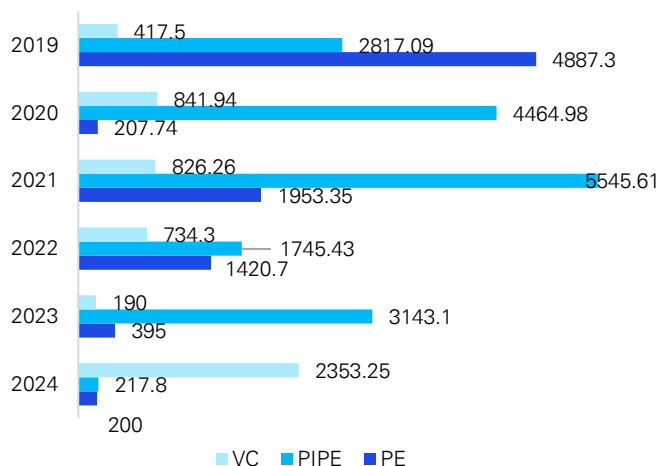
Source: Capital IQ

IPOs in China's apparel and footwear sector, by deal value and volume, 2019-2024 (CNY million, deal count)^{ab}



Source: Capital IQ

PE, VC and PIPE investment in China's apparel and footwear sector, by deal value, 2019-2024 (CNY million)^{ab}



Source: Capital IQ

In H2 2024, M&A activity in China's apparel and footwear sector was strong, with an increase of 18 deals compared with the first half of the year. During 2024 as a whole, 26 M&A transactions took place, on par with 2023. Among them, the largest transaction stood at CNY 2 billion (calculated using historical exchange rates), and the total deal value of 7 other transactions exceeded CNY 100 million, reflecting a strong desire on the part of top brands to integrate resources and expand their market share. In 2024, there were 38 IPOs, the second highest in the past five years, second only to 2020. While the volume of IPOs increased significantly, the value on a deal-by-deal basis was relatively small, reflecting the accelerated pace at which SMEs in the apparel and footwear sector are raising funds in the capital market. Meanwhile, the total value of VC deals saw a large jump, exceeding CNY 2 billion (calculated using historical exchange rates), indicating that VC investors prefer enterprises with strong innovation potential and growth prospects.

Recently announced deals in China's apparel and footwear sector

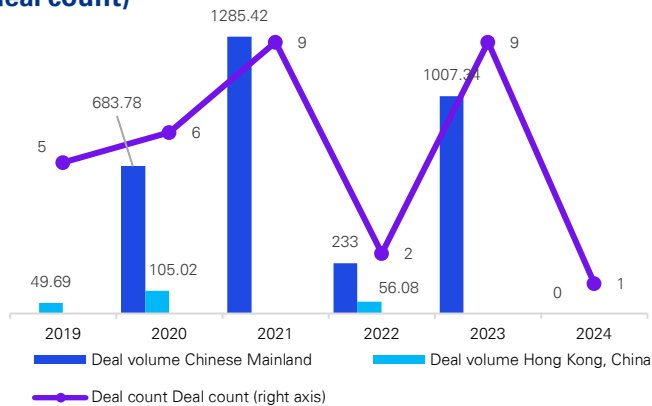
Deal date	Target company	Investor	Deal value (CNY million)
Dec 2024	Zhejiang Yunzhongma Co., Ltd.	Zhejiang Hongyue Private Fund Management Co., Ltd.	140.56

Source: Capital IQ

Note: a. Deal values only cover deals for which values have been disclosed; b. PIPE refers to a deal in which the buyer purchases shares in a public company at a price below current market value.

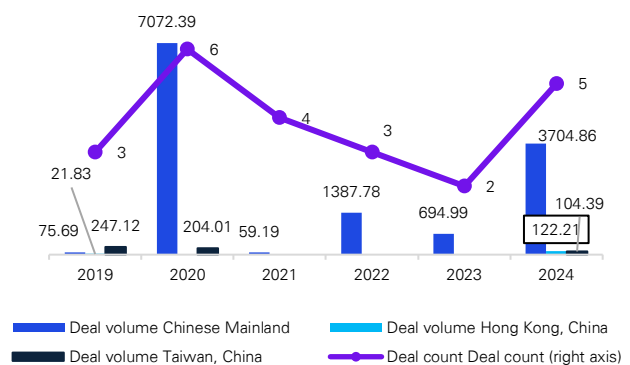
Health and beauty: Functional and biotechnology skincare brands gained popularity, and Hong Kong SAR and Taiwan region saw strong PIPE activity

M&As in China's health and beauty sector, by deal value and volume, 2019-2024 (CNY million, deal count)^{ab}



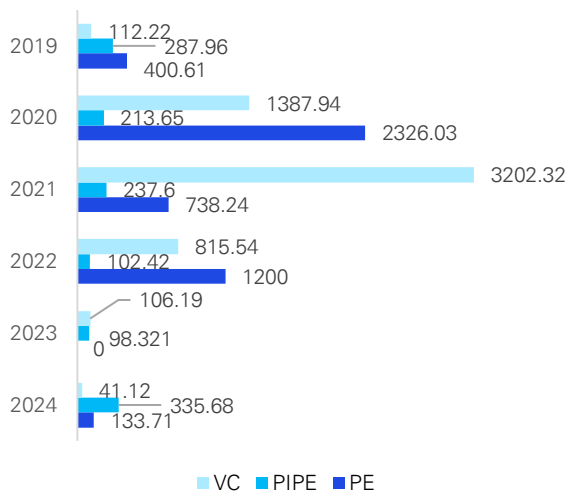
Source: Capital IQ

IPOs in China's health and beauty sector, by deal value and volume, 2019-2024 (CNY million, deal count)^{ab}



Source: Capital IQ

PE, VC and PIPE investment in China's health and beauty sector, by deal value, 2019-2024 (CNY million)^{ab}



Source: Capital IQ

In 2024, enterprises in the health and beauty sector did not attempt to grow their scale and integrate resources through external expansion, leading to a stagnant M&A market. During H2 2024, only three IPOs took place: one in the Chinese Mainland and two in Hong Kong SAR, while Taiwan region withdrew an IPO. At about CNY 2.2 billion, the one in the Chinese Mainland had a larger deal value (calculated using historical exchange rates).

In contrast to the sluggish M&A and IPO markets, in 2024, PE, VC and PIPE investors were relatively active in the health and beauty sector. In H2 2024, fundraising activity increased compared to the first half of the year; and PIPE investments were especially strong, with a total value of more than CNY 300 million, reaching the highest level in nearly five years. Three of the four PIPE investments in 2024 are mainly invested by enterprises in Hong Kong, reflecting the Hong Kong market's growing support for medium-sized beauty and health enterprises; this trend also suggests that investees in the health and beauty sector may attract more capital by demonstrating stronger profitability or growth potential.

Recently announced deals in China's health and beauty sector

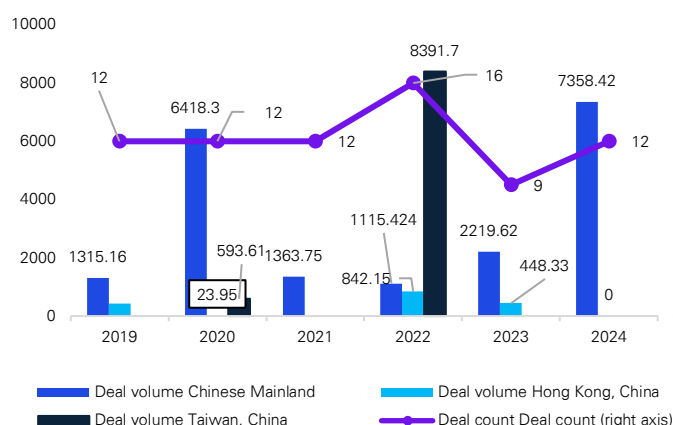
Deal date	Target company	Investor	Deal value (CNY million)
Dec 2024	Mao Geping Cosmetics Co., Ltd.	China Southern Asset Management Co., Ltd. and other investment firms	2,183.62

Source: Capital IQ

Note: a. Deal values only cover deals for which values have been disclosed; b. PIPE refers to a deal in which the buyer purchases shares in a public company at a price below current market value.

