cdf 中免集团

中國旅遊集團中免股份有限公司
China Tourism Group Duty Free Corporation Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)

STOCK CODE : 1880

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners

CICC 中金公司　　UBS 瑞銀集團

Other Joint Global Coordinators and Joint Bookrunners

建银国际 CCB International　　CITIC SECURITIES　　海通國際 HAITONG

(in alphabetical order)

Other Joint Bookrunners

農銀國際 ABC INTERNATIONAL　　BOC INTERNATIONAL　　交銀國際 BOCOM International　　招银国际 CMB INTERNATIONAL

中信建投國際 CHINA SECURITIES INTERNATIONAL　　DBS　　國泰君安國際 GUOTAI JUNAN INTERNATIONAL　　ICBC 工银国际

(in alphabetical order)

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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China Tourism Group Duty Free Corporation Limited
中國旅遊集團中免股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	102,761,900 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	5,138,200 H Shares (subject to adjustment)
Number of International Offer Shares	:	97,623,700 H Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$165.50 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB1.00 per H Share
Stock code	:	1880

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(in alphabetical order)

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement among the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, August 18, 2022 (Hong Kong time) and, in any event, not later than Tuesday, August 23, 2022 (Hong Kong time). The Offer Price will be not more than HK$165.50 and is currently expected to be not less than HK$143.50 per Offer Share. If, for any reason, the Offer Price is not agreed by Tuesday, August 23, 2022 (Hong Kong time) between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$165.50 for each Hong Kong Offer Share together with brokerage fee of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$165.50.

The Joint Sponsors and the Joint Representatives, for themselves and on behalf of the Underwriters, and with the prior consent of our Company may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$143.50 to HK$165.50) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at www.ctgdutyfree.com.cn and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors", "Appendix V – Summary of Principal Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association" to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered or sold in the United States, or to or for the account or benefit of any U.S. person (as defined in Regulation S), except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold in the United States and to U.S. persons in reliance on Rule 144A, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, only to QIBs. The Offer Shares may be offered, sold or delivered outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.ctgdutyfree.com.cn**). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

August 15, 2022

NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

The Hong Kong Public Offering is being conducted in a fully electronic manner and no printed copies of this prospectus or application forms for use by the public will be provided by the Company in accordance with the Listing Rules.

This prospectus is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at **www.ctgdutyfree.com.cn**. If you require a printed copy of this prospectus, you may download and print from the website addresses above. If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online via the **White Form eIPO** at **www.eipo.com.hk**; or

(2) apply through the CCASS EIPO service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are a CCASS Investor Participant) giving electronic application instructions through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (following the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

If you are an **intermediary, broker** or **agent**, please remind your customers, clients or principals, as applicable, that the prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in the prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the White Form eIPO service or the CCASS EIPO service must be made for a minimum of 100 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. You are required to pay the amount next to the number of Hong Kong Offer Shares you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
100	16,716.80	2,500	417,919.98	14,000	2,340,351.89	600,000	100,300,795.05
200	33,433.60	3,000	501,503.98	16,000	2,674,687.87	700,000	117,017,594.23
300	50,150.39	3,500	585,087.97	18,000	3,009,023.85	800,000	133,734,393.40
400	66,867.20	4,000	668,671.96	20,000	3,343,359.84	900,000	150,451,192.58
500	83,583.99	4,500	752,255.97	40,000	6,686,719.67	1,000,000	167,167,991.75
600	100,300.80	5,000	835,839.96	60,000	10,030,079.51	1,500,000	250,751,987.63
700	117,017.59	6,000	1,003,007.95	80,000	13,373,439.34	2,000,000	334,335,983.50
800	133,734.39	7,000	1,170,175.95	100,000	16,716,799.18	2,569,100[(1)]	429,471,287.60
900	150,451.19	8,000	1,337,343.94	200,000	33,433,598.35		
1,000	167,168.00	9,000	1,504,511.93	300,000	50,150,397.53		
1,500	250,751.98	10,000	1,671,679.92	400,000	66,867,196.70		
2,000	334,335.99	12,000	2,006,015.90	500,000	83,583,995.88		

Note:

(1) maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

Hong Kong Public Offering commences . . . . .09:00 a.m. on Monday, August 15, 2022

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] . . . . 11:30 a.m. on Thursday, August 18, 2022

Application lists open[3] . . . . 11:45 a.m. on Thursday, August 18, 2022

(a) Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . 12:00 noon on Thursday, August 18, 2022

(b) Latest time for giving **electronic application instructions** to HKSCC[4] . . . . .12:00 noon on Thursday, August 18, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[3] . . . . .12:00 noon on Thursday, August 18, 2022

Expected Price Determination Date[5] . . . . Thursday, August 18, 2022

Announcement of:

(1) the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published of the website of Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.ctgdutyfree.com.cn**[6] on . . . . Wednesday, August 24, 2022

(2) the results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels from . . . . Wednesday, August 24, 2022

(3) the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.ctgdutyfree.com.cn**[6] from . . . . Wednesday, August 24, 2022

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . 8:00 a.m. on Wednesday, August 24, 2022 to 12:00 midnight on Tuesday, August 30, 2022

The allocation results telephone enquiry by calling +852 2862 8555 between. . . . . .9:00 a.m. and 6:00 p.m. from Wednesday, August 24, 2022 to Monday, August 29, 2022 on a business day (excluding Saturday, Sunday and public holidays)

Dispatch/Collection of H Share certificates or deposit of the H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][9] . . . . Wednesday, August 24, 2022

Dispatch/Collection of refund checks and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[8][9] . . . . Wednesday, August 24, 2022

Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on . . . . Thursday, August 25, 2022

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, August 18, 2022, the application lists will not open or close on that day. Please see "How to Apply for Hong Kong Offer Shares – C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists".

(4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC via CCASS should see "How to Apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares – 6. Applying through CCASS EIPO Service".

(5) The Price Determination Date is expected to be on or around Thursday, August 18, 2022 and, in any event, on or before Tuesday, August 23, 2022. If, for any reason, our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Tuesday, August 23, 2022, the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates will only become valid evidence of title at 8:00 a.m. on Thursday, August 25, 2022 provided that (1) the Global Offering has become unconditional in all respects and (2) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade H Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.

(8) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

(9) Applicants who have applied through the **White Form eIPO** service for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by the Application Form may collect any refund checks and/or H Share certificates (where applicable) in person from our Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, August 24, 2022 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection must not authorize any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorized representatives bearing a letter of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations (if applicable) must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to the section headed "How to Apply for Hong Kong Offer Shares – G. Dispatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Checks – Personal Collection – If you apply through **CCASS EIPO** service" for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares – F. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares – G. Dispatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Checks".

The above expected timetable is a summary only. You should see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdictions other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

*You should rely only on the information contained in this prospectus and the **GREEN** Application Form to make your investment decision. We have not authorized anyone to provide you with information that is different from that contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisers, or any other person or party involved in the Global Offering.*

This summary is intended to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide whether to invest in the Offer Shares. There are risks associated with any investment. For some of the particular risks of investing in the Offer Shares, see "Risk Factors" for details. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Established in 1984 and after nearly 40 years of development, we have become the largest travel retail operator in the world primarily focusing on sales of high-quality duty-free and duty-paid merchandise to domestic and international travelers and mid- to high-end customers, forming an all-round shopping experience. According to Frost & Sullivan, our worldwide ranking by sales revenue has steadily increased over the past 10 years, from the 19th in 2010 to the 12th in 2015, and further to the fourth in 2019 before reaching the first in 2020 and 2021, with a 24.6% market share of the global travel retail industry in 2021. We have developed China's travel retail business with duty-free as our core strength and seek to increase our global presence. We are the only retail operator in China covering all duty-free sales channels (which include port stores, offshore stores, downtown stores, cruise stores, inflight stores and ship-supply stores). We have the most duty-free stores in China. Our prominent market position is largely due to the history and regulatory landscape of the duty-free industry in China. As of December 31, 2021, we are among nine groups of entities with duty-free operation permits in China, among five groups of entities with duty-free operation permits to operate duty-free port stores nationwide, and the only group with operation permits for all types of duty-free stores in China. As of the Latest Practicable Date, we operated 193 stores, including 184 stores in 100 cities across 28 provinces, municipalities and autonomous regions in China. We also operate nine duty-free stores overseas, including seven in Hong Kong, Macau and Cambodia and two cruise duty-free stores. According to Frost & Sullivan, from 2019 to 2021, the airports where we operated stores alone served more than 2.2 billion travelers.

Our business from continuing operation has significantly grown during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021, our revenue was RMB48,012.6 million, RMB52,597.8 million and RMB67,675.5 million, respectively, and our net profit was RMB5,471.1 million, RMB7,109.4 million and RMB12,441.3 million, respectively. From 2019 to 2021, our revenue grew at a CAGR of 18.7% and our net profit grew at a CAGR of 50.8%. For the three months ended March 31, 2021 and 2022, our revenue was RMB18,133.5 million and RMB16,782.3 million, and our net profit was RMB3,427.6 million and RMB2,933.7 million, respectively.

We are a pioneer of China's duty-free industry. Since our establishment in 1984, we have been continuously promoting the development of China's duty-free industry. We opened China's first offshore store in downtown Sanya in 2011 in anticipation of favorable offshore duty-free policies. Furthermore, we opened China's first integrated travel retail complex, the Sanya International Duty-Free Complex, in Sanya in 2014, pioneering the integrated travel retail complex business model for China's duty-free industry. The Sanya International Duty-Free Complex has become a new landmark of tourism in Hainan; it is also the largest standalone integrated travel retail complex in the world by sales area as of 2020, with a sales area of more than 70,000 sq.m. While focusing on duty-free business, it also conducts other businesses such as duty-paid retail, dining, entertainment and leisure, providing travelers with a diversified one-stop shopping and leisure experience. In 2021, revenue generated from the

Sanya International Duty-Free Complex[1] amounted to RMB34,811.2 million, ranking first among all shopping complexes in China. Additionally, in 2018, we further opened the first cruise duty-free store in China. Furthermore, while it is expected that duty-free policies in China will be further relaxed, existing duty-free policies and regulations may change from time to time beyond our control or expectation. See "Risk Factors – Risks Relating to Our Business and Industry – Changes in the existing duty-free policies and regulations (or the interpretation thereof) could have an adverse impact on our business."

In terms of geographical coverage, we believe we have the best duty-free stores in China. We have captured the core offshore duty-free sales channels in Hainan, including Haikou Meilan International Airport and Sanya Phoenix International Airport, the core downtown areas of Haikou and Sanya, as well as the area of Boao Forum for Asia. We have concession rights to operate duty-free stores in major aviation hubs in China and the Asia-Pacific Region, including nine of the top 10 airports in China and, in particular, the top three airports (Beijing Capital International Airport, Shanghai Pudong International Airport and Guangzhou Baiyun International Airport), in terms of international passenger traffic in 2019 prior to the COVID-19 outbreak, as well as the Hong Kong International Airport, the Macau International Airport and other Asia-Pacific international hub airports.

Our global procurement capability is our core competency, which enables us to have the most comprehensive brand portfolio in China's duty-free industry. We have established stable long-term relationships with world-renowned brands and rank among the top tier travel retail operators in the world in terms of brand resources, far ahead of other domestic duty-free operators. Our excellent procurement advantage enables us to provide our customers with a high-quality product portfolio at favorable prices.

We have established the only nationwide duty-free logistics and distribution system in China. We have also formed direct procurement channels with more than 430 merchandise suppliers and over 1,200 brands worldwide. Our merchandise primarily includes mid- to high-end perfume and cosmetics, fashion and accessories (such as watches, jewelry, clothing and accessories), tobacco and liquor, food and miscellaneous goods.

We have won various important awards and certificates during the Track Record Period, including "Top 100 Listed Companies in China", "Top 100 Companies in China", "Top 100 High Growth Companies in China Award" and "Top 100 Best Management and Operation in China Award" in 2021 by Warton Economic Institute, "Model Enterprise of Corporate Governance of State-owned Enterprises" in 2021 by SASAC, "Top 100 Main Board Value Award" by Securities Times, "Most Valuable Company of the Year" in 2021 by CHN Fund, "The Best Board of Directors for Investor Relations in Main-Board-Listed Chinese Companies" in 2021 by Securities Times, "Digital Economy Pioneer Award" in 2020 by Securities Daily, "30 Most Influential Listed Companies in 2020" by Caijing Magazine and "Top 500 Most Valuable Brands in China" (ranking first in the travel retail industry) in 2020 by World Brand Lab. Additionally, our store at Hong Kong International Airport was awarded as the "Best Airport Liquor Retailer in 2019" by Drinks International Magazine.

1 Represented by revenue from CDFG Sanya Downtown Duty-Free Store Co., Ltd. (中免集團三亞市內免稅店有限公司).

OUR MISSION

Share the joy of shopping and extend the enjoyment of travel.

OUR BUSINESS MODEL

Our business primarily includes the sales of duty-free and duty-paid merchandise to domestic and international travelers. Our supply chain and sales channels are critical to our success in merchandise sales. As of March 31, 2022, our brand portfolio consisted of over 1,200 globally sourced brands, many of which are household names. We have fostered close working relationship with our brand partners in the supply chain and sales channels to facilitate mutual understanding and long-term partnership, which in turn allow us to provide a superior shopping experience to our customers. As of March 31, 2022, our product portfolio had more than 316,000 SKUs, ranging from perfume and cosmetics, fashion and accessories, tobacco and liquor, and food and miscellaneous goods. Additionally, to further expand our retail network and increase our profit margins, we invest in integrated travel retail complexes. The integrated travel retail complex is a business model with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel. As of the Latest Practicable Date, we operated the Sanya International Duty-Free Complex and the Haikou International Duty-Free Complex was under construction.

