

cdf 中免集团
CHINA DUTY FREE

Deloitte.

CDFG Membership
Whitepaper

2023



The China Duty Free Group (CDFG) in collaboration with Deloitte China jointly released the "2023 CDFG Membership Whitepaper" (hereinafter referred to as the "Whitepaper"). The Whitepaper, integrating the current duty-free policies, global and China's economic development situations, and consumer trends, offers an in-depth analysis of the development pattern and future trends of the duty-free industry. Based on the actual duty-free consumption data of CDFG from 2022 to 2023, it insights into the development trends of China's duty-free consumers and duty-free product categories, as well as forecasts the future development prospects of China's duty-free market.

The Whitepaper shows that the global duty-free market size and growth rate continue to rise, with a compound annual growth rate of 8% expected from 2022 to 2027. Currently, Europe, North America, and the Asia-Pacific region are the most active markets for duty-free travel retail. In terms of market size, China surpassed South Korea in 2023 to become the world's largest duty-free market. In terms of consumer demand, Chinese consumers have always been the main force in global duty-free store consumption. CDFG ranked first in the world among duty-free and travel retailers for three consecutive years from 2020 to 2022. At present, China is experiencing a new round of consumption structure transformation influenced by intergenerational changes in lifestyle, family structure and retail channels. The rise of personalized national trend consumption, especially the growth in consumption of national trend beauty products, has propelled the rise of domestic goods; residents in third-tier and lower cities are experiencing further consumption upgrades; there is a structural adjustment in the luxury and accessories market towards personalized and niche demand consumption; online channels are enhancing the convenience of member registration and consumption, while offline channels continue to enrich the consumer experience. These new consumption transformations have brought about diverse market competition. Large participants such as China Duty Free Group and Avolta are actively investing to respond to the opportunities and challenges posed by the shift in the consumption demands of the new generation. The market concentration is expected to further increase in the future.

From the perspective of China's duty-free consumers, benefiting from the loose duty-free policies and the recovery of outbound tourism, the number of users and members of CDFG, as well as their activity rate, have maintained a growth trend in the past two years. Among them, members from economically developed cities account for a high proportion, while the growth rate of members in third-tier and below cities is fast, with a significant downturn in duty-free consumption. New CDFG members show a younger trend and tend to consume a diverse range of duty-free products. There is a clear differentiation in consumption across different channels: online members tend to make entry-level purchases, while offline members are inclined towards high-quality, high-value consumption to satisfy their self-gratification needs.

By analyzing the age range, city distribution, hobbies, and consumption concepts of China Duty Free members, the Whitepaper categorizes the members into different label groups, such as beauty experts, independent women, fashion elites, and so on, comprising 12 types of crowd portraits. This further provides insights into the shopping needs of different duty-free consumer groups. Quality, domestic production, and uniqueness have become the focus of consumption: for instance, with the rise of domestic perfume and cosmetics, beauty experts are increasingly demanding higher quality; independent women who consume rationally for self-pleasure are gradually switching from international luxury brands to domestic ones; and the structural adjustment of luxury goods has led to niche luxury items entering the daily lives of fashion elites, among other diverse consumer trends.

From the perspective of the development trends of duty-free consumption categories in China, the current duty-free products of China Duty Free Group are divided into five major categories: perfume and cosmetics, luxury goods and accessories, watches and jewelry, wine and food, and department store goods. It has successfully gathered more than 1,400 well-known domestic and international brands, covering almost all mainstream international beauty and high-end fashion products in the market. In recent years, to better meet consumer demands, China Duty Free Group has also actively sought cooperation opportunities with emerging brands. Data shows that in 2023, the sales of perfume and cosmetics category accounted for more than half of the total duty-free sales of China Duty Free Group. The sales amount and the number of consumers for luxury goods and accessories, as well as watches and jewelry categories, have significantly increased compared to 2022, and the average transaction price is much higher than other categories. Market trends indicate that consumers tend to choose brands known for their value retention capabilities, making the market potential for luxury goods and accessories, as well as watches and jewelry, relatively high, with the expectation of becoming the main force in the future development of the duty-free market.

The year 2024, as the year of consumption promotion, continues to release incentives for consumption policies, boosting consumption growth. The duty-free market is closely related to the overall consumer environment. Although there is a structural change in residents' consumption, guided by a series of national policies and the increasing willingness of residents to travel, as well as the accelerated influence of consumption concepts such as "self-pleasure consumption" on people's willingness to consume, the duty-free market, as a collection of various consumer goods, has a greater clustering effect and better prices. The opportunities in the duty-free market still lie within it. Practitioners in the duty-free market need to deeply understand different crowd portraits, actively embrace the consumption habits of the new generation of customers, and develop differentiated communication strategies. By embracing new media and new retail, fully realizing the integration of online and offline channels, and through multiple touchpoints and all-time periods, they can accurately reach the target audience with personalized content and services, continuously improving the sense of experience and value for consumers, thereby increasing market share and enhancing tourism retail performance.



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01

**Analysis of the Development
Landscape in the Global
Duty-Free Market**

Overview of the Duty-Free Industry



Generally, the duty-free industry refers to a specialized tourism service sector where various countries and regions, in accordance with relevant laws and regulations, sell duty-free goods to international travelers or specific travelers.



In 2020, the global COVID-19 pandemic led to a sharp decline in tourism, which consequently impacted the duty-free market, causing its size to decrease from USD86 billion in 2019 to USD45.6 billion in 2020. However, as the pandemic came under control and the economy began to recover, the duty-free market gradually regained its footing in 2021. Globally, the duty-free market has shown a growth trend over the past few years, with the market size projected to reach USD74.8 billion by 2023. According to forecasts, the compound annual growth rate (CAGR) from 2022 to 2027 could reach 8%, potentially expanding the global duty-free market to USD94.6 billion by 2027.

The global duty-free market experiences sustained growth in both size and growth rate.



In terms of market size, China surpassed South Korea in 2023 to become the largest duty-free market globally. From the perspective of consumer demand, Chinese consumers have consistently been the primary drivers of global duty-free store sales. According to data from Tax Free World Association (TFWA), Chinese consumers contributed to 40% of global duty-free spending in 2019, a key factor in the continued expansion of the Asia-Pacific duty-free market. Current national policies further attract the high-end consumption to return to China, which may influence the landscape of global duty-free industry.

The significance of China's duty-free market on the global stage is becoming more evident.



Founded in 1984, China Duty Free Group (CDFG) is a state-owned enterprise primarily engaged in the duty-free business. Thanks to the favorable policies within China's duty-free industry (e.g. Hainan Duty-Free Sector), and the group's omni-channel (online and offline) development strategy, CDFG has experienced rapid growth, securing its position among the global leaders in duty-free retail. In terms of the offline deployment, CDFG has established approximately 200 duty-free stores across more than 30 cities in China and internationally in locations like Cambodia. These stores span nine categories, including airport duty-free stores, in-flight duty-free stores, border duty-free stores, ocean shipping supply duty-free stores, passenger terminal duty-free stores, railway station duty-free stores, duty-free stores for diplomatic staff, cruise duty-free stores, and downtown duty-free stores, covering over 100 cities. CDFG has developed into a duty-free operator with the most diverse range of duty-free stores and the highest number of retail outlets within a single country globally.

CDFG possesses comprehensive duty-free retail channels and premium market resources.



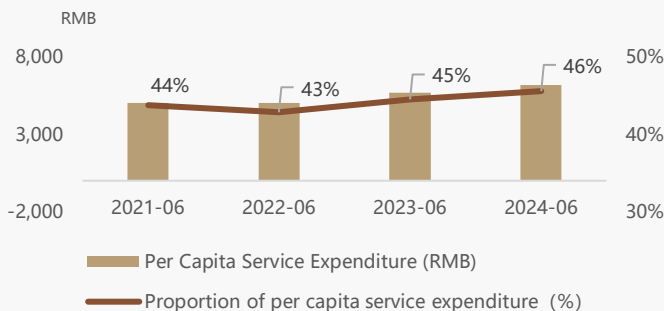
Currently, China is undergoing a new round of transformation in consumption structure, influenced by intergenerational shifts in lifestyle alterations, changes in family structure and innovation in retail channels.

- Consumption upgrade in third-tier and below cities
- Experience upgrade in travel, shopping, and leisure

Lifestyle Alterations

After the baptism of the pandemic, consumers have become accustomed to online shopping. Consumers in the lower-tier markets have been exposed to the consumption information and lifestyle concepts of first-tier cities through the internet, which has inspired their yearning for and pursuit of a high-quality life and promoted the upgrade of consumption concepts. With the increase in service expenditures, consumers are more inclined to pay for services and experiences, rather than just purchasing physical products. This has led to a shift in consumption concepts from merely pursuing material possessions to seeking comprehensive life experiences.

The proportion of per capita service expenditure continues to increase.



Data Source: National Bureau of Statistics

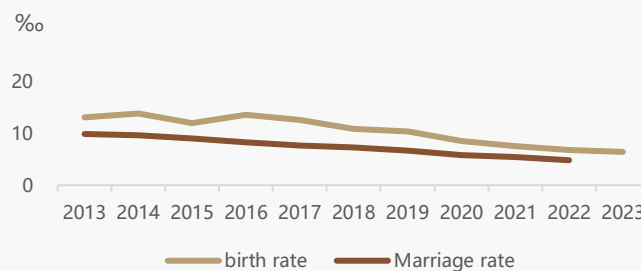
- Personalized national trend consumption drives the rise of domestic products
- Structural adjustments in luxury goods and accessories

Changes in Family Structure

The declining birth rate and marriage rate year by year have led to a gradual shift in family structures towards "one-generation households". Consumers are more inclined to express themselves and pursue individuality, making the unique design and cultural connotations of national trend goods more likely to win their favor.

At the same time, smaller families pay more attention to the quality of life and personal enjoyment. The lifestyle and taste represented by niche luxury goods often align with their consumption concepts, making them popular among such families.

Birth rate and marriage rate from 2013 to 2023



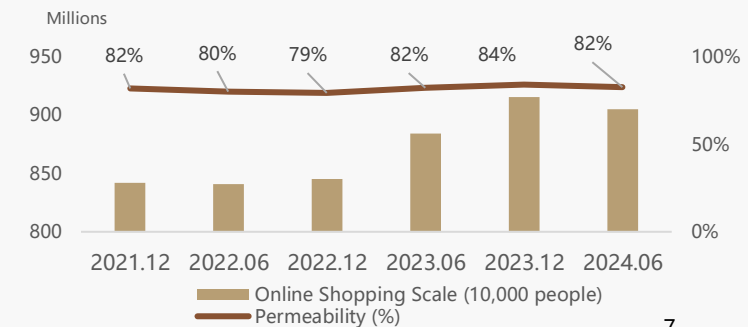
- Online channels enhance the convenience of consumption
- Offline channels continue to enrich the consumer experience

Continuous integration and innovation in retail channels

In the ongoing transformation of retail channels, consumers have gained more shopping options. Online channels offer convenient consumption methods, allowing people to enjoy high-quality goods from around the world right at home.

The advantages of offline channels lie in their intuitiveness, diversity, and a sense of trust, meeting social needs that integrate shopping, entertainment, leisure, dining, and traveling. This retail model, characterized by the integration and complementarity of online and offline channels, will continue to enrich the growing demands of consumers.

Scale and Penetration Rate of Online Shopping Users





Competitors in the Global Duty-Free Market

The global duty-free retail market is highly competitive, with market concentration expected to increase further.

Currently, the most active duty-free and travel retail markets are in Europe, North America, and the Asia-Pacific region. Key players include CDFG from China, Lotte Duty Free, The Shilla Duty Free, and Shinsegae Duty Free from South Korea, Avolta (formerly Dufry) from Switzerland, Lagardère from France, DFS from Hong Kong, Heinemann from Germany, and Duty Free Americas from the United States. CDFG ranked first among the global duty-free and travel retailers for three consecutive years from 2020 to 2022. These major players are actively navigating the diverse market competition and challenges, which is expected to drive further market concentration in the future.



Performance of World-Leading Duty-Free Enterprises

The recovery in performance among the world-leading duty-free enterprises has shown divergence.

Due to fluctuations in exchange rates and the impact of duty-free policies in different regions, the performance of global duty-free retail giants has exhibited varying degrees of change. In terms of the revenue of the players operating in the global duty-free retail market, Avolta, CDFG, and Lagardère were the top three globally in 2023, all achieving positive growth rates exceeding 20%. Meanwhile, Lotte Duty Free and The Shilla Duty Free from South Korea saw a decline in revenue in 2023 compared to the previous year, influenced by the Korea Customs Service's restrictions on the daigou business.

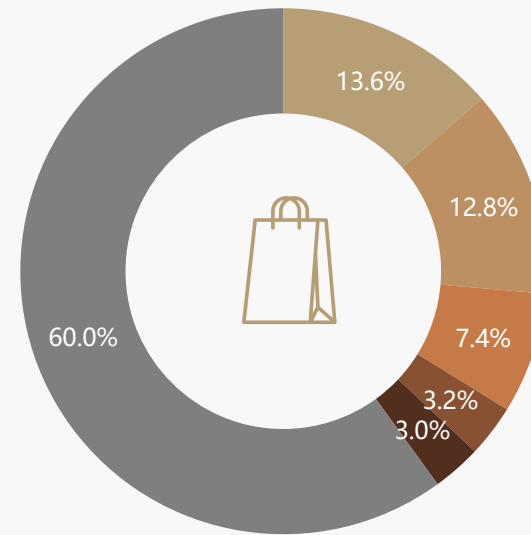


Characteristics of World-Leading Duty-Free Enterprises

Enterprise Name	Country	Major operating regions	Primary Business Forms and Categories	Core Advantages
Avolta	Switzerland	United Kingdom, Spain, Italy, Switzerland, Jordan, U.A.E., Morocco, Kuwait, Malta and other Europe, Middle East, Africa, America	The main business formats are duty-free, duty-paid and catering, and the main categories include fragrance, food, wine and spirits, luxury goods, tobacco products, electronic products, literature and publications	Strategic acquisitions to achieve global expansion, with obvious geographical advantages; Huge sales scale to achieve price advantage
CDFG	China	China, Cambodia, etc., has covered more than 100 cities	Primarily engaged in duty-free and tax-paid business, including categories such as tobacco, alcohol, perfume, and fashion accessories, encompassing more than 1400 well-known global brands	Complete online and offline duty-free retail channels and high-quality market resources; Large-scale sales to achieve price advantage; National policy support
Lagardère	France	France, United States, United Kingdom, Canada, EU countries, other European countries, Middle East and Asia Pacific	The main business forms are duty-free, duty-paid and catering business, and the main categories include fragrance, food, tobacco and liquor, fashion accessories, etc	Global expansion and business expansion through strategic acquisitions
Lotte Duty Free	South Korea	South Korea, Japan, Thailand, Indonesia and other Asia-Pacific countries	Mainly duty-free business, including fragrance, food, tobacco and liquor, fashion accessories and other categories, providing 1,600 multi-brand products	
The Shilla Duty Free	South Korea	South Korea, Japan, Hong Kong and other Asia-Pacific countries	Focusing on duty-free business, it includes fragrance, food, tobacco and liquor, fashion accessories and other categories, providing more than 1,300 world-renowned brands	South Korea has a well-developed tourism industry and obvious market advantages; Backed by large local groups in South Korea, the scale advantage is obvious; South Korea's early policy support was strong
Shinsegae Duty	South Korea	South Korea	It mainly develops duty-free and duty-paid commercial department stores, real estate, tourism and hotels, and its main categories include fragrance, food, tobacco and liquor, fashion accessories, etc	



Proportion of Sales in the Global Duty-Free and Travel Retail Market in 2023



- Avolta (formerly Dufry, excluding F&B)
- CDFG
- Lagardère
- Lotte Duty Free
- The Shilla Duty Free
- other

Data Source: Generation research, Deloitte Research



Drivers of Enterprise Development in China's Duty-Free Market

- Relaxed policies encourage the development of the duty-free industry.**

In recent years, as a key measure to boost consumption and promote consumption upgrading, the Chinese government has introduced several targeted policy documents outlining development plans and regulatory measures for the duty-free industry.
- Robust financial conditions significantly support the continuous expansion of the duty-free industry.**

Currently, Chinese residents' incomes are growing at a rapid pace. According to the National Bureau of Statistics, the per capita disposable income of residents in China reached CNY39,218 in 2023, representing a nominal increase of 6.3% and a real increase of 6.1% compared to the previous year.
- In the post-pandemic era, changes in consumer attitudes continuously fuel the development of the duty-free industry.**

In the post-pandemic era, residents' willingness to travel is growing, and new consumption concepts such as "self-rewarding consumption" are influencing the new generation of consumers at an accelerated pace.
- Emerging technologies empower the integration of online and offline channels within the duty-free industry.**

As technology advances and the internet becomes more widespread, duty-free shopping is becoming increasingly digitalized and intelligent.



Performance of Leading Duty-Free Enterprises in China

China's duty-free enterprises have demonstrated consistent growth in their performance.

According to publicly available data, CDFG, driven by its ongoing development within the duty-free industry as well as its acquisition and expansion strategies, has achieved a year-on-year growth rate of 24.1% in its annual revenue. Meanwhile, Hainan Development Holdings LTD. and Times DF have also seen rapid revenue growth, and other duty-free companies similarly achieved positive annual revenue increases of around 20%.

Despite the noticeable revenue growth across domestic duty-free operators, CDFG's position as the industry leader remains firmly established.





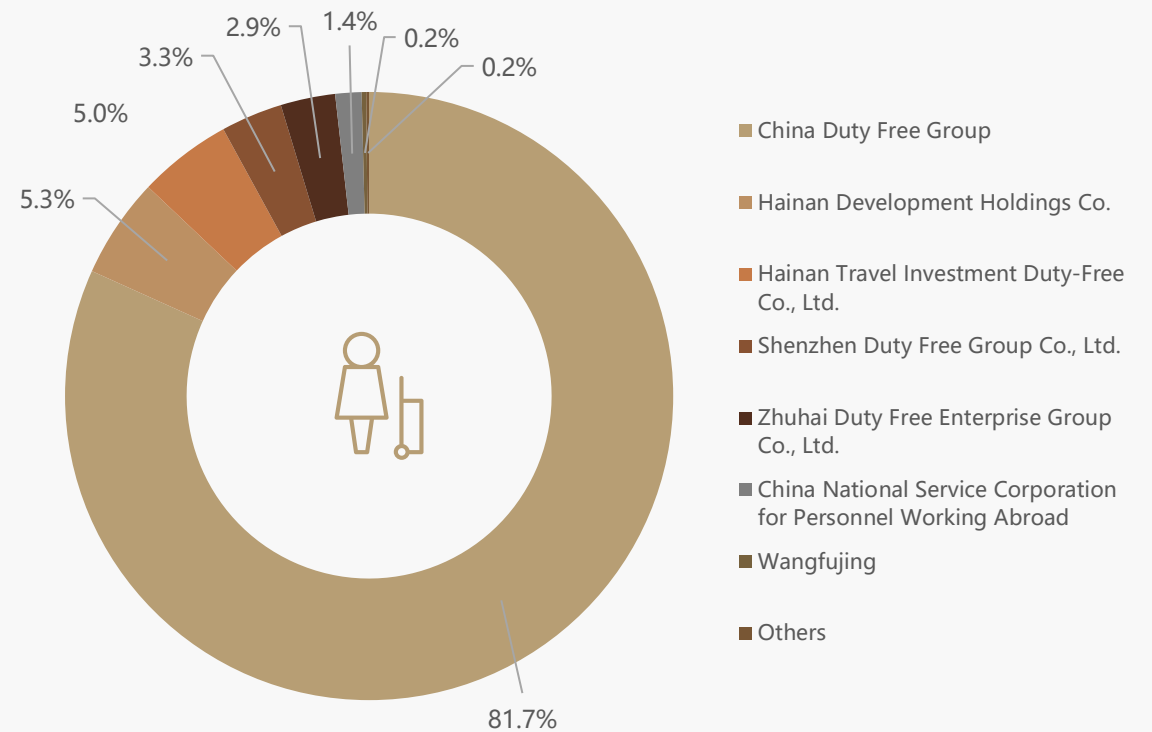
Competitors in China's Duty-Free Market

China's duty-free market is highly concentrated, with a consistently stable competitive landscape.

Currently, the companies holding duty-free licenses in China include CDFG and its subsidiaries, Times DF, Zhuhai Duty Free Group, CNSC Duty Free, Oversea Chinese Duty Free Foreign Exchange Shop, Hainan Tourism Investment Group, Hainan Development Holdings LTD., and Wangfujing. In terms of the market share, CDFG holds a dominant position, firmly establishing itself as the leading enterprise in the domestic duty-free market. In 2023, the total sales in China's duty-free market amounted to about CNY 78.9 billion, with CDFG contributing CNY 64.5 billion, accounting for 81.7% of the domestic market share.