Food and beverage: Fundraising activity was prudent, with investors focusing on mature enterprises

M&As in China's food and beverage sector, by deal value and volume, 2019-2024 (CNY million, deal count)^{ab}



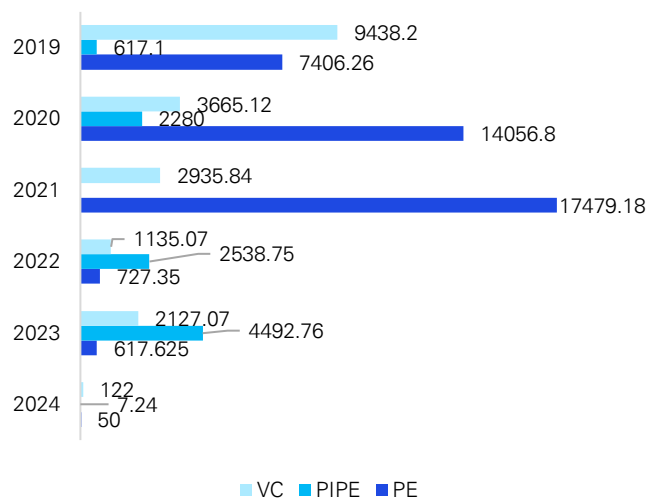
Source: Capital IQ

IPOs in China's food and beverage sector, by deal value and volume, 2019-2024 CNY million, deal count)^{ab}



Source: Capital IQ

PE, VC and PIPE investment in China's food and beverage sector, by deal value, 2019-2024 (CNY million)^{ab}



Source: Capital IQ

In 2024, China's food and beverage industry saw a total of 12 M&A transactions, which were 80% in the Chinese Mainland. Although the deal count was lower than the figure of 16 recorded in 2022 (the highest over the past six years), the total deal value for the year surpassed CNY 7 billion (calculated using historical exchange rates), representing a near-high over the past six years. The M&A transactions mainly involved supermarket chains and convenience stores, reflecting enterprises' efforts to integrate supply chains and channel resources in response to shifts in consumer behaviours and intensifying competition. The capital market was cautious about food and beverage enterprises' future performance; and amid economic uncertainty, investors paid more attention to the profitability and growth potential of enterprises. PE and PIPE investments remained flat, indicating weak demand for capital among large enterprises in the sector. In addition, high volatility in the secondary market may have diminished the attractiveness of PIPE investments.

Recently announced deals in China's food and beverage sector

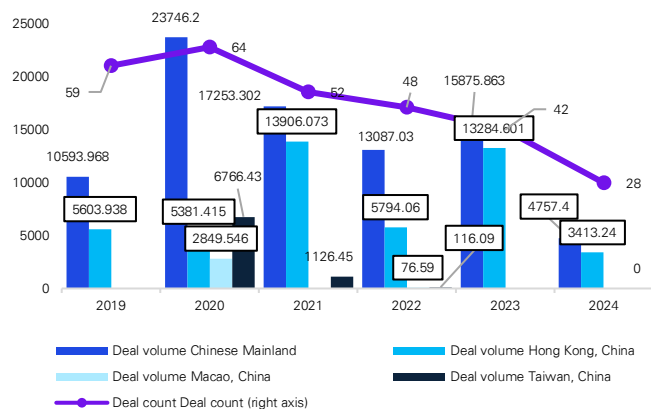
Deal date	Target company	Investor	Deal value (CNY million)
Nov 2024	Kidswant Children Products Co., Ltd.	Shanghai Weitou Investment Co., Ltd.	629.16

Source: Capital IQ

Note: a. Deal values only cover deals for which values have been disclosed; b. PIPE refers to a deal in which the buyer purchases shares in a public company at a price below current market value.

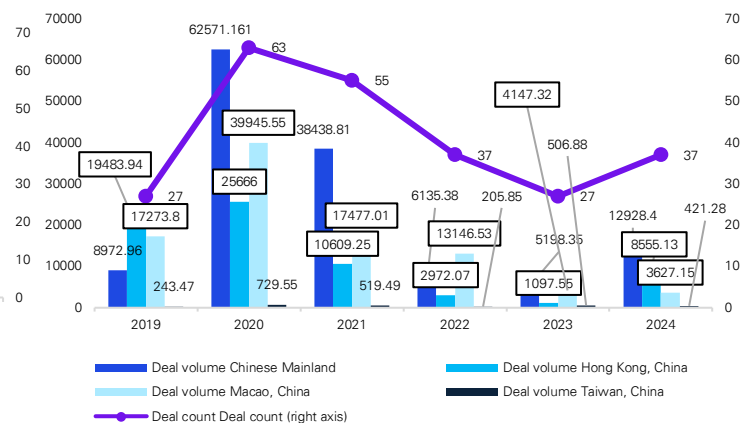
Restaurants: Investors paid more attention to brands' endogenous, sustainable growth potential

M&As in China's restaurant sector, by deal value and volume, 2019-2024 (CNY million, deal count)^{ab}



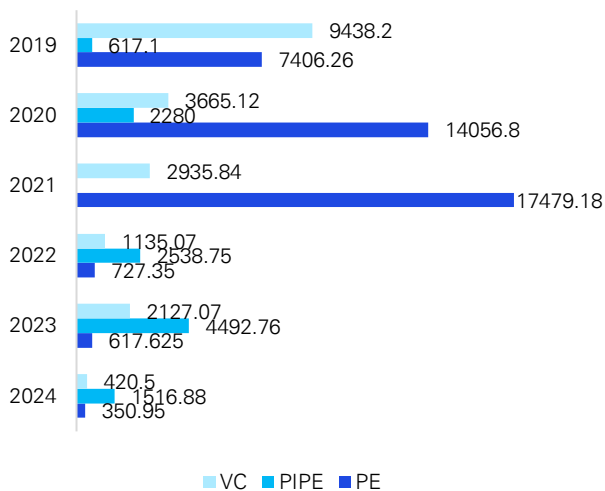
Source: Capital IQ

IPOs in China's restaurant sector, by deal value and volume, 2019-2024 (CNY million, deal count)^{ab}



Source: Capital IQ

PE, VC and PIPE investment in China's restaurant sector, by deal value, 2019-2024 (CNY million)^{ab}



Source: Capital IQ

M&A activity in the restaurant and hotel sector has declined YoY over the past five years, and the deal count and deal value of M&A transactions remained low in 2024. Specifically, during the year as a whole, the Hong Kong market saw 14 M&A deals, mainly in the fields of hotels and leisure restaurants; and less than 30% of said deals involved hotels, resorts and cruise enterprises, reflecting the market's focus on high-end catering and tourism. Meanwhile, the Chinese Mainland recorded 13 M&A deals in total, which mostly involved hotels, resorts and cruise lines, pointing to optimistic expectations in the Mainland market regarding the recovery of the tourism industry.

In 2024, the Hong Kong restaurant sector saw 24 IPOs, accounting for 64.86% of the total and demonstrating the Hong Kong market's attractiveness in the eyes of investors. Macao's hotel has only one IPO, but the total value is 3 billion yuan (calculated using historical exchange rates), reflecting an industry giant's ability to attract capital.

During the year, PE and VC institutions focused their attention on new business models and technology applications in the restaurant and hotel sector, laying the groundwork for the successful transformation of the industry.

Recently announced deals in China's restaurant sector

Deal date	Target company	Investor	Deal value (CNY million)
Dec 2024	Lavande Comfort Hotel Management (Shenzhen) Co., Ltd.	Shanghai Jin Jiang International Hotels Co., Ltd.	1,100.74

Source: Capital IQ

Note: a. Deal values only cover deals for which values have been disclosed; b. PIPE refers to a deal in which the buyer purchases shares in a public company at a price below current market value.



Buzzwords among Chinese consumers

Buzzwords among Chinese consumers are steadily evolving and reflect the latest expectations for the consumer goods sector. This section provides a summary of buzzwords across five sub-sectors, and the buzzwords include terms such as "sustainable fashion," "fashion collaboration," "changeable styles," "ice-and-snow sports," "scientific and technological innovation," "healthy lifestyle," "functional food and beverage," "intestinal revitalisation," "downmarket" and "marketing." These buzzwords provide us with an illustration of the evolving landscape of the consumer goods sector.

Luxury and fashion: Digital trends, sustainability and value-retaining items have become the focus of consumption

Key buzzwords and related terms



Digitisation, sustainability and personalisation have gradually become focuses of consumption. Luxury enterprises need to actively adjust their strategies, enhance the integration of online and offline channels, fully practise the concept of sustainable development, and shape differentiated competitive advantages, so as to successfully navigate fierce market competition in a stable manner.

