

Confidential

Cosmetics Industry in China Independent Market Research

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■ May 2024



Date : December 2, 2024

For and on behalf of
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

Name: Terry Tse
Title: Consulting Director

Scope

■ The project scope is defined as follows:

Research Period

- Historical Year: 2018-2022
- Base Year: 2023
- Forecast Year: 2024-2028E

Geographic Scope

- Global
- Mainland China
- United States
- Japan
- South Korea

Target Market

- Overview of Cosmetics Industry in China
- Overview of Beauty Industry in China
- Overview of Color Cosmetics Industry in China
- Overview of Skincare Industry in China
- Overview of Professional Makeup Artistry Training Industry in China

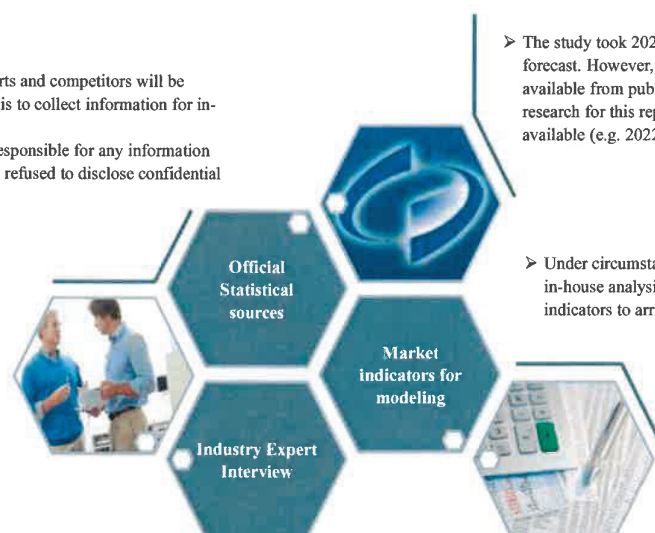
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Limitations

■ Source of Information

- Interviews with industry experts and competitors will be conducted on a best-effort basis to collect information for in-depth analysis for this report.
- Frost & Sullivan will not be responsible for any information gaps where interviewees have refused to disclose confidential data or figures.

- The study took 2023 as the base year for analysis and 2024-2028 for forecast. However, some of the figures of 2023 may not have become available from public statistical sources at the time when we conducted research for this report. Frost & Sullivan will use the latest information available (e.g. 2022) or make projections based on historical trends.



- Under circumstances where information is not available, Frost & Sullivan in-house analysis will be leveraged using appropriate models and indicators to arrive at an estimate.

- Sources of information and data will be clearly stated in the bottom right hand corner on each slide for reference.

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Methodology

■ Methodologies

- Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.
- Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the target research markets. Primary research involved interviewing industry insiders such as leading market players, suppliers, consumers, and recognized third-party industry associations. Secondary research involved reviewing company reports, independent research reports, and data based on Frost & Sullivan's own research database. Frost & Sullivan has independently verified the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan's research may be affected by the accuracy of assumptions used and the choice of primary and secondary sources.
- Frost & Sullivan's Market Engineering Forecasting Methodology integrates several forecasting techniques with the Market Engineering Measurement-based System. It relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements include:
 - ✓ Expert-opinion forecasting methodology
 - ✓ Integration of market drivers and restraints
 - ✓ Integration with the market challenges
 - ✓ Integration of the Market Engineering Measurement trends
 - ✓ Integration of econometric variables

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Overview of Cosmetics Industry in China

Definition & Classification

Definition



- According to the "Cosmetics Labeling Regulations" published by the State Administration for Market Regulation, cosmetics are **chemical industrial products** or **fine chemical products** that are dispersed by means of smearing, spraying or other similar methods on any part of the human body's surface, such as the skin, hair, finger and toenails, lips and teeth, etc., in order to achieve the purpose of **cleansing, maintaining, beautifying, modifying and altering the appearance of the human's face and body, or correcting the body's odor to keep it in good condition.**

By Functionality

By Headquarter

Skincare

- Refer to the product that can improve skin integrity, provide relief to skin conditions, and address specific skin concerns such as acne, dark spots, etc.

Color Cosmetics

- Refer to products that can enhance or alter the appearance of the face or body, which mainly include eyeliner, lipstick, foundation, etc.

Personal Care

- Refer to product that can clean and repair the skin, body, hair and others, which mainly include bath & shower products, hair care, oral care and others.

Perfume

- Refer to fragrant liquid, which is typically made from essential oils extracted from flowers and spices, and used to spread a pleasant smell to one's hair, body or clothes.

Others

- Refer to other products including maternity and childcare, deodorants, and others related.

International Brands

- Refer to the brand whose parent company/group is headquartered outside of China.

Domestic Brands

- Refer to the brand whose parent company/group is headquartered in China.

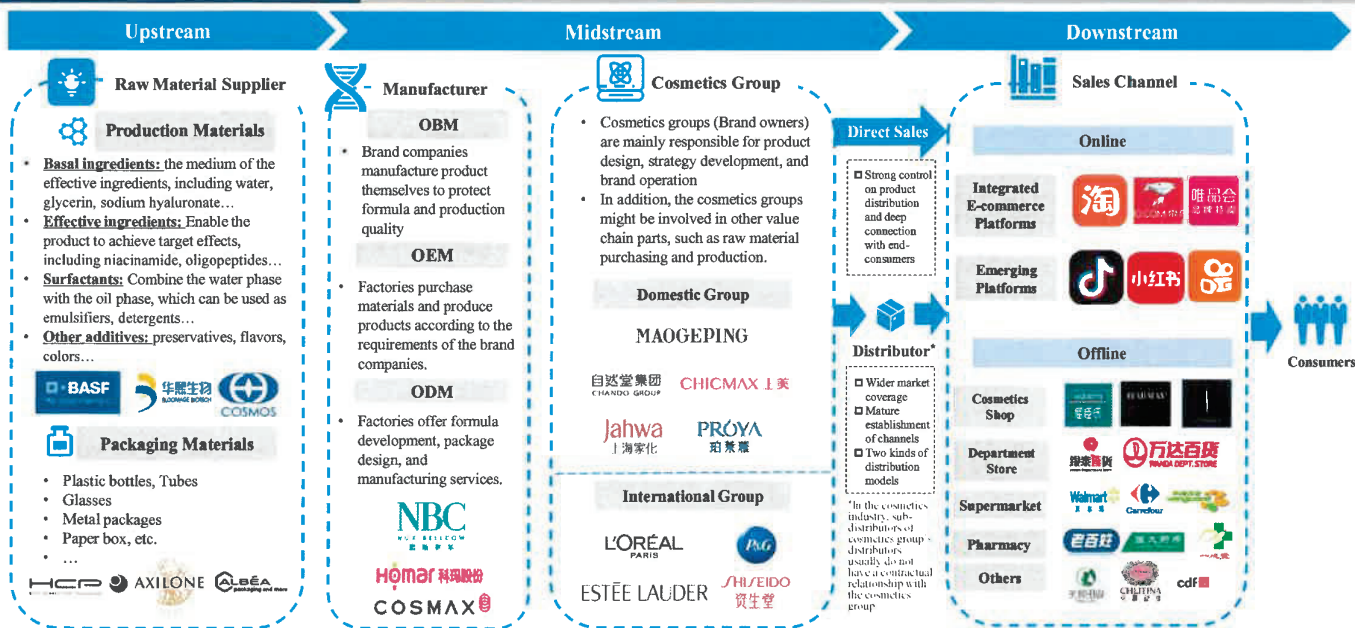


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Source: Frost & Sullivan

Overview of Cosmetics Industry in China

Value Chain Analysis



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Source: Frost & Sullivan

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Overview of Beauty Industry in China

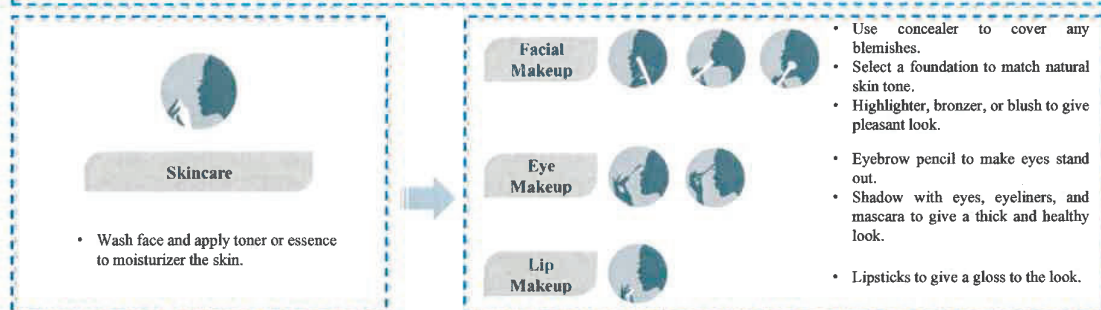
Definition and Beauty Products

Definition



- Beauty products refer to cosmetics that can improve the condition of the skin and enhance the complexion of the face, mainly including **skincare products and color cosmetics products**.
- According to brand position, beauty brands can be divided into **premium beauty brands and mass-market beauty brands**.
- Premium brands are positioned to meet the demands of middle- and upper-class consumers for high quality, exclusivity, and luxury through perceived-value products. Premium brands often command an ultra-price range which the unit price is at least 50% higher than the industry average, and their products are selectively distributed, typically found in luxury department stores. These premium brands have a distinguished brand image with a focus on uniqueness, heritage, and lifestyle. The majority of leading premium cosmetics brands were founded by celebrities or artists who use their names as brand names.
- Mass-market brand refers to a brand that serves the general public, focusing on the target group's demand for a higher quality-price ratio, and usually has a middle-price range that the unit price not exceeding 50% higher than the industry average.