Key Players in China's Duty-Free Market and Their Market Shares



Data Source: Public Information, Deloitte Research



Brand Advantage

- CDFG leverages its strong brand presence on both the supply and consumption ends. On one hand, CDFG has accumulated an extensive network of brand partners, and on the other, it has gained widespread recognition and preference within the Chinese travel shopping market.
- Through the acquisitions of Sunrise Duty Free China, Sunrise Duty Free Shanghai, Hainan Duty Free, and China CTS Asset Management Corporation, CDFG has further strengthened its brand dominance in the duty-free industry.
- As of June 2023, according to the "2023 China's 500 Most Valuable Brands" list released by World Brand Lab, the brand value of "CDFG" reached CNY 116.5 billion, ranking first in the tourism services industry for consecutive years.



Supply Chain Advantage

- During its extensive involvement in the duty-free sector, CDFG has established long-term and stable partnerships with over 1,400 renowned global brands, ensuring a diverse range of brand resources and a robust supply of product offerings.
- CDFG has set up eight customs-supervised logistics centers across major cities including Dalian, Qingdao, Shanghai, Shenzhen, Sanya, Hong Kong, Beijing, and Haikou, thereby establishing a nationwide digital monitoring system that enables efficient and rapid distribution of goods throughout China..



Channel Advantage

- CDFG boasts a comprehensive online and offline duty-free retail network along with premium market resources. It operates approximately 200 duty-free stores across more than 100 cities, covering nine key categories: airport duty-free stores, in-flight duty-free stores, border duty-free stores, ocean shipping supply duty-free stores, passenger terminal duty-free stores, railway station duty-free stores, duty-free stores for diplomatic staff, cruise duty-free stores, and downtown duty-free stores.
- CDFG also owns six offshore duty-free stores, including the world's largest and second-largest duty-free commercial complexes—Haikou International Duty Free City and Sanya International Duty Free City.
- CDFG is rapidly expanding its online presence, offering multiple online reservation and purchase platforms such as CDF Members, CDF Hainan, CDF Sunrise, and CDF International, which provide consumers with convenient and comprehensive online shopping services.

A woman in a black dress is being styled by a hairdresser in a modern salon. The hairdresser is using a hairbrush and a hairdryer. The woman is smiling and looking towards the camera. The background shows a modern salon interior with red accents and a large window.

02

Insights into Consumers of CDFG



Demographic Analysis of Users and Members

This analysis focuses on the scale, geographical distribution, age, and other characteristic attributes of CDFG's users and members to better understand their profile.



Consumption Analysis of Users and Members

This section examines the consumption behaviors of CDFG's users and members, including their preferred channels, product categories, and purchasing motivations, to gain insights into their consumption habits.



Member Value Analysis

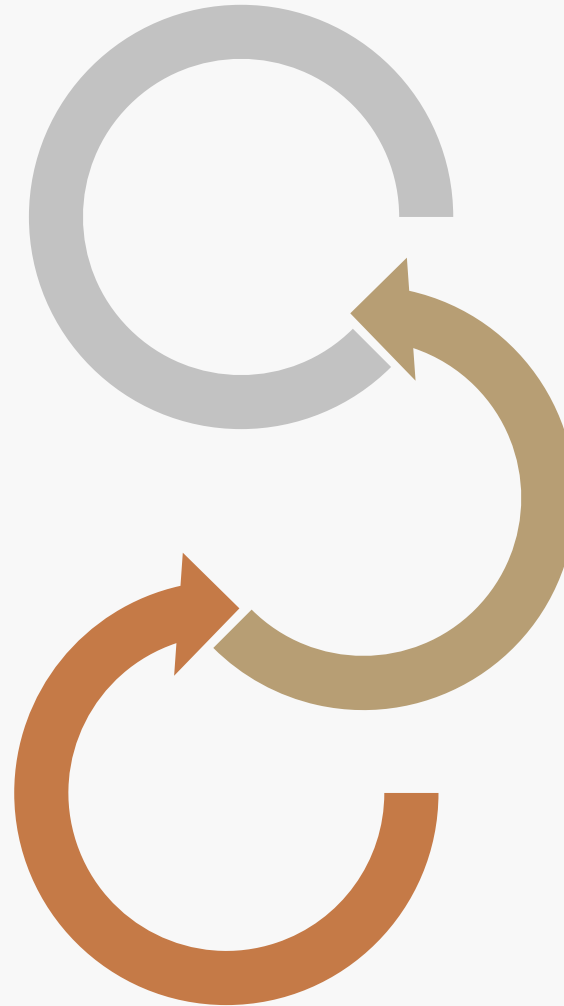
This analysis assesses the value of CDFG members, identifying the characteristics and consumption patterns of members with varying levels of value.

Group Analysis

- The number of duty-free consumers continues to rise, with the membership showing a trend towards youthfulness, with the most active age group being 29-33 years old.
- The proportion of high-value members in Tier-3 and below cities is close to 40%, and the growth rate of members in these areas far exceeds that of Tier-1 and Tier-2 cities. The spending power of the sinking market users cannot be ignored.
- Against the backdrop of the post-epidemic tourism boom, the revival of offline consumption and the increase in travel destinations have played a positive role in driving the registration growth of members across various channels of China Duty Free.

Consumer Analysis

- The active proportion of regular members has increased significantly, demonstrating the immense duty-free consumption potential of ordinary consumers.
- Male high-level members demonstrate strong consumption potential, accounting for an increasing proportion of high-level active members year by year.
- Obvious differentiation in consumption is seen across different channels, with online members tending towards entry-level consumption, while offline members are inclined towards higher-value purchases.
- Daily restocking has become the primary motivation for member consumption, and boosting duty-free consumption requires multi-channel influence on consumer psychology.



Value Analysis

- The enthusiasm of high-value members for purchasing expensive goods remains unchanged, with the potential value of members yet to be fully tapped.
- The detailed profiling of members accurately captures user needs, with quality, domestic production, and uniqueness becoming the focus of consumption.
 - Beauty Enthusiasts - As domestic cosmetics rise, the demand for cosmetic quality by ingredient enthusiasts increases.
 - Independent Women- Self-comforting and rational consumers are gradually inclining towards domestic cosmetics as substitutes for international luxury brands.
 - Fashion Connoisseurs- The structural adjustment of luxury goods makes niche luxury brands potential hotspots.
 - Town Elites- Increased duty-free consumption in the sinking market wins high cost-performance duty-free products favor.
 - Social Butterflies - Women from new first-tier cities lead the trend in watch and jewelry consumption.
 - Urban Silver Generation- With money and leisure in retirement, the silver-haired group tends towards high-quality consumption.

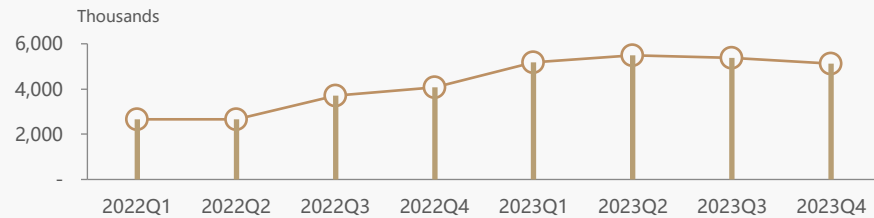


Overall Scale

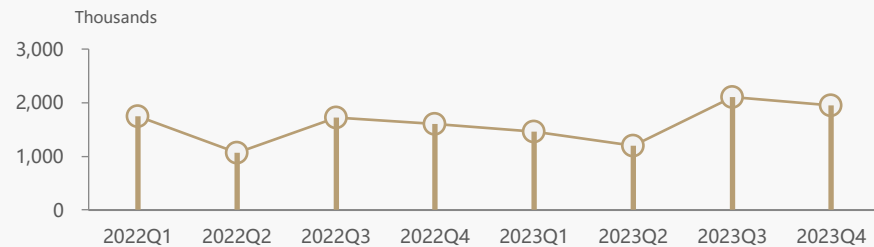
The growth patterns between CDFG's users and members exhibit significant differences. While the user base has maintained stable and high growth, the membership growth has shown a more fluctuating trend.

Data indicates that from 2022 to 2023, the number of quarterly newly added users of CDFG steadily rose, reaching a stable level by the second half of 2023. In contrast, the number of quarterly newly added members exhibited growth with fluctuations, typically hitting a low point in the second quarter of each year and peaking in the third quarter.

Trend of New Clients



Trend of Newly Registered Members



Data source: Internal Statistical Data of CDFG

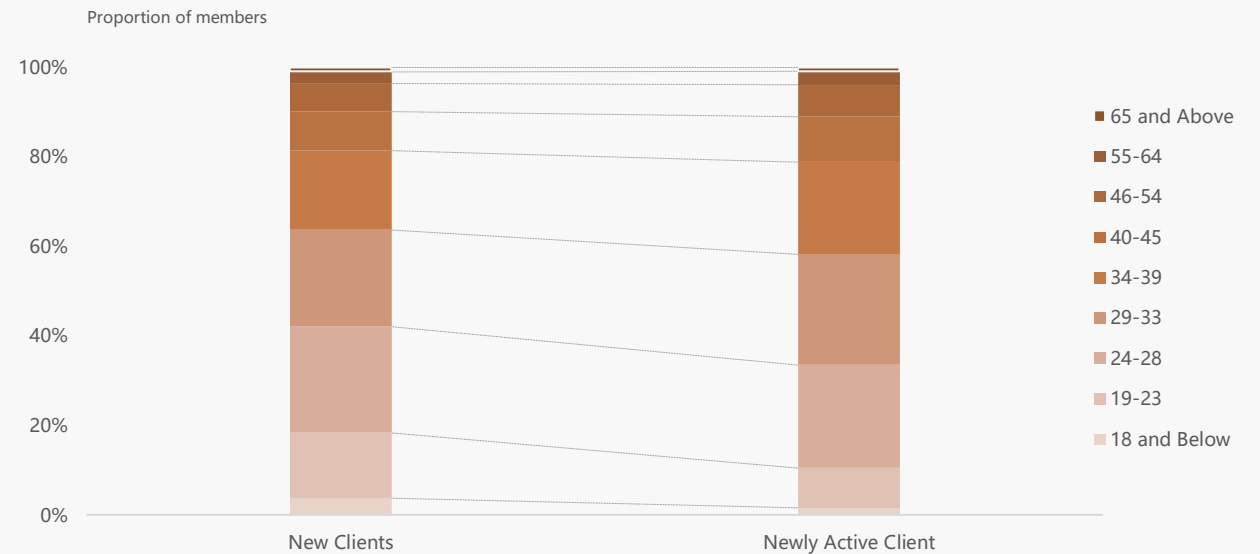


Age Characteristics

Newly added members are showing a trend toward younger ages, with the age group of 29-33 being the most active.

Data shows that in 2023, despite the trend of younger new members, the group that ultimately becomes active and contributes revenue to CDFG remains predominantly composed of young and middle-aged members with considerable economic strength.

Percentage Distribution of Newly Added Members and Newly Added Active Members by Age in 2023



Data source: Internal Statistical Data of CDFG

- Users: Individuals who have made purchases through CDFG, including both members and non-members.
- Members: Individuals who have registered through any online or offline channels operated by CDFG.

- Newly added: The number of individuals, brands, or SKUs that exist in a specific period but were absent in the previous period.
- Active: A status of having made purchases during a specific period.

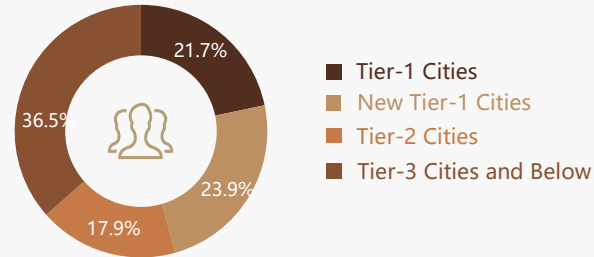


Geographic Distribution Characteristics

Members from more economically developed cities constitute a higher percentage, but membership growth is faster in tier-3 and lower-tier cities, indicating a trend of duty-free consumption expansion into lower-tier cities.

Data shows that in 2023, members in tier-1 and new tier-1 cities—representing more economically developed regions—took up a high proportion of approximately 45% in the total membership. However, in terms of membership growth rate, tier-3 and lower-tier cities exhibited a rapid increase, with a year-on-year growth rate of 40.3%, significantly outpacing the growth rate in tier-1 and new tier-1 cities.

Member Distribution By City Level in 2023



Statistics Table of Member Growth Rate by City Level in 2023

City Level	Member Growth Rate
Tier-1 Cities	20.4%
New Tier-1 Cities	31.5%
Tier-2 Cities	34.2%
Tier-3 Cities and Below	40.3%

Data source: Internal Statistical Data of CDFG

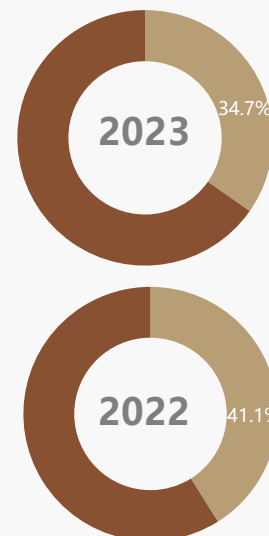


Sales Channel Distribution Characteristics

The travel boom has enabled users to register as members of more channels and stores operated by CDFG.

Data indicates that although online channels remained the primary source of new member registrations in 2023, the proportion of online registrations decreased compared to 2022. The increased frequency of trips due to the post-pandemic travel boom allowed residents to engage with CDFG's duty-free shopping through more physical channels and stores, thereby reducing the proportion of registrations through online channels.

Distribution of Member Registration Channels

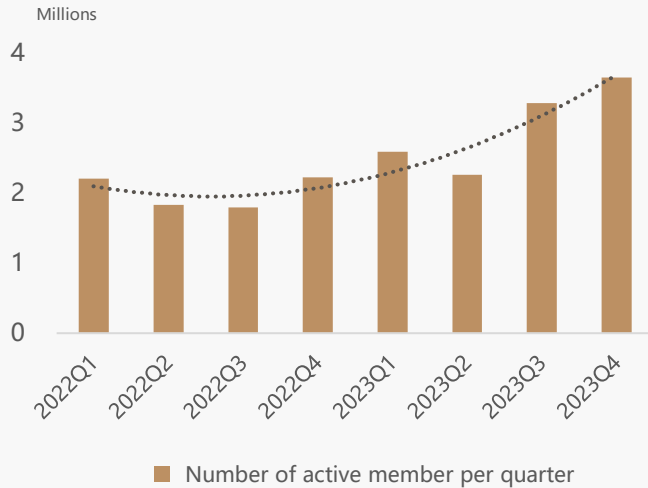


	2023	2022
Airport	11.4%	7.4%
Downtown	42.5%	35.9%
Online	46.0%	56.4%
Others	0.1%	0.4%

Data source: Internal Statistical Data of CDFG



Quarterly Active Members

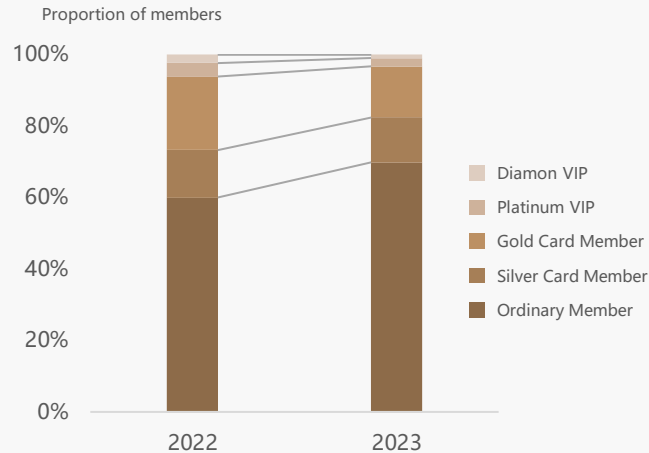


Data source: Internal Statistical Data of CDFG

After the end of the pandemic, member spending rebounded rapidly, with the number of active members maintaining steady growth.

Data shows that beginning in 2023, the number of active members recovered quickly, reaching over 3.5 million active members in the fourth quarter of 2023.

Distribution of Active Members by Membership Level

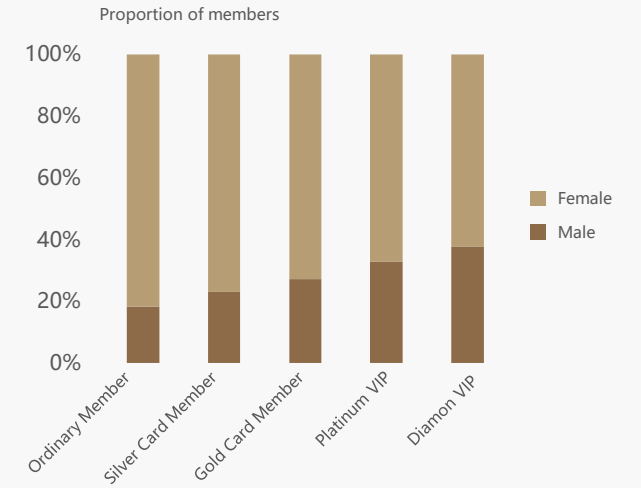


Data source: Internal Statistical Data of CDFG

The number of active regular members increased quickly.

Data reveals that the proportion of active regular members rose from 59.9% in 2022 to 69.8% in 2023. This indicates the substantial duty-free consumption potential among regular consumers.

Gender Distribution of Active Members at Each Level in 2023



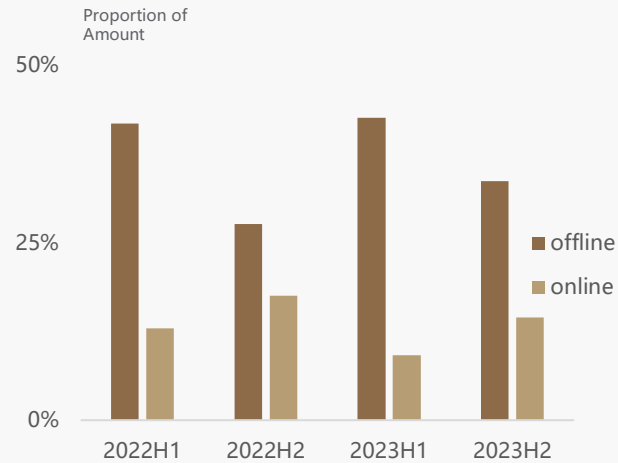
Data source: Internal Statistical Data of CDFG

Male representation increased among high-level active members.

Data reveals that the proportion of active male members increases with membership level. In 2023, male members accounted for 18.3% of active regular members, while among Diamond VIP members, the male proportion reached 37.8%, highlighting the significant consumption potential of high-level male members.



Overview of Member Consumption

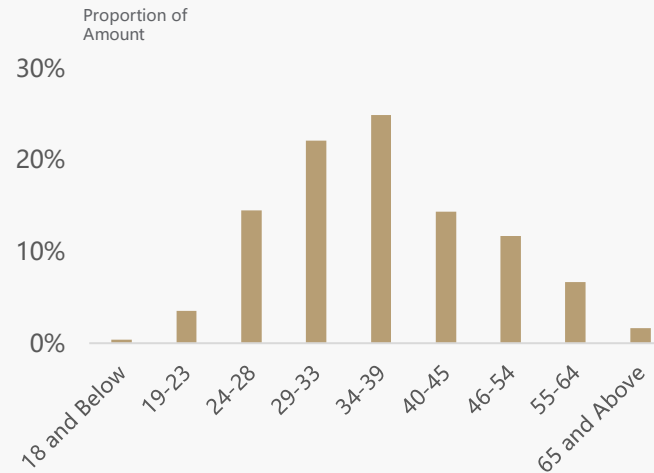


Data source: Internal Statistical Data of CDFG

Member spending in 2023 witnessed rapid year-on-year growth with significant increase in offline channels.

Data shows that in 2023, member spending at CDFG saw substantial growth compared to 2022, a year-on-year increase of 30%. The growth in offline channels was particularly notable.

Percentage Distribution of Members by Age in 2023

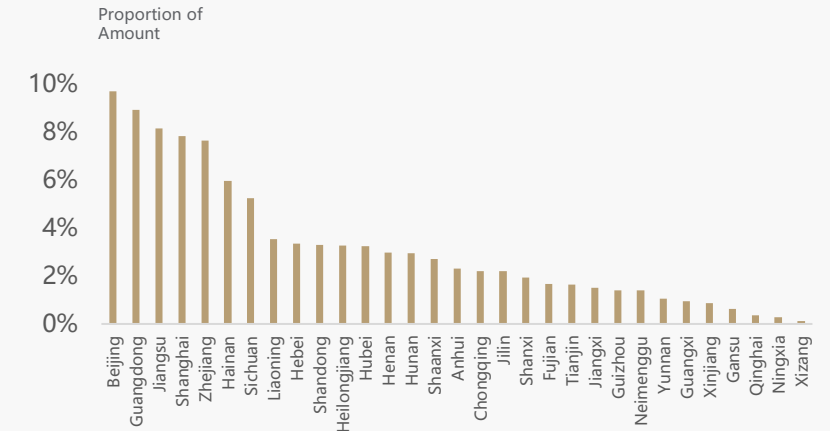


Data source: Internal Statistical Data of CDFG

Middle-aged members (34-39 years old) demonstrate the strongest purchasing power.