The table below sets forth a breakdown of our revenue from continuing operations by business segment during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* *(Unaudited)*	*% of total*	*RMB'000*	*% of total*
Continuing Operations										
Sales of Merchandise										
Duty-free	46,441,206	96.7	32,361,706	61.5	42,935,607	63.4	12,613,512	69.5	11,369,464	67.7
Duty-paid	1,150,656	2.4	19,707,555	37.5	24,005,704	35.5	5,324,661	29.4	5,244,726	31.3
Subtotal	47,591,862	99.1	52,069,261	99.0	66,941,311	98.9	17,938,173	98.9	16,614,190	99.0
Others[1]	420,728	0.9	528,546	1.0	734,204	1.1	195,356	1.1	168,096	1.0
Total	48,012,590	100.0	52,597,807	100.0	67,675,515	100.0	18,133,529	100.0	16,782,286	100.0

Note:

(1) Others primarily include income from rental of our billboards and gross rental income from our investment properties in Hainan.

The table below sets forth the gross profit of our duty-free sales and duty-paid sales and the gross profit margin by each segment for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Continuing Operations										
Sales of merchandise										
Duty-free	23,792,084	51.2	13,628,876	42.1	15,902,019	37.0	5,097,157	40.4	4,492,790	39.5
Duty-paid[1]	358,662	31.2	6,407,042	32.5	5,741,341	23.9	1,881,160	35.3	1,107,206	21.1
Subtotal	24,150,746	50.7	20,035,918	38.5	21,643,360	32.3	6,978,317	38.9	5,599,996	33.7
Others[2]	371,937	88.4	432,556	81.8	650,866	88.6	174,661	89.4	151,821	90.3
Total	**24,522,683**	**51.1**	**20,468,474**	**38.9**	**22,294,226**	**32.9**	**7,152,978**	**39.4**	**5,751,817**	**34.3**

Notes:

(1) The gross profit margin of duty-paid sales of merchandise decreased for the year ended December 31, 2021 as compared to the year ended December 31, 2020 and for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021 primarily due to our use of discounts and promotions during these periods in response to decreased passenger foot traffic and temporary store closures arising from the resurgence of COVID-19 in China.

(2) Others primarily include gross profit from rental of our billboards and our investment properties in Hainan.

OUR RETAIL NETWORK

Through near 40 years of development and capital investment, we have built the largest and most comprehensive duty-free retail network in China. We also offer a wide range of retail formats including duty-free stores, duty-paid stores and integrated travel retail complexes, providing our customers with an exceptional duty-free shopping experience wherever they are in our retail network.

Over the years, our retail network expanded across the PRC and we began to expand overseas. As of the Latest Practicable Date, our retail network consisted of 193 stores, including 184 stores in 100 cities across 28 provinces, municipalities and autonomous regions in China. In addition, as of the same date, we operated nine stores overseas.

The following table sets forth a breakdown of our revenue from continuing operations by geographical location during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(Unaudited)			
Mainland China	43,973,194	91.6	49,756,199	94.6	63,574,357	93.9	17,183,809	94.8	15,896,805	94.7
Hong Kong, Macau and overseas	4,039,396	8.4	2,841,608	5.4	4,101,158	6.1	949,720	5.2	885,481	5.3
Total	48,012,590	100.0	52,597,807	100.0	67,675,515	100.0	18,133,529	100.0	16,782,286	100.0

The following table sets forth the number of our stores by type as of the dates indicated.

	As of December 31,			As of March 31,	As of the Latest Practicable Date
	2019	**2020**	**2021**	**2022**	**Date**
Port duty-free stores	126	126	123	123	123
Airport	*60*	*60*	*58*	*58*	*58*
Border crossings and others[(1)]	*66*	*66*	*65*	*65*	*65*
Offshore stores[(2)]	4	5	5	5	5
Downtown duty-free stores	10	10	11	11	11
Others[(3)]	59	54	54	54	54
Total	199	195	193	193	193

Notes:

(1) Including railway stations, cross-border bus stations and seaports.

(2) Hainan is an offshore duty-free market. "Offshore store" refers to all stores in Hainan that enjoy favorable duty-free policies.

(3) Including cruise duty-free stores, inflight duty-free stores, ship-supply duty-free stores and duty-paid stores.

The following table sets forth a breakdown of our revenue from continuing operations by retail channel during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(Unaudited)			
Continuing Operations										
Port duty-free stores										
Airport	31,008,496	64.6	19,704,980	37.4	16,882,904	24.9	4,126,871	22.7	3,885,618	23.2
Border crossings and others[1]	828,790	1.7	295,245	0.6	128,698	0.2	63,602	0.4	2,620	0.0
Subtotal	31,837,286	66.3	20,000,225	38.0	17,011,602	25.1	4,190,473	23.1	3,888,238	23.2
Offshore stores[2]	13,249,573	27.6	29,961,897	57.0	47,057,725	69.5	13,106,694	72.3	12,102,392	72.1
Downtown duty-free stores	759,181	1.6	1,026,657	2.0	1,069,137	1.6	335,043	1.8	219,306	1.3
Others[3]	2,166,550	4.5	1,609,028	3.0	2,537,051	3.8	501,319	2.8	572,350	3.4
Total	48,012,590	100.0	52,597,807	100.0	67,675,515	100.0	18,133,529	100.0	16,782,286	100.0

Notes:

(1) Border crossings and others include stores at border crossings, railway stations, cross-border bus stations and seaports.

(2) Offshore stores cover all of our stores in Hainan, including port duty-free stores and integrated travel retail complexes in Hainan. Our categories of "port-duty free stores," "downtown duty-free stores" and "others" do not include our stores in Hainan.

(3) Others primarily include revenue from (i) cruise stores, inflight stores, ship-supply stores and duty-paid stores, (ii) gross rental income from our investment properties in Hainan and (iii) revenue from our wholesale business to external customers.

The following table sets forth the number of our stores by geographical region as of the dates indicated.

	As of December 31, 2019	2020	As of December 31, 2021	As of March 31, 2021	As of the Latest Practicable Date
Mainland China	191	187	184	184	184
Hong Kong, Macau and overseas[1]	8	8	9	9	9
Total	199	195	193	193	193

Note:

(1) Including two cruise stores.

The following table sets forth the number of our stores by type and geographical region as of the Latest Practicable Date.

	Overall	Mainland China	Hong Kong, Macau and Overseas
Port duty-free stores	123	121	2
Airport	*58*	*56*	*2*
Border crossings and others[(1)]	*65*	*65*	*–*
Offshore stores[(2)]	5	5	–
Downtown duty-free stores	11	6	5
Others	54[(3)]	52	2[(4)]
Total	193	184	9

Notes:

(1) Including railway stations, cross-border bus stations and seaports.

(2) Hainan is an offshore duty-free market. "Offshore store" refers to all stores in Hainan that enjoy favorable duty-free policies.

(3) Including two duty-free cruise stores, and two duty-free inflight stores, 40 duty-free ship-supply stores and ten duty-paid stores.

(4) Representing two duty-free cruise stores.

See "Business – Our Retail Network" for further details.

PROCUREMENT AND SUPPLIERS

We have adopted a centralized procurement model for the entire group, whereby we source and procure products directly from a diverse range of brand owners globally. See "Business – Procurement, Warehousing and Logistics – Merchandise Procurement" for further details.

We have maintained long term business relationships with our major suppliers. As of March 31, 2022, the business relationships between our Group and our top five suppliers during the Track Record Period range from three to 23 years. In 2019, 2020 and 2021 and the three months ended March 31, 2022, the aggregate purchases from our Group's top five suppliers accounted for 54.9%, 58.4%, 60.3% and 56.7% of our total purchases, respectively. For the same periods, purchases from our largest supplier accounted for 14.1%, 27.0%, 28.6% and 30.2% of our total purchases, respectively. See "Business – Suppliers" for further details.

CUSTOMERS

We generate our revenue primarily from purchases by customers who shop at our stores. These retail customers are primarily travelers at airports, ports, stations, land border crossings or other areas or travelers to Hainan and typically settle payments in cash, debit cards, credit cards or e-wallets on their purchase. From time to time, we also provide wholesale services to other duty-free operators. See "Business – Our Wholesale Services" for details. However, none of our customers accounted for 5% or more of our total revenue for 2019, 2020 and 2021 and the three months ended March 31, 2022 and we did not rely on any single customer during the Track Record Period.

ACQUISITIONS

From 2017 to 2021, we have completed acquisitions of 51% equity interest in Sunrise China, 51% equity interest in Sunrise Shanghai and 51% equity interest in Hainan DF. The series of acquisitions of Sunrise entities gave us access to the airports in Beijing and Shanghai, the No. 1 and No. 2 busiest airports in China and two of the top 10 busiest airports in the world by passenger traffic in 2019 prior to the COVID-19 outbreak. The acquisition of Hainan DF enabled us to capture a significant market share in the PRC offshore duty-free market and take full advantage of the benefits brought by the favorable policies in Hainan. See Note 30 in Appendix I to this prospectus for further information. See "Business – Competitive Strengths – The most comprehensive duty-free retail channels and the best market resources in China with strong acquisition and integration capabilities" and "Business – Acquisitions" for further details. For the years ended December 31, 2019, 2020 and 2021 and for the three months ended March 31, 2021 and 2022, the revenue from Sunrise China was RMB7,477.1 million, RMB3,202.2 million, RMB1,906.8 million, RMB492.9 million and RMB262.9 million, respectively, representing 15.6%, 6.1%, 2.8%, 2.7% and 1.6% of our total revenue from continuing operations during the same periods. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our revenue from Sunrise Shanghai was RMB15,148.5 million, RMB13,729.6 million, RMB12,490.7 million, RMB2,954.0 million and RMB2,949.4 million, respectively, representing 31.6%, 26.1%, 18.5%, 16.3% and 17.6% of our total revenue from continuing operations during the same period. During the period from February 2019 to December 31, 2019 and the two years ended December 31, 2020 and 2021, the revenue from Hainan DF was RMB2,999.1 million, RMB9,911.4 million and RMB15,962.5 million, respectively; for the three months ended March 31, 2021 and 2022, the revenue from Hainan DF was RMB3,677.7 million and RMB2,396.1 million, respectively. The revenue from Hainan DF represented 6.2%, 18.8%, 23.6%, 20.3% and 14.3% of our total revenue from continuing operations in the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths will enable us to maintain our leadership in the travel retail industry:

- The largest and one of the fastest growing travel retail operators in the world;
- The most comprehensive duty-free retail channels and the best market resources in China with strong acquisition and integration capabilities;
- Excellent operation and procurement capabilities and significant advantages in brand and product portfolios;
- Strong supply chain and superb customer experience;
- Continuous expansion of new travel retail formats to increase our competitiveness; and
- Strong shareholder support, experienced management and excellent talent pool.

See "Business – Competitive Strengths" for further details.

OUR STRATEGIES

To achieve our objectives and strengthen our leadership positions, we intend to implement the following development strategies:

- Continue building competitive edge in existing business and maintain industry leadership;
- Actively expand new business and explore more profit growth opportunities;
- Reinforce competitive advantages in upstream brands and domestic and overseas channels through capital operation;
- Further strengthen core capabilities to provide driving force for continuous development; and
- Attract and retain top-notch strategic talents to preserve corporate human resources.

See "Business – Our Strategies" for further details.

CHINA NATIONAL DAY GOLDEN WEEK OF 2021

Despite being in the midst of the COVID-19 pandemic, more than 510 million people traveled domestically during China's National Day Golden Week in 2021, of which approximately 3.7 million people traveled to Hainan. In comparison, during China's National Day Golden Week in 2019 prior to the COVID-19 pandemic, around 782.0 million people traveled domestically, of which approximately 4.0 million people traveled to Hainan. Hainan remained a popular destination among tourists and the offshore travel retail sales channel saw a significant increase in sales during the National Day Golden Week in 2021. The offshore duty-free sales amounted to approximately RMB1.5 billion during the National Day Golden Week in 2021, representing a 66.9% increase compared to the same period in 2020; the duty-free merchandise purchased amounted to approximately 2.0 million items, representing a 136.0% increase compared to the same period in 2020; and the number of tourists purchasing duty-free merchandise was approximately 180.0 thousand, representing a 61.6% increase compared to the same period in 2020. The offshore duty-free sales have surpassed the pre-COVID-19 levels by far: during the National Day Golden Week in 2019, the offshore duty-free sales were only approximately RMB390.0 million; the duty-free merchandise purchased amounted to around 461.0 thousand items; and the number of tourists purchasing duty-free merchandise was approximately 84.0 thousand. Given that we are the largest player in China's offshore duty-free market during the Track Record Period with at least 90.0% of the market share, we believe we have been the primary beneficiary of such increase.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has brought unprecedented challenges to our traditional retail channel. As China is still recovering from the increased travel restrictions and pandemic control measures as a result of the new locally transmitted Omicron strain of the COVID-19 cases and international travel to and from China has not yet recovered, our stores continue to face challenges. As of the Latest Practicable Date, 26% of our stores that were temporarily closed following the COVID-19 pandemic had resumed normal operations, 11% of our stores that were temporarily closed had resumed operations in a reduced capacity, and 63% of our stores remained temporarily closed. For the travelers who still travel to the airports or other transportation terminals for cross-border travels, the COVID-19 pandemic has temporarily forced them to change their travel habits and spend less time in the terminals and avoid visiting different locations within the terminals due to safety and health concerns, which may have a long-term adverse effect on our business, financial conditions and results of operations as well. See "Risk Factors – Risks Relating to Our Business and Industry – We rely on travelers spending a significant amount of time in the airports or other transportation terminals where we operate, and changes in travelers' travel habits or in transportation safety requirements and traffic control procedures could have an adverse impact on our business." Affected by the international travel restrictions and the reduced time spent in the transportation terminals as a result of the COVID-19 pandemic, the revenue from our port duty-free stores decreased by RMB11,837.1 million, or 37.2%, from RMB31,837.3 million in 2019 to RMB20,000.2 million in 2020, decreased by RMB2,988.6 million, or 14.9%, from RMB20,000.2 million in 2020 to RMB17,011.6 million in 2021.