Beauty Products

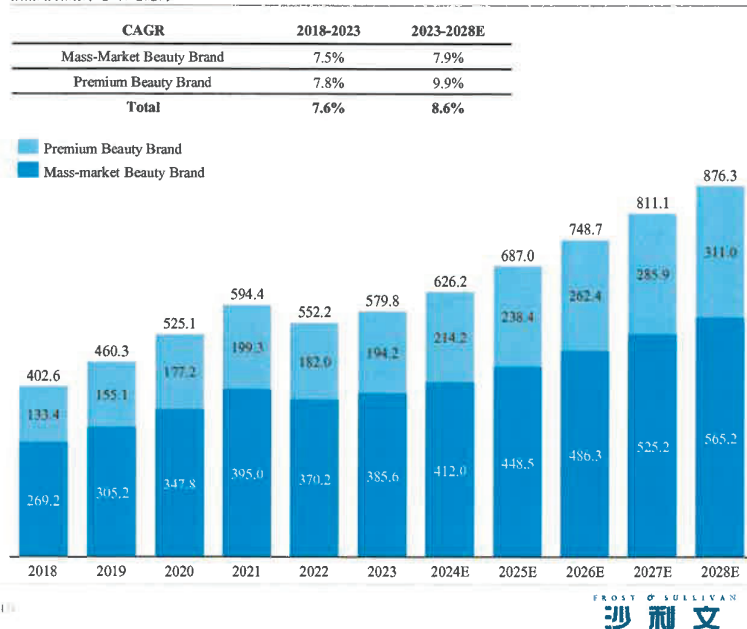


Source: Frost & Sullivan

Overview of Beauty Industry in China

Market Size of Beauty Industry in China by Retail Sales, Breakdown by Brand Positioning

Market Size of China's Beauty Industry, Breakdown by Brand Positioning
Billion RMB, 2018-2028E



Key Finding

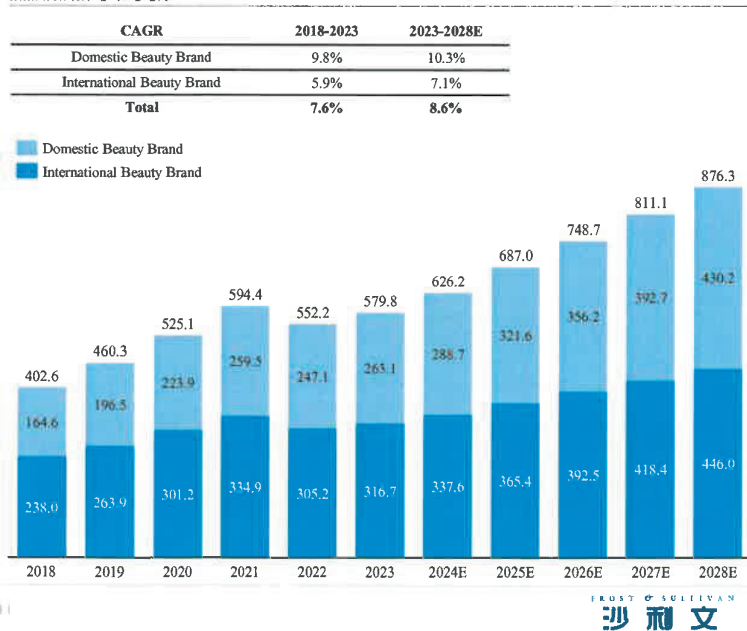
- With consumers increasingly paying attention to their appearance and the widespread popularity of social media for beauty and skincare knowledge, consumers are willing to purchase beauty products. Brands are cultivating consumers' skincare and makeup awareness and thus promoting the prosperity of the beauty industry.
- The beauty market in China grew from RMB 402.6 billion in 2018 to RMB 579.8 billion in 2023 with a CAGR of 7.6%. With the rebound growth in 2023, the market size is expected to reach RMB 876.3 billion by 2028, growing at a CAGR of 8.6% from 2023.
- Consumers' requirements for the quality of beauty products continue to improve, and premium beauty brands with strong influence are very favored by consumers, and have rapid development. The lockdown and social distancing policies in 2022 imposed a significant challenge for offline channels during the pandemic period, resulting in a sharp fall in offline channel sales during this period, which has a serious impact on premium brands. The market size of the premium beauty brands industry grew from RMB 133.4 billion in 2018 to RMB 194.2 billion in 2023 with a CAGR of 7.8%. With the improvement of consumer consumption level and the end of the pandemic, premium beauty brands industry will continue to grow at a CAGR of 8.6% to reach RMB 311.0 billion by 2028.

Source: Frost & Sullivan

Overview of Beauty Industry in China

Market Size of Beauty Industry in China by Retail Sales, Breakdown by Domestic and International Brand

Market Size of China's Beauty Industry, Breakdown by Domestic and International Brand
Billion RMB, 2018-2028E



Key Finding

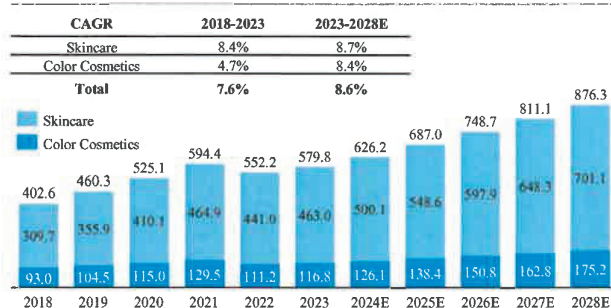
- Domestic beauty brands have been deeply engaged in the beauty market for many years, and have a deep understanding of the needs and consumption preferences of Chinese consumers. With a resurgence of cultural pride and a return to traditional Chinese aesthetics empowered domestic beauty brands, the domestic beauty industry keep rapid development.
- Domestic beauty brands have taken advantage of the rapid development of e-commerce platforms. As domestic beauty brands continue to strengthen product research and development and marketing expansion, the market size is growing rapidly. The market size of the domestic beauty industry grew from RMB 164.6 billion in 2018 to RMB 263.1 billion in 2023 with a CAGR of 9.8%. 2028. Domestic beauty groups, with their insights into Chinese consumer preferences, are well-positioned to meet the growing demand fueled by a renewed sense of cultural pride and appreciation for oriental aesthetics. The market size is expected to further grow at a CAGR of 10.3% to reach RMB 430.2 billion by 2028.
- International beauty brands keep growing steadily. The market size of international beauty brands grew from RMB 238.0 billion in 2018 to RMB 316.7 billion in 2023 with a CAGR of 5.9%. The market size of international beauty brands is expected to reach RMB 446.0 billion in 2028, with a CAGR of 7.1% from 2023 to 2028.

Source: Frost & Sullivan

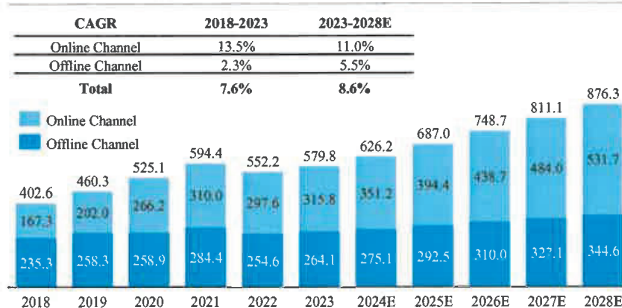
Overview of Beauty Industry in China

Market Size of Beauty Industry in China by Retail Sales, Breakdown by Product Category and Sales Channel

Market Size of Beauty Industry in China by Retail Sales, breakdown by Product Category
Billion RMB, 2018-2028E



Market Size of Beauty Industry in China by Retail Sales, breakdown by Sales Channel
Billion RMB, 2018-2028E



Key Finding

- The restrictive measures imposed a significant challenge for offline channels during the pandemic period, resulting in a sharp fall in offline channel sales during this period. With the resumption of social activities and the release of consumer enthusiasm, offline channels will continue to recover and maintain sustained and stable development in the future. Online sales channels have maintained rapid growth in recent years. Online channels rely less on physical stores, thus were less affected during the pandemic. In the future, online channels will continue to maintain a high growth rate.
- Online channels mainly include integrated e-commerce platforms, emerging e-commerce platforms and other online channels. Representative examples of integrated e-commerce platforms are Tmall and JD.com, and representative examples of emerging e-commerce platforms are Douyin and Kuaishou. Other online channels mainly include official websites of brand owners, and cross-border e-commerce platforms. Offline channels mainly include the department store segment, cosmetics specialty store segment, supermarket segment and other offline channels. Other offline channels mainly include pharmacies and duty-free stores. The department store segment of offline channels refers to a retail establishment offering a wide range of mid to high-end consumer goods in different areas of the store, which is an important part of offline channels. The department store segment can not only meet the needs of consumers for shopping consumption, but also provide customers with premium consumption experience and spread brand concepts through exquisite space display and professional consulting services. The influence accumulated by beauty brands in offline channels can further empower online sales.