Data shows that in 2023, driven by market trends, consumer willingness, and economic strength, CDFG members aged 34-39 contributed the highest share of spending, representing 25% of total consumption.

Geographical Distribution of Member Consumption



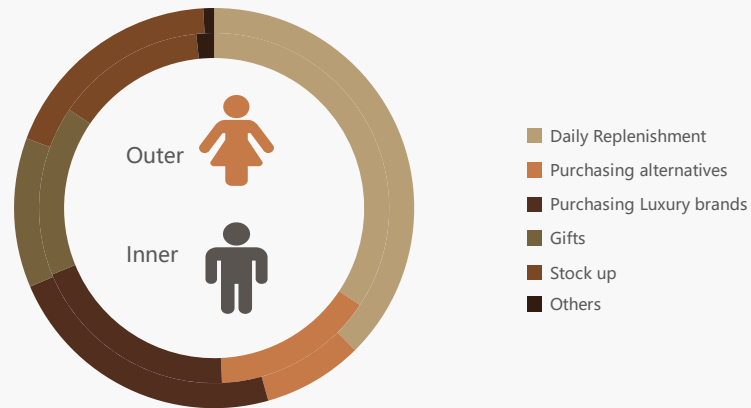
Data source: Internal Statistical Data of CDFG

Members from economically developed provinces and cities contribute more significantly to overall sales.

Data shows that members from regions with strong economic power, such as Beijing, Guangdong, Jiangsu, and Shanghai, have higher sales contributions.



Consumption Motivations

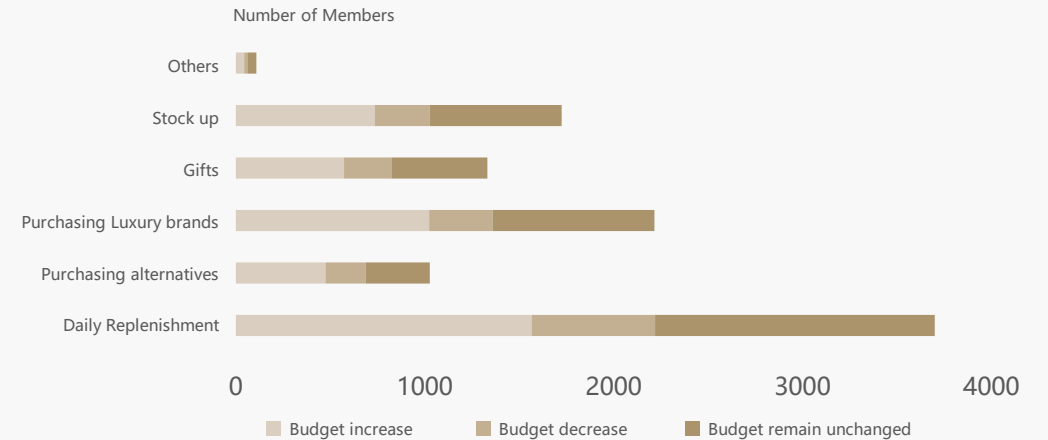


Data Source: Consumption Satisfaction Survey of CDFG Member

The primary motivations for duty-free purchases among CDFG members are routine replenishment and buying luxury brands.

Survey data indicates that over half of the members cited routine replenishment and purchasing luxury brands as their main reasons for shopping at CDFG. Gender analysis reveals that male members are more motivated than female members by the need to purchase affordable alternatives and gifts.

Member Consumption Motivation and Budget Fluctuation Distribution



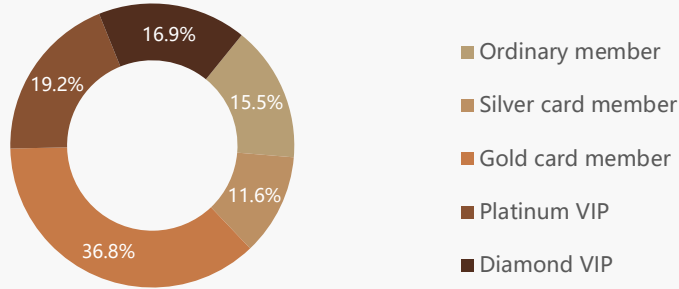
Data Source: Consumption Satisfaction Survey of CDFG Member

Routine replenishment demand continues to grow steadily, while purchasing luxury brands and stockpiling goods are expected to be the key drivers of future consumption growth.

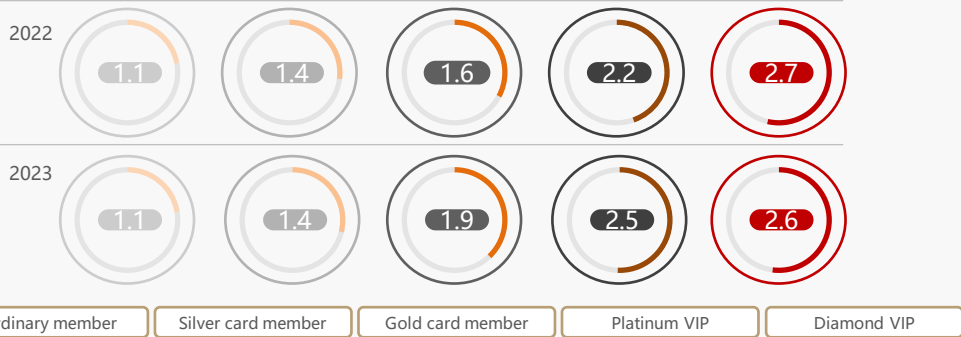
Survey data indicates that among members with routine replenishment demand, the proportion of those increasing their budget is nearly equal to those maintaining it. Additionally, over 46% of members interested in purchasing luxury brands and over 42% of those with stockpiling demand reported greater budgets, suggesting that such demands could become critical areas for future consumption growth.



Sales Proportion by Membership Level in 2023



Comparison of Average Number of Stores at Which Each Level of Members Purchase Goods

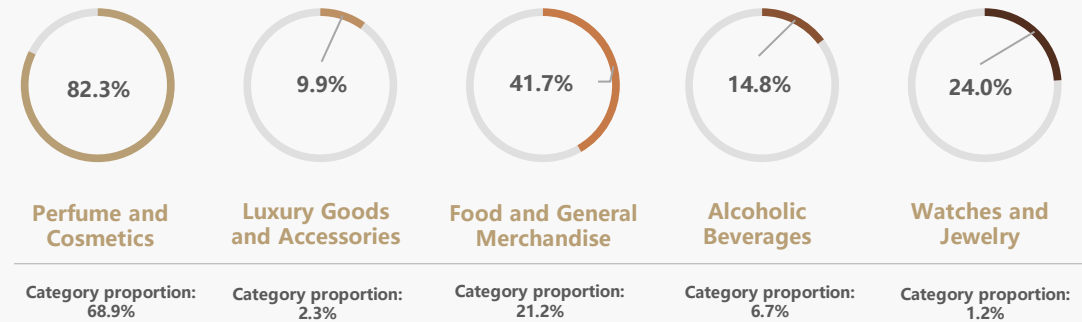


Data source: Internal Statistical Data of CDFG

Mid-to-high-level members are the backbone of CDFG’s revenue. High-level members tend to spend at more stores.

Data indicates that in 2023, mid-to-high-level members holding Gold cards or above accounted for over 70% of total consumption. High-end members holding Platinum cards or above tend to shop at more than two CDFG stores annually.

Proportion of online channel orders in the category for 2023



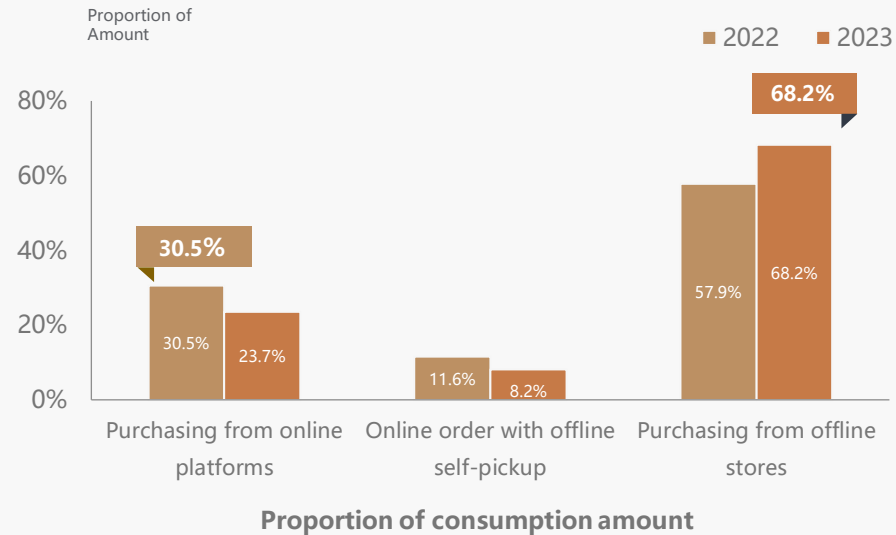
Data source: Internal Statistical Data of CDFG

CDFG members showed a preference for purchasing perfume and cosmetics through online channels.

Data reveals that although the overall ratio of offline to online orders of CDFG was approximately 2:1 in 2023, the perfume and cosmetics category stood out as the only segment where online orders surpassed offline, with over 80% of purchases made online.



Proportion of membership pickup methods

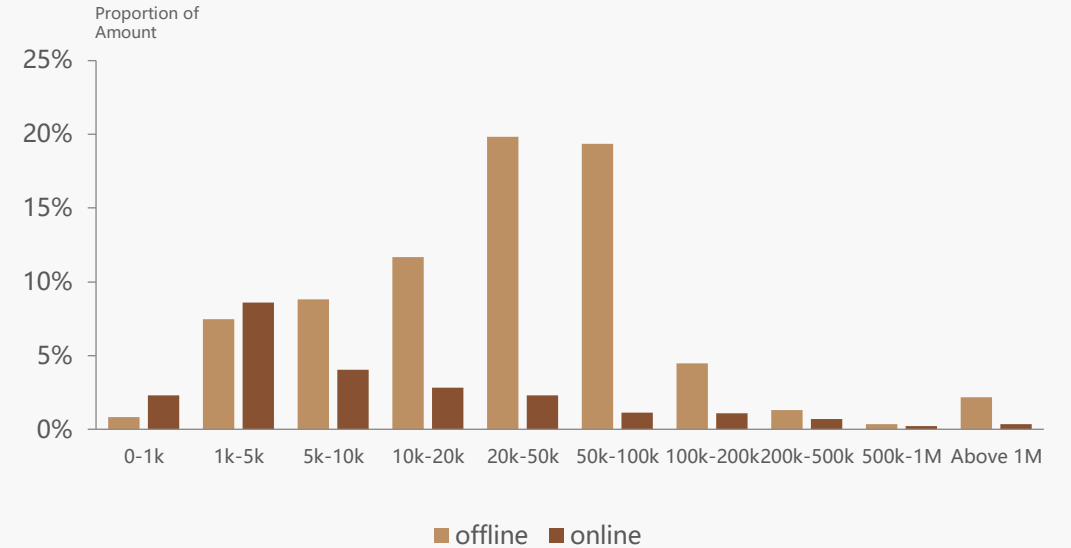


Data source: Internal Statistical Data of CDFG

Following the pandemic’s conclusion, the recovery of the domestic travel retail sector has led to a rapid increase in the consumption among CDFG members, particularly noticeable in offline channels.

Data shows that in 2023, the proportion of member spending on duty-free shopping through offline channels reached 68.2%, representing an increase of 10 percentage points from 2022.

Statistical Chart of Member Spending Range in 2023



Data source: Internal Statistical Data of CDFG

There is a notable disparity in the spending range distribution among CDFG members across online and offline channels, with offline channels seeing more members with large transactions.

Data reveals that online channels are dominated by members spending between CNY1,000 and CNY5,000 annually, while offline channels are led by members spending between CNY20,000 and CNY50,000, and between CNY50,000 and CNY100,000 annually.

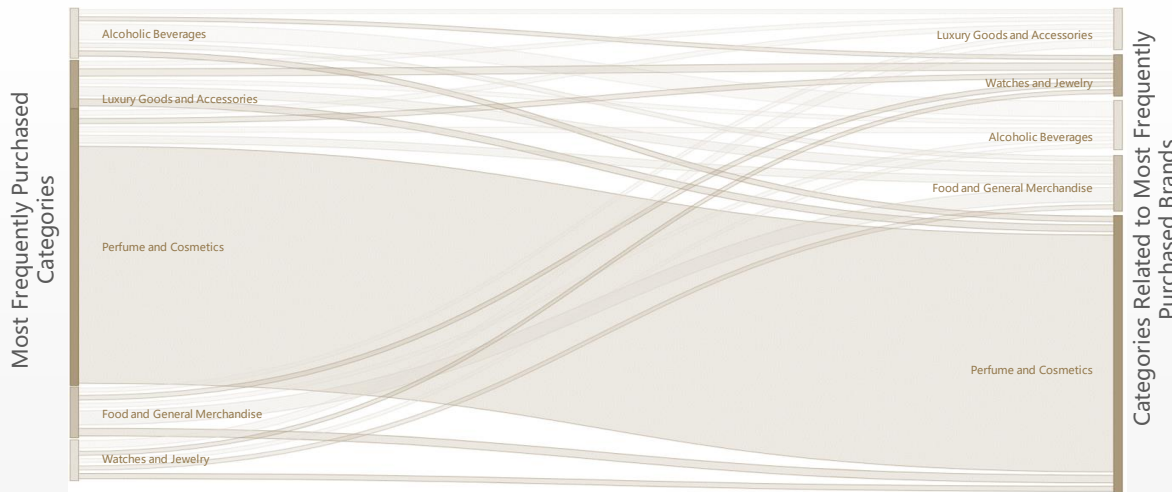


CDFG members are increasingly diversifying their consumption across different product categories.

Members who frequently purchase luxury goods and accessories, watches and jewelry, and food and general merchandise exhibit a strong demand for other product categories as well. Less than 40% of members who primarily consume these three categories limit their purchases to just these categories, indicating that the majority have become accustomed to purchasing a wider range of products at CDFG. **This suggests that members who frequently buy high-value products tend to have higher loyalty to CDFG.**

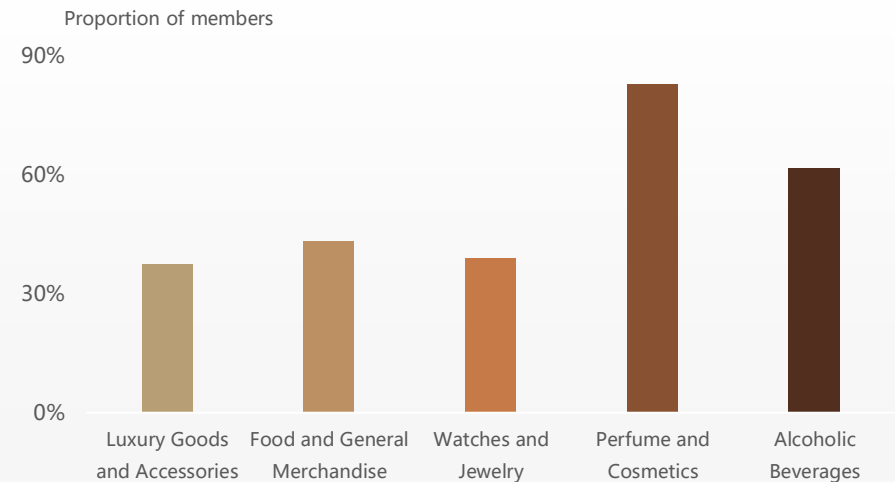
Members who frequently purchase perfume and cosmetics, and alcoholic beverages have a lower demand for other product categories. Over 80% of members who buy perfume and cosmetics at CDFG restrict their purchases to these items, followed by more than 60% of members who purchase alcoholic beverages only buying this item. This indicates that while these members may not seek a diverse range of products, they exhibit high recognition of and reliance on CDFG for perfume and cosmetics, and alcoholic beverages.

Consumption Preferences of CDFG Members in 2023



Data source: Internal Statistical Data of CDFG

Distribution of Members Who Only Purchased One Category Among the Most Frequently Bought Categories in 2023



Data source: Internal Statistical Data of CDFG

Insights into Users and Members - Member Value Analysis



The proportion of revenue contributed by high-value members is 20 times their proportion in the total membership.

Although the proportion of active high-value members remained relatively stable between 1.5% and 1.6% over the past two years, they contributed approximately 20% of the total revenue generated by CDFG's active members (excluding members with risks).

High-value members are not concentrated in tier-1 cities.

High-value members are not predominantly located in tier-1 and new tier-1 cities. Instead, a significant portion of high-value members are found in tier-3 and lower-tier cities, with their share reaching 40% and 38.6% over the past two years, respectively. This underscores the substantial consumption potential of high-value users in these lower-tier markets.

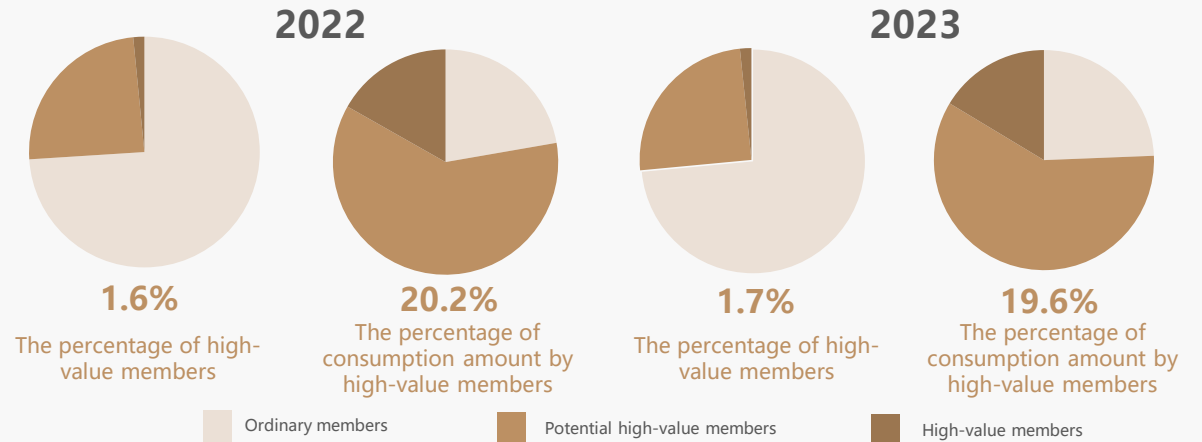
There is a significant growth in high-value members' purchase of high-value products.

In 2023, high-value members exhibited a marked increase in spending on high-value products compared to 2022. Specifically, the proportion of their expenditure on luxury goods and accessories grew by 85%, indicating that these members have not been affected by consumption downgrading and continue to maintain strong enthusiasm for purchasing high-value goods, such as luxury goods and accessories.

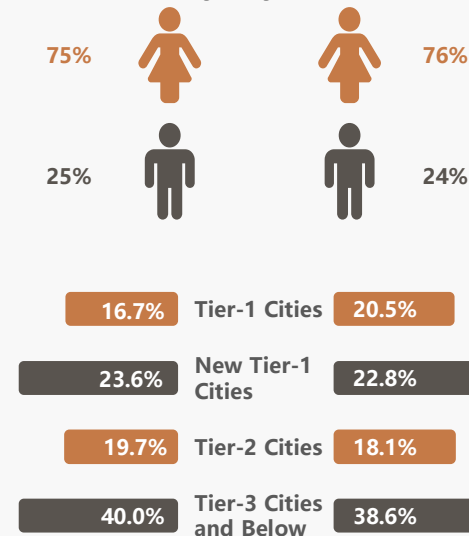
The value of potential high-value members remains to be fully explored to drive value enhancement.

Potential members constitute around 25% of the total membership, contributing approximately 72% of the annual revenue from members. This indicates that the group of potential members possesses considerable room for consumption growth.

Member Value Distribution



Distribution of High-Value Members by City Tier



Growth of Most Frequently Purchased Categories by High-Value Members



Data source: Internal Statistical Data of CDFG

Member Profile



CDFG members have been further segmented into the following 12 profiles: Beauty Enthusiasts, Independent Women, Fashion Connoisseurs, Town Elites, Social Butterflies, Urban Silver Generation, Alcohol Connoisseurs, Travel Enthusiasts, Health Experts, Guochao Fans, Tech Geeks and Fitness Enthusiasts, . Based on the purchase amount and potential growth of the profile groups in 2023, eight core customer groups are selected for detailed analysis.

Beauty Enthusiasts

Female members dominate this group, with purchasing power continuing to grow among young and middle-aged women who are willing to invest in high-quality, well-reputed products.

Independent Women

While they tend to work and live in tier-1 cities, Independent Women display a more rational approach to their consumption choices.

Fashion Connoisseurs

The number of Fashion Connoisseurs has risen sharply, with tier-1 cities maintaining their leading position in fashion. These members are particularly devoted to luxury goods and accessories, with high brand loyalty.