Willi Sun
Head of Advisory, Consumer & Retail
KPMG China



1 Digital trends

NFT and blockchain, digital assets, crypto art, quality assurance, omnichannel experience, augmented reality, digital luxury, virtual fitting rooms, personalised technology, interactive experiences, AI-powered shopping assistants, luxury content marketing, buy-now-pay-later (BNPL), shoppable posts/videos

2 Self-pleasing consumption

Self-care luxury, customisation, personalised experience, experiential retail, luxury-related travel products, wellness aesthetics, emotional connection

3 Value-retaining items and "low-price" pieces

Pre-owned luxury, limited-edition pieces, timeless style, high-end jewellery, gold accessories, high-end cosmetics, high-end perfume, luxury eyewear, pop-up stores, niche collections, entry-level luxury

4 Sustainable fashion

Green design, circular luxury, second-hand markets, fashion-tech innovation, zero-waste fashion, cradle-to-cradle design

5 Fashion collaboration

Cross-industry collaboration, IP cooperation, artisanal collaboration, signature series, cultural integration, derivative art, limited edition souvenirs

Apparel and footwear: Consumers prefer changeable styles, with a focus on sustainable material options and snow wear



Key buzzwords and related terms



1 Changeable styles

Retro trends, China-chic style, deconstruction, multi-functional clothing, unisex design, minimalism, lightweight outdoor clothing, sportswear, natural-themed outfits, ethnic elements, ancient style, new Chinese style

2 Sustainability, health and environmental protection

Sustainable textile fabrics, organic fibres, synthetic fur, low-impact circular synthetic filler, certified ethnic down and feather, animal wool alternatives, plant-based fibre insulation, clothing rental, clothing recycling and reconstruction, massage shoes, shock absorption and breathability

3 Digitalisation

Digital printing, personalised customisation, high-tech fabric, new fabric technology, virtual experience, 3D technology, simulation and visualisation techniques

4 Winter sports

Down jacket, cotton coat, cashmere sweater, wool overcoat, outdoor jacket, thermal underwear, ski apparel, ski gloves, heating fabrics, snow boots, ski shoes, skating shoes, warmth-retention, windproof, waterproof



As outdoor sports gain popularity, snow wear presents huge growth potential, which has prompted the apparel and footwear sector to continue to pursue innovation and shift its focus to outdoor apparel and other fields, so as to stay competitive and achieve long-term development.

Willi Sun
Head of Advisory, Consumer & Retail
KPMG China



Health and beauty: Functional skincare products are favourites, as healthy living grows more popular among consumers

Key buzzwords and related terms



The beauty sector continues to pursue innovation in raw materials and formulas, driving the expansion and development of the macro health sector and high-end beauty segment. Going forward, enterprises need to meet rising consumer demand, break down boundaries in traditional marketing, and comprehensively strengthen the cultivation of brands, so as to better adapt to intensifying competition and ensure the sustainable growth and value of their brands in the long run.

Willi Sun
Head of Advisory, Consumer & Retail
KPMG China



- 1 Tech innovation**
AI-powered skin detection, nanotechnology, personalised skincare solutions, virtual makeup try-on, household beauty instruments, intelligent health monitoring devices, personalised and customised medical products, nutritional scanners, sports trackers
- 2 Diversified perfume preferences**
Natural fragrance, customised fragrance, IP co-branding, localised limited-edition scents, Asian fragrance, men's perfume, niche perfume, salon perfume, woody perfume, floral perfume, fresh notes
- 3 Functional skincare**
Active ingredients, multi-functional, plant extracts, fermentation components, enzyme technology, anti-aging, skin stability, nicotinamide, sodium hyaluronate, panthenol, tocopherol, centella asiatica extract, vitamin C and its derivatives, psoralen, ceramides, puri-xylane, salicylic acid
- 4 Sustainability**
Clean beauty, pure beauty, transparent labels, cruelty-free, natural and organic ingredients, environmentally friendly, makeup bottle recycling, no additives, plastic-free, compostable, locally-sourced
- 5 Healthy lifestyle**
Natural healing, gut microflora balance, sleep health, scalp care, health monitoring devices, health supplements, nutritional agents, mental health, Chinese regimen

Food and beverage: Healthy ingredients attract more attention, and convenience and personalisation become mainstream

Key buzzwords and related terms



- 1 Health preferences**
Sugar-free, low-fat, gluten-free, organic, low-calorie, non-GMO, whole grain, high-protein, probiotic, fruit and vegetable food, Chinese health drink, coconut water, sugar-free soda, sugar-free tea, drinking water
- 2 Plant-based products**
Plant-based beverages, herbal teas, plum syrup, high-fibre and plant-based protein drink, plant milk, plant-based meat, plant butter, plant eggs, soy products, diverse recipes
- 3 Functional foods and beverages**
Protein powder, electrolyte water, meal replacement powder, abdominal gummies, fat-burner drink, low-carb, instant meal replacements, energy bars, matcha powder, chicken breast, beef, low-sodium
- 4 Gut rejuvenation**
Beverages containing fruit and vegetable fibre, probiotic drinks, natural foods, fermented foods, organic food, yogurt, dietary fibre, lactic acid bacteria, gut microflora balance, gastrointestinal health



The rising focus on health among consumers is promoting the growth of healthy and functional products. By harnessing service innovation, customisation and personalisation, enterprises are winning over more customers; and this is encouraging them to adjust their strategic plans, integrate technologies, enhance R&D efforts for raw materials, and optimise supply chain management in order to provide consumers with an excellent experience.

Willi Sun
Head of Advisory, Consumer & Retail
KPMG China



Restaurants: Enterprises are accelerating efforts to go global and penetrate downmarket segments, and social media marketing is being used to attract more consumers

Key buzzwords and related terms



The rise of intelligent services, growth in the demand for healthy and personalised diets, and the popularity of food delivery and mobile payment are causing the restaurant sector to accelerate digital transformation and empowerment, improve the customer experience and penetrate downmarket segments, so as to address challenges and seize opportunities arising from market changes.

Willi Sun
Head of Advisory, Consumer & Retail
KPMG China



- 1 healthy diet concepts**
Light cuisine concept, light salad, high-end simple meals, sandwiches, zero-waste, eco-friendly packaging, fruit and vegetable drinks, food and medicine homology
- 2 New dining trends**
Catering enterprises going global, intelligent ordering system, unmanned restaurant, VR dining technology, Internet celebrity restaurant, social group buying, communal table, experience-based catering, local specialty dishes, prepared meals
- 3 Downmarket**
Western fast food, fast-food snacks, small hot pot, reasonably-priced stir-fry, value-for-money, price reduction, brand penetration, satellite stores, mini shops, portable shops, takeout shops, chain catering brands, bubble tea price war
- 4 The rise of Asian flavours**
Dried tangerine peel, green Sichuan peppercorns, five-spice, spicy and numbing, sour soup, wild mushrooms, braised food
- 5 Marketing**
Store exploration via live streaming, social media check-ins, catering challenges, food group buying, food live streaming, KOL cooperation, catering co-branding, catering IP, catering account operations, emotional value



Recent tax updates in China

As a key aspect of macro-economic regulation, taxation plays an important role in expanding domestic demand and promoting consumption. With a focus on boosting consumption, expanding domestic demand and developing new quality productive forces, Chinese government departments have been making continuous efforts to improve the tax system and standardise preferential policies in key areas such as value-added tax, personal income tax and tariffs. For example, the promulgation of the Value-added Tax Law of the People's Republic of China by the National People's Congress in December 2024 makes significant improvements to the value-added tax system and is conducive to promoting high-quality development, regulating the collection and payment of value-added tax, and protecting the legitimate rights and interests of taxpayers.

The government continues to introduce new tax policies to promote economic recovery and boost tax incentives for SMEs



Recent updates in China's tax policies (1/4)^a

Jun 2024

In June 2024, Ministry of Finance People's Republic of China and State Taxation Administration of The People's Republic of China jointly issued the *Announcement on the Continued Implementation of Differentiated Individual Income Tax Policies for Dividends and Bonuses of Companies Listed on the National Equities Exchange and Quotations Board*.

For shares of listed companies held by individuals, where the shareholding period is more than one year, income from dividends and bonuses will temporarily be exempted from individual income tax.

In addition, where the shareholding period is less than one month (inclusive), income from dividends and bonuses will be fully included in taxable income; where the shareholding period is more than one month and up to one year (inclusive), 50% of income from dividends and bonuses will temporarily be included in taxable income; the aforesaid income is subject to individual income tax at a rate of 20% on a unified basis.

Jul 2024

In July 2024, Ministry of Finance People's Republic of China issued the *Guidelines on Major Tax Incentive Policies for Enterprise Mergers and Reorganisations*, which is designed to stimulate market players and promote high-quality economic development by reducing the tax burden associated with enterprise mergers and reorganisations.