Source: Frost & Sullivan

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Overview of Beauty Industry in China

Market Driver Analysis

Expanding consumer base

Young people's demand for beauty and personality expression is growing, and they have become an important force in the beauty market. Especially under the popularization of the Internet, young people are more easily exposed to a variety of beauty information and product recommendations, thus stimulating their interest in makeup. Mature consumers have increased requirements for color cosmetics and skincare products, and their consumption of premium products has increased. Not only limited to female consumers, with the change of men's aesthetic concept, male consumers also began to pay attention to their own image building, and actively try to use beauty products. In addition, film and television works, games and anime imitation makeup have gradually become one of the factors to attract the attention of young groups and promote sales growth of color cosmetics. Film and television drama or game character modeling is exquisite and beautiful, and many fans who love such works are willing to imitate the character modeling, and such culture has also promoted the development of the beauty industry. The income level of residents in lower-tier cities has steadily increased, which inspire people increasingly pursue personalized and fashionable lifestyle, beauty products is naturally a good choice. E-commerce platforms help to release lower-tier city consumers' purchasing power, which further accelerate the growth of beauty industry.

Increased recognition of domestic brands and products

With the improvement of country's economic level and residents' cultural identity, national aesthetic consciousness is awakening, and domestic brands will usher in greater opportunities for development. Domestic brands increase investment in product quality, publicity and marketing, aesthetic innovation and other aspects to continuously improve brand influence. Through technological advancements, the product development strength and product quality of domestic brands have been continuously enhanced, which increasing consumers' confidence in domestic brands and products. The domestic beauty market in China reached RMB263.1 billion in 2023, representing a CAGR of 9.8% from 2018 to 2023, and is expected to continue growing at a CAGR of 10.3%, to reach RMB430.2 billion by 2028, according to Frost & Sullivan. The improvement of consumers' recognition of domestic brands will further promote the growth of the domestic beauty market.

Development of emerging social media and e-commerce channels

The development of emerging online platforms promotes the diversification of marketing channels and stimulate the desire of potential consumers to purchase. Through social media, e-commerce platforms and other channels, consumers can see the usage experience and recommendation evaluation shared by other consumers, so as to resonate and increase their curiosity for products, which will further stimulate potential consumers to turn browsing into actual purchasing behavior. In addition, the development of emerging e-commerce platforms could provide consumers with a more convenient and rich shopping experience. Through these platforms, consumers can access detailed information and makeup tutorials on beauty products. The popularization and dissemination of makeup knowledge has further promoted the development of beauty industry.

Source: Frost & Sullivan

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Overview of Beauty Industry in China

Future Trends

Increased industry concentration	Brand building and enhancement	Increasing investment in product development	Consumer spending patterns during market fluctuations
<p>With the increasing demand for beauty products, the penetration rate of leading beauty brands in the market has shown a steady upward trend. These leading brands have successfully attracted a large number of loyal consumers with their high quality, innovative and unique product positioning. They enhance their visibility and influence through a variety of ways, such as advertising, celebrity endorsement and offline store experience, which will further increase their market share. At the same time, the competition between emerging beauty brands is also extremely fierce. Emerging brands have increased product research and development and marketing investment, and actively seek differentiated competitive strategies to gain more market share. They are committed to introducing personalized products that meet the needs of different consumer groups. Domestic beauty brands have made remarkable progress in recent years, matching or even surpassing international brands in terms of technology research and development, product quality and packaging design. As the strength of domestic brands increases, they will further challenge the position of international brands in the market and compete for more market share.</p>	<p>With the increasing attention of consumers to beauty and personal appearance, China's beauty market is ushering in booming opportunities. When consumers buy products, they usually choose beauty brands with high visibility and good reputation. Therefore, beauty brands attach great importance to the brand building. Beauty brands are committed to making full use of various marketing channels to enhance brand awareness. Brands actively participate in various fashion activities and cooperate with celebrities on social platforms to carry out joint brand promotion, continuously expand market share and reach potential target customer groups. In addition, innovative capabilities are important for brand building as it can establish brand differentiation advantages through independent research and development, and thus enhance brand competitiveness.</p>	<p>Beauty companies continue to strengthen their investment in product development and pay attention to create product functions and characteristics to improve the quality of products. Through in-depth study of oriental skin characteristics, combined with advanced technology, domestic beauty companies are committed to developing products for different skin needs, shaping products that meet oriental aesthetic. Beauty companies have also increased investment in product design. The brand adheres to the concept of innovation and boldly tries creative elements in packaging design. By integrating fashion and personality, the product is visually more attractive, fashionable and unique, which is conducive to brand image communication. The investment in product quality and product packaging can not only meet the needs of consumers for the function and effect of beauty products, but also give consumers a pleasant feeling. With the increasingly fierce market competition, beauty companies continue to carry out technological innovation and design improvement to attract more consumers.</p>	<p>There is a type of unique consumer behavior pattern during periods of market fluctuations known as the "lipstick effect", where consumers tend to shift towards more affordable luxuries, such as premium beauty products, instead of high-priced luxury items. This pattern may have significant implications for the beauty industry in China, especially for brands positioned in the premium segment including MAOGEPING. However, since cosmetics are considered daily essentials, their demand remains relatively resilient despite changes in market conditions. Premium brands that effectively highlight the value and quality of their products tend to attract consumers seeking accessible enjoyment. The enduring appeal of beauty products, combined with innovative marketing strategies and a focus on delivering value, positions the beauty industry to weather market fluctuations effectively. Our Industry Consultant is of the view that, as market conditions improve, consumer spending power and willingness to invest in high-end products are expected to grow, offering opportunities for premium brands to capitalize on their established reputation and market presence.</p>

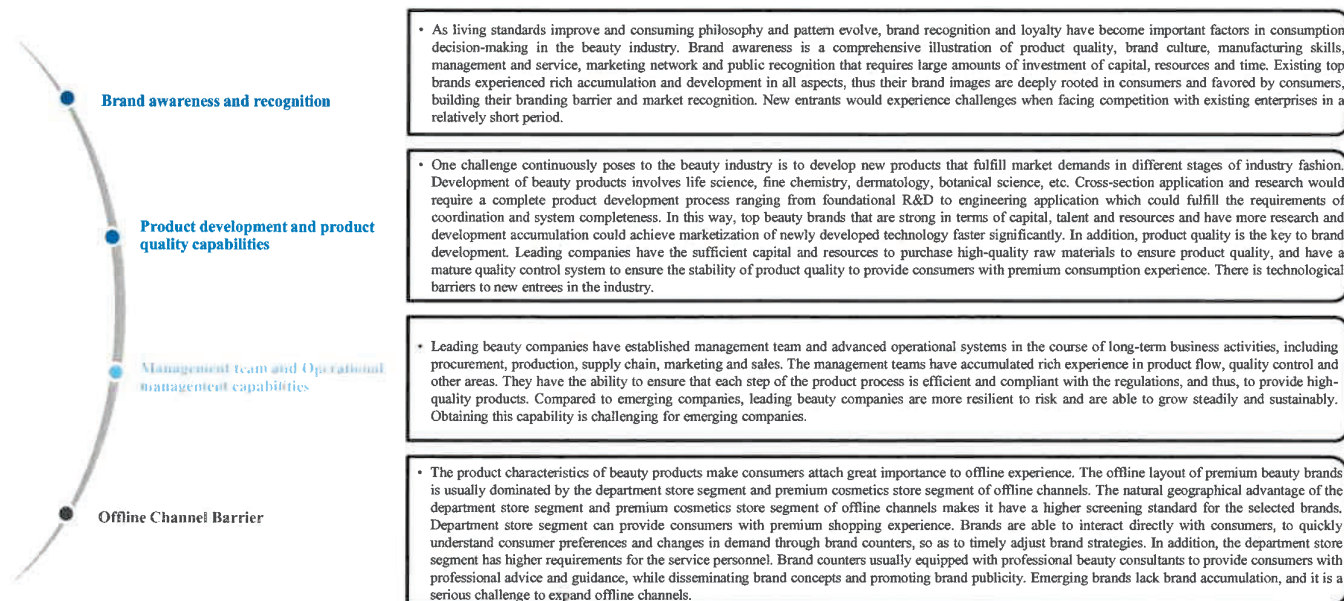
Source: Frost & Sullivan

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Overview of Beauty Industry in China

Entry Barriers



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Source: Frost & Sullivan

Overview of Beauty Industry in China Challenges

Product Homogenization

- The phenomenon of product homogenization exists in the beauty market in China, making it difficult for consumers to establish loyalty to a particular brand. It is challenging for beauty brands to shape their own brand differentiation to improve competitiveness. Brands are required to explore their own features in terms of product quality, positioning, research and development, as well as marketing, in order to stand out in the market.