Town Elites

Town Elites showcase their evolving taste and economic strength by purchasing luxury goods and accessories, and watches and jewelry.

Social Butterflies

The purchasing power is concentrated among young and middle-aged women who are willing to invest in enhancing their aura, expanding their social circles, and refining their personal taste.

Urban Silver Generation

This group has seen a notable increase in both the quality of consumption and loyalty.

Alcohol Connoisseurs

Male members in tier-1 cities are the main consumers, while there is a growing acceptance of alcoholic beverages among women.

Travel Enthusiasts

Female Travel Enthusiasts aged 35-44 in both tier-1 and tier-3 cities are more inclined to shop during travel.

Health Experts

Tier-3 cities are the stronghold for Health Experts, where female members juggle both child-rearing and personal health, leading to a sustained increase in the sales of mother and baby brands.

Guochao Fans

Chinese trendy perfume and cosmetics brands are particularly popular among young women, with the Guochao trend gradually influencing middle-aged consumers and members from cities below tier 3.

Tech Geeks

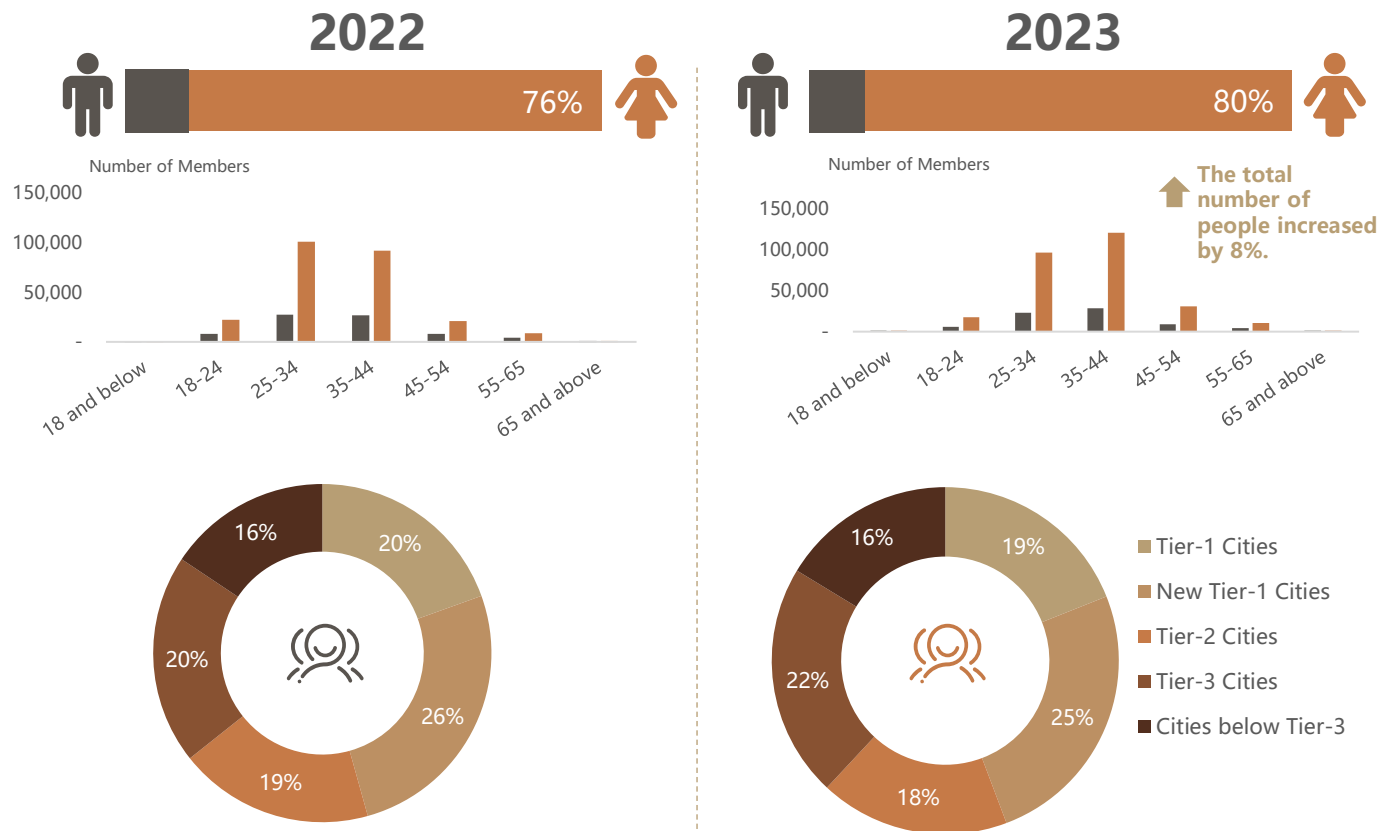
The gender ratio among Tech Geeks is nearly balanced, with this group gradually becoming younger.

Fitness Enthusiasts

The pursuit of fitness and a healthy lifestyle shows no significant differences across city tiers.

Beauty Enthusiasts: As domestic cosmetics rise, the demand for cosmetic quality by ingredient enthusiasts increases

Basic portrait of beauty enthusiasts members in 2022 and 2023



Data source: Internal Statistical Data of CDFG

The proportion of female Beauty Enthusiasts is notably higher, with growing purchasing power among young and middle-aged female members.

Data shows that Beauty Enthusiasts are predominantly female, with their proportion increasing from 76% to 80% over the past two years, and there is a consistent growth in their purchasing power. Consumers aged 35-44 in the Beauty Enthusiasts group, with strong economic strength and consumption willingness, have a high demand for premium perfume and cosmetics. Additionally, there is an increasing demand for beauty and personal care products among middle-aged consumers.

The awareness of beauty among women is awakening in tier-3 cities, leading to a rising proportion of Beauty Enthusiasts.

Data indicates that from 2022 to 2023, the proportion of Beauty Enthusiasts members by city tier experienced little change, and the share of this group in tier-3 cities grew from 20% to 22%, reflecting the growing potential of this segment in lower-tier markets.

Beauty Enthusiasts are fond of well-established brands with good reputation, and at the same time, they pay attention to emerging domestic cosmetics.

Data shows that brands like Lancôme, Clé de Peau Beauté, LA MER, and Shiseido continue to hold a stable place in the hearts of Beauty Enthusiasts. At the same time, the rise of domestic perfume brands is like a fresh Eastern breeze, attracting the attention of beauty enthusiasts with their unique aesthetic style and high cost-performance ratio.

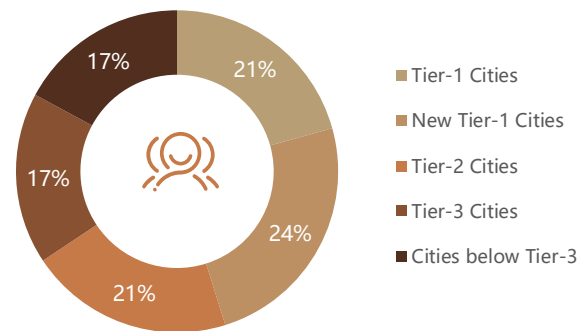
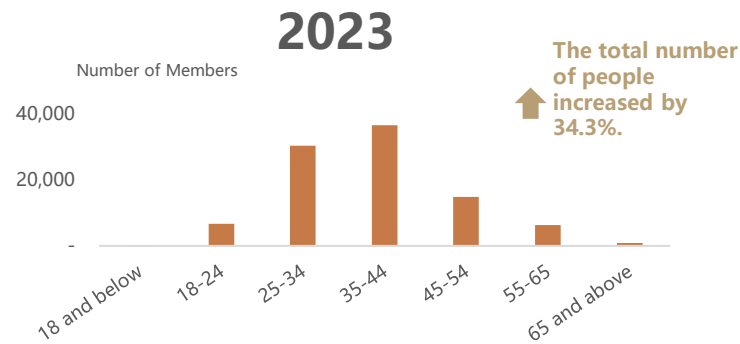
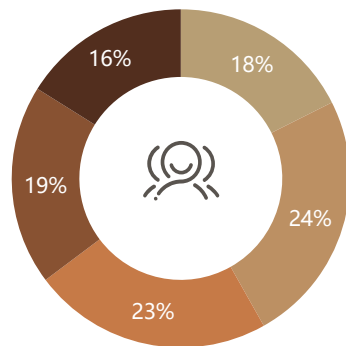
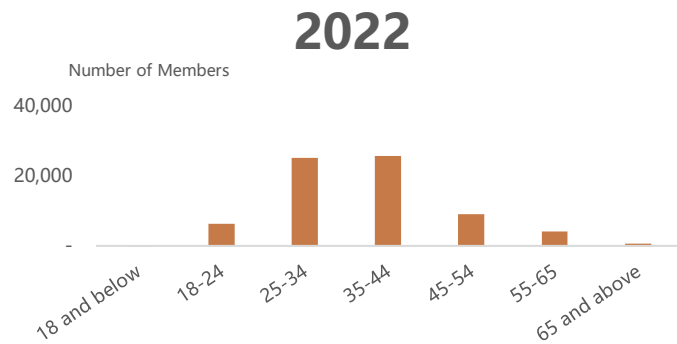
Beauty Enthusiasts are willing to invest in high-quality and reputable products.

They view self-care as an important life attitude and are willing to invest in personal care and beauty products, so as to enhance their confidence and quality of life.

Beauty Enthusiasts: Members who frequently purchase skincare, makeup, and other beauty-related products, driven by their love for beauty.

Independent Women: The self-care and rational consumption crowd is increasingly inclining towards domestic perfume and cosmetics brands as substitutes for international luxury brands

Basic profile of independent female members' numbers in 2022 and 2023.



Data source: Internal Statistical Data of CDFG

The total number of Independent Women members has been on the rise, but their spending attitude reflects a more rational approach.

The data shows that in 2023, both the number of independent female members and the total consumption amount saw year-on-year growth. However, the per capita consumption amount slightly decreased compared to the previous year. Currently, the independent female demographic, who value self-care and rationality in their consumption philosophy, are increasingly inclined to choose cost-effective domestic beauty products over international luxury brands. The domestic beauty market is flourishing with vitality.

Independent Women members have shown a notable increase in their proportion within tier-1 cities.

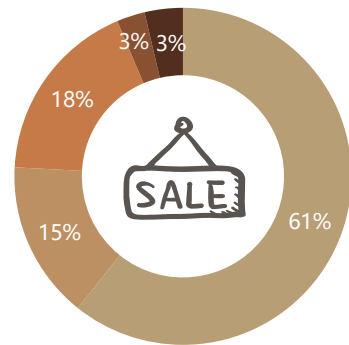
Data indicates a clear upward trend in the share of Independent Women members in tier-1 cities from 2022 to 2023, while their representation in tier-2 and lower-tier cities has seen a slight decline.


Independent Women: High-net-worth female members who utilize multiple purchase channels (including both online and multiple offline stores) and purchase a wide range of products (with purchases across two or more product categories).


Independent Women: The self-care and rational consumption crowd is increasingly inclining towards domestic perfume and cosmetics brands as substitutes for international luxury brands-Continued


Consumption category distribution for independent female members in 2022 and 2023


2022



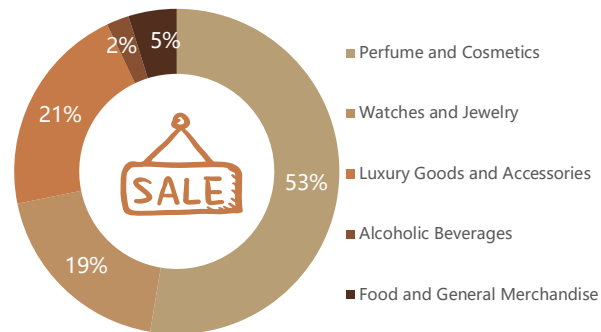
 Perfume and Cosmetics
Sales revenue 61%


 Luxury Goods and Accessories
Sales revenue 18%


 Watches and Jewelry
Sales revenue 15%


 Food and General Merchandise & Alcoholic Beverages
Sales revenue 6%

2023



 Perfume and Cosmetics
Sales revenue 53%

 Luxury Goods and Accessories
Sales revenue 21%

 Watches and Jewelry
Sales revenue 19%

 Food and General Merchandise & Alcoholic Beverages
Sales revenue 7%

Data source: Internal Statistical Data of CDFG

Independent Women continue to prioritize their spending on the perfume and cosmetics category

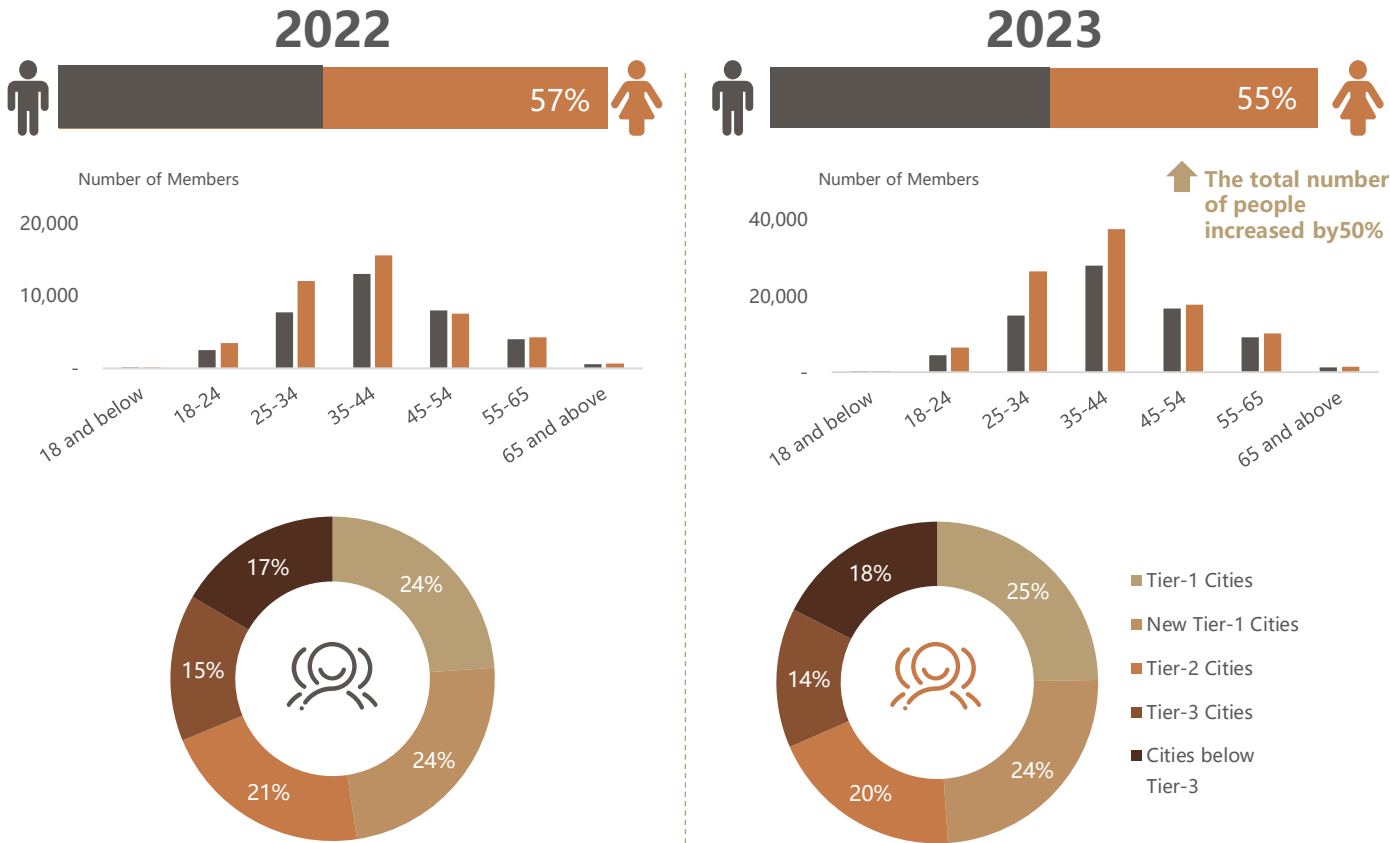
Data shows that their expenditure on perfume and cosmetics accounted for over 50% of their total spending in 2022 and 2023.

The loyalty of independent women to fragrance and cosmetics brands is gradually diversifying, with notable growth in cross-category consumption.

Data indicates that in 2023, there has been a trend of diversification in the brand loyalty of independent women towards fragrance and cosmetics. More other brands of fragrance and cosmetics have begun to gain their favor. Furthermore, with the diversification of duty-free categories, their spending on cross-category products has gradually increased, demonstrating a trend of category diversity in their duty-free consumption choices. The consumption attitudes of independent women undoubtedly pose new challenges and opportunities for the diversified and personalized development of the market.

Fashion Connoisseurs: The structured adjustment of luxury goods has made niche luxury items a potential point of leverage

Basic portrait of fashion Connoisseurs in 2022 and 2023



Data source: Internal Statistical Data of CDFG

The number of members within the Fashion Connoisseurs segment has surged significantly, with first-tier cities continuing to lead in fashion.

Data indicates that the number of members in this group has increased by 50% from 2022 to 2023. Membership across all age groups has doubled, with the 35-44 age group holding the largest share, followed closely by the 25-34 age group.

Fashion Connoisseurs exhibit a strong preference for luxury goods and accessories and a high brand loyalty.

Data shows that Fashion Connoisseurs have a continued preference for brands like GUCCI, PRADA, and FERRAGAMO in 2022 and 2023. There has also been an increase in the share of their spending on brands of luxury goods and accessories such as BURBERRY and MONCLER. However, as the luxury market undergoes structural adjustments, niche luxury goods have also entered the daily lives of fashion elites.

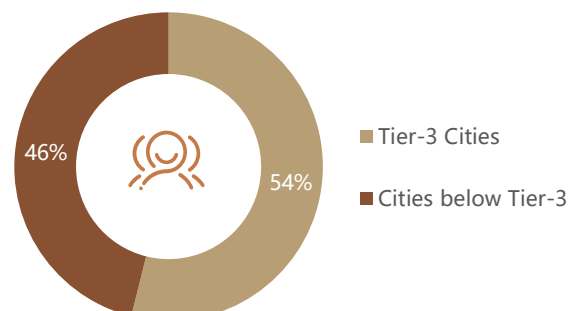
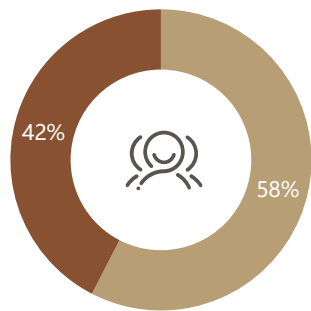
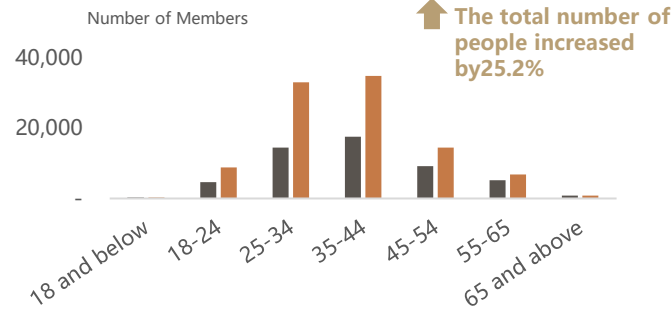
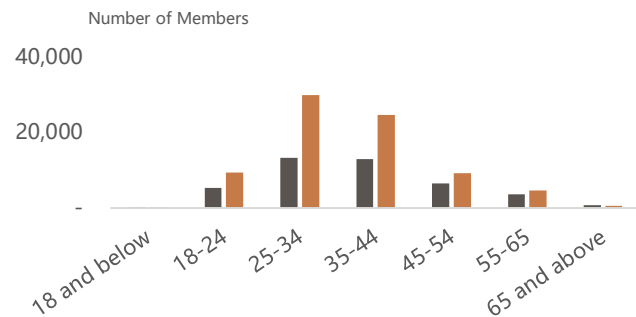
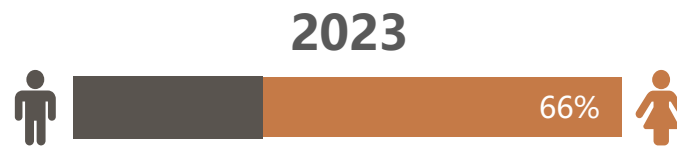
Fashion Connoisseurs find joy in self-expression and trend-chasing, using fashion and style as a means of social identity.

Fashion Connoisseurs express their personality and unique style through fashion accessories and luxury items. They enjoy experimenting with new products and chasing fashion trends, maintaining a keen sensitivity to the latest fashion dynamics.

Fashion Connoisseurs: Members who have a unique perspective on fashion and style, with luxury goods and accessories as their most frequently purchased items.

Town Elites: The consumption of duty-free products in the sinking market has increased, with high-quality and cost-effective duty-free goods winning favor

Consumption category distribution for town elites in 2022 and 2023



Data source: Internal Statistical Data of CDFG

○ Town Elites members are primarily young and middle-aged, with the gender ratio being most balanced in the older age group.