Specifically, the Guidelines cover multiple taxes, including corporate income tax, value-added tax, deed tax, land appreciation tax and stamp duty, and they apply to various types of mergers and reorganisations, such as change of legal form, debt restructuring, equity acquisition, asset acquisition, business combination, business separation and foreign investment with non-monetary assets.

The Guidelines reduce enterprises' tax burdens and optimise resource allocation, with a view to improving businesses' competitiveness and market vitality.

Jul 2024

In July 2024, after soliciting opinions and suggestions from enterprises and grass-roots tax authorities, China's State Taxation Administration of The People's Republic of China formulated and issued the *Notice on Further Facilitating the Cross-regional Relocation of Taxpayers and Serving the Development of a Large, Unified Market*. The State Taxation Administration of The People's Republic of China also refined the implementation rules, strengthened publicity and guidance, and responded to appeals in a timely manner, so as to promote the smooth implementation of the policies and measures for facilitating cross-regional relocation.

From the implementation of the Notice on 1 September 2024 to 31 October 2024, a total of 4,610 taxpayers across the country relocated across provinces, reflecting a YoY increase of 30.04%. Meanwhile, the average processing time for tax-related business was shortened by 5-10 days, and eligible enterprises could relocate on the day when procedures were completed.

Note: a. The updates covered are indicative and not exhaustive

The government has introduced a number of tax incentive policies, exempting enterprises from value-added tax, tariffs and stamp duty, to facilitate their steady development



Recent updates in China's tax policies (2/4)^a

Aug 2024

In March 2023, Ministry of Finance People's Republic of China and four other departments issued the *Notice on Boosting Policies for Downtown Duty-free Shops*. The Notice standardises the management of downtown duty-free shops in accordance with the *Interim Measures for the Administration of Downtown Duty-Free Shops*, so as to promote the healthy and orderly development of downtown duty-free shops. It also clarifies that one new duty-free shop will be set up in each of the eight cities of Guangzhou, Chengdu, Shenzhen, Tianjin, Wuhan, Xi'an, Changsha and Fuzhou. Meanwhile, 13 existing duty-free shops for foreign exchange goods will be transformed and upgraded into downtown duty-free shops.

After the implementation of the Notice, duty-free offerings will be further diversified and made available to more customers; and the establishment and transformation of downtown duty-free shops will probably bring new development opportunities for the tourism and retail sector. Setting up downtown duty-free shops should make shopping more convenient for tourists, and the "local specialities" offered by the shops should attract more tourists, driving the development of relevant industrial chains and creating new economic growth momentum.

Sep 2024

To support the systematic reform and restructuring of enterprises and the systematic reform of public institutions and further stimulate the potential and innovative momentum of various business entities, on 4 September, Ministry of Finance People's Republic of China and the State Taxation Administration of The People's Republic of China issued the *Announcement on Stamp Duty Policies Relating to the Systematic Reform and Restructuring of Enterprises and the Systematic Reform of Public Institutions*. The Announcement aims to prudently expand the application scope of the original stamp duty policies supporting the systematic reform of enterprises to cover systematic reform, restructuring and bankruptcy liquidation for enterprises and the systematic reform of public institutions, so as to enhance policy support for systematic reform and restructuring in combination with other tax-related policies.

The Announcement also unifies the scope of the tax policy by specifying that any eligible project involving the systematic reform and restructuring of an enterprise or systematic reform of a public institution can enjoy the stamp duty policy. This clarification ensures that the policy is fair and unified.

Sep 2024

In September 2024, General Administration of Customs of the People's Republic of China promulgated the *Regulatory Measures of the People's Republic of China for Downtown Duty-Free Shops*, which stipulates that there is no limit on the amount of duty-free goods that can be purchased by outbound passengers in downtown duty-free shops, provided that a quantity of luggage that is reasonable for personal use is carried by passengers when entering or exiting the country in accordance with relevant provisions. Shopping passengers must take all the duty-free goods purchased in one trip out of China, and they are not allowed to deposit the goods purchased or reserved in urban duty-free shops at the port of entry/exit and pick them up upon entry. Where shopping passengers carry duty-free commodities purchased into China again, Customs will consider them to be imported articles and levy (exempt) duties on them in accordance with regulations.

In addition, one of the highlights of the Regulatory Measures is that they improve the transparency of the circulation of duty-free goods. For example, duty-free shops are required to provide detailed information regarding the source and circulation of goods, which should boost consumer trust in brands and provide a quality guarantee for the market. Meanwhile, enterprises engaging in the sale of tax-free goods will need to strengthen their compliance awareness, which will facilitate the development of the industrial chain as a whole and promote standardisation and sustainability.

Sep 2024

In September 2024, General Administration of Customs of the People's Republic of China and four other departments issued the *Announcement on Clarifying the Business Varieties of Downtown Duty-Free Shops*. The Announcement lists 19 business varieties for downtown duty-free shops, including food, clothing and bags. By clarifying the types of goods that can be sold by downtown duty-free shops, the Announcement should help relevant duty-free shops improve customers' shopping experience, expand their offerings and promote consumption upgrading.

Note: a. The updates covered are indicative and not exhaustive

The government has introduced a number of tax incentive policies, exempting enterprises from value-added tax, tariffs and stamp duty, to facilitate their steady development



Recent updates in China's tax policies (3/4)^a

Oct 2024

In October 2024, the State Taxation Administration of The People's Republic of China issued a new version of the *Tax Guidelines for "Going Global."* As a tax-related knowledge product under "Shuilutong (税路通)," a cross-border service brand of the State Taxation Administration of The People's Republic of China, the Tax Guidelines for "Going Global" summarise relevant tax policies and tax treaties covering 114 countries and regions for taxpayers that are "going global." The Guidelines also provide updates regarding tax policy documents and tax treaties that came into effect from 2021 to 2024 in the four areas of tax policies, tax treaties, management regulations and service measures, and expand the existing 99 common tax-related issues to 120, so as to help enterprises better adapt to changes in the tax environment. The Guidelines provide tax-related policies, management information, a service content index and other guidance for Chinese taxpayers that are "going global," with the goal of helping them mitigate tax risks overseas. In this way, the Guidelines aim to make a positive contribution to the development of a growth-friendly environment and promote international commerce and economic development.

Oct 2024

In October 2024, General Administration of Customs of the People's Republic of China promulgated the *Administrative Measures on Levying Duties on Imports and Exports*, which applies to the collection and management of import and export duties and import-related taxes collected by customs on behalf of other entities. The Administrative Measures contain 8 chapters and 84 provisions, which cover general rules, the calculation and collection of taxes, the collection of taxes under special circumstances, confirmation of taxes, refunds, supplementary collection and recovery of taxes, guarantees for taxes, and enforcement of taxes.

The issuance stipulates that if the duty payer or withholding agent fails to pay the duties or late payment fines without a valid reason within 10 days from the date of receipt of the reminder, Customs may take the following enforcement measures against it: notifying the financial institution concerned in writing to transfer the duty payer's deposits or remittances at an amount equivalent to the duty payable, or seizing or detaining goods or other properties of the duty payer or withholding agent at an amount equivalent to the duty payable.

Nov 2024

To implement the requirements for "steadily carrying out the reform of electronic invoices," and "basically implementing electronic invoices in all fields and processes, so as to reduce institutional transaction costs" as specified in the *Opinions of the General Office of the CPC Central Committee and the General Office of the State Council on Further Deepening the Reform of Tax Collection and Administration*, in November 2024, the State Taxation Administration of The People's Republic of China issued the *Announcement on Promoting the Application of Fully Digitised Electronic Invoices*.

Following the implementation of the pilot programme for fully digitised electronic invoices in Guangdong, Shanghai and Inner Mongolia Autonomous Region on 1 December 2021, the pilot areas have been gradually expanded to cover the entire country. The pilot programme was implemented smoothly and in an orderly manner, and it achieved satisfactory results in terms of optimising the business environment, improving administrative efficiency, and facilitating the digital transformation of the economy and society. Therefore, the State Taxation Administration of The People's Republic of China decided to officially promote the application of digital and electronic invoices throughout the country.

Dec 2024

VAT is the largest tax category in China. In 2023, China's domestic VAT revenue was CNY 6.93 trillion, import VAT revenue was CNY 1.84 trillion, and export VAT rebates were CNY 1.71 trillion, representing total VAT revenue of CNY 7.06 trillion and accounting for 39% of all tax revenue.

In December 2024, the National People's Congress passed the *Value-added Tax Law of the People's Republic of China*, which will come into force on 1 January 2026. This VAT law basically maintains the VAT system and the overall tax burden level, while summarising the practical experience and results of VAT reform. It is of great significance for the effort to improve the value-added tax system, and it is conducive to promoting high-quality development, regulating the collection and payment of value-added tax, and protecting the legitimate rights and interests of taxpayers.