Developing Consumption Recognition

- With the burgeoning "beauty economy" and the widespread popularity of social media for beauty and skincare content, Chinese consumers' demand for beauty products is rising. However, their ability to recognize product quality, function, and positioning is still developing. As such, consumers' needs can hardly be compatible with their choice of products and brands. Beauty brands require investment in cultivating consumption recognition to tailor their products with the characteristics of the target groups, thus enhancing consumer loyalty and market space.

Rapidly Changing Market Demand

- The new generation of consumer groups has begun to grow into the main force of consumption, who prefer to follow fashion and change the needs of beauty products rapidly. To cater to consumers, beauty brands need to launch products that match the demand timely. It is challenging for brands to realize, which includes gaining instant insights into consumers' demand, developing suitable strategies, and investing adequately, otherwise, it can lead to loss of investment and damage to brands' reputation.

Source: Frost & Sullivan

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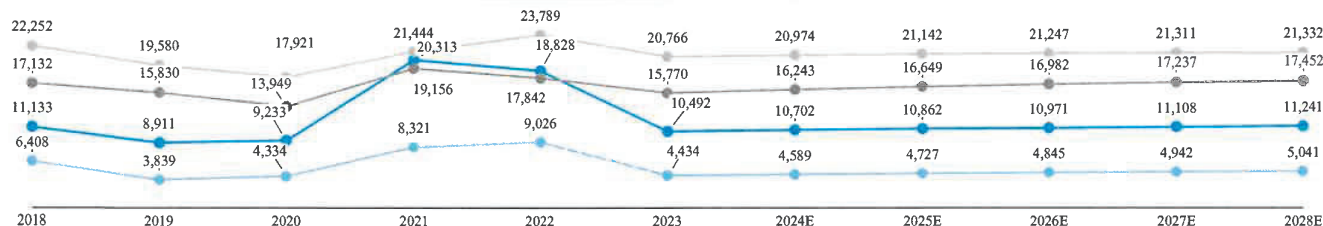
Overview of Beauty Industry in China Raw Material Price of Beauty Products

Key Raw Material Price

RMB/Tonne, 2018-2028E

- Glycerinum
- Butanediol
- Titanium Dioxide
- Zinc Oxide

	CAGR	2018-2023	2023-2028E
Glycerinum	-7.1%	-7.1%	2.6%
Butanediol	-1.2%	-1.2%	1.4%
Titanium dioxide	-1.6%	-1.6%	2.1%
Zinc Oxide	-1.4%	-1.4%	0.5%



Key Finding

- Fluctuations in the prices of key raw materials impact the beauty industry, requiring stakeholders to navigate carefully to ensure sustainable growth and product innovation.
- Beauty products mainly utilize lipid, powder and solvent as basic materials, primarily including glycerinum (甘油), butanediol (丁二醇), titanium dioxide (钛白粉) and zinc oxide (氧化锌), etc. From 2018 to 2023, the price per tonne of glycerinum (甘油) and butanediol (丁二醇) decreased from RMB 6,408 and RMB 11,133 to RMB 4,434 and RMB 10,492 with a CAGR of -7.1% and -1.2%. In 2023, the price per tonne of titanium dioxide (钛白粉) and zinc oxide (氧化锌) was RMB 15,770 and RMB 20,766, with a CAGR of -1.6% and -1.4%, respectively from 2018 to 2023. Since 2018, the operation of manufacturers for these raw materials has begun to recover after several years of structural adjustment in the chemical industry, driving down the price of raw materials. In 2021, the combination of factors such as the continuation of monetary easing policies in major global economies, supply and logistics disruptions due to overseas epidemic prevention and control, and domestic curbs on the production of highly polluting and energy-intensive industries, indirectly pushed up the prices of important basic chemicals. The key raw material prices of beauty products fluctuated from 2018 to 2023. However, as the pandemic subsided, the extreme events that caused raw material price volatility back then are less likely to reoccur soon. Therefore, it is expected that the price of Glycerinum, Butanediol, Titanium Dioxide, and Zinc Oxide will grow at a stable pace from 2024 to 2028.

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Source: Frost & Sullivan

Competitive Landscape

Ranking of Premium Beauty Group in China, by Retail Sales

Ranking of Premium Beauty Group in China, by Retail Sales （2023）						
Ranking	Group Name	Retail Sales （2023）		RMB Million	Group Origin	Market Share
1	Group A	<div></div>		39,930	International	20.6%
2	Group B	<div></div>		32,312	International	16.6%
3	Group C	<div></div>		15,721	International	8.1%
4	Group D	<div></div>		13,001	International	6.7%
5	Group E	<div></div>		6,660	International	3.4%
6	Group F	<div></div>		3,854	International	2.0%
7	Our Group	<div></div>		3,553	Domestic	1.8%
8	Group G	<div></div>		2,424	International	1.2%
9	Group H	<div></div>		2,205	International	1.1%
10	Group I	<div></div>		2,001	International	1.0%

- Key Finding**
- Our Group ranked seventh in the premium beauty industry and was the only domestic beauty group among the top ten groups.
 - The premium beauty industry in China is concentrated that top 5 groups contributed a market share of 55.4%.

Source: Frost & Sullivan

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Competitive Landscape

Ranking of Premium Beauty Brand in China, by Retail Sales

Ranking of Premium Beauty Brand in China, by Retail Sales （2023）					
Ranking	Brand Name	Retail Sales （2023）	RMB Million	Brand Origin	Market Share
1	Brand A		21,726	International	11.2%
2	Brand B		17,901	International	9.2%
3	Brand C		9,415	International	4.8%
4	Brand D		6,682	International	3.4%
5	Brand E		6,660	International	3.4%
6	Brand F		5,030	International	2.6%
7	Brand G		4,967	International	2.6%
8	Brand H		4,947	International	2.5%
9	Brand I		4,869	International	2.5%
10	Brand J		3,854	International	2.0%
11	Brand K		3,605	International	1.9%
12	MAOGEPING		3,553	Domestic	1.8%
13	Brand L		3,331	International	1.7%
14	Brand M		2,561	International	1.3%
15	Brand N		2,453	International	1.3%

- Key Finding**
- MAOGEPING ranked 12th in the premium beauty industry and was the only domestic beauty brand among the top 15 brands.
 - The premium beauty industry in China is relatively concentrated that top 5 contributed a market share of 32.1%.

Source: Frost & Sullivan

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Competitive Landscape

Ranking of Premium Beauty Brand in China, by Retail Sales in Offline Channel

Ranking of Premium Beauty Brand in China, by Retail Sales in Offline Channel （2023）					
Ranking	Brand Name	Retail Sales （2023）	RMB Million	Brand Origin	Market Share
1	Brand A		9,070	International	9.5%
2	Brand B		7,761	International	8.2%
3	Brand C		6,106	International	6.4%
4	Brand H		3,865	International	4.1%
5	Brand D		3,208	International	3.4%
6	Brand E		3,057	International	3.2%
7	Brand F		2,675	International	2.8%
8	Brand G		2,129	International	2.2%
9	Brand I		2,070	International	2.2%
10	Brand J		2,041	International	2.1%
11	MAOGEPING		2,033	Domestic	2.1%
12	Brand K		1,745	International	1.8%
13	Brand L		1,539	International	1.6%
14	Brand O		1,445	International	1.5%
15	Brand N		1,432	International	1.5%

- Key Finding**
- MAOGEPING ranked 11th in terms of retail sales generated from offline channels of the premium beauty industry and was the only domestic beauty brand among the top 15 brands.
 - The premium beauty industry generated from offline channels in China is relatively concentrated the top 5 contributed a market share of 31.6%.

Source: Frost & Sullivan

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Competitive Landscape

Ranking of Premium Beauty Brand in China, by Retail Sales in Department Store Segment

Ranking of Premium Beauty Brand in China, by Retail Sales in Department Store Segment （2023）					
Ranking	Brand Name	Retail Sales （2023）	RMB Million	Brand Origin	Market Share
1	Brand A		6,809	International	10.6%
2	Brand B		5,497	International	8.5%
3	Brand C		4,714	International	7.3%
4	Brand H		3,175	International	4.9%
5	Brand D		2,727	International	4.2%
6	Brand F		2,224	International	3.5%
7	Brand E		1,998	International	3.1%
8	MAOGEPING		1,896	Domestic	2.9%
9	Brand J		1,662	International	2.6%
10	Brand K		1,640	International	2.5%

- Key Finding**
- Department stores play a significant role in premium beauty brands' channel strategy due to direct access to target consumers and great branding endorsement.
 - MAOGEPING ranked 8th in terms of retail sales generated from the department store segment of the premium beauty industry and was the only domestic brand among the top 10 brands.
 - The premium beauty industry generated from the department store segment in China is relatively concentrated that top 5 contributed a market share of 35.6%.