Data shows that this demographic accounts for more than 60% of the population in the 25-44 age bracket, but the male-to-female ratio is less than 0.5:1. However, the gender ratio of members over 65 years old is nearly 1:1.

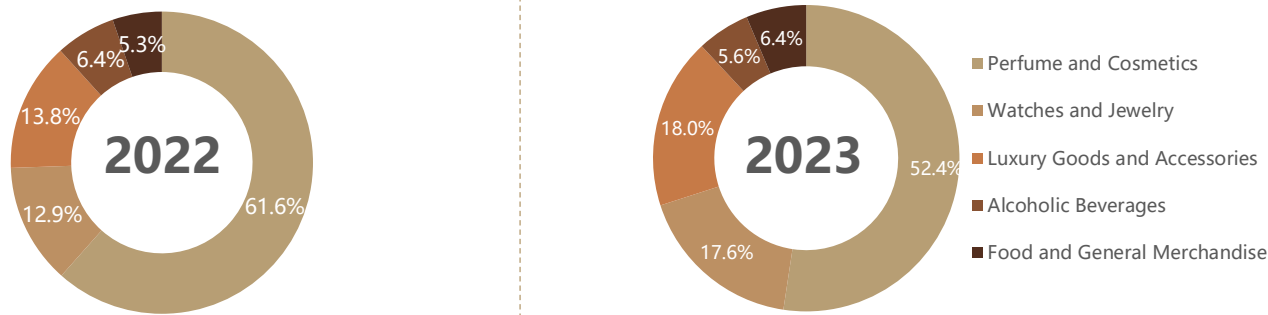
○ The downward trend in duty-free consumption is evident, with notable growth in members of town elites in cities below Tier-3 level.

Data shows that in 2023, the proportion of affluent individuals in small towns and cities below the third-tier level increased by 4 percentage points, marking a significant growth. With the surge in tourism, outbound travel and island departure duty-free shopping have provided consumers with different duty-free shopping options, giving residents of cities below the third-tier level more opportunities to access duty-free shopping.

■ Town Elites: Members from tier-3 and lower-tier cities who have high household incomes and a strong desire to consume, living in towns but with aspirations for high-quality life.

Town Elites: The consumption of duty-free products in the sinking market has increased, with high-quality and cost-effective duty-free goods winning favor-Continued

Distribution of expenditure on most frequently purchased categories by town elite members in 2022 and 2023



Comparison of the proportion of discounted amounts in the most frequently consumed categories by town elites in 2022 and 2023



Distribution of Consumption Amounts in the Most Frequently Purchased Categories by Town Elite Members in 2023



Data source: Internal Statistical Data of CDFG

Town Elites often demonstrate their taste and economic strength through the purchase of luxury goods and accessories, as well as watches and jewelry.

While perfume and cosmetics make up over 50% of their spending on the most frequently purchased categories, there has been a notable increase in their spending on luxury goods and accessories, as well as watches and jewelry, with each category's share rising by 4 percentage points. This indicates that the sinking market is becoming a new battlefield for duty-free consumption, with high-quality and cost-effective premium duty-free products winning the favor of the small-town elite membership group.

Town Elites show a strong preference for cost-effective shopping.

Data shows that in all of the most frequently purchased categories, the proportion of their use of discounts is higher than the average of CDFG members, with perfume and cosmetics standing out, exceeding the average by about 2 percentage points.

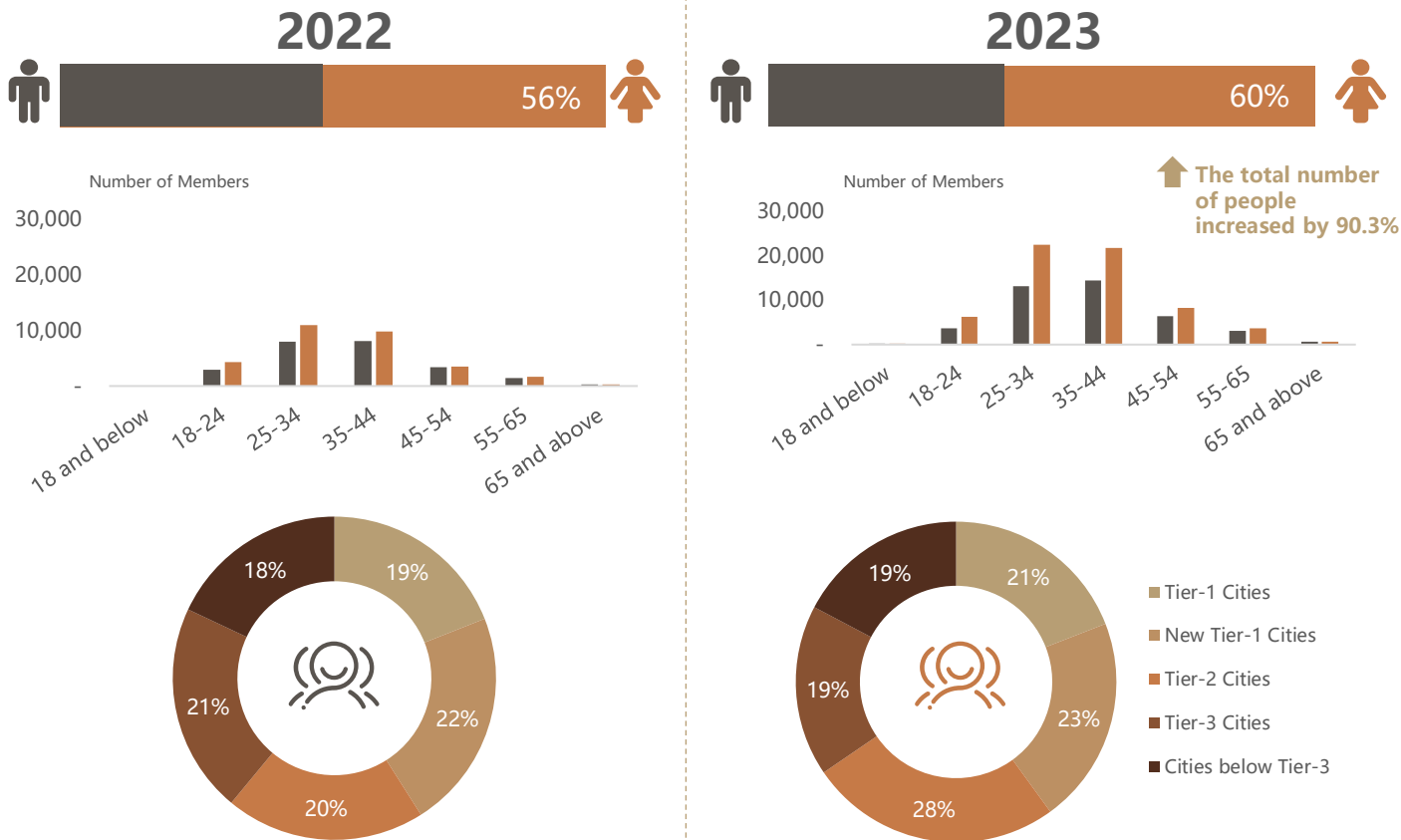
Town Elites tend to have a more rational approach to consumption, and the per capita demand for high-priced items has decreased.

Data indicates that in 2023, Town Elites members who frequently purchased watches and jewelry saw a decrease in both the average annual spending per member and the number of items purchased across all categories compared to 2022.

Social Butterflies: New first-tier city women lead the trend in watch and jewelry consumption



Basic portrait of Social Butterflies members in 2022 and 2023



Data source: Internal Statistical Data of CDFG

The purchasing power of Social Butterflies is concentrated among young and middle-aged women.

Data reveals that the proportion of female Social Butterflies rose from 56% in 2022 to 60% in 2023. This group is mainly concentrated in the 25-34 age range, which accounts for about 70%. The age distribution within this segment has remained relatively stable over the past two years.

Up-market watch and jewelry brands maintain a dominant position among Social Butterflies

According to the data, Cartier remained the most favored watch and jewelry brand among Social Butterflies in both 2022 and 2023. In 2023, Chow Tai Fook saw a significant rise in popularity, with BVLGARI, Jaeger-LeCoultre, and Van Cleef & Arpels also holding prominent positions in the minds of consumers.

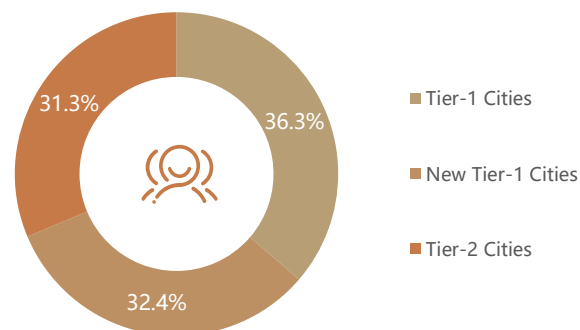
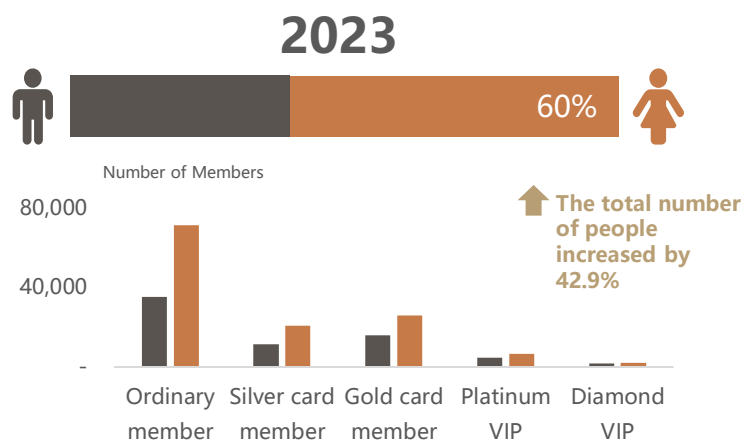
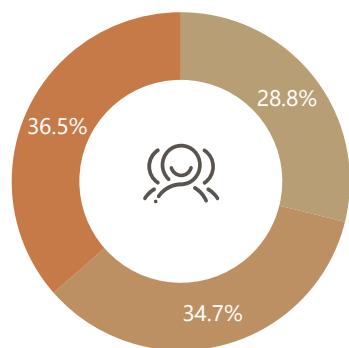
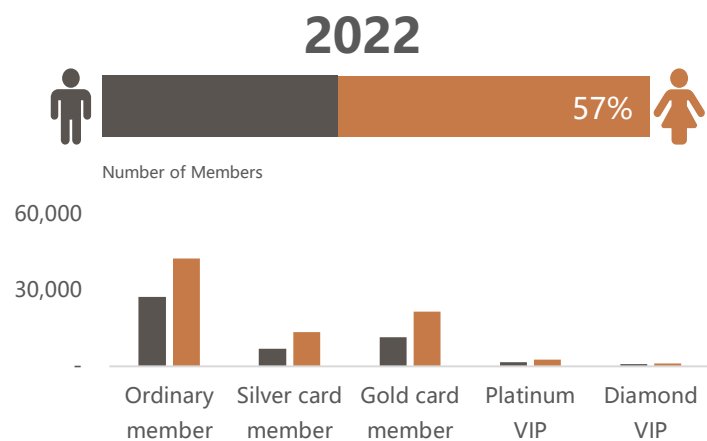
The market potential of Social Butterflies in new tier-1 cities has shown improvement.

Data shows that the proportion of Social Butterflies across different city tiers has not seen significant differences, and the changes in age distribution are relatively stable; the proportion of Social Butterflies in new tier-1 cities increased from 22% to 23%. Female consumers in new tier-1 cities have a strong pursuit of fashion and high-quality life, presenting relatively huge market potential. They represent a key indicator of social consumption trends.

Social Butterflies: Members with high social engagement needs, who frequently purchase watches and jewelry.

Urban Silver Generation: A well-off retirement life with both money and leisure time, the silver generation tends to engage in high-quality consumption

Basic portrait of Urban Silver Generation in 2022 and 2023



Data source: Internal Statistical Data of CDFG

■ The proportion of high-level members among the Urban Silver Generation, as well as the proportion of high-level male members, have increased.

Data shows that the proportion of diamond and platinum VIP members among the Urban Silver Generation has increased from less than 5% in 2022 to 7.7% in 2023, and with the upgrade of membership levels, the proportion of male members has also gradually increased.

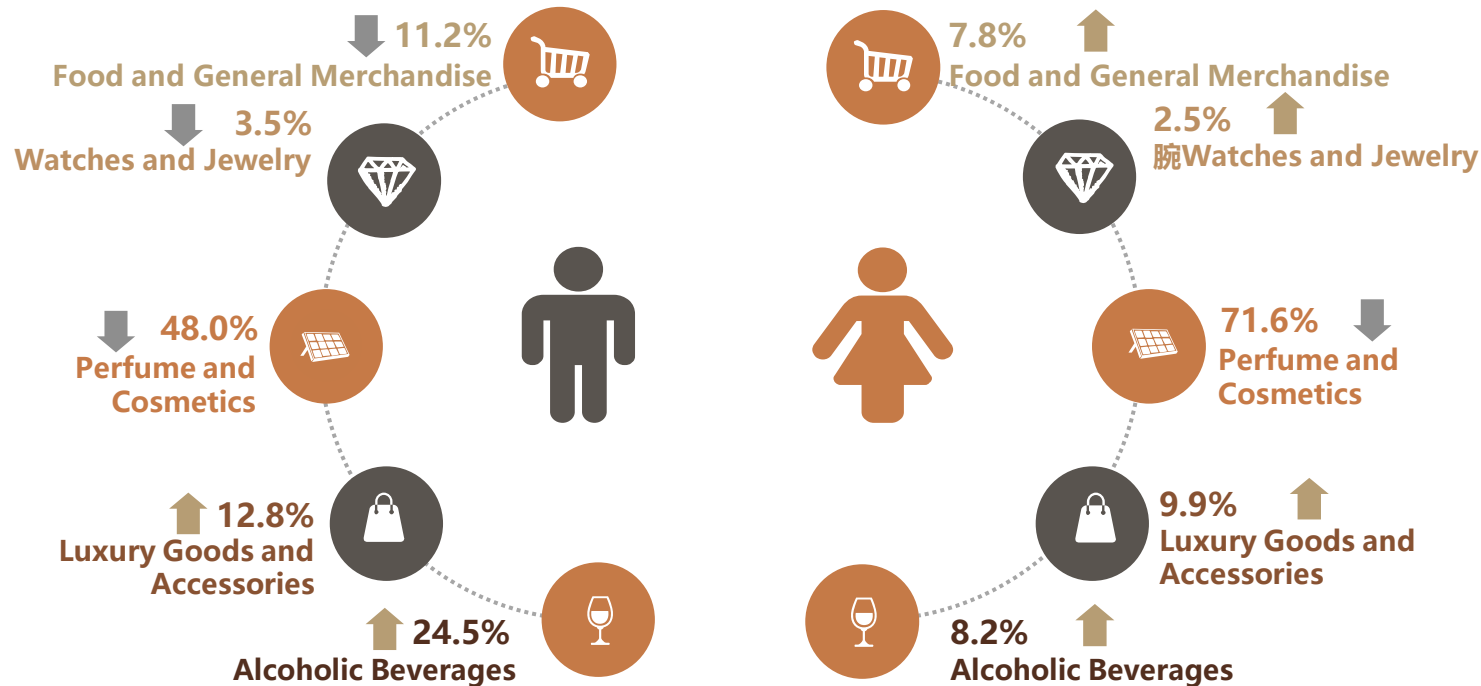
○ The purchasing power of the Urban Silver Generation in first-tier cities is rapidly growing

Data shows that in 2023, the proportion of the Urban Silver Generation in first-tier cities increased by 7 percentage points, showing a significant growth. Benefiting from more better economic conditions and the annual increase in pensions, the consumption capacity and willingness of urban silver generation in tier-1 cities have shown notable increase.

■ Urban Silver Generation: Middle-aged and elderly individuals (55 years and older) in tier-1 and tier-2 cities who have strong purchasing power and a high level of enthusiasm for consumption.

Urban Silver Generation: A well-off retirement life with both money and leisure time, the silver generation tends to engage in high-quality consumption-Continued

Category consumption analysis of Urban Silver Generation in 2023



Data source: Internal Statistical Data of CDFG

Among the Urban Silver Generation, male members exhibited double-digit growth in purchasing demand across multiple categories.

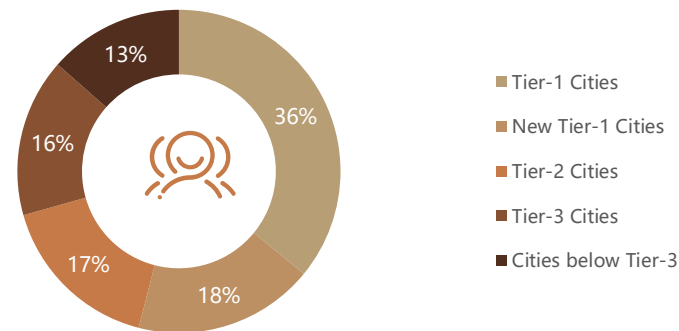
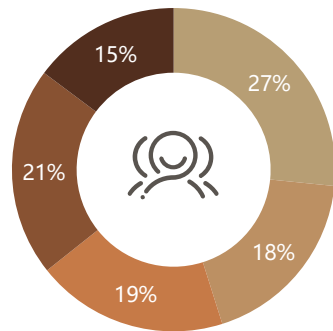
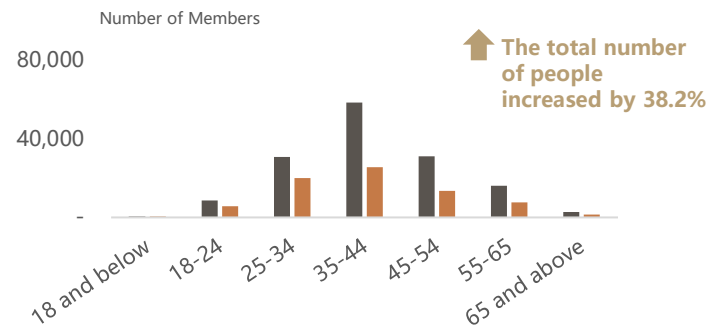
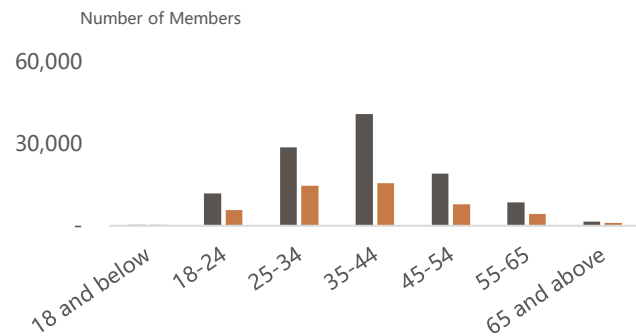
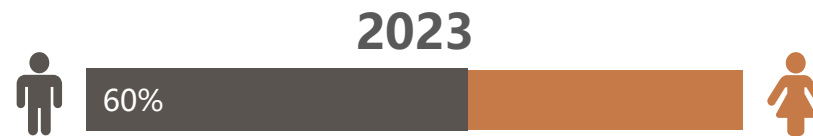
Data shows that in 2023, while female members of the Urban Silver Generation saw an increase of over 8% in demand for luxury goods and accessories, and alcoholic beverages, male members showed double-digit growth in spending on tobacco and alcohol, luxury goods and accessories, and food and general merchandise.

The Urban Silver Generation segment has shown higher consumption quality and loyalty.

Data shows that in 2023, the average spending per member in this group increased significantly, with growing demand for luxury goods and accessories, and watches and jewelry. This indicates an upward trend in both the consumption quality and loyalty of members within this segment. The Urban Silver Generation membership group, while enjoying a well-off and leisurely retirement life, tends to pursue high-quality and high-standard consumption experiences.

Alcohol Connoisseurs: Men in the first-tier cities remain the main purchasing power, with increasing attention to foreign liquor

Basic portrait of Alcohol Connoisseurs' members in 2022 and 2023



Data source: Internal Statistical Data of CDFG

Male members in tier-1 cities are the primary buyers, while female acceptance of alcoholic beverages has increased.

Data indicates that Alcohol Connoisseurs are predominantly male, but there has been a noticeable increase in the proportion of female membership in this group from 31% to 40% over the past two years. This reflects a growing demand for alcoholic beverages. In terms of geographic distribution, the proportion of members in tier-1 cities increased from 27% to 36%, further indicating a more open attitude towards alcohol consumption among consumers in these areas.

Imported wines and spirits are poised to surpass domestic liquors and take the lead.

Thanks to market cultivation, alcoholic beverages have become a key element in social settings. Imported wines and spirits are now prominently featured in the alcoholic beverages market, with a strong growth trend. This reflects a keen pursuit of high-quality imported liquors among consumers.