Note: a. The updates covered are indicative and not exhaustive

Meanwhile, the government is actively implementing policies to promote the steady growth of household income and personal disposable income



Recent updates in China's tax policies (4/4)^a

Dec 2024

In December 2024, Ministry of Finance People's Republic of China and the State Taxation Administration of The People's Republic of China issued the *Announcement on the Nationwide Implementation of Preferential Policies for Individual Income Tax on Private Pensions*.

The Announcement stipulates that the preferential deferred tax policies for private pensions would be implemented nationwide from 1 January 2024. In the contribution stage, contributions made by an individual to their private pension fund account will be deducted from the individual's consolidated income or business income subject to a limit of CNY 12,000 per year. In the investment stage, the investment returns in the individual's private pension fund account are temporarily not subject to individual income tax. In the collection stage, the private pension amounts collected by an individual will not be included in their consolidated income but will be separately subject to individual income tax at a rate of 3%, and the tax paid will be included under the "income from wages and salaries" item.

Dec 2024

In December 2024, the State Taxation Administration of The People's Republic of China, Ministry of Finance People's Republic of China and the China Securities Regulatory Commission jointly issued the *Announcement on Further Improving Services for the Collection and Administration of Individual Income Tax on Income from the Transfer of Restricted Shares of Listed Companies by Individuals*.

Based on comprehensive research and validation efforts, the Announcement optimises and adjusts the location of payment for individual income tax on income from the transfer of restricted shares of listed companies by individuals, and calls for using tax-related big data to implement a model that enables individuals to "pay tax in any place across the country." It also promotes better mapping between tax sources and tax receipt locations, and improves tax services without increasing the burden on taxpayers and withholding agents. In this way, the Announcement aims to reduce restricted shares in a standardised manner, and facilitate the healthy and stable development of the capital market.

Note: a. The updates covered are indicative and not exhaustive



Forward-looking policies aim to boost consumption

In line with the decisions of the CPC Central Committee, the government has released a combination of policies covering consumer spending, the financial economy, digital technology and other areas so as to drive synergies. For example, in August 2024, the State Council issued the Opinions of the State Council on Promoting the High-quality Development of Service Consumption, which highlighted policies to promote basic consumption, upgraded consumption and new consumption and introduced a range of measures to drive consumption momentum, optimise the consumption environment and strengthen policies for service consumption. Driven by a package of incremental policies, consumer confidence has been improving, which has delivered benefits for enterprises in the consumer market and contributed to economic stability, recovery and sustainability.

The government introduced a range of complementary measures, including consumer vouchers, subsidies and interest rate cuts, to stimulate the domestic consumer market

In addition to the above-mentioned preferential tax policies implemented nationwide, the central and provincial governments have also formulated measures and stimulus programmes to boost consumer confidence and spending.



Driving consumption through subsidies^a



Government subsidies or trade-in programmes are often necessary to drive consumer spending on expensive items, such as cars and furniture. In particular, government subsidies for home appliances have been introduced in rural and remote areas, with the aim of stimulating county- and town-level markets and promoting recycling.

- In July 2024, the National Development and Reform Commission and Ministry of Finance People's Republic of China issued the *Notice on Several Measures to Enhance Support for the Renewal of Large-scale Equipment and Trade-in of Consumer Goods*. The Notice calls for funds of approximately CNY 300 billion to be raised via the issuance of ultra-long special treasury bonds to strengthen support for large-scale equipment renewal and trade-in of consumer goods, and it also optimises supportive measures for equipment renewal and the scrapping and renewal of old ships and trucks in service.
- In August 2024, seven departments including the Ministry of Commerce issued the *Notice on Further Improving Work related to the Exchange of Old Vehicles for New Ones*. The Notice raised the subsidies for scrapping and renewal, increased financial support from the central government, optimised the review, allocation and regulation processes for vehicle scrapping and renewal, and strengthened supervision and management.
- In July 2024, the Shanghai Municipal Commission of Commerce and several other departments jointly issued the *Notice on Shanghai's Action Plan for Accelerating Vehicle Renewal and Consumption (2024-2027)*. In addition to subsidies for trade-in, the Notice encourages financial institutions to appropriately relax conditions for vehicle mortgage loans, reduce the down payment ratio, extend loan terms and reasonably determine credit lines, while keeping risks under control, in order to lower the threshold for car purchases.
- In September 2024, eight departments including the Beijing Municipal Commerce Bureau issued the *Notice on Detailed Implementation Rules for Enhanced Subsidies for Vehicle Trade-in*. The subsidy for consumers scrapping a qualified old car and purchasing a new-energy passenger car was increased from CNY 10,000 to CNY 20,000, and that for consumers scrapping a qualified old car and purchasing a petrol-powered passenger car with displacement of 2.0 L or less was increased from CNY 7,000 to CNY 15,000.



Policymakers are focusing on areas such as online consumption, local consumption and food industry transformation, and they aim to boost consumption and promote industrial upgrading through subsidies and incentives.

- In September 2024, six departments including the Shanghai Municipal Commission of Commerce issued the *Notice on Shanghai's Three-year Action Plan for Promoting the High-quality Development of the Live-streaming Economy (2024-2026)*, which calls on relevant stakeholders to leverage the city's advantages as the home of many brands and encourage local time-honoured brands, national fashion brands, international brands, Silk Road brands, emerging e-commerce consumer brands, catering brands and other lifestyle brands to use live-streaming to innovate their sales models, step up branding and promotion, and expand their online sales. Brands and producers of featured goods are encouraged to strengthen the development of the supply chain for live-streaming, drive brand value, and actively participate in the promotion of online consumption. The Notice also aims to encourage the innovation of new business models and products and promote the development of new consumption scenarios across the live-streaming economy.



At the same time, financial institutions are also playing an important role in providing financial support for consumer goods trade-in initiatives and local consumption recovery.

- In September 2024, the General Office of the National Financial Regulatory Administration issued the *Notice on Encouraging Non-banking Financial Institutions to Support Large-scale Equipment Renewal and Consumer Goods Trade-in Programmes*. Non-banking institutions are encouraged to support large-scale equipment renewal and consumer goods trade-in programmes by increasing financial support, optimising internal management systems and mechanisms, and enhancing regulatory policy support, with a focus on areas key to high-quality industrial development, people's pursuit of a better life and the development of new quality productive forces.

Note: a. Not exhaustive



The General Administration of Sport is actively cultivating new quality productive forces, vigorously developing the sports economy and promoting sports-related consumption

- In June 2024, the General Office of the General Administration of Sport and China UnionPay issued the Notice on Providing Financial Support for Sports Consumption in 2024. In line with their own marketing and consumption promotion plans, China UnionPay, its partnering banks and their branches will offer preferential policies in the sports sector, such as discounts for preferential merchants, spend-and-save offers, loyalty points, and sports-themed credit cards. Sports administrations at the provincial level should strengthen communication, coordination and cooperation with China UnionPay, its partnering banks and their branches in relation to sports consumer vouchers, bonus points, e-CNY and other areas to steadily enrich scenarios for sports consumption.



The State Council is promoting the ice-and-snow economy as a new source of growth

- In November 2024, the General Office of the State Council issued *Several Opinions on Driving the Ice-and-Snow Economy by Promoting the High-quality Development of Ice-and-Snow Sports*.
- The Opinions call for ice-and-snow-related consumer products to be enriched. Policymakers say that guidance should be provided for provinces and cities with the right conditions to innovate consumption models for ice-and-snow-related products, and such provinces and cities should integrate local ski resort resources and launch joint tickets, season passes and ski accommodation packages featuring a wide variety of options. Local governments should also be supported in leveraging the spillover effect from ice-and-snow sports events and organising events such as ice-and-snow-themed consumer “seasons” that integrate business, tourism, sports and fitness.
- The Opinions also call for optimising the environment for ice-and-snow-related consumption; establishing a quality evaluation system for ice-and-snow consumer products and services; making payment more convenient for ice-and-snow-related consumption; stepping up measures to protect the rights and interests of consumers of ice-and-snow-related products; supporting local governments in establishing an advance payment system for ice-and-snow sports consumers and tourists; and providing guidance for local governments to improve the response mechanism for large crowds during peak hours, and for insurance institutions to innovate and develop ice-and-snow-related insurance products.

Note: a. Not exhaustive



Measures, policies and actions to boost the economy^a

China has taken a number of initiatives to boost the economy, actively promoted business activities and exhibitions during festivals, and formulated long-term plans to promote domestic business development, so as to drive domestic consumption.