Source: Frost & Sullivan

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Overview of Color Cosmetics Industry in China

Definition and Classification

Definition of Color Cosmetics

- Color cosmetics refer to the products that can emphasize or alter the appearance of the face or body. This encompasses products such as lipstick, eyeshadow, blush, foundation, eyebrow pencils, mascara, among others, aimed at accentuating personal features, enhancing skin tone, or creating diverse appearance styles.
- Color cosmetics products can be mainly divided into facial makeup, eye makeup, lip makeup, and others. Facial makeup generally includes foundation, concealer, powder, blusher, highlighter, etc. Eye makeup includes eye liner, eye shadow, mascara, etc. Lip makeup includes lipstick, lip gloss, etc.

Classification of Color Cosmetics

By Product Category

Facial Makeup

- Foundation
- Concealer
- Powder
- Blusher
- Highlighter
- Contour

Eye Makeup

- Eye Liner
- Eye Shadow
- Mascara

Lip Makeup

- Lipstick
- Lip Gloss
- Lip Liner

Others

- Color Cosmetics Kits

By Market Positioning

Premium Brand

- Premium brands are positioned to meet the demands for prestige, high quality and exclusivity, through perceived-value products. Premium brands often command an ultra-price range that the unit price is at least 50% higher than the industry average, and their products are selectively distributed, typically found in premium department stores. These premium brands have a distinguished brand image with a focus on uniqueness, aesthetics and lifestyle. The majority of leading premium beauty brands were founded by celebrities or artists who use their names as brand names.

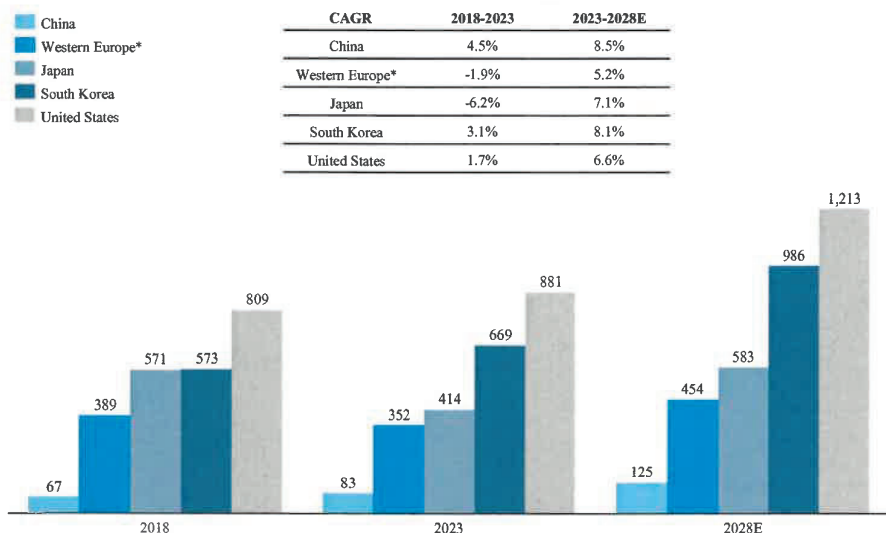
Mass-market Brand

- Mass-market brands are generally committed to offering products with high price performance to consumers. Mass-market brands usually command an affordable price. They often have broader distribution channels

Overview of Color Cosmetics Industry in China

Comparison of Expenditure on Color Cosmetics with Selected Countries

Per Capita Expenditure on Color Cosmetics of Selected Countries
RMB, 2018, 2023, 2028E



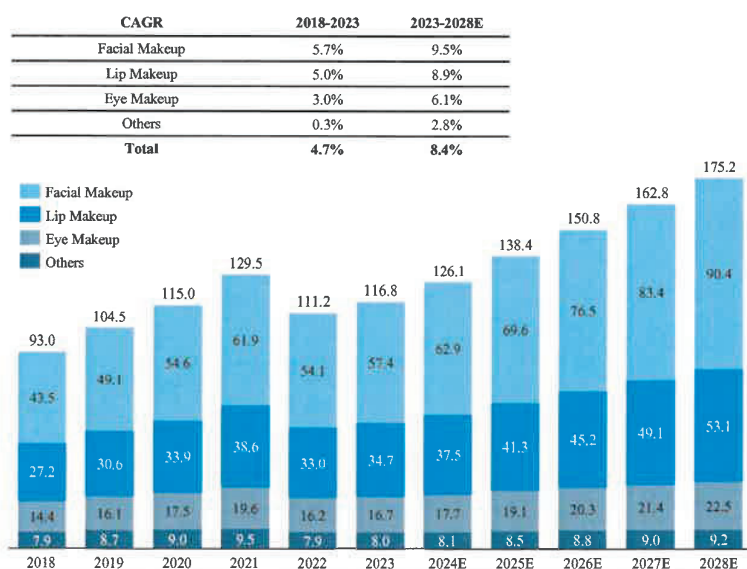
Key Finding

- A horizontal comparison among major countries in the world could assist in demonstrating the position China's color cosmetics industry plays. Although China occupies a large market share in the global color cosmetics market, the per capita expenditure of color cosmetics in China is still relatively lower than the listed countries due to the large population of China. On the other hand, it has demonstrated the potential waiting to be unleashed in the future and also provides a foundation for the dynamics and forecasts of the per capita expenditure on color cosmetics.
- The growth potential of per capita expenditure on color cosmetics in China is still very large as the potential growth of disposable income is still waiting to be harnessed, as the horizontal comparison has demonstrated. The data has indicated the development potential of the color cosmetics industry in China from the macro prospect.

Overview of Color Cosmetics Industry in China

Market Size of Color Cosmetics Industry in China by Retail Sales, Breakdown by Product Category

Market Size of China's Color Cosmetics Industry, Breakdown by Product Category
Billion RMB, 2018-2028E



Key Finding

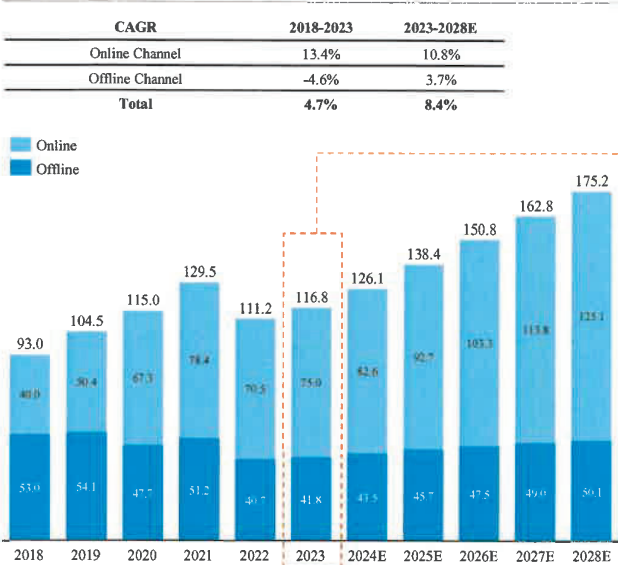
- The market size of the color cosmetics industry was RMB 93.0 billion in 2018. Color cosmetics industry developed with a CAGR of 4.7% from 2018 to 2023, whereas the CAGR from 2017 to 2019 was relatively higher at 10.7%. This mainly because the market experienced a heavy hit from the regional outbreak of COVID-19 in 2022, as its strict lockdown measures led to travel restrictions for consumers in some areas and their willingness to purchase color cosmetics products weakened. Consumer demand for color cosmetics products has risen sharply as people's social lives resume. The color cosmetics industry experienced a rebound in 2023. The enhancement of consumers' awareness of beauty and the maturity of beauty consumption concept have promoted the rapid development of China's color cosmetics market. The market size of color cosmetics is expected to reach RMB 175.2 billion by 2028, with a CAGR of 8.4% from 2023 to 2028.
- Facial makeup segment is the largest part of the color cosmetics market and has the highest growth rate. The market size of facial makeup increased from RMB 43.5 billion in 2018 to RMB 57.4 billion in 2023 with a CAGR of 5.7%. With the accumulation of consumers' beauty experience and the pursuit of delicate makeup, consumers' demand for facial makeup has increased, which has led to the high growth of the facial makeup market. The market size is expected to grow at a CAGR of 9.5% to reach RMB 90.4 billion by 2028.
- The color cosmetics market in China is undergoing a dynamic transformation, fueled by an escalating demand for beauty enhancements and the pervasive influence of makeup and skincare concepts disseminated through social media. This trend has not only increased makeup usage among consumers but has also driven the industry towards catering to more sophisticated consumer needs, diverse aesthetics, and a deeper professional understanding of beauty products. These factors collectively contribute to a diversified and enriched product range, leading to significant market growth.