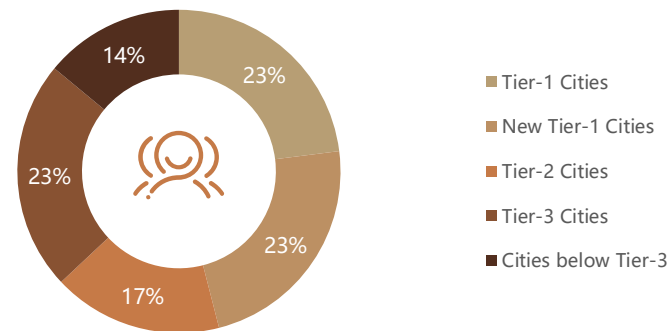
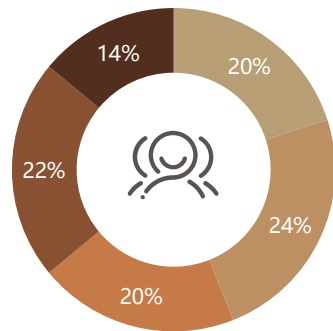
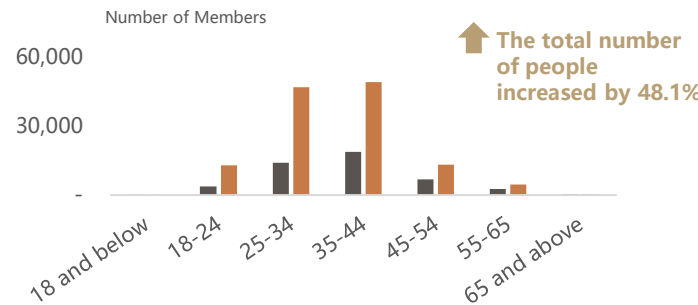
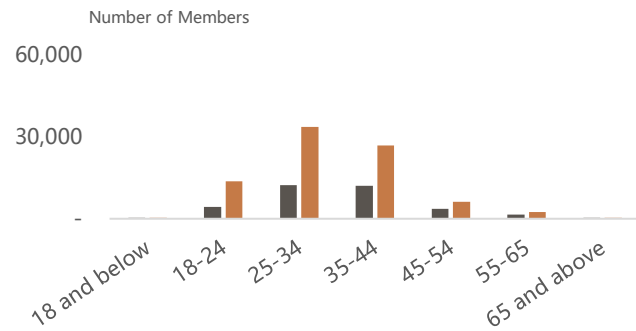
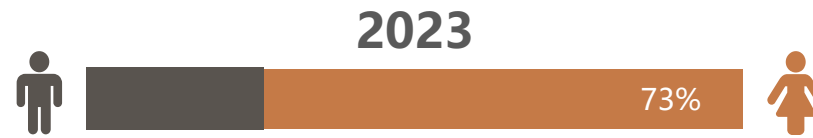
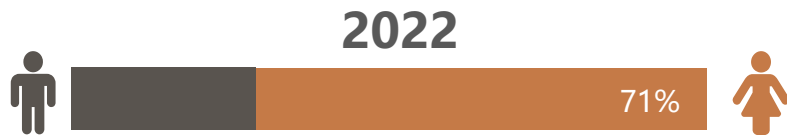
Balancing health and enjoyment, up-market liquor brands are diversifying.

Alcohol Connoisseurs tend to select alcoholic beverages that reflect their taste and status, often sharing these products in social gatherings. With increasing health consciousness, these members are also considering health factors, such as alcohol content and ingredients, during product selection, seeking a balance between enjoyment and health.

Alcohol Connoisseurs: Members with a strong passion for both domestic and international fine wines and spirits who frequently purchase alcoholic beverages and have a preference for tasting and collecting. 35

Travel Enthusiasts: Tourism continues to recover, with cosmetics, department stores, and alcohol becoming more favored by tourists

Basic Portrait of Travel Enthusiast Members in 2022 and 2023



Data source: Internal Statistical Data of CDFG

Women in the 34-45 age range from tier-1 and tier-3 cities are more likely to engage in shopping during their travels.

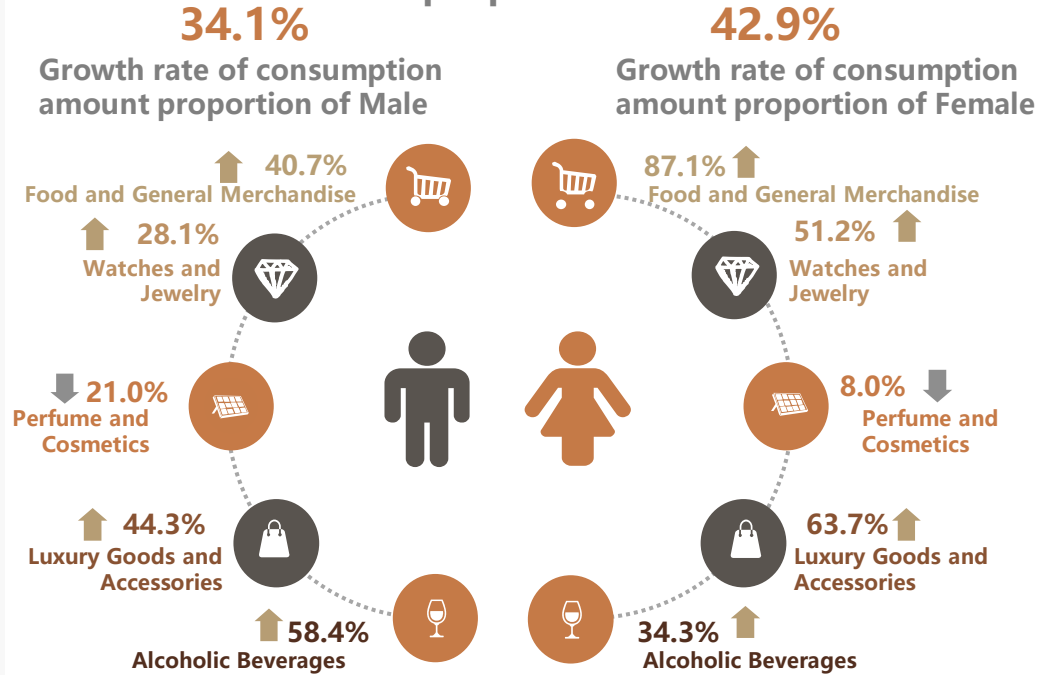
According to data, in 2023, the proportion of females within the membership group of travel enthusiasts gradually increased by 2 percentage points. Notably, the number of travel enthusiasts from tier-1 and tier-3 cities showed significant growth, with tier-1 cities experiencing a 3 percentage point increase in the number of travel enthusiasts in particular. Analyzing the age distribution, it is evident that the growth in the proportion of female travel enthusiasts was most pronounced among those aged 35-44. Along with the tourism boom and changes in consumption patterns, female consumers in tier-1 cities are more likely to engage in duty-free shopping when traveling.

Travel Enthusiasts: Members who frequently travel across China or internationally for shopping (with the experience of shopping at multiple CDFG stores) and are characterized by their enthusiasm and vitality in life

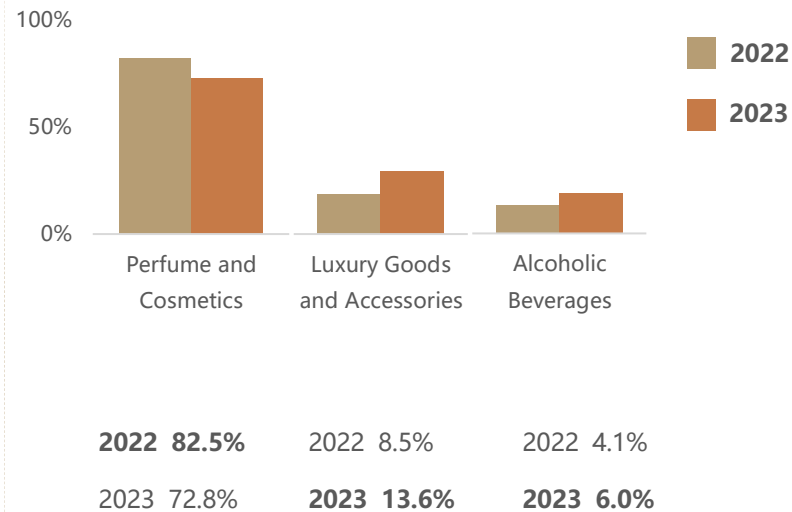
Travel Enthusiasts: Tourism continues to recover, with cosmetics, department stores, and alcohol becoming more favored by tourists-Continued

Comparison of gender distribution in category consumption between 2022 and 2023 for tourism expert members

Growth rate of consumption amount proportion in 2023



Proportion distribution of consumption in the Top 3 categories



Data source: Internal Statistical Data of CDFG

Male Travel Enthusiasts members have demonstrated a significant increase in purchasing power, with a notable rise in their demand for alcoholic beverages.

Data reveals that from 2022 to 2023, the spending of male members grew by 34.1%. Notably, the share of their spending on alcoholic beverages increased at a much higher rate than that of female members.

Female Travel Enthusiasts members are showing an increasing demand for food and general merchandise.

According to the data, in 2023, their spending grew by 42.9% year-on-year, with a particularly significant increase in the share of spending on food and general merchandise, exceeding 70%.

Perfume and cosmetics remain the most frequently purchased category among Travel Enthusiasts members.

Data indicates that although the proportion of spending on their most-frequently purchased categories decreased in 2023 compared to 2022, the perfume and cosmetics category still accounted for the highest share at 72.8%.

A woman in a red dress stands with her back to the camera, looking at a window display. The display features various luxury items: a high-heeled shoe, a handbag, a perfume bottle, a pair of glasses, and several gift boxes. The scene is set against a blue background with a grid pattern. A large red semi-transparent shape is overlaid on the image, containing the number '03' and the title text.

03

Analysis of the Trend of Duty-Free Product Categories in China



Overall Diversification of Categories

CDFG has seen favorable sales performance across major duty-free product categories in recent years. Its product portfolio is highly diversified, with a strategic focus on duty-free consumption trends and emerging markets.

Watches and Jewelry Category Analysis

As the demand for watches and jewelry has been on the rise, CDFG has significantly increased the number of marketing activities in this category. Sales in this segment exhibit a clear regional concentration.

Alcoholic Beverages Category Analysis

Offline stores play a pivotal role in the sales of alcoholic beverages, with the cities experiencing higher growth in spending being Beijing and Shanghai.

Perfume and Cosmetics Category Analysis

Perfume and cosmetics dominate the sales landscape, accounting for more than half of the total sales revenue in 2023.

Luxury Goods and Accessories Category Analysis

The consumption of luxury goods and accessories continues to grow. Leveraging innovative market strategies, CDFG has successfully introduced a range of unique first-time sales brands.■

Food and General Merchandise Category Analysis

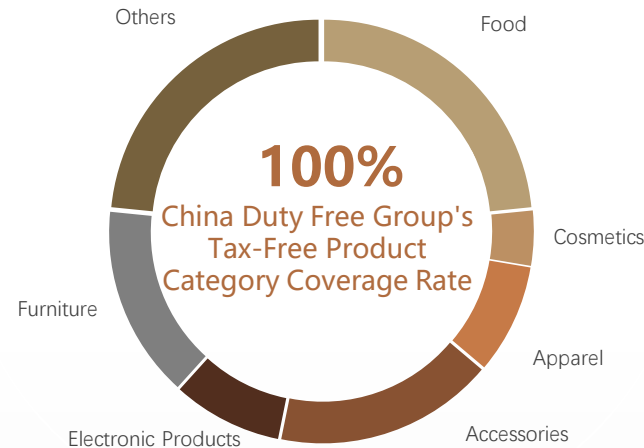
Food and general merchandise are primarily sold at offline channels. Within this segment, electronic products have emerged as a major contributor to overall sales revenue.



Diversification in Product Categories of CDFG

- Duty-free products span across multiple segments such as food, cosmetics, perfumes, watches, jewelry, apparel, accessories, and electronic products.
- CDFG has successfully brought together over 1,400 renowned domestic and international brands, covering nearly all mainstream international beauty and high-end fashion products in the market. These brands have forged long-term, stable partnerships with CDFG, and offered a wide array of exclusive and limited-edition products, thus providing consumers with a unique and valuable shopping experience.
- In recent years, to better align with consumer demand, CDFG has not only maintained its collaborations with traditional brands but has also actively sought partnerships with emerging brands.

Coverage of CDFG category brands



The General Administration of Customs of Coverage of CDFG brands
China released a distribution map of the number of duty-free goods including 45 sub-categories

Data source: Internal Statistical Data of CDFG



Shifts in CDFG Members' Preferences for Major Duty-Free Categories

- Perfume, Cosmetics and Alcoholic Beverages: Brand preferences remain highly stable.
- Watches and Jewelry: The leading brand in this category continues to dominate sales, significantly outperforming other brands within the same segment.
- Luxury Goods and Accessories: The concentration of top brands in this category has increased.
- Food and General Merchandise: There has been a noticeable shift in the leading brands within this category.



High-Potential Duty-Free Categories for CDFG

Data indicates that in 2023, the per customer transaction value for luxury goods and accessories, and watches and jewelry was significantly higher than that of other categories. Both sales revenue and the number of consumers in these categories saw substantial growth compared to 2022. Market trends suggest that consumers are increasingly favoring brands known for their value retention, highlighting the high market potential of luxury goods and accessories, and watches and jewelry, which are poised to become key drivers of future market growth.

The primary consumers in the duty-free market are those aged 34-45, who are typically energetic and possess considerable economic strength. These consumers have a strong preference for quality purchases.

The luxury goods and accessories category, as well as the wristwatch and jewelry category, possess high market potential.

In-Depth Analysis of Key Duty-Free Products: Perfume and Cosmetics

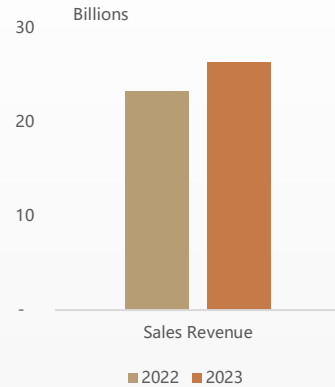


Perfume and cosmetics have emerged as the dominant category

Data shows that the total sales volume of perfume and cosmetics accounted for more than half of total sales revenue in 2023. Among them, domestic perfume brands have seen a significant increase in sales, as the rational consumer group gradually inclines towards domestic perfumes as substitutes for international luxury brands.

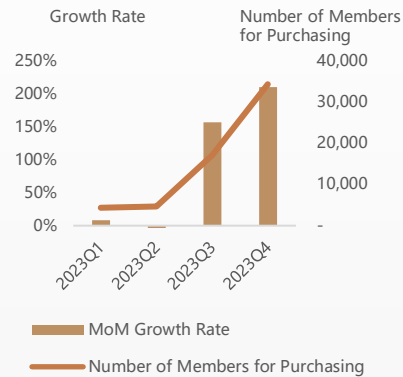
Fragrance Category Sales

The sales proportion of fragrance products in 2023 accounted for 51%

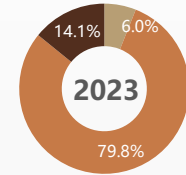
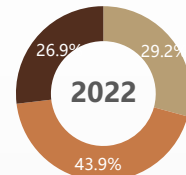


Domestic Cosmetics Sales Month-on-Month Trend

In the second half of 2023, the quarterly sales growth of domestic fragrances and cosmetics was more than 150% compared to the previous quarter.



Proportion of sales revenue from the first-time sales brands



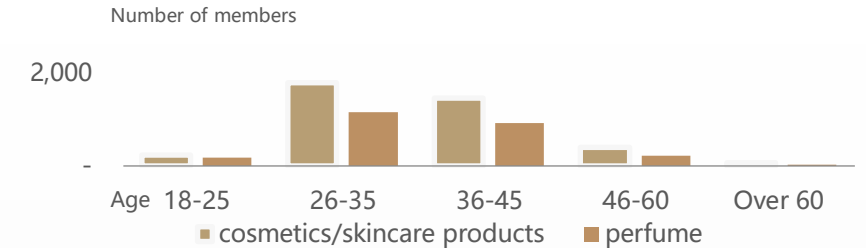
Data source: Internal Statistical Data of CDFG

The market for perfume and cosmetics has seen balanced growth, with skincare products leading the sales.

Data shows that in 2023, the rapid growth in the first-time sales brands of skincare products propelled their proportion of sales to new heights. This success can be attributed to CDFG's differentiated market strategy, which capitalized on the rising popularity of domestic brands by introducing a series of homegrown skincare products, significantly boosting sales.

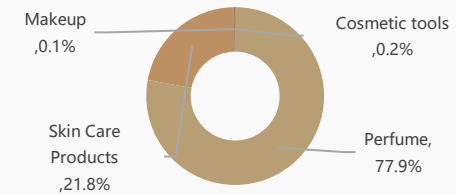
Changes in Consumer Preference

Age distribution of female members who consume fragrant cosmetics/skin care products



Data Source: Consumption Satisfaction Survey of CDFG Member

Proportional situation of public opinion volume for various categories of fragrances in 2023



Data source: Deloitte's Intelligent Public Opinion Monitoring Platform acquires public opinion data from Sina Weibo, WeChat, Black Cat, Douyin, and Little Red Book.

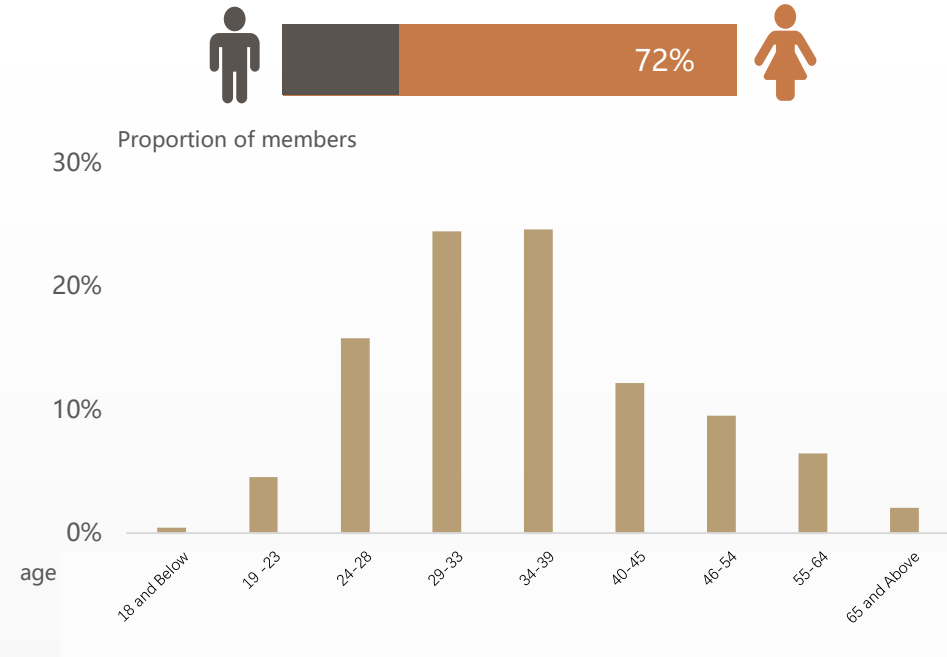
Cosmetics/skincare products are the first choice for members of duty-free, and attention to the perfume category is increasing.

Survey reveals that within the perfume and cosmetics category, over half of the members prioritize cosmetics and skincare products for their duty-free purchases. The group with the highest interest in these products is predominantly aged 26-35.

Public sentiment analysis reveals that perfume products catch the highest level of attention, reaching 77.9%, reflecting the rising preference of domestic consumers for perfume products. The Chinese perfume market is showing vigorous vitality and boundless potential.



The Distribution of Consumption Amount by Age Group of the Population in 2023

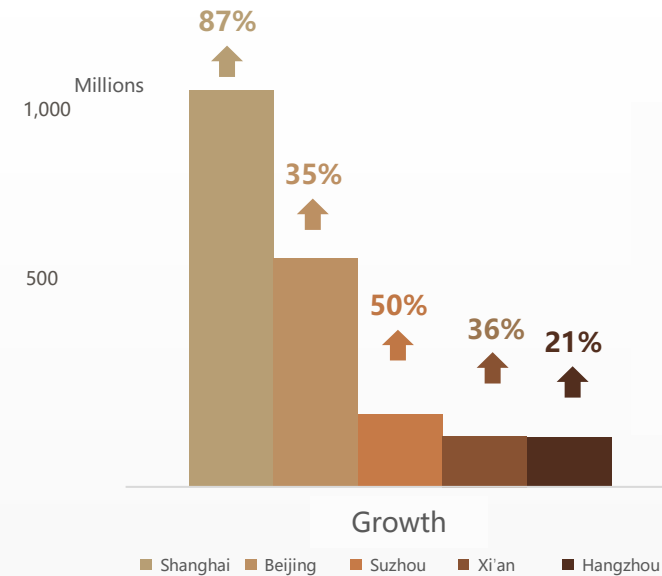


Data source: Internal Statistical Data of CDFG

Women dominate the consumer base for perfume and cosmetics, with a significant concentration in the 29-39 age range.