The State Council and government departments are taking actions to optimise and expand service supply, drive service consumption, and meet people's needs for diverse, personalised and high-quality services

In August 2024, the State Council issued the *Opinions on Promoting the High-quality Development of Service Consumption* to define the decision-making mechanism for basic consumption, upgraded consumption and new consumption, strengthen momentum and optimise the environment for service consumption, and enhance policy measures.

- The government will explore the mechanism for handling unjustifiable claims and crack down on extortion carried out in the name of complaints and tip-offs;
- Policies and financial support will be strengthened;
- Government-affiliated financing guarantors are encouraged to provide credit enhancement support for qualified small and micro enterprises and self-employed businesses in the service industry;
- Guidance will be provided for financial institutions so that they will optimise credit products, deliver differentiated services, increase credit support for key areas of service consumption in accordance with their risk management and commercial sustainability practices, and expand the supply of financial products that are designed to drive new forms of consumption, such as the sharing economy;
- Special additional deduction policies will be implemented for individual income tax, including for the cost of caring for infants and children under 3 years old, educating children, and supporting the elderly.

- In September 2024, the General Office of the Ministry of Industry and Information Technology of the People's Republic of China (MIIT) issued the *Notice on Building a Multi-level Matrix of Famous Consumer Brands in China*. The Ministry and provincial authorities will take joint and phased actions to help build an array of famous consumer brands in China in order to establish a distinctive system of brands that prioritise quality and integrate industry and culture. They plan to help cultivate one thousand culturally significant, globally recognised high-quality brands; build a pool of typical application scenarios for digital brands that are replicable, effective and technologically advanced; and create numerous world-class consumer enterprises. In December 2024, the General Offices of seven departments including the Ministry of Commerce issued the *Notice on the Implementation Plan for the Retail Industry Innovation and Improvement Project* to promote the supply of quality products and encourage business entities to focus on consumers, uphold integrity in operating activities, prioritise quality and service, and optimise consumer experience. Actions will be taken to drive digital empowerment, promote the integration of physical stores into the digital economy, cultivate new quality productive forces, improve efficiency and facilitate consumption. In addition, the government will take measures to promote diversification and innovation, encourage the integration of business types, drive supply chain improvements, encourage and strengthen collaboration, optimise circulation channels, create effective links between supply and marketing, and promote savings and efficiency.



The National Development and Reform Commission issued relevant measures to leverage ice-and-snow resources to drive development in northeastern China

In December 2023, the National Development and Reform Commission issued the *Implementation Plan for Promoting the High-quality Development of the Ice-and-Snow Economy in Northeastern China and Enabling New Breakthroughs in Regional Comprehensive Revitalisation*, which aimed to add variety to scenarios for consumers of ice-and-snow-related tourism and promote the upgrading of traditional ice-and-snow tourism products. The Implementation Plan calls for the following:

- Innovating the design and production of ice-and-snow artwork, and holding experience-based ice-and-snow activities;
- Exploring new models and scenarios for ice-and-snow tourism, organising performances in snowy regions, and creating featured ice-and-snow activities;
- Organising consumption promotions that integrate business, tourism, culture, sports and fitness, driving the integration of ice-and-snow activities with local folk customs, food, hot springs and other elements, and promoting special local agricultural products;
- Supporting local governments in introducing measures to promote ice-and-snow tourism and related consumption; supporting local governments in exploring the possibility of creating local ice-and-snow-themed festivals and special holidays; strengthening cooperation with online tourism platforms; and expanding sales channels for ice-and-snow tourism products.



The Ministry of Civil Affairs tapped the potential of elderly care service consumption

In October 2024, 24 departments including the Ministry of Civil Affairs issued the *Notice on Several Measures to Further Promote the Consumption of Elderly Care Services and Improve the Quality of Life of the Elderly*, which focused on matching supply and demand for elderly care services, expanding new scenarios and models for elderly care service consumption, strengthening the R&D and application of facilities and products for elderly care, and boosting protections and creating a safe and secure environment for consumers of elderly care services.

Note: a. Not exhaustive



Province-level measures to promote consumption^a

In addition to the various national measures that have been enacted to restore and expand consumption, provinces have also formulated measures to accelerate the recovery of consumption.



Beijing: Measures focusing on home decoration and tourism to boost consumption

- In July 2024, eight departments including the Beijing Municipal Commission of Housing and Urban-Rural Development issued the *Notice on the Work Plan for Actively Promoting the Trade-in Programme for Home Furnishings*. Joint actions are to be taken to build an integrated platform to showcase outstanding home decoration enterprises and high-quality products and services for residents to choose from. The Leasing Association is encouraged to guide real estate agencies to carry out home decoration publicity in their places of business, so as to drive demand for second-hand housing decoration. Proactive actions should be taken to promote home decoration-related consumption. In line with the subsidy policies that are designed to encourage trade-ins for green smart consumer goods, building materials for home decorations and green smart products such as home appliances and home furnishings that meet the energy efficiency (water efficiency) standards have been included in the subsidy scope. Enterprises are encouraged to innovate and create experience- and exchange-based scenarios for the consumption of home furnishings, launch decorated online model rooms and make model rooms available on platforms.
- In August 2024, the Beijing Municipal Commission of Development and Reform and the Bureau of Commerce issued the *Notice on the Implementation Plan for Enhanced Support for Equipment Renewal and Consumer Goods Trade-in Programmes in Beijing*. A total of 13 major measures have been defined for three areas: increasing support for equipment renewal, increasing support for consumer goods trade-in, and strengthening implementation. The Notice clarified that the subsidy standard for scrapping and renewal of personal passenger vehicles should be raised, and that support should be provided for the replacement of personal passenger vehicles and for the trade-in of home appliances.
- In October 2024, the General Office of the Beijing Municipal People's Government issued the *Notice on the Implementation Opinions of Beijing on Promoting the High-quality Development of Tourism*. Measures proposed include: enhancing the market impact of local consumer "seasons," Beijing International Design Week and other events in driving consumption; creating and promoting MICE brands in Beijing; continuing to expand tourism consumption and promote Beijing's development as a national pilot city for cultural and tourism consumption; organising culture and tourism-themed consumer seasons; launching a number of high-quality culture and tourism-themed night life programmes; promoting reforms in tourism consumption; building more catering, shopping and supporting facilities around cultural venues, museums and performance centers to promote the consumption of multi-functional cultural, business and tourism products; improving the incentive mechanism for promoting consumption; comprehensively using vouchers, joint discounts and other market-based methods to promote consumption through tourism; guiding financial institutions and enterprises to strengthen the innovation of consumer financial products for tourists; and encouraging banks to provide financing to support the development of new scenarios for tourism consumption.



Shanghai: Relying on catering and exhibitions to drive consumption

- In July 2024, 10 departments including the Shanghai Municipal Commission of Commerce issued the *Notice on Several Measures to Promote the High-quality Development of the City's Catering Industry*. Proposed measures include: providing support for the holding of the Shanghai Global Gourmet Festival and other catering activities to promote consumption; releasing lists of landmark restaurants, business districts, landmark food series and first stores; and launching city-walk routes. Local policies that have been designed to promote synergies between business, tourism, culture, sports and exhibitions, attract consumers and expand consumption should apply to, and support should be provided for, organisers of well-received food-centered activities to promote consumption during large-scale local events such as the 5 May Shopping Festival and the Shanghai Summer International Consumer Season.
- In July 2024, the General Office of the Shanghai Municipal People's Government issued the *Notice on Several Measures to Enhance the Driving Effect of the City's Convention and Exhibition Economy*. Proposed measures include: organising and planning special activities for consumption promotion to attract exhibitors and visitors for large exhibitions; providing support to drive cooperation and interaction between high-quality consumer-, culture- and entertainment-themed exhibitions and important festivals such as Summer of Shanghai; providing support for commercial launches for the CIIE to promote the joint development of business, tourism, sports, culture and exhibitions; and encouraging relevant exhibition organisers to strengthen cooperation with commercial complexes and e-commerce platforms for the purposes of opening online shopping malls for offline exhibitions to promote the "offline + online" model.
- In September 2024, six departments including the Shanghai Municipal Commission of Commerce issued the *Notice on the Implementation Rules for Using Subsidies to Strengthen Support for Green Smart Home Appliances and Home Furnishings*, which covered eight categories under the national home appliance trade-in programme. In addition to the 52 existing home appliance subsidy policies in Shanghai, consumers can now enjoy subsidies across 60 categories.
- In November 2024, 12 departments including the Shanghai Municipal Commission of Commerce issued the *Notice on the City's Implementation Opinions on Better Leveraging Consumer Credit to Promote Consumption Upgrading*. Proposed measures include: innovating consumption models and scenarios, improving the adaptability of consumer credit products, promoting the deep integration of consumption scenarios and consumer credit, enriching the consumer experience, boosting consumer confidence, better leveraging the role of consumer credit in boosting consumption, and helping develop Shanghai into a hub for international consumption.