Source: Frost & Sullivan

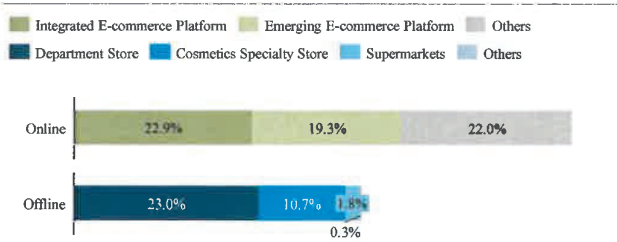
Overview of Color Cosmetics Industry in China

Market Size of Color Cosmetics Industry in China by Retail Sales, Breakdown by Sales Channel

Market Size of China's Color Cosmetics Industry, Breakdown by Sales Channel
Billion RMB, 2018-2028E



Market Share of Different Sales Channel
%, 2023



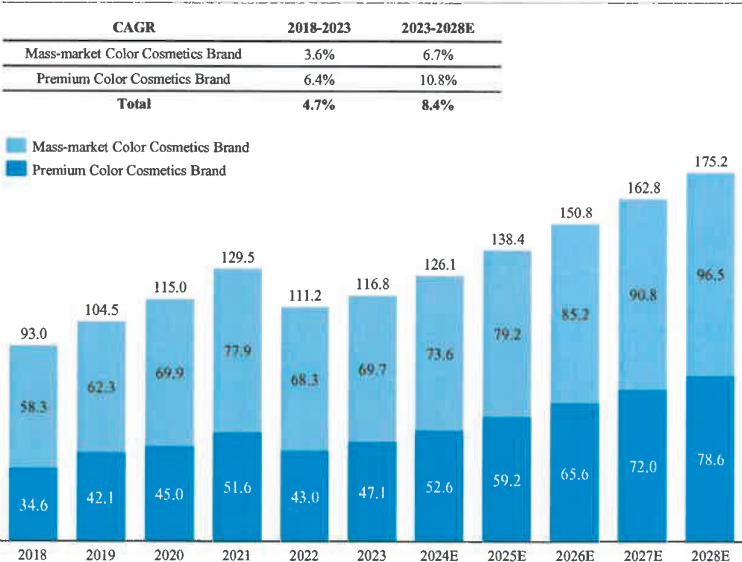
- Key Finding**
- The color cosmetics market is gradually dominated by online channels. The market size of online color cosmetics increased from RMB 40.0 billion in 2018 to RMB 75.0 billion in 2023, with a CAGR of 13.4%, accounting for 64.2% of the total color cosmetics market. The online color cosmetics market size is expected to reach RMB 125.1 billion by 2028, with a CAGR of 10.8% from 2023 to 2028.
 - At the same time, offline channels continue to grow. The department store is the largest channel, accounting for 23.0% of the total color cosmetics industry. Department store can provide consumers with premium shopping experience. Brands are able to interact directly with consumers, to quickly understand consumer preferences and changes in demand through brand counters, so as to timely adjust brand strategies. The market size of department store segment is expected to grow with a CAGR 2.7% from 2023 to 2028. The synergy between online and offline sales channels is poised for continuous growth, with department stores, in particular, maintaining their importance as premier sales venues.

Source: Frost & Sullivan

Overview of Color Cosmetics Industry in China

Market Size of Color Cosmetics Industry in China by Retail Sales, Breakdown by Brand Positioning

Market Size of China's Color Cosmetics Industry, Breakdown by Brand Positioning
Billion RMB, 2018-2028E



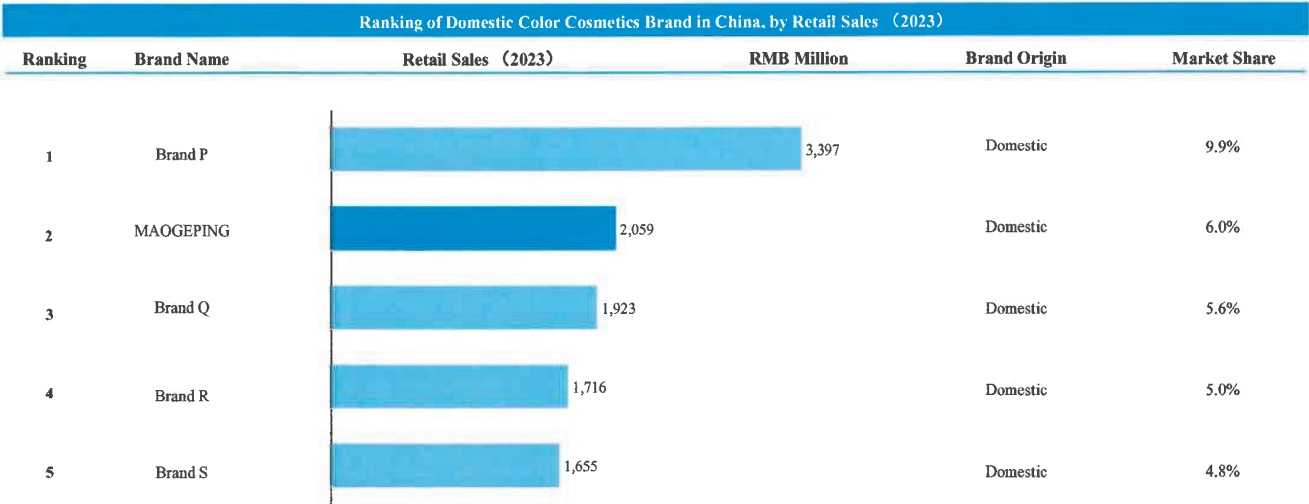
Key Finding

- With the improvement of people's attention to beauty and personal image, the premium color cosmetics market has gradually shown a booming trend. Consumers have higher requirements for product quality, ingredient safety and unique design, so they are willing to pay for high-quality premium color cosmetics products. This trend has promoted the continuous expansion of the market and attracted many well-known domestic and foreign brands to enter the competition. The premium color cosmetics market has received widespread attention and recognition in recent years. The market size of premium color cosmetics market grew from RMB 34.6 billion to RMB 47.1 billion in 2023. Although the industry experienced a hit in 2022, the market still grew at a CAGR of 6.4% from 2018 to 2023.
- Under the continuous increase of economic strength and the growth of the disposable income of citizens, the market size of premium color cosmetics market in China is expanding. The market size of premium color cosmetics market is expected to reach at RMB 78.6 billion by 2028 with a CAGR of 10.8%.
- Mass color cosmetics market is still dominate the industry. Consumers have a high sense of freshness for color cosmetics products, and the product iteration speed is faster. Therefore, cost-effective mass color cosmetics products are favored by the majority of consumers. The market size of mass color cosmetics market grew from RMB 58.3 billion in 2018 to RMB 69.7 billion in 2023, with a CAGR of 3.6%. The market size is expected to reach at RMB 96.5 billion by 2028 with a CAGR of 6.7%.

Source: Frost & Sullivan

Competitive Landscape

Ranking of Domestic Color Cosmetics Brand in China, by Retail Sales



- Key Finding
- MAOGEPING ranked second in the domestic color cosmetics industry in terms of retail sales in 2023.
 - The domestic color cosmetics industry in China is relatively concentrated that top 5 contributed a market share of 31.3%.

Source: Frost & Sullivan

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Overview of Skincare Industry in China

Definition and Classification

Definition of Skincare

- Skincare products refer to products, that improve skin integrity, provide relief to skin conditions and address specific skin concerns such as acne, dark spots, hyperpigmentation, fine lines and inflammation.
- Skincare products can be mainly divided into facial care, body care, hand care, and others. Facial care products generally include facial cleanser, toner, facial moisturizer, essence, cream, face mask, sun protection, and etc. Body care products include body cream, body lotion and etc. Hand care type skincare products include hand cream, hand lotion, and etc.