Despite the reduced cross-border passenger flows, we benefited from the favorable domestic duty-free policies, which led to increases in both our revenue and net profit in 2020 and 2021 despite the COVID-19 pandemic. We have shifted our focus to offshore stores and the decrease in the sales of our port duty-free stores have been offset by the increase in (i) the sales of our offshore stores in Hainan attributable to favorable policies that significantly raised the annual duty-free purchase limit and relaxed restrictions on unit price and eligible product categories, which increased by 126.1%, from RMB13,249.6 million in 2019 to RMB29,961.9 million in 2020, and by 57.1% from RMB29,961.9 million in 2020 to RMB47,057.7 million in 2021; and (ii) sales of duty-paid merchandise attributable to the deployment of our digital strategy, which increased by 1,612.7%, from RMB1,150.7 million in 2019 to RMB19,707.6 million in 2020 and by 21.8% from RMB19,707.6 million in 2020 to RMB24,005.7 million in 2021. Given the overall government strategy to encourage domestic consumption and plan to make Hainan Province a free trade port, we expect the favorable duty-free policies will continue in the foreseeable future. In addition, in 2021 and the three months ended March 31, 2022, we received COVID-19 related rent concession in the amount of RMB3,134.7 million and RMB281.1 million, respectively, as facility owners of certain airports temporarily reduced our fixed rental provisions for the duration of the COVID-19 pandemic. Many of our rental agreements contain a provision on variable commissions based on sales volume or passenger foot traffic of the previous year as a component of our rent payments.

In early 2022, multiple cities in China reported new locally transmitted Omicron strain of the COVID-19 cases and surges in infection levels. Our revenue decreased by RMB1,351.2 million, or 7.5% from RMB18,133.5 million for the three months ended March 31, 2021 to RMB16,782.3 million for the three months ended March 31, 2022. The sales of our offshore stores in Hainan decreased by RMB1,004.3 million, or 7.7%, from RMB13,106.7 million for the three months ended March 31, 2021 to RMB12,102.4 million for the three months ended March 31, 2022. The sales of our duty-paid merchandise decreased by RMB80.0 million, or 1.5%, from RMB5,324.7 million for the three months ended March 31, 2021 to RMB5,244.7 million for the three months ended March 31, 2022. In March, April and May of 2022, due to a large increase of COVID-19 cases in China, especially an unexpected outbreak in Shanghai, further travel restrictions and pandemic control measures, were implemented.

The pandemic situation in China in March, April and May 2022 was more severe as compared to 2021 and 2020 due to clusters in multiple regions simultaneously and as such increased pandemic control measures, including strengthened travel restrictions, were introduced. The impact of the COVID-19 was particularly hard in March, April and May 2022. While we were able to resume most of our operations in June 2022 and the general situation began to improve in June, it could not completely offset the material adverse impact in March, April and May 2022. As a result, based on the monthly management accounts after March 31, 2022 that were available as of the Latest Practicable Date, our revenue, gross profit and operating profit for the second quarter of 2022 was lower than the same period in 2021 and the rate of decrease of our revenue, gross profit and operating profit was more severe than the rate of decrease for the first quarter of 2022 as a result of store closures, disruptions to our logistics and operations in Shanghai, our use of discounts as promotions and overall decreased consumption.

The pandemic control measures periodically and temporarily impacted our operations and logistics as certain of our stores had to close operations for a short period, such as our operations in Shanghai and our offshore stores in Hainan. Our Sanya International Duty-Free Complex suspended its operations for 10 days in April 2022 due to the local COVID-19 outbreak. Both the duty-free stores in Shanghai Hongqiao International Airport and Shanghai Pudong International Airport were closed at the end of March 2022 and while duty-free store in Shanghai Pudong International Airport resumed operation in June, the duty-free store in Shanghai Hongqiao International Airport remained closed as of the Latest Practicable Date.

The passenger traffic to Hainan further decreased in the second quarter of 2022 as compared to the same period last year. According to Frost & Sullivan, the passenger traffic of Haikou Meilan International Airport and Sanya Phoenix International Airport in Hainan decreased by over 60% in the second quarter of 2022 when compared to the second quarter last year. However, the passenger traffic in June 2022 started to show signs of recovery and Frost & Sullivan estimates that, despite the downturn in the second quarter, considering that the spread of the COVID-19 Omicron variant cases is under effective control and the government is devoted to speeding up economic recovery and the resumption of business activities by introducing stimulative policies, the number of tourists visiting Hainan will reach 85.7 million in 2022, representing a slight increase compared to 81.0 million tourists in 2021 and indicating a rebound in the second half of 2022.

Additionally, our logistics and warehousing services encountered challenges during March, April and May 2022. As a result, our order fulfilment was delayed and we could not promptly recognize the relevant revenue until the orders were fulfilled. Our order delivery and fulfilment gradually resumed in May and by early June 2022, we were able to resume most of our operations that were disrupted. Despite the challenges and difficulties, we continued to accept online orders from our customers and implemented mitigating measures such as the use of discounts to encourage customers to shop through our online platforms. Our online platforms remained a popular destination for our customers and saw the number of orders increasing by more than 80% in the second quarter of 2022 as compared to the same period last year, partially offsetting the impact of the decrease in passenger traffic as well as the temporary store closure. Furthermore, the disruptions caused by the pandemic control measures were mostly concentrated around our Shanghai operations in March, April and May 2022. For the first two months of 2022, prior to the resurgence of COVID-19 and ensuing pandemic control measures, our revenue and net profit increased as compared to the same period in 2021. In June 2022 as our operations in Shanghai gradually resumed and the travel retail market began its recovery, our revenue for June 2022 increased as compared to same period in 2021. However, as a result of the general disruptions to our business from the resurgence of COVID-19 and ensuing pandemic control measures, our total revenue decreased by RMB7,875.2 million, or 22.2%, from RMB35,526.0 million for the six months ended June 30, 2021 to RMB27,650.8 million for the six months ended June 30, 2022 and our net profit decreased by RMB1,985.0 million, or 30.4%, from RMB6,536.7 million for the six months ended June 30, 2021 to RMB4,551.7 million for the six months ended June 30, 2022.

In June 2022, certain of our subsidiaries also received unconditional rent concession from the relevant facility owners in respect of the lease expenses relating to the previous period with a total amount of RMB869.0 million. Such amount was recognized in profit or loss when the recent concession was received in June 2022.

Furthermore, in early August 2022, an increase of COVID-19 cases in Hainan was reported. As a result, increased pandemic control measures were implemented. Due to the outbreak and temporary pandemic control measures, certain of our stores in Hainan had to close operations temporarily, including our Sanya International Duty-free Complex, which may have a temporary adverse effect on our business and results of operations.

Given the rising new COVID-19 variant cases around the world, especially the uncertainties brought by the new COVID-19 variant in China and worldwide, the resumption of international travel to and from China and the recovery of port duty-free sales may be delayed. However, the overall demand for duty-free products will remain strong. We expect that, while the COVID-19 pandemic will continue to affect our port duty-free sales in the foreseeable future, in the long term, after the COVID-19 pandemic is brought under control and international travel to and from China resumes, we expect the traditional travel retail sales channel will gradually recover and may drive further growth of our business. Thus, we do not expect the new COVID-19 cases to have a material adverse effect on our long-term overall business and financial performance.

See "Business – Impact of the COVID-19 Pandemic on Our Business", "Risk Factors – Our business operations have been affected, and may continued to be affected, by the ongoing COVID-19 pandemic" and "Financial Information – Recent Developments and Material Adverse Change – Impact of COVID-19" for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this prospectus. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this prospectus, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			Three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Continuing operations					
Revenue	48,012,590	52,597,807	67,675,515	18,133,529	16,782,286
Cost of sales	(23,489,907)	(32,129,333)	(45,381,289)	(10,980,551)	(11,030,469)
Gross profit	24,522,683	20,468,474	22,294,226	7,152,978	5,751,817
Other income and other net gain	141,596	979,327	786,300	143,963	194,105
Selling and distribution costs	(16,279,893)	(9,741,005)	(5,408,173)	(2,232,946)	(1,872,622)
Administrative expenses	(1,873,440)	(2,025,341)	(2,708,667)	(531,375)	(538,242)
(Impairment loss)/reversal of impairment on trade and other receivables	(26,361)	18,121	(23,317)	(2,658)	246

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Profit from operations	6,484,585	9,699,576	14,940,369	4,529,962	3,535,304
Share of net profits of associates	55,043	16,828	165,016	8,118	46,703
Share of net profits/(losses) of joint ventures	3,926	(1,375)	(2,685)	(758)	(684)
Finance costs	(210,616)	(216,675)	(221,855)	(52,412)	(58,400)
Profit before taxation	6,332,938	9,498,354	14,880,845	4,484,910	3,522,923
Income tax	(1,570,316)	(2,388,991)	(2,439,594)	(1,057,285)	(589,251)
Profit from continuing operations	4,762,622	7,109,363	12,441,251	3,427,625	2,933,672
Discontinued operations					
Profit from discontinued operations, net of tax	708,456	–	–	–	–
Profit for the year/period	5,471,078	7,109,363	12,441,251	3,427,625	2,933,672
Other comprehensive income for the year/period (after tax)					
Items that will not be reclassified to profit or loss:					
– Remeasurements of defined benefit liability	70	20	70	–	–
Items that may be reclassified subsequently to profit or loss:					
– Share of other comprehensive income of associates	189	(522)	(204)	–	–
– Exchange differences on translation of financial statements of foreign operations	68,889	(448,032)	(277,407)	34,958	(93,806)
	69,148	(448,534)	(277,541)	34,958	(93,806)
Total comprehensive income for the year/period	5,540,226	6,660,829	12,163,710	3,462,583	2,839,866
Profit for the year/period attributable to:					
Equity shareholders of the Company	4,497,573	5,931,348	9,726,557	2,869,366	2,579,787
Non-controlling interests	973,505	1,178,015	2,714,694	558,259	353,885
Profit for the year/period	5,471,078	7,109,363	12,441,251	3,427,625	2,933,672

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Total comprehensive income for the year/period attributable to:					
Equity shareholders of the Company	4,565,470	5,484,358	9,449,057	2,903,784	2,483,519
Non-controlling interests	974,756	1,176,471	2,714,653	558,799	356,347
Total comprehensive income for the year/period	5,540,226	6,660,829	12,163,710	3,462,583	2,839,866

For the years ended December 31, 2019, 2020 and 2021, our revenue was RMB48,012.6 million, RMB52,597.8 million and RMB67,675.5 million, respectively. For the three months ended March 31, 2021 and 2022, our revenue was RMB18,133.5 million and RMB16,782.3 million, respectively. The decrease in our revenue for the three months ended March 31, 2022 as compared to the same period in 2021 was primarily due to COVID-19 related travel restrictions and the resulting decreases in our sales. In 2021, our revenue increased due to our focus on the expansion of our Hainan duty-free business and the development of our online business. In 2020, our total revenue increased by RMB4,585.2 million, or 9.6%, primarily due to increased sales from our Hainan duty-free stores and increased online sales.

For the years ended December 31, 2019, 2020 and 2021, our gross profit margin was 51.1%, 38.9% and 32.9%, respectively. Such a decrease in our gross profit margin was primarily due to an increase in cost of sales, including an increase in tariffs, consumption tax, and other relevant taxes paid for duty-paid products as well as the use of discounts and promotions. Our overall gross profit margin was 39.4% and 34.3% for the three months ended March 31, 2021 and 2022, respectively. Such a decrease in our gross profit margin was primarily due to our use of discounts and promotions during this period in response to decreased passenger foot traffic and temporary store closures arising from the multiple COVID-19 outbreaks in China.

For the years ended December 31, 2019, 2020 and 2021, our net profit from continuing operations was RMB4,762.6 million, RMB7,109.4 million and RMB12,441.3 million, respectively. For the three months ended March 31, 2021 and 2022, our net profit from continuing operations was RMB3,427.6 million and RMB2,933.7 million, respectively. Our net profit from continuing operations increased significantly in 2020, primarily due to (i) a decrease in selling and distribution costs primarily due to decreases in rental expenses and advertising and promotional expenses in relation to the COVID-19 pandemic, and (ii) the increase in other income and other net gains in relation to an increase in foreign exchange gains from a depreciation of the US dollar against the Renminbi, and an increase in government grants for our offshore stores and Sunrise Shanghai. Our net profit from continuing operations increased significantly in 2021, primarily due to (i) increased sales from our Hainan duty-free stores, (ii) increased online sales and (iii) decreased rental expenses, resulting from COVID-19 related travel restrictions. Our net profit from continuing operations for the three months ended March 31, 2022 decreased as compared with the same period in 2021, primarily due to a resurgence of COVID-19 cases in China leading to travel restrictions and temporary store closures. For the years ended December 31, 2019, 2020 and 2021, our net profit margin for continuing operations was 9.9%, 13.5% and 18.4%, respectively. For the three months ended

March 31, 2021 and 2022, our net profit margin for continuing operations was 18.9% and 17.5%, respectively. Our net profit margin increased in 2020 and 2021, primarily due to the significant increase in our net profit from continuing operations due to the abovementioned reasons.

Our costs and expenses primarily consist of cost of sales, selling and distribution costs, and administrative expenses. Our cost of sales primarily consists of cost of inventories which include procurement costs paid to suppliers, tariffs, consumption tax, and other relevant taxes for duty-paid products, net of procurement rebates from certain brand owners. Our selling and distribution costs primarily consist of staff costs for our sales and marketing staff and logistics and warehouse staff, and rental expenses of properties related to sales of merchandise, among others. See "Financial Information – Description of Principal Consolidated Statements of Profit or Loss and Other Comprehensive Income Items" for details.