Note: a. Not exhaustive



Guangdong: Using special national debt to enrich subsidies for household appliance trade-in programmes

- In August 2024, the Guangdong Provincial People's Government issued the *Implementation Plan on Using Super Long-term Special National Debt Funds to Enhance Support for Consumer Goods Trade-in*. In addition to the eight categories of home appliances supported by the central government, the three categories of mobile phones, tablets and smart wearable devices have been added in line with the province's industrial advantages. At their discretion, cities in the province are encouraged to expand the scope beyond the eight categories defined by the central government. Consumers making purchases offline can log on to the Guangdong Consumer Goods Trade-in Platform to qualify for household appliance subsidies. When purchasing a household appliance in a designated category, they only need to show the payment code. In terms of online platforms, major e-commerce platforms will set up a special area for Guangdong, which will showcase the participating products on a centralised basis. This initiative is part of the local effort to expand scenarios for trade-in and consumption and make subsidies more accessible for consumers.



Shenzhen: A two-pronged approach featuring incentives and support to promote innovation in Shenzhen

- In July 2024, the Shenzhen Municipal Bureau of Commerce issued the Notice on Several Measures to Promote the Innovative Development of Commercial Enterprises in Shenzhen. The Notice encourages commercial enterprises to serve the Mainland and tap the global market. Support will be provided for commercial enterprises to pursue intensive, chain-based development and scale upward; and eligible large-scale chain enterprises will receive a reward of CNY 100,000 for each new direct-sale store that they open, up to a maximum of CNY 2 million. Measures will be taken to support retail, catering, and accommodation enterprises in upgrading their consumer-related facilities, expanding scenarios for consumption and innovating consumption models. Eligible retailers whose annual sales reach a specified volume will be rewarded accordingly.
- The local government will continue to attract and cultivate well-known brands in consumer electronics, fashion, gold jewellery, watches and glasses, beauty, food, and catering. Support will be provided to help domestic and world-famous brands open their first stores in Shenzhen and launch new globally marketed products. Actions will be taken to create trendy domestic brands, encourage brands from different industries to launch co-branded products, create a number of Shenzhen-themed, co-branded products, and identify a batch of trendy, distinctive products for tourists to purchase as souvenirs from Shenzhen.



Hainan: Focusing on six areas to promote consumption in Hainan

- In August 2024, the Hainan Provincial Department of Commerce, together with several other departments, issued the Notice on Hainan Province's Implementation Plan for Stepping up Actions to Boost Consumer Goods Trade-in. The Notice is a continuation of the previous Hainan Province's Implementation Plan for Promoting Consumer Goods Trade-in issued in May, but it provides increased support. It steps up efforts to promote consumer goods trade-in across six areas: expanding the scope of subsidies, increasing subsidy amounts, extending the time limit, lowering the threshold, speeding up payment of subsidies and enhancing implementation.

Note: a. Not exhaustive



Local governments issue coupons and vouchers to boost domestic consumption^{a, b}

Local government consumer vouchers, which became popular during the pandemic era, are designed to stimulate local consumption. They are generally very large and time-limited.

These coupons are usually lifestyle-related, covering cars, sports, entertainment and tourism, among other areas. Some are for special local items and are issued on holidays, such as Haikou's consumer vouchers for duty-free products and Nanjing's Crab Festival vouchers. The total amount of coupons funded by a local government in one issuance varies from CNY 5 million to CNY 600 million.

The consumer vouchers distributed in Hong Kong SAR and Macau SAR can be used more widely, and the per capita amount is also higher. However, specific statistics are not available for them.

Consumer coupons issued in key cities in 2023

City	Major policies and incentives	Amount (in CNY 10,000)
Beijing	Green consumer vouchers and lifestyle festival consumer vouchers	>10,000
Changchun	Nightlife consumer vouchers, car subsidies and supermarket vouchers	>4,000
Changsha	Cultural and tourism consumer coupons during the 17th Star City Shopping Festival	>30,950
Chengdu	Consumer vouchers for high-tech products, books and home appliances	>2,300
Chongqin	Low altitude economy-themed consumer vouchers, and furniture trade-in consumer vouchers	>61,000
Dalian	Car vouchers during spring and 2024 lifestyle consumer vouchers	>6,000
Dongguan	Consumer vouchers during Spring Festival and the Double 11 and Double 12 shopping festivals	>3,500
Foshan	Consumer goods trade-in and nightlife festival	>7,000
Fuzhou	Car subsidies, consumer vouchers for dining out during the Mid-Autumn Festival and National Day holidays, nightlife-themed consumer vouchers, and home appliance trade-in coupons	>2,000
Guangzhou	Consumer vouchers for dining out	>10,000
Haikou	Consumer vouchers for duty-free products, retail goods and cars	>5,700
Hangzhou	Consumer vouchers for dining out and for cultural and tourism products	>4,000
Hefei	Consumer vouchers for dining out, the Shopping Festival and cars	>6,300
Jinan	Consumer vouchers for home-buyers in 2024	>5,000
Nanjing	Consumer vouchers for cultural and tourism products and for movie-goers	>1,330
Nantong	Consumer vouchers for trade-in during spring	>1,000
Ningbo	Consumer vouchers for cars	>4,800
Qingdao	Consumer vouchers for home appliances for home-buyers	>6,000
Shanghai	Consumer vouchers for sports and services	>54,000
Shenyang	Consumer vouchers for local residents and car subsidies in spring 2024	>11,000
Shenzhen	Consumer vouchers for purchases on Douyin/JD	>2,000
Suzhou	e-CNY consumer vouchers during Spring Festival, and consumer vouchers for the culture and tourism-themed consumer season	>2,000
Taiyuan	Consumer vouchers	>650
Tianjin	Consumer vouchers for dining out and cars	>6,600
Wuhan	Consumption vouchers for car-buyers and during the sports-themed consumer week	>11,000
Wuxi	Consumer vouchers during Spring Festival and the Taihu Shopping Festival	>11,000
Xiamen	Culture and tourism-themed consumer vouchers during Spring Festival	>700
Xi'an	Electronic consumer vouchers for sports	>500
Zhengzhou	Consumer vouchers during the Night in Zhengzhou consumer season and for cultural and commercial products	>11,800
Hong Kong SAR	The Hong Kong SAR government suspended the consumer voucher initiative in 2024 due to fiscal deficits, among other considerations	No specific statistics
Macau SAR	Following the Wealth Partaking Scheme 2023, during the Wealth Partaking Scheme 2024 from 2-31 July 2024, 10,000 Patacas will be distributed to each of the 717,018 permanent residents, and 6,000 Patacas will be given to each of the 30,850 non-permanent residents, by bank transfer or mailed cross cheque.	No specific statistics

Note: a. The amounts set out in the list are not exhaustive and are based on publicly available data. For specific statistics regarding provincial and municipal fiscal expenditure on consumer vouchers, it may be necessary to consult local government websites, announcements or reports.
b. Statistics may vary depending on region, time, policy and other factors.



Lower interest rates to support consumption^a

In addition to the policies issued by various government departments, the People's Bank of China and other financial regulators have adjusted interest rates to stimulate consumption based on national economic conditions.



Lending rates

On 27 September 2024, the People's Bank of China issued *Announcement No. 5 of 2024 on Open Market Operations*:

- In order to strengthen countercyclical adjustment and support stable economic growth, the interest rate for 7-day reverse repo operations in the open market was adjusted downward from 1.70% to 1.50% effective from 27 September. The interest rates for 14-day reverse repo operations and temporary repo and reverse repo operations continue to be determined by adding or subtracting specified basis points on the interest rate for 7-day reverse repo operations, with the addition and subtraction remaining unchanged.

On 21 October 2024, as authorised by the People's Bank of China, the National Interbank Funding Center released the following announcement *regarding the loan prime rate (LPR)*:

- Effective from 21 October 2024, the LPR for loans maturing in 1 year is 3.1%, and 3.6% for loans maturing in more than 5 years, and these rates will remain valid until the next LPR announcement.
- Since early 2024, the 1-year LPR has dropped by 35 basis points, and the 5-year LPR has dropped by 60 basis points. Driven by LPR cuts, loan interest rates have moved further downward.
- LPR cuts help expand demand and enhance endogenous growth momentum, and reflect the government's commitment to stabilising investment and promoting consumption. Recently, financial regulators have also introduced a package of financial policies to stabilise the property market and stock market. Together with interest rate cuts and reserve ratio cuts, these policies are expected to help boost confidence and stabilise expectations.
- Currently, regulators are monitoring how effective the prior policy rate cuts and LPR cuts in October have been in driving the real economy, lowering financing costs for enterprises and residents, stimulating investment and consumption, and stabilising the real estate market.