Data indicates that 72% of CDFG's consumers in the perfume and cosmetics category are women, with the majority falling within this age bracket.

Sales Growth Distribution by City



Data source: Internal Statistical Data of CDFG

The consumers of perfume and cosmetics are particularly pronounced in tier-1 and new tier-1 cities.

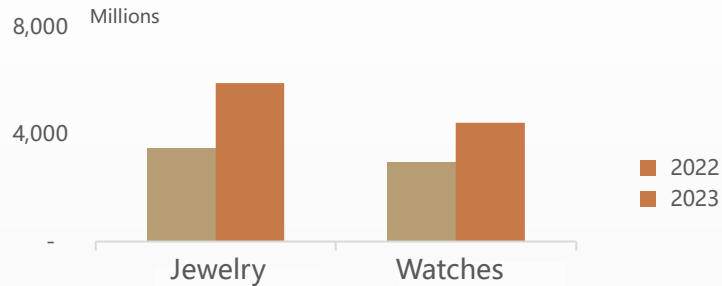
Data shows that members from these cities have significantly increased their spending on perfume and cosmetic products. Notably, Shanghai, as a leading tier-1 city, exhibited outstanding growth in spending on these products. This trend reflects the post-pandemic recovery of the perfume and cosmetics market, as well as the strong purchasing power and demand for high-end cosmetic products among members in tier-1 cities.



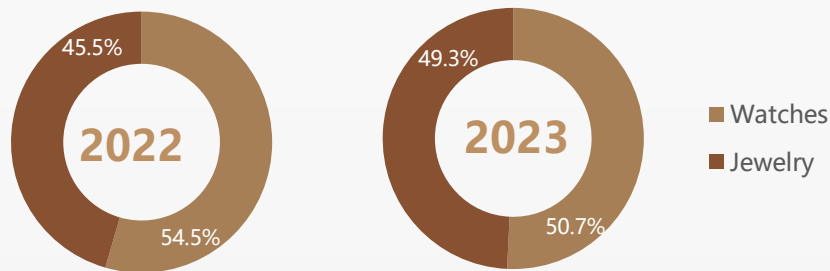
Market demand for watches and jewelry is rising

Data indicates that in 2023, sales of both watches and jewelry have seen certain growth, with jewelry products showing a more significant increase. As China undergoes a new round of transformation in its consumption structure, the growth rate in the consumption of watches and jewelry may see some changes. The new generation of women may lead the trend in consumption in the future.

Cumulative Sales Trend for 2022 and 2023



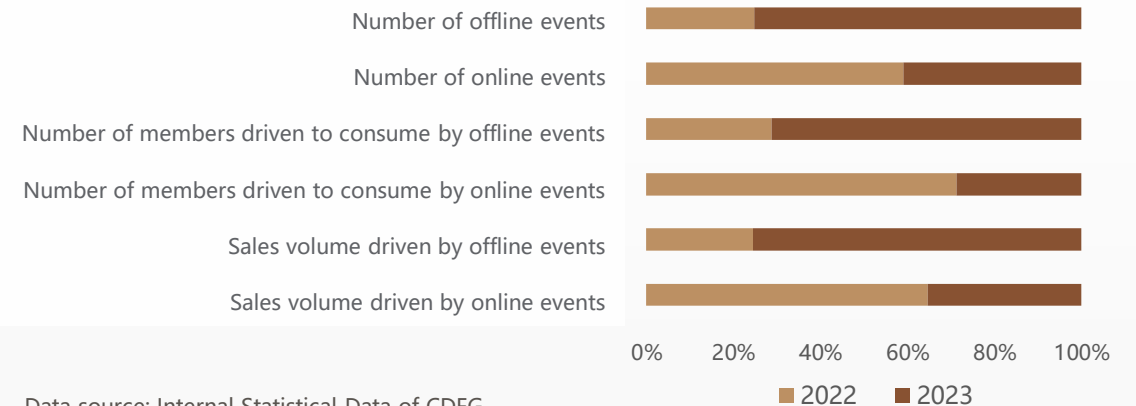
Proportion of Brand Numbers in Various Categories for 2022 and 2023



Data source: Internal Statistical Data of CDFG

Number of Activities, Number of Consumer Members and Sales of Activities by Sales Channel in 2022 and 2023

Marketing activities Data for Watches and Jewelry from 2022 to 2023



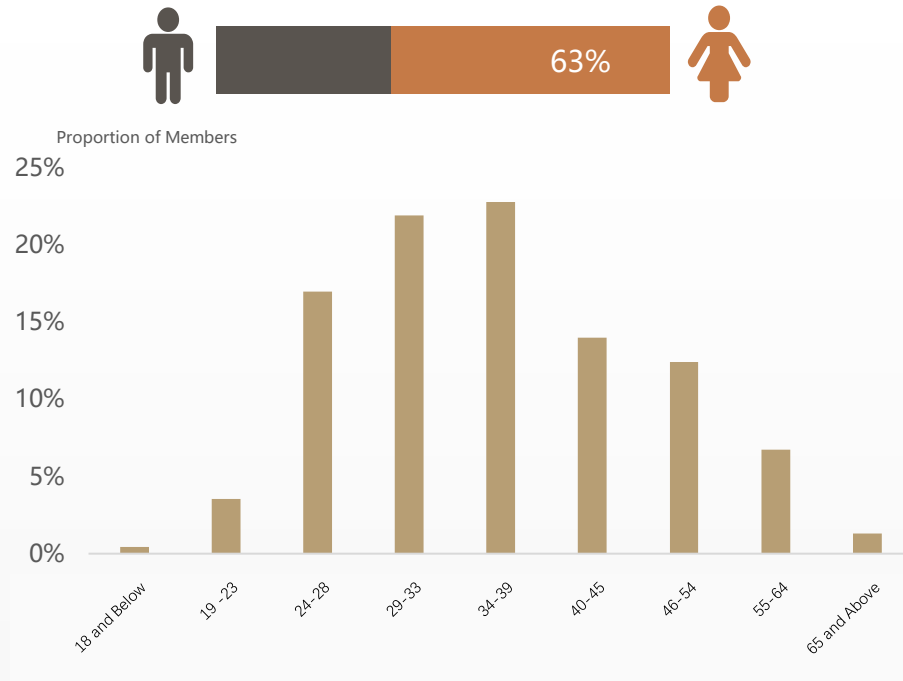
Data source: Internal Statistical Data of CDFG

The number of marketing activities for watches and jewelry increased markedly, with an obvious effect in driving sales revenue.

Data shows that from 2022 to 2023, CDFG significantly increased the number of marketing activities for watches and jewelry. These activities were primarily conducted offline, serving as the main promotional strategy, and complemented by online low-discount promotions. This dual approach effectively drove the conversion of customers' consumption.



The Distribution of Consumption Amount by Age Group of the Population in 2023

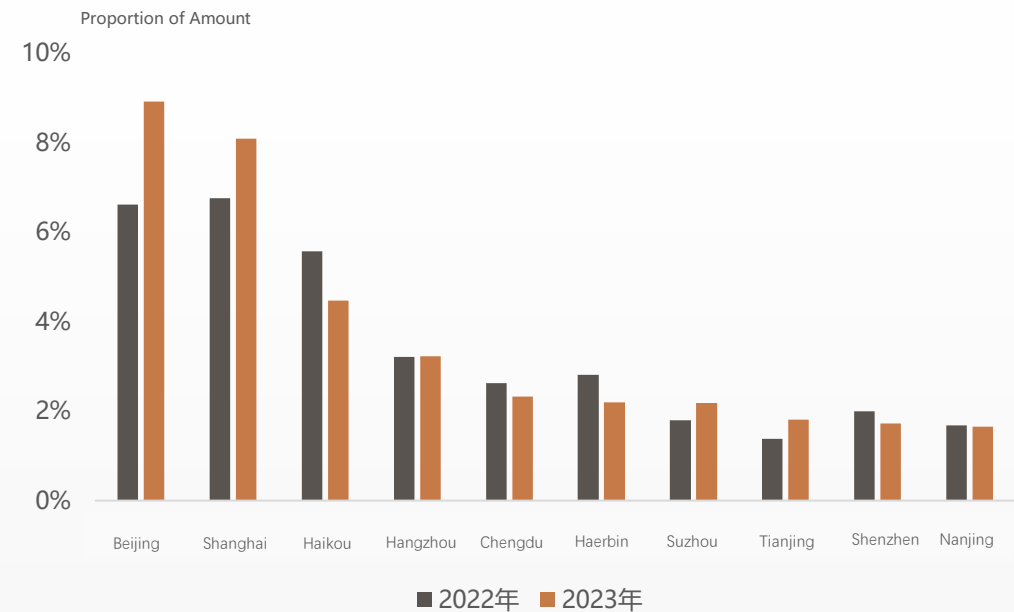


Data source: Internal Statistical Data of CDFG

Women are the primary consumers in the watches and jewelry market.

Data shows that women contribute to two-thirds of the sales revenue in this category.

Distribution of Top 10 Cities by Members' Consumption in 2022 and 2023



Data source: Internal Statistical Data of CDFG

The consumption of watches and jewelry shows regional concentration.

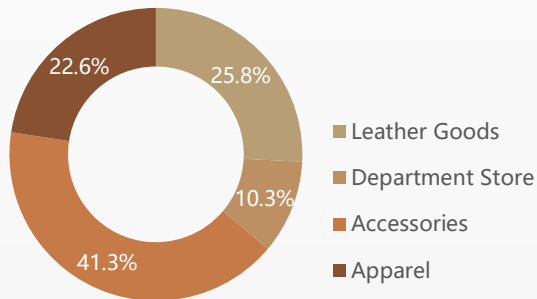
Data shows that consumption members of watches and jewelry are primarily concentrated in major cities like Beijing, Shanghai and Haikou. Members residing in these cities represent a crucial target group for high-end consumption.



Sales of luxury goods and accessories have experienced sustained growth.

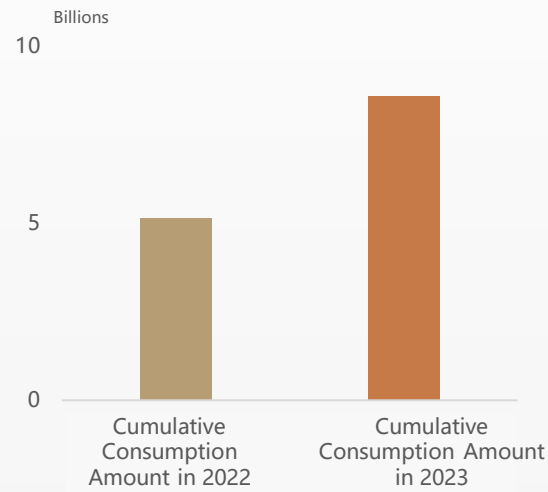
On one hand, the increase in consumer purchasing power, particularly the expansion of the middle class, has introduced a larger pool of potential customers to this market. Additionally, CDFG's efforts in expanding its online platforms and overseas market channels have significantly contributed to the growth in sales within this category. However, in recent years, due to the transformation of the consumption structure influenced by changes in income and expenditure, the luxury and accessories market has undergone structural adjustments, with niche luxury products becoming potential growth points.

Luxury and Accessories Subcategories Cumulative Percentage of Brand Count



Data source: Internal Statistical Data of CDFG

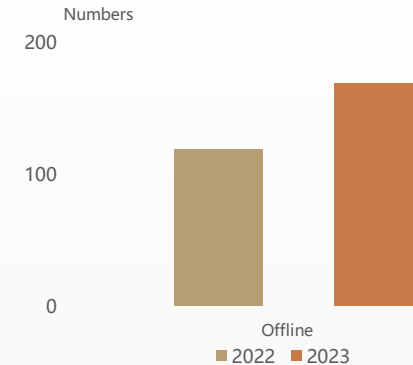
Cumulative consumption amount for 2022 and 2023



Innovative market strategies fuel growth in sales of this category

↑ 42%

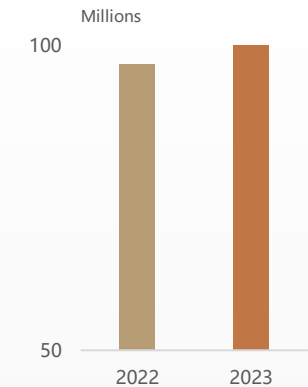
Growth rate of the number of First-time sales brands



Data source: Internal Statistical Data of CDFG

↑ 5.2%

Revenue of Initial Sales Brand

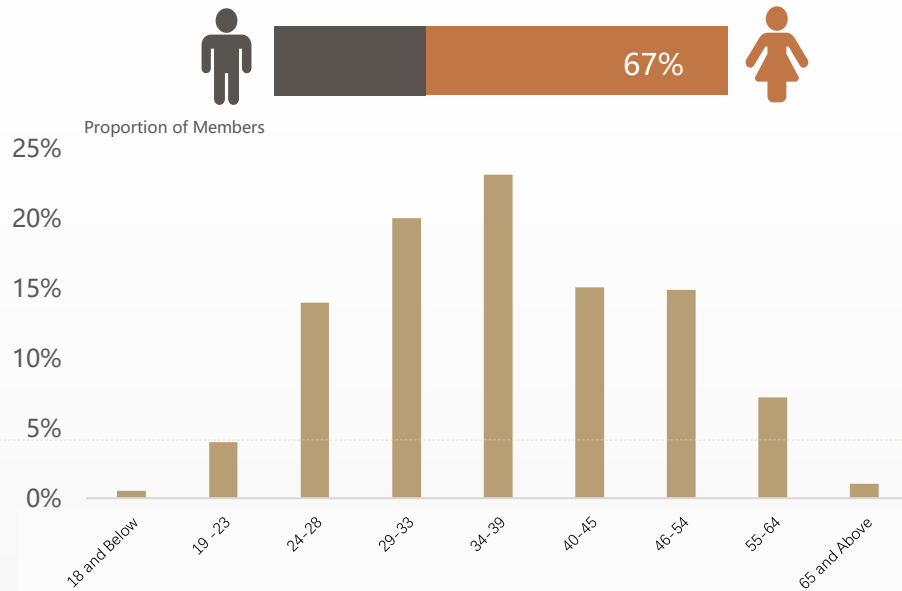


CDFG has successfully introduced a range of unique, first-time sales brands in the luxury goods and accessories category.

From 2022 to 2023, several new brands were added to this segment, including those showcased as independent stores in Xinhai Harbour. These brands, known for their distinctive design and up-market level, have provided consumers with fresh choices and a diversified shopping experience.



The Distribution of Consumption Amount by Age Group of the Population in 2023

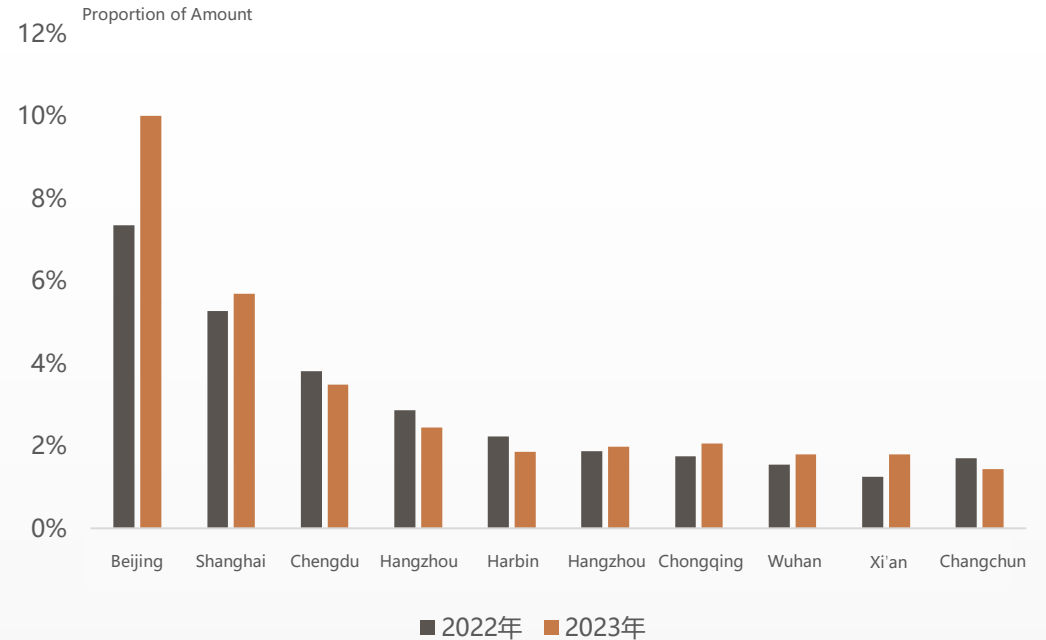


Data source: Internal Statistical Data of CDFG

Women dominate the consumption of luxury goods and accessories, accounting for two-thirds of the overall customer base in this category.

Data shows that in 2023, female members were the primary consumers in this segment, with the majority falling within the 29-33 and 34-39 age groups, each of which represents more than one-fifth of the total.

Distribution of Top 10 Cities by Members' Consumption in 2022 and 2023



Data source: Internal Statistical Data of CDFG

Members from tier-1 and new tier-1 cities exhibit a stronger demand for luxury goods and accessories.

Data indicates that from 2022 to 2023, the top three cities in terms of sales for this category were Beijing, Shanghai, and Chengdu in sequence. All of the top ten cities in terms of sales demonstrated high growth rates, with Beijing showing the most pronounced increase.

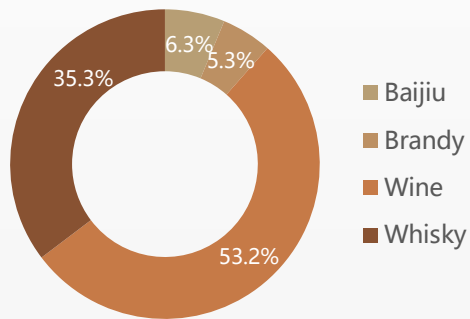
In-Depth Analysis of Key Duty-Free Products: Alcoholic Beverages



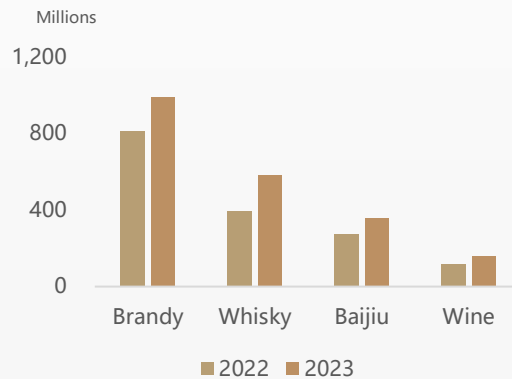
Sales of alcoholic beverages have shown stable growth, indicating consistent demand among members.

The alcoholic beverages market can be divided into two main categories: domestic and imported alcoholic beverages. Domestic alcoholic beverages primarily includes Baijiu and wine, while imported alcoholic beverages mainly consists of brandy, whiskey, and wine. Data shows that 2023 witnessed significant year-on-year growth in sales for both domestic and imported alcoholic beverages. Over the past two years, the brand landscape in this market has remained relatively stable, with little change in brand rankings.

Brands of Alcoholic Beverages in 2023 Proportion of Quantity



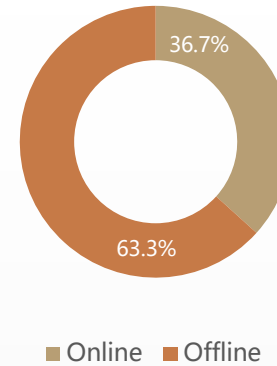
Distribution of Sales Amount for Various Types of Alcohols in 2022 and 2023



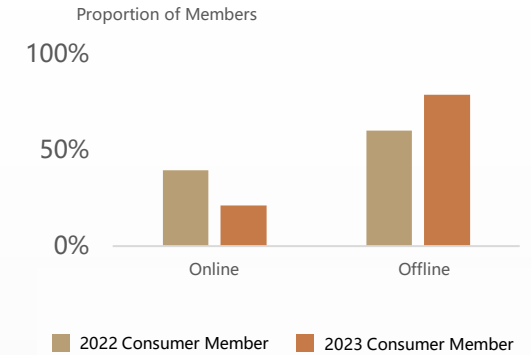
Data source: Internal Statistical Data of CDFG

Sales Breakdown by Alcoholic Beverages Category

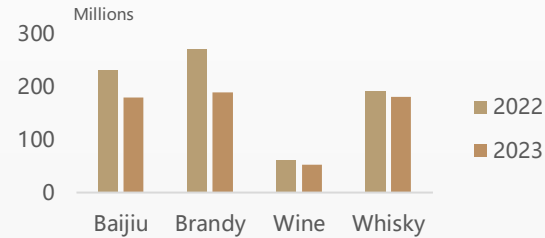
Number of Brands



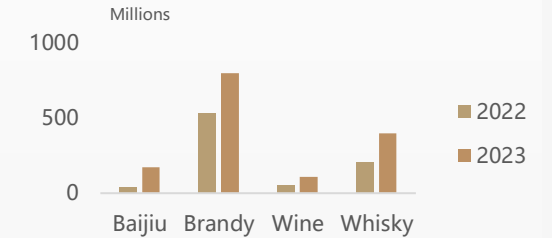
Membership Shopping Channel Proportion



Online sales amount



Offline sales amount



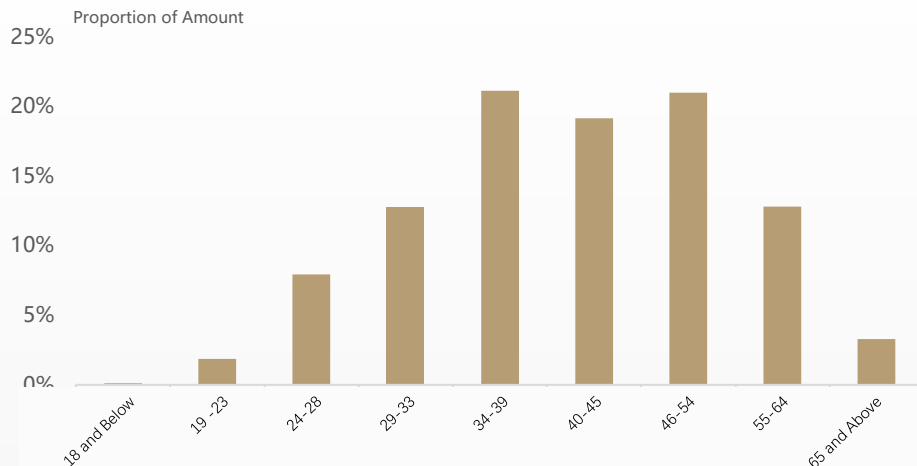
Data source: Internal Statistical Data of CDFG

Offline stores play a crucial role in the sales of alcoholic beverages.