In February 2019, we sold 100% of our equity interest in CITS Agency to CTG, our Controlling Shareholder, for a total consideration of approximately RMB1,830.8 million. See "History, Development and Corporate Structure – Major Acquisitions and Disposals – Disposal of CITS Agency in 2019" for details. Before the disposal, CITS Agency was primarily engaged in the provision of travel services. We disposed of CITS Agency in order to concentrate on the duty-free business and streamline our business structure. The financial results of CITS Agency were presented as discontinued operations in our results of operations for the year ended December 31, 2019.

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
		RMB'000		
Non-current assets	12,961,912	14,900,620	16,559,636	16,925,859
Right-of-use assets	6,632,687	6,316,867	6,183,956	5,967,268
Other property, plant and equipment	2,719,190	3,522,422	5,533,246	6,062,069
Non-current liabilities	3,837,199	3,538,255	3,546,200	3,218,775
Lease liabilities	3,736,935	3,458,759	3,486,524	3,161,825
Net current assets	13,611,413	14,374,051	21,405,561	22,868,318
Current assets	23,118,318	30,963,196	38,541,693	38,238,967
Inventories	8,964,688	14,733,024	19,724,698	20,953,552
Cash and cash equivalents	11,985,340	14,658,688	16,656,542	13,962,570
Current liabilities	9,506,905	16,589,145	17,136,132	15,370,649
Trade and other payables	7,268,541	11,985,168	12,066,164	10,785,768
Net assets	22,736,126	25,736,416	34,418,997	36,575,402
Capital and reserves				
Share capital	1,952,476	1,952,476	1,952,476	1,952,476
Reserves	17,928,340	19,941,610	27,318,923	29,802,442
Total equity attributable to:				
Equity shareholders of the Company	19,880,816	21,894,086	29,271,399	31,754,918
Non-controlling interests	2,855,310	3,842,330	5,147,598	4,820,484
Total equity	22,736,126	25,736,416	34,418,997	36,575,402

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
			RMB'000		
				(Unaudited)	
Operating cash flows before movement in working capital	7,820,907	10,249,973	12,955,745	4,787,713	3,519,235
Changes in working capital	(2,348,753)	377,069	(1,988,991)	(4,020,705)	(3,576,974)
Tax paid	(1,755,095)	(1,812,647)	(2,637,929)	(687,981)	(1,175,517)
Net cash generated from/(used in) operating activities	3,717,059	8,814,395	8,328,825	79,027	(1,233,256)[1]
Net cash used in investing activities	(631,249)	(3,814,102)	(2,317,534)	(245,059)	(580,487)
Net cash used in financing activities	(2,326,431)	(1,996,256)	(3,817,045)	(76,303)	(862,188)
Net increase/(decrease) in cash and cash equivalents	759,379	3,004,037	2,194,246	(242,335)	(2,675,931)
Cash and cash equivalents at January 1	11,140,564	11,985,340	14,658,688	14,658,688	16,656,542
Effect of foreign exchange rate changes	85,397	(330,689)	(196,392)	(576)	(18,041)
Cash and cash equivalents at December 31/March 31	11,985,340	14,658,688	16,656,542	14,415,777	13,962,570

Note:

(1) For the three months ended March 31, 2022, we had outflows of net cash used in operating activities primarily due to an increase in payments of taxes and fees made in accordance with relevant tax authorities for taxes and fees from the prior year. Additionally, due to multiple outbreaks of COVID-19 in China in early 2022, our sales and net profit decreased. We expect that as the COVID-19 pandemic situation improves and pandemic control measures are eased, sales of our products will increase. Additionally, in order to improve our net operating cash outflows position, we will increase our efforts to reduce our costs of sales and control our expenses.

Key Financial Ratios

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Gross profit margin[1]	51.1%	38.9%	32.9%	39.4%	34.3%
Net profit margin[2]	9.9%	13.5%	18.4%	18.9%	17.5%
Return on equity[3]	26.5%	29.3%	41.4%	N.M.[8]	N.M.[8]
Return on total assets[4]	16.4%	17.4%	24.6%	N.M.[8]	N.M.[8]

	As of December 31,			As of March 31,
	2019	2020	2021	2022
Gearing ratio[(5)]	21.1%	19.2%	16.2%	15.0%
Current ratio[(6)]	2.4	1.9	2.2	2.5
Quick ratio[(7)]	1.5	1.0	1.1	1.1

Notes:

(1) Gross profit margin equals gross profit from our continuing operations divided by revenue from our continuing operations and multiplied by 100%.

(2) Net profit margin equals net profit from our continuing operations divided by revenue from our continuing operations and multiplied by 100%.

(3) Return on equity equals net profit divided by the average of the beginning and ending total equity and multiplied by 100%.

(4) Return on total assets equals net profit divided by the average of the beginning and ending total assets and multiplied by 100%.

(5) Gearing ratio equals total debt (including interest bearing borrowings and lease liabilities) divided by total equity and multiplied by 100%.

(6) Current ratio equals current assets divided by current liabilities.

(7) Quick ratio equals current assets minus inventories divided by current liabilities.

(8) Return on equity and return on total assets ratios for the three months ended March 31, 2021 and 2022 are not meaningful as they are not comparable to annual ratios.

RISK FACTORS

Our business and the Global Offering involve certain risks, including (i) risks relating to our business and the industry in which we operate, (ii) risks relating to conducting business operations in the PRC, and (iii) risks relating to the Global Offering, which are set out in the section headed "Risk Factors". Some of the major risks we face include, but are not limited to:

- Changes in the existing duty-free policies and regulations (or the interpretation thereof) could have an adverse impact on our business.

- Our duty-free stores are operated under concession agreements that may be modified or revoked by transportation authorities or facility owners or may fail to be renewed by us, and the loss of concessions could affect our business,

- Some of our concession agreements provide a variable rent with a minimum annual guaranteed payment to the facility owners and therefore our business may be affected if there are fewer travelers than expected or if there is a decline in the sales per traveler at the travel facilities.

- The duty-free retail business in general is highly competitive.

- Events outside of our control that could cause a reduction in airline and other forms of passenger traffic could affect our business.

- We rely on travelers spending a significant amount of time in the airports or other transportation terminals where we operate, and changes in travelers' travel habits or in transportation safety requirements and traffic control procedures could have a material adverse impact on our business.

- The PRC Government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts, and we may not be able to obtain land use rights certificates with respect to certain parcels of land.

- We may incur impairment losses on our intangible assets and goodwill.

You should read the section headed "Risk Factors" in its entirety carefully before you decide to invest in our Shares.

LAND ISSUE

We acquired the three parcels of land on January 2, 2019 for the development of (1) office buildings and (2) additional shopping facilities and a hotel at the Haikou International Duty-Free Complex. The original deadline to commence the construction work on these parcels, as stated in the relevant land grant contracts, is September 18, 2019. On October 27, 2020, the Natural Resources and Planning Bureau of Haikou issued to us an Investigation Notice as construction work with regards to three parcels of land in Haikou had been delayed. The land premium of the three parcels of land previously paid by us to the government was RMB147,840,000, RMB110,740,000 and RMB611,670,000, respectively. In November 2021, the application to extend the commencement of construction work by one year on these parcels was approved by the Municipal Government of Haikou. In the same month, we entered into an amendment of the land grant contracts pursuant to which the deadline to commence the construction work on these parcels was extended to November 2022.

Our PRC Legal Advisers are of the view that as of the Latest Practicable Date, the relevant land was not recognized as idle land by the competent regulatory authorities. Our PRC Legal Advisers also concur with our views that, as of the Latest Practicable Date, with reference to the indication from competent regulatory authority and provided that we commence the construction work on these parcels by the extended deadline as stipulated in the relevant amendments to land grant contract to be entered into with the relevant government authorities, the relevant land is not likely to be treated as idle land by the competent government authority and as a result, no penalty is likely to be imposed. However, if all three parcels were to be recognized as idle land by the competent regulatory authorities, we may be imposed an aggregate amount of idle land fee of RMB174.1 million by them. If we were to encounter delays and fail to commence development of these land parcels by more than two years from the deadline to commence the construction work, the land may be subject to forfeiture by the PRC Government, in which case we would forfeit RMB870.3 million, the entire amount of land premium paid to the government. See "Risk Factors – The PRC Government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts, and we may not be able to obtain land use rights certificates with respect to certain parcels of land." and "Business – Legal and Arbitration Proceedings and Compliance Matters" for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering, if the Over-allotment Option is exercised in full, CTG will hold approximately 50.26% of the Shares in issue, and if the Over-allotment Option is not exercised, CTG will hold approximately 50.63% of the Shares in issue. Accordingly, CTG will continue to hold a controlling interest in our Company upon the completion of the Global Offering.

USE OF PROCEEDS

Assuming that the Offer Price is HK$154.50 per Share (being the mid-point of the Offer Price range of between HK$143.50 and HK$165.50 per H Share), we estimate that we will receive net proceeds of approximately HK$15,538.0 million from the Global Offering after deducting the underwriting commissions and the other expenses payable by us. We intend to use the net proceeds from the Global Offering as follows:

- approximately 48.8%, or HK$7,579.2 million, will be used to reinforce our domestic channels, among which, (i) approximately 3.0%, or HK$465.8 million, will be used to invest in the duty-free stores in key airports; (ii) approximately 0.7%, or HK$116.5 million, will be used to invest in other port duty-free stores; (iii) approximately 3.7%, or HK$582.3 million, will be used to invest in duty-paid travel retail projects; and (iv) approximately 41.3%, or HK$6,414.6 million, will be used to invest in our offshore stores and downtown duty-free stores;

- approximately 22.5%, or HK$3,493.7 million, will be used for expanding overseas channels, among which, (i) approximately 8.2%, or HK$1,281.0 million, will be used to open downtown stores overseas; (ii) approximately 4.5%, or HK$698.7 million, will be used to expand our port stores overseas; (iii) approximately 2.2%, or HK$349.4 million, will be used to expand our stores on more cruise ships; and (iv) approximately 7.5%, or HK$1,164.6 million, will be used to selectively pursue acquisitions of travel retail operators overseas;

- approximately 13.5%, or HK$2,096.2 million, will be used to improve supply chain efficiency, among which, (i) approximately 6.7%, or HK$1,048.1 million, will be used to invest in developing our logistics centers; (ii) approximately 1.5%, or HK$232.9 million, will be use to upgrade our existing supply chain; and (iii) approximately 5.2%, or HK$815.2 million, will be used to consolidate our upstream procurement systems;

- approximately 1.5%, or HK$232.9 million, will be used to upgrade our information technology system;

- approximately 3.7%, or HK$582.3 million, will be used for marketing and further improve our customer loyalty program, among which, (i) approximately 2.2%, or HK$349.4 million, will be used for marketing, and (ii) approximately 1.5%, or HK$232.9 million, will be used for developing our membership system by attracting new customers to join our customer loyalty program and to improve the membership benefits for our existing members; and

- approximately 10.0%, or HK$1,553.8 million, will be used for working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$17,883.6 million, assuming an Offer Price of HK$154.5 per H Share, the mid-point of the indicative Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$1,280.3 million, as the case may be. In the event that the Offer Price is fixed at a higher or a lower level compared to the mid-point of the Offer Price range stated in this prospectus, the application of the proceeds will be changed in the following order: (i) the amount of net proceeds used for working capital and other general corporate purposes will be further adjusted, provided that the percentage of the net proceeds to be used for working capital and other general corporate purposes will remain at 10.0% of the net proceeds of the Global Offering; and (ii) the amount of proceeds used to develop additional shopping facilities and a hotel at the Haikou International Duty-Free Complex will be adjusted accordingly. See "Future Plans and Use of Proceeds" for further details.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumption that (i) the Global Offering is completed and 102,761,900 H Shares are issued and sold in the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 2,055,237,444 Shares are issued and outstanding following the completion of the Global Offering.

	Based on Offer Price of HK$143.50 per H Share	**Based on Offer Price of HK$165.50 per H Share**
Market Capitalization of the H Shares following the completion of the Global Offering	HK$14,746 million	HK$17,007 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share(1)	HK$24.48	HK$25.57

Notes:

(1) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company as of March 31, 2022 were calculated after adjustments as specified in "Unaudited Pro Forma Financial Information" as set out in Appendix IIB to this prospectus. See Note 3 in "Unaudited Pro Forma Financial Information" as set out in Appendix IIB to this prospectus for details.

(2) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2022 including but not limited to the dividend declared on May 18, 2022. Had such dividend being declared on March 31, 2022, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company as of March 31, 2022 would have been decreased by approximately RMB2,928,713,000, and the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share would have been decreased by approximately RMB1.42 (HK$1.66), which is calculated based on 2,055,237,444 Shares, being the number of shares expected to be in issue and outstanding following the completion of the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

RECENT DEVELOPMENTS

Multiple cities in China reported the new Omicron strain of COVID-19 during early 2022 and resulting pandemic control measures were implemented. Based on our unaudited condensed consolidated financial information as of and for the six months ended June 30, 2022, our revenue, gross profit and operating profit for the six months ended June 30, 2022 was lower than the same period in 2021 as a result of store closures, disruptions to our logistics and operations in Shanghai, our use of discounts as promotions and overall decreased consumption. Furthermore, in early August 2022, an increase of COVID-19 cases in Hainan was reported. As a result, increased pandemic control measures were implemented. Due to the outbreak and temporary pandemic control measures, certain of our stores in Hainan had to close operations temporarily, including our Sanya International Duty-free Complex, which may have a temporary adverse effect on our business and results of operations. As such, if (i) the abovementioned or similar outbreaks and pandemic control measures are still in place, and/or (ii) domestic travel and the travel retail industry is affected by the aforementioned continued or similar outbreaks and pandemic control measures, and/or (iii) our business does not experience a significant rebound in the second half of the year, our profit for the year ending December 31, 2022 may be lower than our profit for the year ended December 31, 2021. Please see "– Impact of the COVID-19 Pandemic" in this section for more information.