Source: Frost & Sullivan

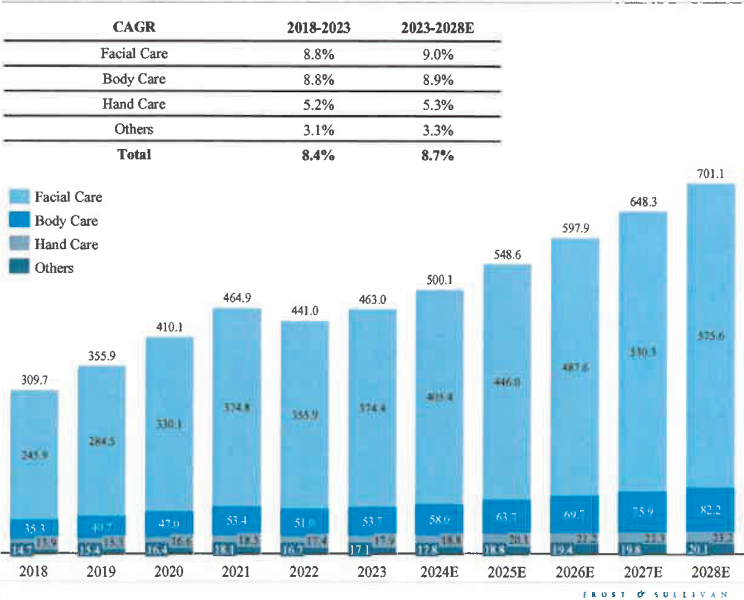
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Overview of Skincare Industry in China

Market Size of Skincare Industry in China by Retail Sales, Breakdown by Product Category

Market Size of China's Skincare Industry, Breakdown by Product Category
Billion RMB, 2018-2028E



Source: Frost & Sullivan

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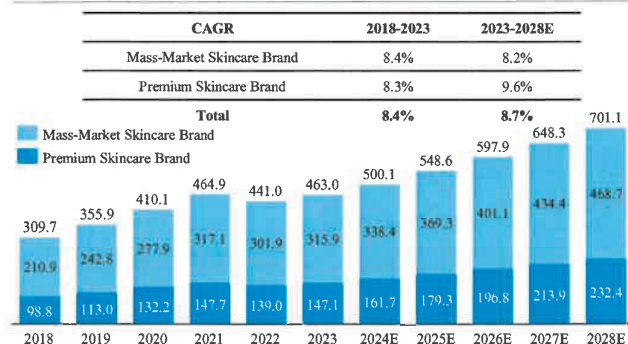
Key Finding

- With the improvement of living standards, people pay more and more attention to their appearance and physical health, which accelerate the development of the skincare market. Skincare industry mainly consists of facial care, body care, and hand care segments. The market size of the skincare industry grew from RMB 309.7 billion in 2018 to RMB 463.0 billion in 2023 with a CAGR of 8.4%. The market will further grow at a CAGR of 8.7% from 2023 to 2028.
- Facial care segment is the largest part of the skincare market, accounts for over 80% in 2023. The market size of facial care products increased from RMB 245.9 billion in 2018 to RMB 374.4 billion in 2023 with a CAGR of 8.8%. There is a growing consumer demand for youthful, smooth skin. The market size is expected to grow at a CAGR of 9.0% to reach RMB 575.6 billion by 2028.
- People's attention to their skin condition extends from the face to the whole body, mirroring the expanding scope of consumer needs and preferences. A key factor driving this evolution is the growing consumer knowledge about skincare, leading to increased demand for products with natural, safe and effective ingredients. The market size of body care products is expected to increase from RMB 53.7 billion in 2023 to RMB 82.2 billion in 2028 with a CAGR of 8.9%.
- Beauty and personal care has become a fashion trend and life attitude, and is closely related to health. As a result, the skincare market is booming and will continue to lead the industry in innovation and change.

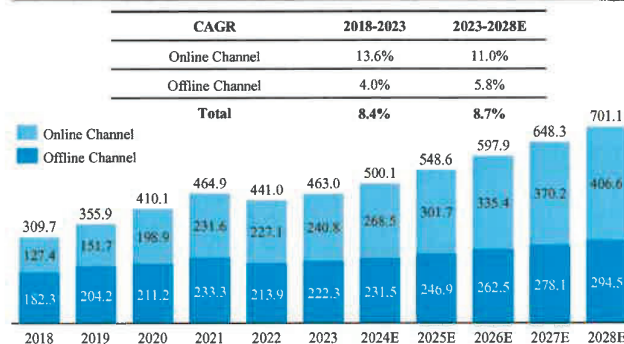
Overview of Skincare Industry in China

Market Size of Skincare Industry in China by Retail Sales, Breakdown by Brand Positioning and Sales Channel

Market Size of Skincare Industry in China by Retail Sales, Breakdown by Brand Positioning
Billion RMB, 2018-2028E



Market Size of Skincare Industry in China by Retail Sales, Breakdown by Sales Channel
Billion RMB, 2018-2028E



Key Finding

- The sales of skincare products showed rapid development on e-commerce platforms, and online channels gradually gained market shares. The market size of online skincare in terms of retail sales increased from RMB127.4 billion in 2018 to RMB240.8 billion in 2023 with a CAGR of 13.6%, accounting for 52.0% of the total skincare market in 2023. Meanwhile, the offline channels maintained stable growth. As the pandemic subsided, the offline market began to recover, and it is anticipated that skincare product sales through offline channels will experience higher growth rates compared to previous years.
- With rising consumption levels and extensive social media campaigns on skincare awareness, Chinese consumers have become increasingly aware of skincare in recent years, striving to achieve healthy and beautiful skin. In order to achieve this goal, consumers' requirements for efficacy, quality and safety of skincare products have gradually risen, and they are willing to pay for high-quality skincare products. As a result, premium skincare brands have gained popularity in recent years. According to Frost & Sullivan, the market size of China's premium skincare market increased from RMB98.8 billion in 2018 to RMB147.1 billion in 2023 in terms of retail sales, with a CAGR of 8.3%.

Source: Frost & Sullivan

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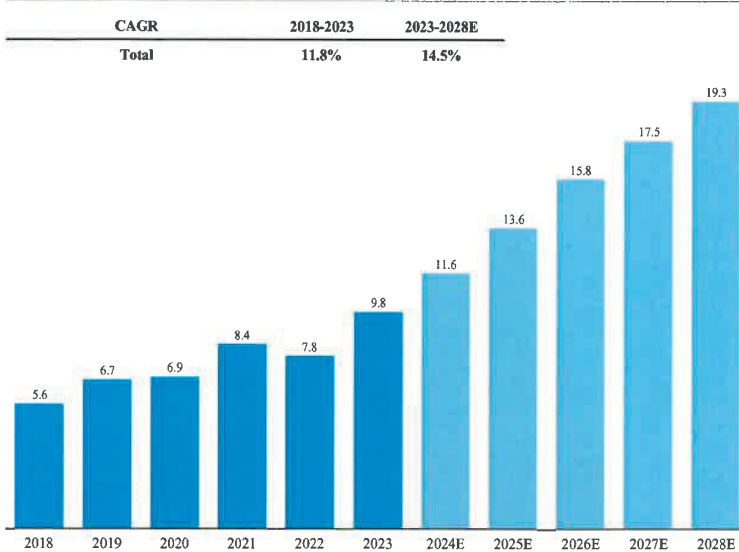
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- 5 Overview of Professional Makeup Artistry Training Industry in China



Overview of Professional Makeup Artistry Training Industry in China

Market Size of Professional Makeup Artistry Training Industry in China by Revenue

Market Size of China's Professional Makeup Artistry Training Industry
Billion RMB, 2018-2028E



Key Finding

- Makeup artistry training refers to education programs that is designed for program participants to learn make-up knowledge and skills, and such training aims to help program participants to work in the beauty industry or other related industries such as beauty advisors, styling designers.
- China's professional makeup artistry training industry is one of the fastest-growing industries in the vocational training market. The makeup training programs are designed for a variety of participants, including novices aspiring to makeup-related careers, industry professionals seeking advanced qualifications, and individuals with foundational makeup knowledge aiming to refine their skills. The market size of professional makeup artistry training increased from RMB 5.6 billion in 2018 to RMB 9.8 billion in 2023 with a CAGR of 11.8%. With the government's strong support for employment-oriented vocational education, it's expected to grow at a CAGR of 14.5% to reach RMB 19.3 billion by 2028.
- China's professional makeup artistry training industry is a fragmented market and is featured by a large number of market players, which has an apparent long-tail effect. Beauty salons in various regions still organize on-the-job training for apprentices, and small training studios with low prices are also common. Leading institutions are usually national-chained vocational schools with well-established internal operation systems and professional training personnel. The industry will be consolidated with those schools characterized by strong professionalism, good reputations, and integrated training systems in the future.

Source: Frost & Sullivan

Overview of Professional Makeup Artistry Training Industry in China

Market Drivers and Industry Trends Analysis

Market Drivers

The growing beauty industry

- As the consumer market for color cosmetics is expanding, the audience for makeup continues to grow and the demand for beauty services in people's daily lives is increasing. This will accelerate the growth of the makeup artistry industry and boost the demand for beauty professionals. Especially with the increase in the category of make-up products, the threshold for making good make-up is getting higher.

Rapid innovation and upgrading of the industry

- The makeup artistry industry's aesthetic styling is based on current fashion elements and mainstream aesthetics, which is time-sensitive and lasts short since beauty trends keep changing, such as the iteration of makeup tools and the refreshing of makeup styles. Therefore, it's necessary for beauty professionals to study and go training regularly to keep up with the latest makeup techniques. It's expected that the industry will be consolidated and grow at a CAGR of 14.5% to reach RMB19.3 billion by 2028.

Future Trend

Closer makeup artistry school-enterprise cooperation

- Since makeup skills education effectively bridges the gap between students and employers, makeup schools are expected to work closely with enterprises to get well-prepared for the change in employer needs. The programs are customized to ensure which type of makeup effect is popular and required most in the practicable aspect. In addition, such close cooperation facilitates improved employment rates and job-hunting efficiency in the makeup artistry training market through talent assessments and internal referrals.