Data shows that in 2023, as the pandemic eased and consumers returned to physical stores, there was a notable increase in offline sales of alcoholic beverages. Meanwhile, these stores hosted promotional events such as tasting sessions, which offer immediate experiences and personalized services, thereby boosting customers' willingness to purchase.



The Distribution of Consumption Amount by Age Group of the Population in 2023

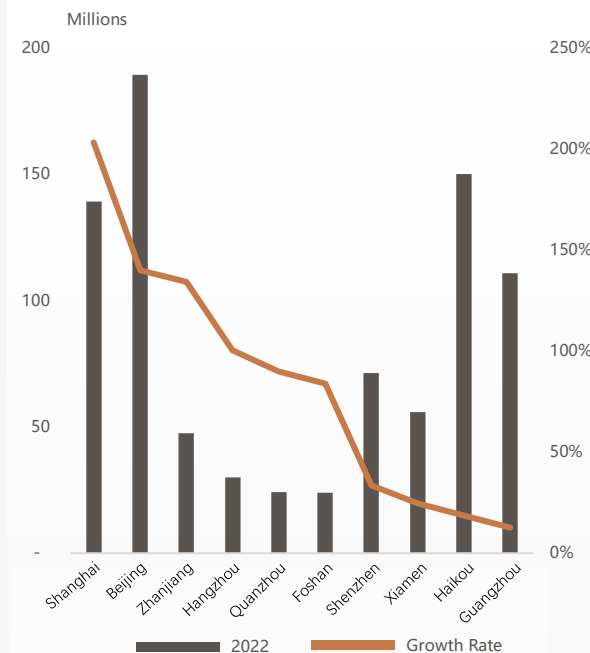


Data source: Internal Statistical Data of CDFG

The characteristics of the consumer base for alcoholic beverages have remained stable, with men being the primary consumers of these products.

Data shows that in 2023, the age group with the highest representation was 34-39 years old, contributing to 20% of the total spending on alcoholic beverages.

Top 10 Cities by Members' Consumption in 2023

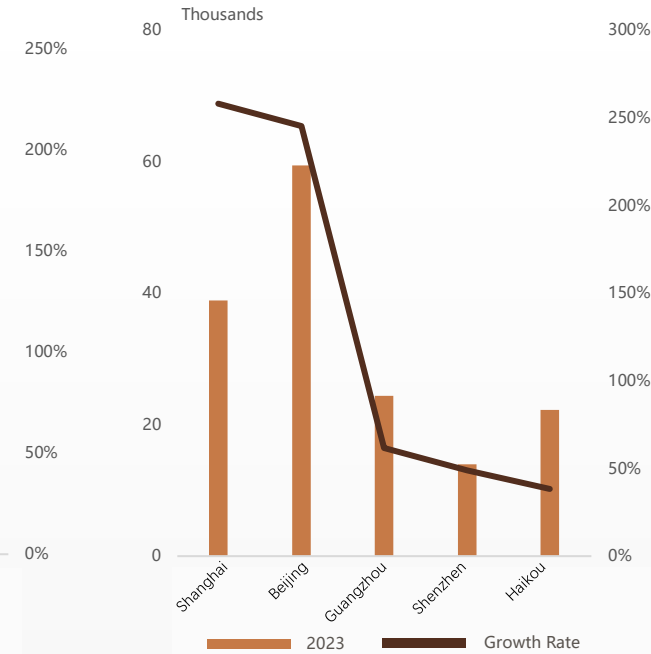


Data source: Internal Statistical Data of CDFG

Beijing and Shanghai stand out as the cities with the most significant growth in alcohol sales among members.

Data shows that from 2022 to 2023, there was a clear increase in the spending by members in these cities. In terms of the number of consumers, the majority of members purchased alcohols were concentrated in tier-1 cities like Beijing, Shanghai, and Guangzhou during this period.

Top 5 Cities by Number of Consumers in 2023

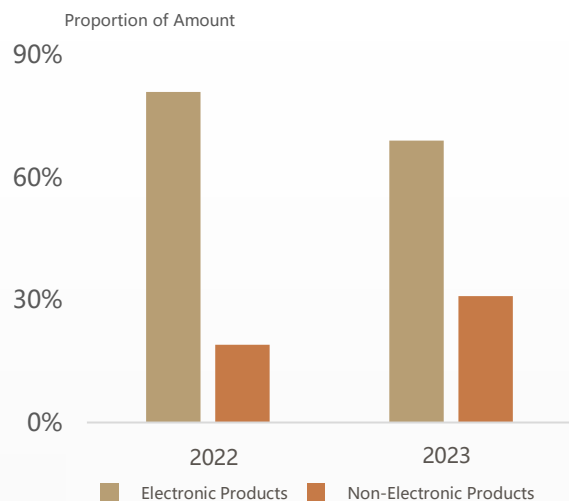


Data source: Internal Statistical Data of CDFG

In-Depth Analysis of Key Duty-Free Products: Food and General Merchandise



Proportion of Sales of Electronic Products in 2022 and 2023



81%

Proportion of electronic product sales in 2022

69%

Proportion of electronic product sales in 2023

Data source: Internal Statistical Data of CDFG

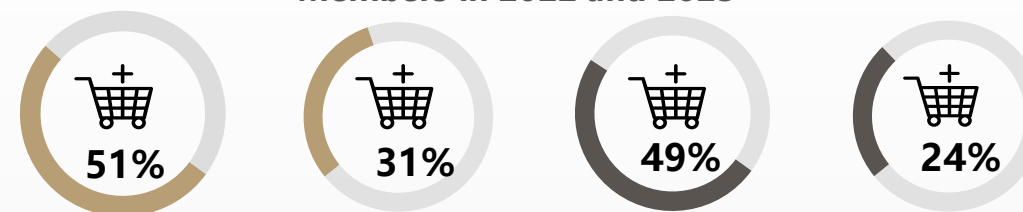
Electronic products are a significant component of the food and general merchandise category.

Data indicates that from 2022 to 2023, electronic products accounted for over 60% of CDFG'S sales in this category. However, this proportion declined in 2023 as consumers have reduced the frequency of electronic product replacements and focused more on durability and cost-effectiveness in recent years. However, as AI empowers consumer electronics, revolutionizing the human-machine interaction experience of electronic terminals, emerging electronic products integrated with AI will drive the consumer electronics industry to thrive anew.

Food and general merchandise products are primarily sold offline, with offline sales accounting for over three-quarters of the total.

Data shows that in 2023, 76% of CDFG members' spending in this category occurred offline, with an equal distribution of shoppers between online and offline channels. CDFG continues to optimize the offline shopping experience by enhancing the service quality of stores and expanding product selection, thereby attracting more customers to purchase food and general merchandise and driving sales conversion.

Proportion of Online Consumption and Consumer Members in 2022 and 2023



Online Consumption in 2022
Percentage of Members

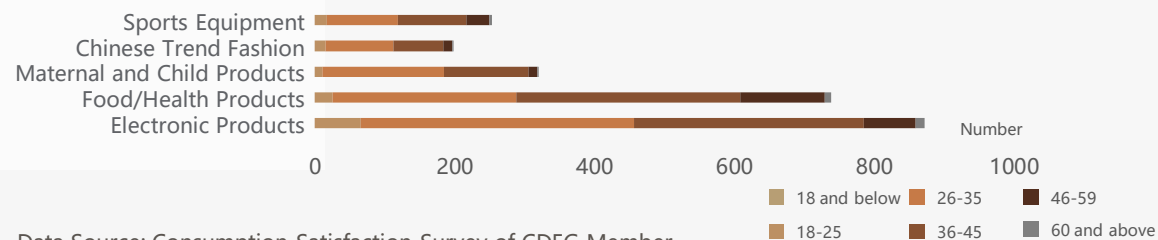
Online Consumption in 2022
Percentage of Amount

Online Consumption in 2023
Percentage of Members

Online Consumption in 2023
Percentage of Amount

Data source: Internal Statistical Data of CDFG

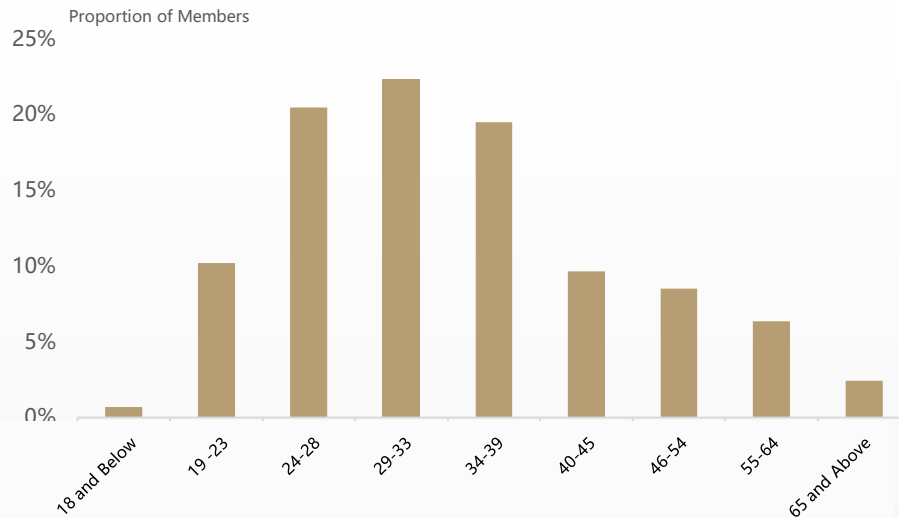
Pay attention to the age distribution of members in the food and department store subcategories



Data Source: Consumption Satisfaction Survey of CDFG Member



The Distribution of Consumption Amount by Age Group of the Population in 2023



Data source: Internal Statistical Data of CDFG

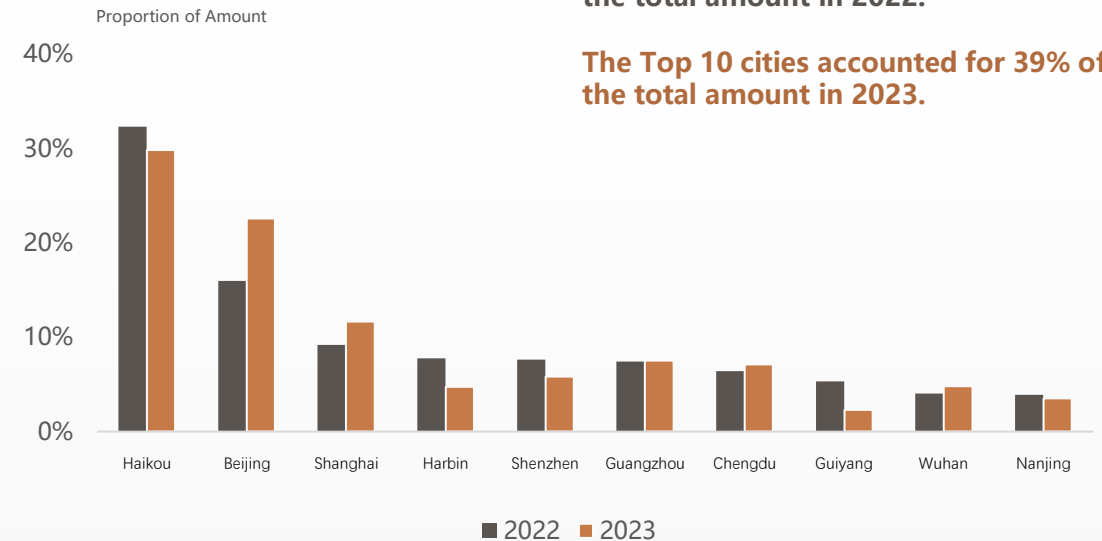
Female members are the primary consumers in the food and general merchandise category, with a trend toward younger demographics.

Data shows that in 2023, women accounted for 58% of the members in this category, with most consumers aged between 24 and 39, indicating a shift toward a younger customer base compared to 2022.

Distribution of Top 10 Cities by Members' Consumption in 2022 and 2023

The Top 10 cities accounted for 43% of the total amount in 2022.

The Top 10 cities accounted for 39% of the total amount in 2023.



Data source: Internal Statistical Data of CDFG

The urban concentration of food and general merchandise consumers is beginning to decrease.

Data shows that the top 10 cities by spending in this category are no longer limited to tier-1 cities like Beijing and Shanghai; cities like Harbin and Guiyang have also entered this ranking, demonstrating the market potential and growth opportunities for food and general merchandise products across various cities.



04

Outlook for the Duty-Free Market Trends

01

Consumer spending is undergoing structural changes, and the opportunities in the duty-free market are still latent within it.

Against the backdrop of economic structural optimization and adjustment, our country is undergoing a transformation in consumption structure, stemming from changes in people's lifestyles, evolution of family structures, and intergenerational shifts in the population. In this process, although the overall growth rate of consumption may slow down, the duty-free market still harbors abundant structural development opportunities.

- After the trial of the epidemic, consumption has further returned to rationality, and consumers' preference for "cost-performance ratio" has rapidly increased. **The duty-free market, which has the advantage of "cost-performance ratio", is gradually showing competitive advantages.** Compared to the taxable market, the prices of goods in the duty-free market are more attractive. In the long run, this price advantage sets a good development tone for the duty-free market.
- The miniaturization of family structure has led consumers to pay more attention to their inner needs and the enjoyment of life. This shift has made consumers' **"self-gratification" consumption demonstrate resilience and growth potential.**
- With the transformation of the population structure, the needs of different age groups are gradually diverging. The trend of personalized and customized consumption is becoming more evident, and consumers are more fond of unique goods and services. Under this trend, consumers who were once under the halo of big brands have started to become disenchanted. They no longer blindly pursue big names, but instead **pay more attention to personalized products and high-quality service experiences. This change has provided a broad market space for the rise of niche brands,** which is conducive to enriching the diverse supply of the duty-free market.

Consumer spending is undergoing structural changes, and opportunities in the duty-free market are still latent within it.

At the same time, the policy dividend of the duty-free consumer market is also bringing development opportunities for domestic and foreign brands. Duty-free consumption is essentially a form of cross-border trade that can promote the circulation of goods and the increase in transaction volume, driving the prosperity of cross-border trade. For overseas companies, duty-free retail, as an important consumption method that brings together global fine products, is a significant landing scenario and a key channel for domestic and foreign brands to launch new products and fine goods, as well as to open their first stores domestically, overseas, and in the region. The "Decision of the Central Committee of the Communist Party of China on Further Comprehensively Deepening Reform and Promoting Chinese-style Modernization" adopted at the Third Plenary Session of the 20th Central Committee emphasizes the acceleration of building a complete domestic demand system and actively promoting the first-mover economy. For local enterprises, the duty-free market promotes the internationalization of local goods and brand promotion, which helps domestic products to go abroad, enhancing their international reputation and market share.





02

The consumer's yearning for a better quality of life continues to drive the steady development of the duty-free market.

From the current trends in the duty-free market, it is evident that the duty-free market is closely related to the overall consumer environment. With the increase in duty-free consumers and their enhanced awareness of new consumption concepts such as "self-gratification," "cost-performance ratio," and "personalization," the opportunities in the duty-free consumer market are focused on the potential release of the following categories and tiers:



The launch of styled luxury goods and accessories gains popularity



Young consumers in the lower-tier markets have become the main force behind niche luxury brands.



The rise of the interest in wine among mature men and women in high-tier cities



Personalization and the National Trend Boost the Rise of Domestic Cosmetics



Gender-neutral luxury watch and jewelry brands have captured the hearts and minds of young and middle-aged consumers in various-tier cities.



The urban silver generation Leads the Health "LOHAS" Trend





The consumer's yearning for a better quality of life continues to drive the steady development of the duty-free market.

In response to these different interest circles and category trends, the strategies for enterprises are as follows:

- **Diversified product strategy and agile insights:** Implement a differentiated product strategy, such as developing exclusive product lines for dominant channels, including first-launch and limited-edition items, to satisfy consumers' pursuit of uniqueness and novelty; strengthen consumer insights across various channels and cities at all levels, predict market trends based on data analysis, and adjust strategies promptly to respond to market changes.
- **Enhancing brand promotion and new product introduction:** Delve into traditional Chinese cultural elements and combine them with modern aesthetics to create products with a unique cultural heritage. At the same time, pay attention to the introduction of new products, keeping up with international fragrance trends to meet the diverse needs of consumers.
- **Continuously improving the sense of experience and value:** Chinese consumers maintain a cautious optimism towards luxury goods. While pursuing the value and shopping experience of watches, their attention to marketing activities continues to rise. Accelerate innovative marketing collaboration with brands to resonate with the lifestyle and values of young and middle-aged consumers.
- **Personalized service and seamless shopping experience:** According to the characteristics of the target audience, introduce different styles and types of alcoholic products to meet their diverse needs, providing personalized recommendations and services, such as recommending suitable products based on consumers' purchase history; optimize both online and offline sales channels to provide a seamless shopping experience that meets consumers' immediate purchase needs.
- **Creating safe, traceable products and services that cover the entire lifecycle:** Position the product brand as an advocate for a healthy lifestyle, closely associated with the healthy living habits of the elderly.

03

Digital intelligence will be a key factor driving the development of the duty-free retail industry.

As various consumer groups continue to emerge, personalized and diverse niche markets are developing rapidly. Enterprises are facing a fragmented and diverse demand market. At the same time, in the process of continuous changes in retail channels, consumers have more shopping options, and enterprises are facing the dilemma of high traffic costs and scattered channels. In order to better acquire, understand, and serve consumers, more and more enterprises are initiating digital and intelligent transformations. With the support of digital and intelligent operations throughout the entire business chain, duty-free retail enterprises, based on their original advantages, have further deepened their business capabilities and market competitiveness.

- In the product sector, through big data analysis and artificial intelligence technology, companies can deeply mine massive sales data and customer behavior, thereby achieving rapid market response and precise product positioning **to improve sales efficiency and effectively reduce inventory risk;**
- In the supply chain sector, companies can leverage intelligent technology to optimize logistics distribution and inventory management. Automated systems and intelligent algorithms can monitor inventory status in real-time, predict future demand, and ensure that duty-free products reach offline stores and consumers in the shortest possible time, **enhancing the efficiency and responsiveness of the corporate supply chain;**
- In the retail and user operation sector, digital intelligence is being applied to various links such as customer service, marketing, and management decision-making. It effectively supports refined operations of the company. China Duty Free has a stable offline customer base and user data assets. Through the operation of the entire digital business chain, the company can revitalize existing members, further enhance member loyalty and engagement, thereby **improving the efficiency and profitability of member operations.**

Digital intelligence will become a key factor driving the development of the duty-free retail industry.

Driven by the continuous advancement of digital intelligence, the current duty-free consumer market and even the domestic consumer market have developed into a "consumer-centric" business philosophy and model. As consumers' demands for shopping experiences increase, shopping has gone far beyond the traditional scope of buying and selling, becoming a consumption method that integrates tourism, experience, and cultural enjoyment. Nowadays, more and more people plan trips specifically for duty-free goods, regarding duty-free shopping places as tourist destinations. Against this backdrop, duty-free retail enterprises are actively upgrading their business formats, creating distinctive shopping environments, enriching the cultural experience of goods, and at the same time enhancing user experiences in marketing promotion, convenient payment, pickup, and logistics through digital intelligence means, to transform their duty-free shopping locations into truly attractive tourist destinations.



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