Our Directors confirm that, other than disclosed in the paragraphs headed "– Impact of the COVID-19 Pandemic" in this section, there had been no material adverse change in our financial or trading position or prospects since March 31, 2022, being the date of our latest audited financial statements, and up to the date of this prospectus, and there had been no event since March 31, 2022 and up to the date of this prospectus that would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

Six months ended June 30, 2022 compared with six months ended June 30, 2021

We are a public company listed on the Shanghai Stock Exchange and we have disclosed unaudited key financial information as of and for the six months ended June 30, 2022 pursuant to the relevant PRC securities laws and regulations. We have included our unaudited interim financial report prepared in accordance with IAS 34 as of and for the six months ended June 30, 2022 in "Appendix IIA" to this prospectus. Our unaudited condensed consolidated financial statements have been reviewed by our reporting accountants KPMG in accordance with Hong Kong Standards on Review Engagements 2410. See "Appendix IIA – Unaudited Interim Financial Information" for details. The following is a discussion of fluctuations of selected line items.

The COVID-19 pandemic situation in China in March, April and May 2022 was more severe as compared to 2021 and 2020 due to clusters in multiple regions simultaneously. As a result, increased pandemic control measures, including strengthened travel restrictions, were introduced. Our business and operations faced disruptions and our total revenue decreased by RMB7,875.2 million, or 22.2%, from RMB35,526.0 million for the six months ended June 30, 2021 to RMB27,650.8 million for the six months ended June 30, 2022. Our cost of sales decreased by RMB3,632.3 million, or 16.5%, from RMB22,065.3 million for the six months ended June 30, 2021 to RMB18,433.0 million for the six months ended June 30, 2022. Our gross profit decreased by RMB4,242.9 million, or 31.5%, from RMB13,460.7 million for the six months ended June 30, 2021 to gross profit of RMB9,217.8 million for the six months ended June 30, 2022. Our gross profit margin decreased from 37.9% for the six months ended June 30, 2021 to 33.3% for the six months ended June 30, 2022. Our net profit for the period decreased by RMB1,985.0 million, or 30.4%, from RMB6,536.7 million for the six months ended June 30, 2021 to RMB4,551.7 million for the six months ended June 30, 2022. See "Financial Information – Recent Developments and Material Adverse Change" for further details.

DIVIDENDS AND DIVIDEND POLICY

Dividends

In accordance with our dividend policy, for the years ended December 31, 2019, 2020 and 2021, our dividend rate, which was calculated by dividing the dividend declared by distributable profit for the same year and multiplied by 100%, was 30.4%, 31.8% and 30.3%, respectively. The dividends paid during this period were higher than our stipulated 5% annual dividend payout rate from our dividend policy. For the year ended December 31, 2019, we declared and paid out subsequently dividends in the amount of RMB1,405.8 million. For the year ended December 31, 2020, we declared dividends in the amount of RMB1,952.5 million. Since 2021 and up to the Latest Practicable Date, we have declared dividends in the amount of RMB2,928.7 million for the year ended 31 December 2021, which has since been subsequently paid out from our own funds. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future.

Dividend Policy

Our Company's dividend policy shall be determined by the Board of Directors based on the business development and performance of our Company and will be subject to the approval of the shareholders' general meeting. Our dividend policy shall maintain consistency and stability. Future profit distributions may be carried out in the form of cash dividends or stock dividends or by interim cash profit distribution. In case that both cash dividends and stock dividends are satisfied, cash dividends shall prevail.

On the basis of the consolidated financial statements of our Company and subject to the relevant PRC laws, other than under certain special circumstances, our annual cash dividends shall not be less than 5% of the annual distributable profit for that year. Our Company's accumulated profit distributed in cash in any three consecutive years shall not be less than 30% of the annual distributable profit realized in the same three years. The abovementioned special circumstances include: (i) we do not have sufficient distributable profit and therefore we are unable to pay dividends; (ii) our external auditors deliver a qualified auditor's report; (iii) our debt-to-asset ratio at the end of a year is higher than 70%; or (iv) the occurrence of significant investments or capital expenditure events, including but not limit to, any investment or future investment in the next 12 months, asset acquisition, procurement of equipment and machinery, repayment of debts, redemption of bonds, and the expenditure of which exceeds 10% of the total assets based on the audited financial statements from the latest financial year.

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised, an Offer Price of HK$154.50 per Offer Share (which is the mid-point of the Offer Price range) and the full payment of the discretionary incentive fee, if any, we expect to incur approximately RMB290.8 million of listing expenses (including (i) underwriting-related expenses, including but not limited to commissions, fees, SFC transaction levy, FRC transaction levy and Hong Kong Stock Exchange trading fee, amounted to approximately RMB205.6 million, and (ii) fees and expenses of legal advisors and accountants amounted to approximately RMB62.9 million and other fees and expenses relating to the Global Offering, including but not limited to the listing application fees, amounted to approximately RMB22.3 million), accounting for approximately 2.1% of the gross proceeds from the Global Offering. Approximately RMB15.5 million of our listing expenses is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately RMB275.3 million is expected to be deducted from equity upon Listing. Listing expenses directly attributable to the issue of shares will be deducted from equity. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"A Share(s)"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in Renminbi
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in "Appendix VI – Summary of Articles of Association" to this prospectus
"associates"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Board" or "Board of Directors"	the Board of Directors of our Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (a) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (b) (if you are an existing CCASS Investor Participant) giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (following the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request form

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Operation Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as amended from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CDFG"	China Duty Free Group Co., Ltd. (中國免稅品(集團)有限責任公司), a limited liability company incorporated in the PRC on February 8, 1985 and a wholly owned subsidiary of our Group, and its predecessors
"Central SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"China" or "PRC"	the People's Republic of China, excluding, for the purposes of this prospectus, Hong Kong, Macau and Taiwan
"CITS Agency"	China International Travel Services Agency Limited (中國國際旅行社總社有限公司), a company incorporated in the PRC on April 22, 1994 and a former wholly-owned subsidiary of our Group
"CITS Group"	China International Travel Service Group Corporation (中國國旅集團有限公司), a company incorporated in the PRC on July 13, 2006 and a promoter of our Company
"close associates(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	China Tourism Group Duty Free Corporation Limited (中國旅遊集團中免股份有限公司) (formerly known as China International Travel Service Corporation (中國國旅股份有限公司)), a joint stock company incorporated in the PRC with limited liability on March 28, 2008
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Controlling Shareholder"	has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to CTG
"core connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"CTG"	China Tourism Group Co., Ltd. (中國旅遊集團有限公司), a limited liability company incorporated in the PRC on January 3, 1987, which is a state-owned enterprise under the control and supervision of the Central SASAC and the Controlling Shareholder of our Company
"CTG Finance"	CTG Finance Company Limited (中旅集團財務有限公司) (formerly known as China National Travel Service (HK) Finance Company Limited (港中旅財務有限公司)), a limited liability company incorporated in the PRC on July 10, 2012 and a subsidiary of CTG
"CTG Group"	CTG, the Controlling Shareholder of our Company, together with its subsidiaries
"Director(s)"	director(s) of our Company

"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
"Financial Services Agreement"	the financial services agreement dated June 9, 2022 entered into between our Group and CTG Finance
"Framework Services Procurement Agreement"	the framework services procurement agreement dated August 11, 2022 entered into between our Company and CTG, our controlling shareholder
"FRC"	the Financial Reporting Council of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our independent industry consultant and an independent third party
"Frost & Sullivan Report"	the independent industry report prepared by Frost & Sullivan
"GDP"	gross domestic product
"General Administration of Customs"	General Administration of Customs of the PRC (中華人民共和國海關總署)
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we" or "us"	our Company and all of our subsidiaries, and their respective predecessors (as the case may be)
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and for which an application has been made for listing and permission to trade on the Hong Kong Stock Exchange

"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Haikou International Duty-Free Complex"	the Haikou International Duty-Free Shopping Complex
"Hainan DF"	Hainan Duty Free Co., Ltd. (海南省免稅品有限公司), a limited liability company incorporated in the PRC on October 31, 2011 and a non-wholly owned subsidiary of our Group
"Hainan DF Meilan Store"	Hainan Duty Free Haikou Meilan Airport Duty Free Store Co., Ltd. (海免海口美蘭機場免稅店有限公司), a limited liability company incorporated in the PRC on November 1, 2011 and a non-wholly owned subsidiary of our Group
"HAI Group"	Hainan Airport Infrastructure Co., Ltd (海南機場設施股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600515), together with its associates
"Haiqi Group"	Hainan Haiqi Transportation Group Co., Ltd. (海南海汽運輸集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603069), together with its associates
"HK$" or "HK dollars" or "Hong Kong dollars" or "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Hong Kong Offer Shares"	the 5,138,200 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies, FRC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the **GREEN** Application Form as further described in "Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated August 12, 2022 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Joint Sponsors, the Joint Representatives and the Hong Kong Underwriters, as further described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement" in this prospectus
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards, and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	party(ies) not connected with us within the meaning of the Hong Kong Listing Rules to the best of our Directors' knowledge, information and belief after all reasonable enquiries
"International Offer Shares"	the 97,623,700 H Shares initially offered by our Company pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)

"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States and to non-U.S. persons in offshore transactions in accordance with Regulation S and in the United States and to U.S. persons outside the United States only to persons who are QIBs as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters, led by the Joint Representatives, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around August 18, 2022 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting–International Offering" in this prospectus
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer
"Joint Bookrunners"	the joint bookrunners as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus
"Joint Global Coordinators"	the joint global coordinators as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus
"Joint Lead Managers"	the joint lead managers as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus
"Joint Representatives"	China International Capital Corporation Hong Kong Securities Limited and UBS AG Hong Kong Branch
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited and UBS Securities Hong Kong Limited
"Latest Practicable Date"	August 5, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange

"Listing Date"	the date, expected to be on or around Thursday, August 25, 2022, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as promulgated by the State Council Securities Commission and the State Restructuring Commission on August 27, 1994 and became effective on the same date, as the same may be amended and supplemented or otherwise modified from time to time
"MCT"	Ministry of Culture and Tourism of the PRC (中華人民共和國文化和旅遊部)
"Ministry of Finance" or "MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
"NDRC"	National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"OCT Group"	Overseas Chinese Town Enterprises Corporation (華僑城集團有限公司), a company incorporated in the PRC on November 11, 1985 and a promoter of our Company
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%) at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in "Structure of the Global Offering – Pricing and Allocation" in this prospectus

"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 15,414,200 additional H Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	Haiwen & Partners, our legal advisers as to PRC laws
"Price Determination Agreement"	the agreement to be entered into by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Thursday, August 18, 2022 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company may agree, but in any event no later than Tuesday, August 23, 2022
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	State Administration for Market Regulation and its predecessor
"Sanya International Duty-Free Complex"	the Sanya International Duty-Free Shopping Complex
"SAT"	State Taxation Administration (國家稅務總局)
"SCNPC"	the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Securities Law" or "PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the 6th meeting of the 9th Standing Committee of the National People's Congress on December 29, 1998 and became effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"SOE"	State-owned enterprises
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
"SSE Listing Rules"	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則) as amended, supplemented or otherwise modified from time to time

“Stabilising Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Sunrise China”	Sunrise Duty Free (China) Co., Ltd. (日上免稅行(中國)有限公司), a limited liability company incorporated in the PRC on November 28, 2005 and a non-wholly owned subsidiary of our Group
“Sunrise Shanghai”	Sunrise Duty Free (Shanghai) Co., Ltd. (日上免稅行(上海)有限公司), a limited liability company incorporated in the PRC on June 23, 1999 and a non-wholly owned subsidiary of our Group
“Supervisor(s)”	supervisor(s) of our Company
“Supervisory Board”	the board of Supervisors of our Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US$” or “US dollars”	United States dollars, the lawful currency of the United States
“VAT”	value added tax

"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the English names of the PRC established companies or entities, laws or regulations are translation and/or transliteration of their Chinese names and have been included in this prospectus for identification purposes only. In the event of any inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese versions shall prevail.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"14th Five-Year Plan"	a series of social and economic development initiative drafted during the fifth plenum of the 19th Central Committee of the Communist Party of China in October 2020, covering the five-year period from 2021 to 2025
"AI"	artificial intelligence
"ASEAN"	the Association of Southeast Asian Nations
"Belt and Road Initiative"	a global infrastructure development strategy adopted by the Chinese government in 2013 to invest in nearly 70 countries and international organizations
"CAGR"	compound annual growth rate
"CRM"	Customer Relationship Management
"CSI 300 Index"	a capitalization-weighted stock market index designed to replicate the performance of 300 stocks traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange, which is compiled by the China Securities Index Co., Ltd. (中證指數有限公司)
"CSI 500 Index"	a capitalization-weighted stock market index compiled by the China Securities Index Co., Ltd. (中證指數有限公司) and designed to replicate the performance of 500 stocks traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange
"ETFs"	exchange-traded funds
"FICC"	fixed-income, currencies and commodities
"Generation Y"	people who are born from 1980 to 1995
"Generation Z"	people who are born from 1995 to 2010
"Guangdong-Hong Kong-Macau Greater Bay Area"	a megalopolis, consisting of nine cities and two special administrative regions in South China, under a cooperative development framework signed in 2017
"IPO"	initial public offering
"M&A"	mergers and acquisitions

"operating income"	operating income of a securities firm derived from financial statements prepared in accordance with the PRC GAAP
"OTC"	over-the-counter
"QDII"	Qualified Domestic Institutional Investor (合格境內機構投資者)
"QFII"	Qualified Foreign Institutional Investor (合格境外機構投資者)
"RQFII"	Renminbi Qualified Foreign Institutional Investor (人民幣合格境外機構投資者), a program launched in the PRC which allows Hong Kong subsidiaries of PRC securities firms and funds to facilitate investments of offshore Renminbi into domestic securities market
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for the establishment of mutual market access between Hong Kong and Shanghai, including Southbound Trading and Northbound Trading
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program under development by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for the establishment of mutual market access between Hong Kong and Shenzhen, including Southbound Trading and Northbound Trading
"SSE 50 Index"	a capitalization-weighted stock market index that selects 50 largest stocks of good liquidity and representatives traded on the Shanghai Stock Exchange
"ST stock(s)"	special treatment stock(s) of listed companies that experience unusual circumstances in their financial condition or operation, exposing them to delisting risks or making it impracticable for investors to evaluate the companies' business prospects
"sq.m"	square meter

For the purpose of this prospectus, unless otherwise mentioned, "offshore market" refers to the travel retail (including both duty-free duty-paid) market in Hainan, "offshore duty-free market" refers to the duty-free market in Hainan and "offshore stores" refers to all stores in Hainan that enjoys favorable duty-free policies.