Better Quality Makeup Training Providers

- The makeup artistry training market is poorly concentrated. As the industry becomes increasingly competitive, only high-quality makeup teaching institutions with diversified courses, abundant teaching resources, advanced equipment support, and comprehensive teaching systems will achieve solid future growth and form a scale advantage to integrate the market. The small workshop-like beauty schools or training-to-work beauty salons will be eliminated in terms of beauty education.

Source: Frost & Sullivan

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● Appendix



Appendix

	Leading Statement
1	Proya ranked fifth in the skincare industry in China in terms of retail sales in 2023.
2	L'Occitane ranked twenty-fourth in the skincare industry in China in terms of retail sales in 2023.
3	KanS ranked twelfth in the skincare industry in China in terms of retail sales in 2023.
4	MAOGEPING is the first premium domestic cosmetics group to establish counters in high-end department stores.
5	As of March 31, 2024, MAOGEPING operated the second largest self-operated counter network among all the domestic and international beauty brands.
6	As of the Latest Practicable Date, MAOGEPING has established one of the largest counter-based service teams among all domestic and international beauty brands in China.
7	MAOGEPING is one of the largest makeup artistry training institution in terms of students enrollment in 2023 in China.
8	MAOGEPING ranked eighth among all other color cosmetics brands in terms of retail sales in 2022 in Sephora. MAOGEPING was the only domestic brand among top 8 brands.
9	The engagement of distributors to sell beauty products are industry norm in China.
10	MAOGEPING ranked first in both China's premium color cosmetics and premium skincare markets among domestic beauty brands in terms of retail sales in 2023.
11	MAOGEPING's financial performance during the Track Record Period were significantly higher than the industry average in terms of both revenue growth rate and net profit growth.

Appendix

	Leading Statement
12	Mr. Mao, drawing upon his foundational aesthetic philosophy, has become the first Chinese makeup artist that created his own beauty brand with MAOGEPING, establishing it as the first domestic premium beauty brand in China.
13	MAOGEPING was the largest domestic color cosmetics brand in terms of retail sales generated from offline and, in particular, the department store channel in China by retail sales in 2023.
14	MAOGEPING is recognized as the only domestic premium beauty brand in China.
15	MAOGEPING's product return rate is lower than the industry average.
16	Luminous Cream Foundation product series (光感無痕粉膏系列) and Luxury Caviar Facial Mask which respectively achieved retail sales of over RMB300.0 million and RMB600.0 million in 2023, are widely recognized in the market.
17	The department store segment of offline channels refers to a retail establishment offering a wide range of mid-to high-end consumer goods in different areas of the store, which is an important part of the offline channel. The influence accumulated by beauty brands in offline channels can further empower online sales.
18	MAOGEPING's skincare product offering quickly gained its market share since its launch, it attained a growth rate of approximately 47% from 2022 to 2023 which far exceeding the industry average.
19	MAOGEPING was the first premium domestic cosmetics group to establish counters in high-end department stores.
20	MAOGEPING had the second-largest self-operated counter network among all beauty brands in China, which consisted of 372 counters nationwide as of June 30, 2024. With over 2,700 beauty advisors staffed at our counters as of the Latest Practicable Date, MAOGEPING have established one of the largest counter-based service teams among all domestic and international beauty brands in China
21	During the Track Record Period, MAOGEPING's repurchase rates were significantly higher than the industry average.

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Source: Frost & Sullivan

Appendix

	Leading Statement
22	Building on the solid brand image, product strengths and consumer trust established in our offline channels, MAOGEPING has expanded our presence on online sales channels. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the revenue generated from sales through online channels amounted to RMB529.1 million, RMB694.3 million, RMB1,179.8 million, RMB571.0 million and RMB933.2 million, respectively, representing a CAGR of 49.3% from 2021 to 2023 and a period-to-period growth rate of 63.4% from the six months ended June 30, 2023 to the same period in 2024, both of which were significantly higher than the industry average.
23	A nationwide makeup training service network positions MAOGEPING as one of the largest makeup artistry training institutes in China in terms of program participants enrollments in 2023.
24	With the first counter of MAOGEPING established in Shanghai's Grand Gateway Plaza in 2003, MAOGEPING became the first premium domestic cosmetics group to establish counters in high-end department stores.
25	During the Track Record Period, MAOGEPING maintained low overall consumer complaint rates of 0.18%, 0.20%, 0.27% and 0.22% in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, which were significantly lower than the industry average.
26	MAOGEPING calculation of the product return rates and product return and recall policies are in line with the industry practice in the PRC.
27	Engaging ODMs for product design, development, and production is an established practice within the cosmetics industry.
28	Based on our light and shadow makeup artistry, MAOGEPING pioneered the development of the highlighting and contouring products in China, notably with the Light and Shadow Collection that was specifically designed to suit Chinese skin tones among all domestic beauty brands.
29	It is not uncommon in the beauty industry for beauty brands to name their brand after their founders, with representative international and Chinese examples including (without limitation) Chanel, Bobbi Brown, Shu Uemura and Yuesai
30	The industry average of inventory turnover days is generally between 100 and 300 days for beauty companies that mainly engage OEM/ODM providers for production.
31	There are potential acquisition and investment targets in the premium beauty industry, both in China and overseas, that could be strategically valuable for growth and expansion.

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Source: Frost & Sullivan

Appendix

	Leading Statement
32	During the Track Record Period, we also engaged certain offline distributors who operated counters of MAOGEPING to facilitate sales of our products in line with market Practice.
33	The industry average online repurchase rate is approximately 10.0%.
34	The availability of ODM/OEM providers is sufficient in the market to produce products.

Appendix

Group A: A listed beauty group founded in 1909 in France. This group engages in skincare, color cosmetics, personal care and other products, and owns premium and mass-market brands.

Group B: A listed beauty group founded in 1946 in the United States. This group engages in skincare, color cosmetics and other products, and mainly owns premium brands.

Group C: A listed beauty group founded in 1987 in France. This group engages in skincare, color cosmetics and other products, and mainly owns premium brands.

Group D: A listed beauty group founded in 1872 in Japan. This group engages in skincare, color cosmetics and other products, and owns premium and mass-market brands.

Group E: A listed beauty group founded in 1837 in the United States. This group engages in skincare, personal care and other products, and mainly owns mass-market brands.

Group F: A private beauty group founded in 1910 in France. This group engages in skincare, color cosmetics and other products, and owns a premium brand.

Our Group: A private beauty group founded in 2000 in China. This group engages in color cosmetics and skincare products, and mainly owns a premium brand.

Group G: A private beauty group founded in 1976 in France. This group engages in skincare and color cosmetics, and owns a premium brand.

Group H: A private beauty group founded in 1954 in France. This group engages in skincare, and owns a premium brand.

Group I: A listed beauty group founded in 1945 in Korea. This group engages in skincare, color cosmetics and other products, and mainly owns mass-market brands.

Appendix

Brand A: A beauty brand founded in 1935 originated in France, mainly engaged in skincare, color cosmetics, and perfume products.
Brand B: A beauty brand founded in 1946 originated in the United States, mainly engaged in skincare, color cosmetics, and perfume products.
Brand C: A beauty brand founded in 1994 originated in the United States, mainly engaged in skincare and color cosmetics products.
Brand D: A beauty brand founded in 1946 originated in France, mainly engaged in skincare, color cosmetics, and perfume products.
Brand E: A beauty brand founded in 1980 originated in Japan, mainly engaged in skincare products.
Brand F: A beauty brand founded in 1982 originated in Japan, mainly engaged in skincare and color cosmetics products.
Brand G: A beauty brand founded in 1961 originated in France, mainly engaged in skincare, color cosmetics, and perfume products.
Brand H: A beauty brand founded in 1828 originated in France, mainly engaged in skincare, color cosmetics, and perfume products.
Brand I: A beauty brand founded in 1872 originated in Japan, mainly engaged in skincare, color cosmetics, and perfume products.
Brand J: A beauty brand founded in 1910 originated in France, mainly engaged in skincare, color cosmetics, and perfume products.
Brand K: A beauty brand founded in 1902 originated in France, mainly engaged in skincare products.
MAOGEPING: A beauty brand founded in 2000 originated in China, mainly engaged in color cosmetics and skincare products.
Brand L: A beauty brand founded in 1851 originated in the United States, mainly engaged in skincare, and other products.
Brand M: A beauty brand founded in 1975 originated in Italy, mainly engaged in skincare, color cosmetics, and perfume products.
Brand N: A beauty brand founded in 1997 originated in the United States, mainly engaged in skincare products.
Brand O: A beauty brand founded in 1976 originated in France, mainly engaged in skincare products.
Brand P: A beauty brand founded in 2017 originated in China, mainly engaged in color cosmetics products.
Brand Q: A beauty brand founded in 2017 originated in China, mainly engaged in color cosmetics products.
Brand R: A beauty brand founded in 2001 originated in China, mainly engaged in color cosmetics products.
Brand S: A beauty brand founded in 2017 originated in China, mainly engaged in color cosmetics products.