Deposit interest rates

Banks cut deposit interest rates again.

- Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, Postal Savings Bank of China and other banks announced that CNY deposit interest rates would be cut with effect from 18 October 2024.
- This was the second time that major commercial banks lowered CNY deposit interest rates since early 2024. The previous cuts by state-owned banks, which were on 25 July, reduced the demand deposit interest rate by 0.05 percentage point, reduced the one-year fixed deposit interest rate by 0.1 percentage point, and reduced the two-year, three-year and five-year fixed deposit interest rates by 0.2 percentage point. This time, the cuts were more dramatic compared with the previous round, as evidenced by the fact that the three-month fixed deposit interest rate has fallen below 1%.



Medium-term lending facilities (MLF)

In December 2024, the People's Bank of China released an announcement regarding medium-term lending facilities (MLF).

- In order to maintain adequate liquidity in the banking system, on 25 December 2024, the People's Bank of China launched a CNY 300 billion MLF operation with a term of one year. The highest bid interest rate was 2.30%, the lowest bid interest rate was 1.90%, and the interest rate offered by the winning bidders was 2.00%.
- Following this operation, the MLF balance reached CNY 5.089 trillion.

Note: Not exhaustive



Appendix

- **Consumer & retail brand index**
- **Source citations**

Consumer & retail brand index (1/3)

Brand ^a	Headquarters	Sub-sector ^b	Description
Louis Vuitton Moët Hennessy (LVMH)	France	Luxury and fashion	Mainly engages in clothing and footwear, jewellery, rough diamonds, uncut diamonds, accessories, and boutiques
Laopu Gold	Chinese Mainland	Luxury and fashion	Mainly engages in the design, crafting and sale of traditional Chinese handmade gold artefacts, as well as personalised gold artefact customisation services
Belle Fashion	Chinese Mainland	Apparel and footwear	Core business includes footwear and apparel
Guvet	Chinese Mainland	Apparel and footwear	A luxury brand specialising in goose down apparel, manufacturing high-end goose down garments to the standards of luxury fashion
HLA	Chinese Mainland	Apparel and footwear	Mainly operates using a chain retail model, selling men's clothing, accessories and related products
Snowflying	Chinese Mainland	Apparel and footwear	Mainly focuses on manufacturing four series of down jackets: zero pressure, retro Chinese fashion, peak skiing and city camping
Yaya	Chinese Mainland	Apparel and footwear	Core business is the design and sale of apparel based on down jackets
Hi! Papa	Chinese Mainland	Health and beauty	Main engages in children's sunscreen, facial cleanser and other products
Kans	Chinese Mainland	Health and beauty	Main business includes the production and sale of cosmetics, covering skin care and other fields
JD Health International	Chinese Mainland	Health and beauty	A comprehensive online healthcare platform that is dedicated to providing one-stop health solutions from medications to medical services
Kefumei	Chinese Mainland	Health and beauty	A professional skincare brand focusing on providing solutions to skin problems, including scientific skin care products and services
Secoo International	Chinese Mainland	Health and beauty	Core business involves online luxury sales, luxury physical experience clubs, and luxury identification and maintenance services
We Doctor International	Chinese Mainland	Health and beauty	Mainly engages in three business segments: digital medicine, digital medical equipment and digital traditional Chinese medicine, with core business covering medical treatment, medicine, medical examination, health insurance and other fields
CHCEDO	Chinese Mainland	Health and beauty	Core business covers the R&D, production and sale of cosmetics and personal care products and services

Note(s): a. Includes companies mentioned in the report; b. Defines the sub-sector in relation to which the company is discussed in the report.

Consumer & retail brand index (2/3)

Brand ^a	Headquarters	Sub-sector ^b	Description
Freshippo	Chinese Mainland	Food and beverage	Core business includes fresh produce delivery services, offering freshly picked and packaged ingredients on the same day
Doublemint	US	Food and beverage	Main business includes the production and sale of a diverse range of products such as chewing gum, mints, hard candies, soft candies and lollipops
Wu Liang Ye	Chinese Mainland	Food and beverage	Main business includes the production and operation of alcoholic beverages and related ancillary products (such as bottle caps, labels, logos and packaging materials)
VCLEANSE	Chinese Mainland	Food and beverage	Mainly engages in plant-based detox drinks and food
Zong Shifu Beverage Co.	Chinese Mainland	Food and beverage	Core business is the production of beverages and food
Zhou Hei Ya	Chinese Mainland	Food and beverage	Core business includes marinated duck, duck by-products, marinated red meat, marinated vegetables, marinated poultry, and other products such as marinated seafood
Chef Fei	Chinese Mainland	Catering and hotels	Mainly engages in Hunan cuisine catering
Fangshan Restaurant	Chinese Mainland	Catering and hotels	Mainly offers traditional imperial cuisine and distinctive Beijing-style snacks, providing upscale Chinese restaurant services and banquet hosting
Haidilao	Chinese Mainland	Catering and hotels	A national chain restaurant that focuses on providing quality services and hot pot
Cotti Coffee	Chinese Mainland	Catering and hotels	Mainly engages in coffee, beverages, ice cream, hot dogs and snacks
Lan Xiangzi	Chinese Mainland	Catering and hotels	Mainly engages in Hunan-style stir fry
Molly Tea	Chinese Mainland	Catering and hotels	Specialises in floral tea bases, with a product line focusing on floral milk teas, pure teas, fresh fruit teas, etc.
Luckin Coffee	Chinese Mainland	Catering and hotels	Core business includes providing high-quality coffee products and services
Sanho Group	Chinese Mainland	Catering and hotels	Mainly engages in the R&D and production of conveyor dining equipment, including sushi conveyor belts, sushi preparation equipment, conveyor belt hot pot equipment, etc.

Note(s): a. Includes companies mentioned in the report; b. Defines the sub-sector in relation to which the company is discussed in the report.

Consumer & retail brand index (3/3)

Brand ^a	Headquarters	Sub-sector ^b	Description
Xiabuxiabu	Chinese Mainland	Catering and hotels	Core business is a small hot pot chain / Chinese-style fast food
CSC	Chinese Mainland	Catering and hotels	Mainly engages in offering Chinese-style fast food
Xin Rong Ji	Chinese Mainland	Catering and hotels	Mainly engages in upscale catering
HEYTEA	Chinese Mainland	Catering and hotels	Mainly engages in the design, production and sale of milk tea and other creative drinks
Yu Ni Zai Yi Qi	Chinese Mainland	Catering and hotels	Main business is fast-food-style pickled fish with Sichuan pepper, offering a variety of flavoured pickled fish dishes
Disney Resort Hotel	Chinese Mainland	Catering and hotels	A landmark hotel in Shanghai Disney Resort, facing the theme park across the lake
The Universal Studios Grand Hotel	Chinese Mainland	Catering and hotels	A hotel located in Universal Beijing Resort, with modern rooms, restaurants and other facilities
Ultraman Hotel	Chinese Mainland	Catering and hotels	An Ultraman-themed hotel with a variety of themed suites and bathrooms designed with Ultraman elements
Boonie Bears Hotel	Chinese Mainland	Catering and hotels	A comprehensive themed hotel with Boonie Bears-themed accommodation, catering, banquet, meeting rooms and holiday facilities
Mokingran Jewellery Group Co., Ltd.	Chinese Mainland	Luxury and fashion	Focuses on the design, production and sale of gold and jewellery
Zhejiang Yunzhongma Co., Ltd.	Chinese Mainland	Apparel and footwear	Engages in the R&D, production and sale of synthetic leather
Mao Geping Cosmetics Co., Ltd.	Chinese Mainland	Health and beauty	A well-known enterprise focusing on the R&D, production and sale of cosmetics, and known for its high-quality products and professional makeup services
Kidswant Children Products Co., Ltd.	Chinese Mainland	Food and beverage	A chain enterprise focusing on the sale of maternal and infant products, parent-child services, and parenting consultation, as well as the sale of various pre-packaged foods and health supplements
Lavande Comfort Hotel Management (Shenzhen) Co., Ltd.	Chinese Mainland	Catering and hotels	A hotel management company focusing on providing a comfortable accommodation experience

Note(s): a. Includes companies mentioned in the report; b. Defines the sub-sector in relation to which the company is discussed in the report.

Source citations (1/4)

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