This prospectus contains forward-looking statements. Such forward-looking statements relate to events that are subject to significant risks and uncertainties, including the risks described in the section headed "Risk Factors" in this prospectus. These forward-looking statements include, but are not limited to, words and expressions such as "aim", "expect", "believe", "plan", "intend", "estimate", "project", "seek", "anticipate", "may", "will", "should", "would" and "could" or similar words, expressions or statements or the negative thereof, in particular, in the sections headed "Business" and "Financial Information" in this prospectus in relation to future events, including our strategies, plans, objectives, goals, targets, future financial results, business prospects, the future development of our industry, the general economy of our key markets and the national and global economy.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future and the information currently available to our management. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance, which is subject to known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, and may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, those discussed under the section headed "Risk Factors" in this prospectus and elsewhere in this prospectus and the following:

- general political and economic conditions;
- macroeconomic measures taken by the PRC Government to manage economic growth;
- future development, trends and environment of the industry and markets in which we operate;
- future development of the COVID-19 pandemic;
- exchange rate fluctuations and evolving legal systems pertaining to the PRC and the industry and markets in which we operate;
- regulatory environment of the PRC and the industry in which we operate;
- market competition, and actions and development of competitors;
- our operations and business prospects;
- our business plans, strategies and goals and our ability to successfully implement these business plans, strategies and goals;
- our financial conditions, operating results and performance;
- our ability to control or reduce costs; and
- our dividend policy.

We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in China and most of our operations are conducted in China which is governed by a legal and regulatory environment that may differ from that of other countries. For more information concerning China and certain related matters discussed below, see "Regulatory Overview", "Appendix V – Summary of Principal Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association". You should seek professional advice from relevant advisers regarding your prospective investment in the context of your particular circumstances.

We believe that there are certain risks involved in our business and operations. These risks can be classified into: (i) risks relating to our business and the industry in which we operate; (ii) risks relating to conducting business operations in the PRC; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Changes in the existing duty-free policies and regulations (or the interpretation thereof) could have an adverse impact on our business.

Our duty-free business in China is generally subject to the government policies and regulations, and any changes in these policies or regulations would materially impact our business.

For instance, visitors to Hainan Province have enjoyed more favorable duty-free policies since July 2020. As a result, the revenue brought by our offshore stores increased significantly during the Track Record Period. See "Regulatory Overview – Regulations Relating to the Operation of Duty-Free Shops and Duty-Free Goods" and "Financial Information – Factors Affecting Our Results of Operations and Financial Condition – Government Policies and Regulations" for details. The PRC Government has announced its plan to make Hainan Province a free trade port by 2025 to facilitate trade and investment. Currently, there are uncertainties related to duty-free policies once Hainan becomes a free trade port. We expect to continue to rely heavily on our offshore business before the full resumption of international travel activities. Offshore duty-free policies and regulations may change from time to time in a manner or to an extent beyond our control or expectation. We cannot assure you that the relevant PRC Government authorities will not scale back on annual duty-free shopping allowances, impose other restrictions on duty-free shopping, or grant more duty-free licenses to new market entrants in the future. If the relevant PRC Government authorities decide to impose restrictions on offshore duty-free shopping or duty-free shopping in general, or if the duty-free industry is no longer one of the industries encouraged by the PRC Government, our results of operations could be materially and adversely affected. For instance, if annual duty-free purchase quotas in Hainan were to be lowered, if favorable tax policies to support certain businesses in the Hainan Free Trade Port were discontinued, or if more duty-free licenses are granted to new market entrants, our business, financial condition and results of operations could be materially and adversely affected.

Furthermore, the further development of downtown duty-free stores, both by us and our competitors, may increase the competition between the downtown duty-free stores and other duty-free stores, especially those port duty-free stores in close proximity to the newly opened downtown duty-free stores. As a result, the business, financial condition and results of operations of those stores may be materially and adversely affected.

In addition, as the duty-free industry and duty-free policies and regulations in China are currently undergoing rapid changes and continuous evolution, uncertainties may arise with respect to the interpretation of certain duty-free policies, resulting in uncertainties in our duty-free operations. As a result, any change in policy or regulation (or the interpretations thereof) that restricts or limits duty-free activities may lead to significant decline in the duty-free purchase volume, and thus materially and adversely impact our business, financial conditions and results of operations.

Our duty-free stores are operated under concession agreements that may be modified or revoked by transportation authorities or facility owners or may fail to be renewed by us, and the loss of concessions could affect our business.

We conduct our business primarily through concessions in airports and other transportation terminals. The transportation authorities and facility owners with whom we contract are generally able to revoke them under certain conditions by terminating the applicable concession agreement. Our concessions may also be terminated by annulment, which may be declared by courts where the grant or the terms of the concession do not comply with applicable legal requirements, such as procurement, antitrust or similar regulations. Our concessions may also be revoked or terminated early by transportation authorities and other travel-related facility owners in certain default scenarios, including, among others:

- assignment, transfer or sublease to third parties, in whole or in part, of the rights or obligations provided in the applicable concession agreement without the consent of airport authorities or other travel-related facility owners, to the extent required;
- failure to comply with any of the provisions of the concession agreement;
- use of the concession area for a purpose other than the object of the agreement;
- entering into an agreement with a third-party with respect to the concession area or services without prior approval of the applicable airport authorities or other travel-related facility owners;

- making certain modifications to the facilities without prior approval from the applicable airport authorities or other travel-related facility owners;
- default on payment of the fees for a period provided in the relevant agreement; or
- not providing the services to an adequate quality level or the failure to obtain the necessary equipment for the satisfactory rendering of such services.

The revocation of our concessions could have a material adverse impact on our business, financial condition and results of operations.

In addition, the concession agreements for our duty-free stores normally have a fixed term ranging from five to ten years, and we cannot assure you that we will be able to renew the concession agreements or to secure new concession agreements through bidding process when the existing ones expire. As of March 31, 2022, 24.0% of our concession agreements have remaining lifetime of less than one year. As of the Latest Practicable Date, we have participated in the bidding processes for one concession agreement in 2022, of which we have successfully renewed one. If we cannot reach an agreement with transportation authorities or facility owners for the renewal of the concession agreements upon their expiration on acceptable terms and conditions, we will have to suspend the operation of the duty-free stores under those agreements and exit the market at those locations. We cannot assure you we will successfully renew our existing concession agreements with the transportation authorities or facility owners, which would in turn have a material adverse effect on our business, financial condition and operating results.

Some of our concession agreements provide a variable rent with a minimum annual guaranteed payment to the facility owners and therefore our business may be affected if there are fewer travelers than expected or if there is a decline in the sales per traveler at the travel facilities.

Some of our concession agreements is in the form of a variable rent, determined by factors such as the monthly gross or net sales of the stores at the airports or other travel facilities, with a minimum annual guaranteed payment. See "Business – Our Retail Network – Concession Agreements". If there are fewer travelers than expected or if there is a decline in the sales per traveler at the airports or other travel facilities, or if any decision made by airlines, airport authorities or other transportation authorities results in a decrease in the number of travelers, the sales at our stores will decline correspondingly, but we will nonetheless still be required to pay the minimum guaranteed portion of the rent. While we, occasionally through negotiation, managed to obtain certain rent payment reduction in certain locations due to extraordinary circumstances such as the COVID-19 pandemic, such rent payment reduction arrangements were temporary and we cannot assure you that they will still be available in similar situations in the future. Therefore, if a situation or an event causes a material decline in the number of travelers or the sales per traveler, our business, financial condition and results of operations will be materially adversely affected.

Events outside of our control that could cause a reduction in airline and other forms of passenger traffic could affect our business.

We derive a considerable portion of our revenue from our port duty-free stores, and therefore our business is primarily dependent upon sales to passengers, and in particular sales to airline passengers from our airport duty-free stores. The occurrence of any event outside our control such as severe weather, airport closures, ash clouds, pandemics, natural disasters, strikes, terrorist attacks (including cyberattacks), or outbreaks of contagious diseases, such as the Severe Acute Respiratory Syndrome, SARS, the H5N1 avian flu, the human swine flu (also known as Influenza A (H1N1)), or, most recently, the COVID-19 pandemic, may lead to a reduction in the number of airline passengers and other forms of passenger traffic in general. Any of these events, or any other event of a similar nature, even if not directly affecting the airline and other transportation industries, may lead to a significant reduction in the number of passengers. See "– Our business operations have been affected, and may continue to be affected, by the ongoing COVID-19 pandemic." and "Business – Impact of the COVID-19 Pandemic on Our Business" for details of how COVID-19 has impacted our business.

Furthermore, any disruption to or suspension of services provided by airlines and the travel industry as a result of financial difficulties, labor disputes, construction work, increased security, changes to regulations governing airlines, mergers and acquisitions in the airline industry and challenging economic conditions causing airlines to reduce flight schedules or increase the price of airline tickets, among others, could negatively affect the number of passengers.

Moreover, increases in oil prices, for example as a result of global political and economic instabilities, may increase transportation fares through fuel surcharges, which may result in a significant reduction of passengers.

The combined effect of these factors would have on our business depends on their magnitude and duration, and a reduction in the number of passengers, in particular, airline passengers, will result in a decrease in our sales and may have a materially adverse impact on our business, financial condition and results of operations.

We rely on travelers spending a significant amount of time in the airports or other transportation terminals where we operate, and changes in travelers' travel habits or in transportation safety requirements and traffic control procedures could have an adverse impact on our business.

Since most of our duty-free stores are situated beyond the security checkpoints at airports and other transportation terminals, we rely on travelers spending a significant amount of time in the areas of the airport or other transportation terminals where we operate our stores. Changes in the pre-departure travel habits of travelers taking airline or other forms of transportation, including staying at airline or private lounges which are becoming more available and popular, or changes in the efficiency of ticketing, transportation safety procedures and air traffic control systems, could reduce the amount of time that travelers spend at locations where we have stores. For example, amid the ongoing COVID-19 pandemic, travelers tend to minimize the time they spend at transportation terminals and avoid visiting different locations within the terminals due to safety and health concerns, which also reduce the amount of time that they would spend at our stores. This has had a short-term adverse effect, and may have a long-term adverse effect on our business, financial conditions and results of operations if the travelers' habits were to change permanently. A decrease in the time that travelers spend in airports or other transportation terminals near our stores could have a material adverse impact on our business, financial condition and results of operations.

Our business operations have been affected, and may continue to be affected, by the ongoing COVID-19 pandemic.

A respiratory illness caused by a novel coronavirus known as COVID-19 was first detected at the end of 2019 and continued to spread globally in over 200 countries and territories. In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The accelerated spread of the virus globally has caused extreme volatility in the global financial market. For example, China experienced a slower-than-usual growth of 3.2% in its GDP in the second quarter of 2020, following a steep 6.8% slump in the first quarter, which was the biggest contraction since its quarterly GDP records began. Although the economy recovered to a certain degree in the second half of 2020 and the overall GDP for 2020 is estimated to have a 2.3% growth compared to that in 2019, the travel and related industries in China and around the world continues to be negatively impacted by COVID-19.

The COVID-19 pandemic has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China and other affected countries, and have made a direct adverse impact on the travel and related industries in China and other countries. In response to the COVID-19 pandemic, the PRC Government has imposed measures across China including, but not limited to, travel restrictions and quarantine for travelers or returnees, whether infected or not, and an extended shutdown of certain business operations. COVID-19-related concerns and event cancelations, together with government-imposed restrictions on businesses, have led to a significant decrease in travel, which has resulted in sharply reduced passenger traffic and sales across our stores in various locations. For example, the average total customer traffic at our stores at Beijing Capital International Airport, Shanghai Pudong International Airport, Beijing Daxing International Airport, Shanghai Hongqiao International Airport and Guangzhou Baiyun International Airport was approximately 7,000 per day in 2021, compared to 237,000 per day in 2019. As of the Latest Practicable Date, 26% of our stores that were temporarily closed since the COVID-19 pandemic had resumed normal operations, 11% of our stores that were temporarily closed had resumed operations in a reduced capacity, and 63% of our stores remained temporarily closed. Among the different categories of duty-free products, tobacco and liquor are particularly affected by the COVID-19 pandemic as these products are primarily sold in our port duty-free stores. As a result, sales of duty-free tobacco and liquor decreased by RMB8,526.5 million, or 82.3%, from RMB10,357.0 million in 2019 to RMB1,830.5 million in 2021. The revenue contribution of the tobacco and liquor products also decreased significantly from 21.8% in 2019 to 2.7% in 2021. The COVID-19 pandemic also brought challenges to our overall financial conditions. Due to the pandemic and the related travel restrictions, the revenue from our port duty-free stores decreased by RMB14,825.7 million, or 46.6%, from RMB31,837.3 million in 2019 to RMB17,011.6 million in 2021. In contrast, driven by an increasing demand for duty-free products and policies favoring duty-free shopping in Hainan, the revenue from our offshore stores increased by RMB33,808.1 million, or 255.2%, from RMB13,249.6 million in 2019 to RMB47,057.7 million in 2021, and the revenue from our downtown duty-free stores increased by RMB309.9 million, or 40.8%, from RMB759.2 million in 2019 to RMB1,069.1 million in 2021 primarily due to the opening of a new downtown duty-free store in Hong Kong in August 2019, accompanied by improvements in the COVID-19 pandemic situation in Hong Kong leading to a recovery in sales in 2021.

In early 2022, multiple cities in China reported new locally transmitted Omicron strain of the COVID-19 cases and surges in infection levels. Our revenue decreased by RMB1,351.2 million, or 7.5% from RMB18,133.5 million for the three months ended March 31, 2021 to RMB16,782.3 million for the three months ended March 31, 2022. The sales of our offshore stores in Hainan decreased by RMB1,004.3 million, or 7.7%, from RMB13,106.7 million for the three months ended March 31, 2021 to RMB12,102.4 million for the three months ended March 31, 2022. The sales of our duty-paid merchandise decreased by RMB80.0 million, or 1.5%, from RMB5,324.7 million for the three months ended March 31, 2021 to RMB5,244.7 million for the three months ended March 31, 2022. See "Business – Impact of the COVID-19 Pandemic on Our Operational Performance" and "Financial Information – Results of Operations" for further details.

In March, April and May of 2022, due to a large increase of COVID-19 cases in China, especially an unexpected outbreak in Shanghai, further travel restrictions and pandemic control measures, were implemented. The pandemic situation in China in early 2022 was more severe as compared to 2021 and 2020 due to clusters in multiple regions simultaneously and as such increased pandemic control measures, including strengthened travel restrictions were introduced. The pandemic control measures periodically and temporarily impacted our operations and logistics as certain of our stores had to close operations for a short period, such as our operations in Shanghai and our offshore stores in Hainan. Additionally, our order fulfillment was delayed despite customers still being able to order and purchase our merchandise online. Our business and operating results have experienced a material adverse impact as compared to the same period in 2021. While our revenue was negatively impacted and order fulfillment was delayed due to the pandemic control measures leading to store closures and decreased consumer demand, we implemented mitigating measures such as the use of discounts to encourage consumers to shop through our online sales platforms. However, while we were able to receive orders during that time, we were not able to fulfil them and recognize the revenue promptly until pandemic control measures were relaxed and orders were fulfilled. Furthermore, in early August 2022, an increase of COVID-19 cases in Hainan was reported. As a result, increased pandemic control measures were implemented. Due to the outbreak and temporary pandemic control measures, certain of our stores in Hainan had to close operations temporarily, including our Sanya International Duty-free Complex. As such the recent COVID-19 outbreaks and the corresponding pandemic control measures have materially and adversely impacted our operations and logistics, revenue and overall gross profit margins. See "Summary – Impact of the COVID-19 Pandemic" for further details.

Given the rising new variant of COVID-19 cases around the world, especially the uncertainties brought by new variant of the COVID-19 cases in China and around the world, the resumption of international travel and the recovery of port duty-free sales may be delayed. We are also uncertain as to whether there will be any further waves of COVID-19 outbreaks in China or any other part of the world, and we cannot predict whether COVID-19 pandemic will have a long-term impact on our business operations either. If we are not able to effectively and efficiently operate our business and implement our strategies as planned, we may not be able to grow our business and generate revenue as anticipated, and our business operations, financial condition and prospects may be materially and adversely affected.

The entry barrier to the duty-free industry in China has been lowered in recent years.

As of December 31, 2021, we were among nine groups of entities with duty-free operation permits in China and also among five groups of entities with duty-free operation permits to operate duty-free port stores nationwide. In particular, we are currently the only group with operation permits for all types of duty-free stores in China. Given the significance of our duty-free business in our overall business and operations, any material changes in the laws or regulations relating to duty-free retail in China would materially affect our business, operation results and financial performance. For example, the restrictions to enter into the PRC duty-free market relaxed somewhat in recent years. As a result, three entities have recently been granted duty-free licenses (including a department store operator) in China since 2020, while other competitors have announced that they are applying for duty-free licenses in China. In addition, other leading global travel retail operators may enter the duty-free market in China in the future. Some of our competitors may enjoy significant competitive advantages due to their strong financial position, longer operating history or established brands. As a result, we cannot assure that we would be able to adapt in a timely manner to changes in the relevant laws and regulations relating to duty-free retail or be able to effectively compete with new entrants, and we could lose our market share and our results of operations and financial condition may be materially and adversely affected.

Our business could be adversely affected if the global economy experiences a slowdown in growth or a downturn.

The duty-free industry is sensitive to global economy trends, especially the market demand for perfume, cosmetics and fashion and accessories. Consumers are generally more willing to purchase these products during periods in which favorable economic situations prevail. On the other hand, a recession or a sustained downturn in the global economy or uncertainties regarding future economic prospects could affect consumer spending habits and trends, including a reduction in their spending, particularly on goods with high income elasticity of demand such as perfume and cosmetics and fashion and accessories, and thus have a material adverse effect on our business, results of operations and financial condition. China, for instance, has experienced rapid economic growth over the past few decades; however, its continued growth has faced downward pressure since the second half of 2008 and its annual GDP growth rate declined from 9.5% in 2011 to 6.1% in 2019, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). In addition, in the first quarter of 2020, the GDP growth rate further decreased to negative 6.8% due to the COVID-19 outbreak. In an event of economic downturn like this, consumers' demand for goods such as cosmetics and perfume as well as fashion and accessories would be materially and adversely impacted, and it is difficult to predict when and to what extent such demand will recover in the foreseeable future. As a result, there can be no assurance that we will be able to maintain our historical growth in revenues or remain profitable in the future if an economic slowdown or downturn in China or the rest of the world occurs or persists.

The PRC Government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts, and we may not be able to obtain land use rights certificates with respect to certain parcels of land.

Under PRC laws and regulations, the PRC Government may issue a warning, impose a penalty and/or reclaim our land if we fail to develop a particular project according to the terms of the relevant land grant contracts.

Under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contracts, the relevant PRC land bureau may serve an investigation notice and impose an idle land fee of 20% of the land premium on us if the delay is found out not to be caused by government actions or force majeure. If we fail to commence development for more than two years, the land may be subject to forfeiture by the PRC Government unless the delay is caused by government actions or force majeure. Furthermore, even if we commence development in accordance with the land grant contracts, if the developed land area is less than one-third of the total land area, or if the total capital expenditure on land development is less than one-fourth of the total amount expected to be invested in the project as specified in the project registration or approval documents, not including the purchase price of the land, and the development of the land is suspended for over one year without government approval, the land may still be treated as idle land.

During the Track Record Period, development on three parcels in Haikou with a total land premium of RMB870.3 million has been delayed for more than one year from the construction commencement date stipulated under the relevant land grant contracts and we had received "Idle Land Investigation Notice" from the competent PRC regulatory authorities on these parcels. We have been advised by our PRC Legal Advisers that if all three parcels were to be recognized as idle land by the competent regulatory authorities, we may be imposed an aggregate amount of idle land fee of RMB174.1 million by them, accounting for 1.8% of profit attributable to equity shareholders of the Company in 2021; and if we encounter more delays and fail to commence development of these land parcels by more than two years from the deadline to commence the construction work, the land may be subject to forfeiture by the PRC Government, in which case we would forfeit RMB870.3 million, the entire amount of land premium paid to the government, accounting for 8.9% of profit attributable to equity shareholders of the Company in 2021. We have submitted an application for extending the construction commencement deadline to the competent PRC regulatory authorities. The authorities required us to immediately prepare for the commencement of construction, or the relevant land would be treated as idle land for the next step. In November 2021, the application to extend the commencement of construction work by one year on these parcels was approved by the Municipal Government of Haikou. In the same month, we entered into an amendment of the land grant contracts pursuant to which the deadline to commence the construction work on these parcels was extended to November 2022. See "Business – Legal and Arbitration Proceedings and Compliance Matters" for more details. Our PRC Legal Advisers are of the view that as of the Latest Practicable Date, the relevant land was not recognized as idle land by the competent regulatory authorities. However, there is no assurance that we will be able to commence the construction as required by the relevant authorities, in which case, we may be penalized by the relevant authorities (including the levy of idle land fee or forfeiture of the land in question), and our business, financial conditions, results of operation and prospects may be materially and adversely affected.

We cannot assure you that we will be able to fully comply with the obligations under the relevant land grant contracts in the future due to factors which are beyond our control, or that our property development projects will not be subject to idle land penalties or be taken back by the government as a result of such delays. If we fail to comply with the terms of any land grant contract as a result of delays in project development or any other reasons, we may lose our previous investments in the land and the opportunity to develop the project, which may have a material adverse effect on our business, results of operations and financial condition.

Taxation in countries where we operate may change.

A substantial part of our revenue is derived from our sale of duty-free products, including but not limited to, perfume and cosmetics, fashion and accessories, tobacco and liquor and food. Governmental authorities in countries in which we operate may alter or eliminate the duty-free status of certain products or otherwise change importation or tax laws. For example, in China, where substantially all of our business is located, the government has gradually lowered import tariffs on a wide range of products since 2015, including but not limited to, food, health products, household chemicals, clothes and shoes. Furthermore, import tariffs, consumption taxes and VAT on products sold by traditional duty-paid retailers at locations outside airports and other transportation terminals may be further lowered in the future, partly eliminating our competitive advantage with respect to duty-free product procurement costs. For instance, the PRC Government has adjusted consumption tax (for example, the import consumption tax on cosmetics was reduced from 30% to 15%, effective October 1, 2016) and value-added tax (for example, the 16% tax rate applicable to the VAT taxable sale or import of goods by a general VAT taxpayer was adjusted to 13%, and 10% tax rate applicable thereto was adjusted to 9%, effective April 1, 2019) in recent years. If we lose market share to traditional duty-paid retailers as a result of a further reduction in import tariffs, consumption taxes and VAT, our revenues may decrease significantly and our business, financial condition and results of operations may be materially adversely affected.

We may not be able to extend our geographical coverage and customer reach through expanding our network of stores.

We believe maintaining an effective and extensive travel retail network is crucial to our business success and future growth. As of the Latest Practicable Date, our network consisted of 123 port duty-free stores, 11 downtown duty-free stores, five offshore stores and 54 other stores. To further increase our market share, we plan to continue to evaluate the geographic coverage of our current duty-free stores in China and globally and to renew the concession agreements for certain stores and open new stores both in China and overseas to increase our brand awareness especially in our target markets. However, there can be no assurance that these stores, or any other stores that we might open in the future, will open on time or be successful or that our overall gross profit will increase as a result of opening these stores. A number of factors could affect our ability to open new duty-free stores and implement our expansion plan, as well as affect the ability of the newly opened duty-free stores to achieve sales and profitability levels comparable with our existing duty-free stores or to become profitable at all. These factors include:

- the identification and securing of prime store sites;
- the negotiation of acceptable financial terms for land purchases, leases, construction, product purchases, insurance and other transactions;
- the proximity between our stores (especially between the downtown stores and the port duty-free stores in the same city);
- the hiring, training and retention of qualified personnel;
- our ability to integrate new stores into our operations on a profitable basis;
- the capability of our existing distribution system to accommodate new stores;
- local and regional economic conditions; and
- general macroeconomic condition in the geographic areas where we operate.

We cannot assure you that we will be able to increase the number of duty-free stores as planned. We might not be able to identify and secure suitable locations for new duty-free stores at commercially acceptable terms. In addition, the expansion of our duty-free store network will put pressure on our managerial, financial, operational and other resources. If we are unable to extend our geographical coverage and customer reach through expanding our duty-free store network, our sales volume, growth potential and profitability could be materially and adversely affected.

We are exposed to risk of cannibalization among our stores.

The stores in our travel retail network may be subject to market cannibalization among themselves, especially those within close geographical proximity to each other. The capacities and growth of our stores in certain regions and demands from our customers may be limited and may not be able to support our expansion plan. There could be overlapping coverage and unexpected competition among our stores due to the over-expansion and cannibalization effect. As a result, our stores may not perform as anticipated due to cannibalization and this may have adverse effect on the overall performances of our stores and our profitability.

In particular, it is expected that the downtown duty-free policies in China will be further relaxed, and, as part of our business strategies, we aim to establish more downtown duty-free stores in the future. The further development of downtown duty-free stores, however, may increase the competition between our downtown duty-free stores and other duty-free stores, especially those port duty-free stores in close proximity to the newly opened downtown duty-free stores. Although we have implemented various measures to prevent cannibalization among our stores, the close distance between the stores may still result in unfavorable competition among them for the limited market demand. As a result, the business, financial condition and results of operations of those stores may be materially and adversely affected.

We may be unsuccessful in executing our growth strategy effectively.

As part of our expansion plans, we from time to time consider investment and acquisition opportunities that may complement our core business portfolio and capabilities and assist in expanding the market share of our core business operations. For example, we entered into the Cambodia duty-free market in 2014 with the opening of our duty-free store in downtown Angkor to expand our global footprint, and we acquired a respective 51% equity interest in Sunrise China in 2017, Sunrise Shanghai in 2018 and Hainan DF in 2020 to further consolidate our leading position in domestic duty-free market. See “Business – Acquisitions” and “History, Development and Corporate Structure – Major Acquisitions and Disposals”. We currently intend to use a portion of the proceeds from the Global Offering to acquire domestic and overseas travel retail operators. See “Future Plans and Use of Proceeds”. However, the ability of our operations to grow by investments in and/or acquisitions of our target businesses is dependent upon, and may be limited by, the availability of attractive projects and our ability to identify the suitable targets, agree commercial, technical and financing terms to our satisfaction and obtain required approvals from relevant regulatory authorities. Additionally, execution of our growth strategy will also depend on factors that may not be within our control. We believe that identifying and developing projects may become increasingly difficult in the future as domestic and international competition for the development of investment projects increases.

We must also strategically identify which airport or transportation terminals and concession agreements to target based on numerous factors, such as passenger traffic, facility size, type, location and quality of available concession space, level of anticipated competition within the terminal, potential future growth within the airport or transportation terminal, rental structure, financial return and regulatory requirements. We cannot assure you that this strategy will be successful.

In addition, we may encounter difficulties expanding in new geographical locations or integrating the expanded or new concessions or any acquisitions. Such investments and/or acquisitions may expose us to potential difficulties that could prevent us from achieving our strategic objectives for the investments and/or acquisitions or the anticipated levels of profitability from the investments and/or acquisitions. These difficulties include:

- diversion of management’s attention from our existing businesses;
- increase in our expenses and working capital requirements, which may reduce our return on invested capital;
- difficulties associated with securing required governmental approvals, permits and licenses in a timely manner and responding effectively to any changes in local laws and regulations that adversely affect our costs or ability to open new concessions;

- difficulty expanding into markets in different locations and the challenges of operating in markets and industries in which we do not have substantial experience;

- increases in debt, which may increase our finance costs as a result of higher interest payments;

- difficulty retaining or developing acquired or new businesses' customers;

- exposure to unanticipated contingent liabilities of acquired businesses; and

- difficulties in integrating acquired businesses or investments into the Group's existing operations, which may prevent it from achieving, or may reduce, the anticipated synergies or cost saving.

There can be no assurance that we will be able to identify suitable concession investment and/or acquisition targets, complete the investments and/or acquisitions on satisfactory terms, if at all, or, if any such investments and/or acquisitions are completed, satisfactorily integrate the acquired businesses and/or investments. Any failure to implement our expansion plans through investments and/or acquisitions could have a material adverse effect on our business, financial position and results of operations, as well as our prospects.

Failure to successfully manage our expansion plans, including failure to obtain sufficient funding for the plans, may materially and adversely affect our business and growth prospects.

Our current expansion plans mainly include establishing downtown duty-free stores, further developing integrated travel retail complexes and expanding overseas business channels. See "Business – Our Strategies" for details. If our expansion plans are proven to be entirely or partially unsuccessful or if we cannot properly carry out or manage the expanded business, our cash flow and profitability may be materially and adversely impacted. We may need additional financing in the event that our internal resources are insufficient to fulfill our cash needs. Incurring indebtedness would increase our finance costs and would result in imposition of operating and financing covenants that may, among other things, restrict our expansion plans and operations and/or our ability to pay dividends. Further, as our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which may be beyond our control, we cannot assure you that future financing will be available to us on favorable terms, or at all. See "We may need additional capital in the future, and it may not be available on acceptable terms." in this section for details.

In addition, our expansion plans may place substantial pressure on our management and our operational, financial and other resources. To manage and support our growth, we may need to (i) improve our existing operational and administrative systems; (ii) improve our financial and management controls; (iii) enhance our ability to recruit, train and retain existing and/or additional qualified management personnel and other frontline staff, administrative, sales and marketing staff; and (iv) continue managing our relationships with our suppliers and customers. All of these endeavors will require substantial attention and time from our senior management and may incur significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and our ability to capitalize on new business opportunities may be materially and adversely affected if we fail to do so, which would in turn materially adversely affect our business, financial condition, results of operations and prospects.

We may need additional capital in the future, and it may not be available on acceptable terms.

We may require additional capital in the future for the following reasons: (i) to fund our operations; (ii) to respond to potential strategic opportunities, such as investments, acquisitions and expansions; and (iii) to service or refinance our indebtedness.

Additional financing may not be available on terms favorable to us or at all due to several factors, including the terms of our existing indebtedness and trends in the global capital and credit markets. The terms of available financing may also restrict our financial and operating flexibility. If adequate funds are not available on acceptable terms, we may be forced to reduce our operations or delay, limit or abandon expansion opportunities. Moreover, even if we are able to continue our operations, the failure to obtain additional financing could adversely affect our ability to compete.

Our historical results may not be indicative of our future growth.

We experienced substantial growth in our revenue from 2019 to 2021. For the years ended December 31, 2019, 2020 and 2021, we recorded revenue which amounted to RMB48,012.6 million, RMB52,597.8 million and RMB67,675.5 million, respectively. For the years ended December 31, 2019, 2020 and 2021, our profit amounted to RMB5,471.1 million, RMB7,109.4 million and RMB12,441.3 million, respectively. See "Financial Information – Results of Operations" for an analysis of our results of operations during the Track Record Period. Such trends of the historical financial information of our Group are only analysis of our past performance. They do not necessarily reflect our financial performance in the future, which will largely depend on our capability to identify new promising business opportunities, operate our duty-free stores effectively and maintain good relationships with brand owners and suppliers. Prospective investors should be aware of the risk of our Group's failure to secure future sales volume when considering our Group's financial results.

In particular, the acquisition of Sunrise Shanghai and Hainan DF during the Track Record Period have contributed a significant amount of our revenue and profit after consolidation. However, we cannot assure you that we will be able to identify suitable acquisition target, execute our acquisition strategy successfully, integrate the acquired business effectively, or eventually achieve the same performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

Our historical results in the operation of integrated travel retail complexes may not be indicative of its future growth and prospects.

During the Track Record Period, in addition to our duty-free stores, we pioneered in a new business model of operating integrated travel retail complexes in Hainan to provide travelers a more diversified, one-stop shopping, travel and leisure experience. The integrated travel retail complex is a business model with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel. As of the Latest Practicable Date, we operated our Sanya International Duty-Free Complex in Sanya and also owned an integrated travel retail complex under construction in Haikou, which was expected to open in September 2022. See "Business – Our Retail Network – Our Retail Formats – Integrated Travel Retail Complexes" for further details. During the Track Record Period, the revenue generated from the Sanya International Duty-Free

Complex[1] increased significantly from RMB10,464.6 million in 2019 to RMB34,811.2 million in 2021, with a CAGR of 82.4% from 2019 to 2021, and decreased from RMB9,685.4 million for the three months ended March 31, 2021 to RMB8,574.0 million for the three months ended March 31, 2022.

Such trends of the historical results of our integrated travel retail complexes, however, do not necessarily reflect its growth or prospects in the future, which will largely depend on the availability of our financial and human resources, the availability of suitable land property resources to establish additional complexes, the relevant laws and policies regulating the opening and operations of such complexes, and other factors. Prospective investors should be aware of the risk of our Group's failure to maintain or extend the successful results in operating the integrated travel retail complexes in the past.

The unavailability of any government grants that we have enjoyed could materially and adversely affect our results of operations.

We received government grants of RMB69.2 million, RMB215.5 million, RMB277.7 million, RMB20.2 million and RMB4.7 million, respectively, for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022. Government grants we received during the Track Record Period were primarily (i) financial subsidies from Hainan, Shanghai, and other local governments to reward our contribution to the local economic growth, (ii) subsidies to reimburse certain operating expenses and losses we incurred. Such government grants were provided to us at the discretion of the relevant government authorities and were one-off in nature. There is no assurance that we will be able to continue to enjoy the financial subsidies described above at the historical levels, or at all. Any change, suspension or termination of these financial subsidies to us could adversely affect our business, financial condition and results of operations.

We experienced net operating cash outflow for the three months ended March 31, 2022.

For the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021, we recorded net cash inflow from operating activities of RMB3,717.1 million, RMB8,814.4 million, RMB8,328.8 million and RMB79.0 million, respectively. However, we recorded net cash outflow from operating activities of RMB1,233.3 million for the three months ended March 31, 2022. See "Financial Information – Liquidity and Capital Resources – Cash Flows – Net cash generated from/used in operating activities" for further details.

We cannot assure you that we will not experience periods of net cash outflow from operating activities in the future. If we are unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. There is no assurance that we will have sufficient cash from other sources to fund our operations. If we utilize other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the required financing on acceptable terms or at all.

Note:

(1) Represented by revenue from CDFG Sanya Downtown Duty-Free Store Co., Ltd. (中免集團三亞市內免稅店有限公司).

We may incur impairment losses on our intangible assets and goodwill.

Our intangible assets represent software and similar licenses with finite lives. Our goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our previously held equity interest in the acquiree over the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date, which was recognized during our acquisition of Sunrise Shanghai. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had intangible assets of RMB66.6 million, RMB75.7 million, RMB116.5 million and RMB116.7 million, respectively, and our goodwill remained unchanged at RMB822.5 million as of the same dates. We review internal and external sources of information at the end of each reporting period to identify indications of intangible asset impairment. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment. See Note 2(l)(ii) to the Accountants' Report in Appendix I of this prospectus for details.

Adverse changes in the future may result in decreases in the value of our intangible assets and goodwill, which in turn would result in an impairment loss. In addition, we make certain assumptions when assessing the value of our intangible assets and goodwill, including assumptions on their useful life. There are inherent uncertainties relating to these assumptions and to our management's judgment in applying these assumptions when assessing our intangible assets and goodwill. We cannot assure you that our assumptions will be proven correct. Any change in our assumptions may require us to re-evaluate our intangible assets and goodwill, which may in turn result in impairment losses. Significant impairment losses on intangible assets and goodwill may have a material and adverse effect on our financial condition and results of operations, and may limit our ability to obtain financing in the future.

We are subject to credit risks in relation to trade and other receivables.

Our trade receivables are primarily resulted from credit card sales and sales through online channels. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our trade and other receivables were RMB1,565.0 million, RMB1,472.7 million, RMB1,951.7 million and RMB2,545.5 million, respectively, and our average trade receivables turnover days were 5.4 days, 2.1 days, 1.6 days and 1.1 days, respectively.

Although the average trade receivables turnover days were in a decreasing trend during the Track Record Period, there is no assurance that our trade and other receivables will be settled on time or that such amounts will not increase in the future. Accordingly, we face credit risk in settling trade and other receivables. In the event that parties fail to settle the trade and other receivables in full and on time for any reason, our cash flow position may be adversely affected, and we may have to make provision for impairment, write-off the receivables and/or incur additional legal and other costs to recover the outstanding amounts, which may in turn have a material and adverse impact on our business, financial conditions and results of operations.

We are exposed to currency risk.

We are exposed to currency risk primarily through sales and purchases which give rise to cash, receivables and payables balances that are denominated in a currency other than the RMB, the functional currency of the operations to which we relate. The currencies which give rise to this risk are primarily US dollars and HK dollars. For the year ended December 31, 2019, we recorded net exchange losses of RMB139.5 million. For the years ended December 31, 2020 and 2021 and the three months ended March 31, 2022, we recorded net exchange gains of RMB537.0 million, RMB283.4 million and RMB118.4 million, respectively. See "Financial Information – Quantitative and Qualitative Disclosure about Financial Risk – Currency Risk" for the sensitivity analysis of our currency risk.

If there is any appreciation of certain currency (other than the RMB) in which our purchase costs are incurred or depreciation of currency (other than the RMB) in which our sales revenue is recorded, and if we are not able to pass on the increased costs or decreased revenue to account for such exchange rate change, our profit margin and results of operations may be adversely affected.

There are uncertainties about the recoverability of our deferred tax assets, which could adversely affect our results of operations.

As of December 31, 2019, 2020 and 2021 and March 31, 2022, our deferred tax assets were RMB543.7 million, RMB1,525.4 million, RMB1,132.2 million and RMB1,187.3 million, respectively. Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilized. However, there is no assurance that our expectation of future taxable profits would be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in the case of which we may not be able to recover our deferred tax assets, which thereby could have an adverse effect on our results of operations.

We are exposed to fair value changes for financial assets measured at fair value through profit and loss.

During the Track Record Period, we had purchased financial assets measured at fair value through profit and loss ("**FVTPL**") which were mainly related to the financial instruments purchased by Sunrise Shanghai. We may, from time to time, acquire such assets measured at FVTPL in the future. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, we recorded investment income received from financial assets at FVTPL of RMB5.6 million, RMB7.7 million, nil, nil and nil, respectively. Our financial assets at FVTPL are subject to the uncertainties in accounting estimates. Fluctuations in the changes in fair value of our financial assets at FVTPL would affect our results of operations.

Since the value of our financial assets at FVTPL depend on the investment performance of the underlying financial instruments, our investments are subject to all of the risks associated with those underlying financial instruments, including possibility of default by or bankruptcy of the issuers of such financial instruments. Any potential realized or unrealized losses in our investments in the future resulting from the fair value changes for the financial assets at FVTPL in which we invest may adversely affect our results of operations and financial condition.

We are exposed to risks related to our investments in associates and joint ventures.

We have investments in several associates and joint ventures and may continue to do so in the future. The performance of such associates and joint ventures has affected, and will continue to affect, our results of operations and financial condition. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our share of net profits of associates was RMB55.0 million, RMB16.8 million, RMB165.0 million, RMB8.1 million and RMB46.7 million, respectively. For the year ended December 31, 2019, our share of net profits of joint ventures was RMB3.9 million and for the years ended December 31, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our share of losses of joint ventures was RMB1.4 million, RMB2.7 million, RMB0.8 million and RMB0.7 million, respectively.

The success of joint ventures and associates depends on various factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures and associates. In accordance with our joint venture agreements and articles of association of our joint ventures and associates, certain matters may require the consent of all parties to the joint ventures or associates. Therefore, as we do not have full control of such joint ventures and associates, there are a number of risks, including that (i) we may not be able to pass certain important board resolutions for our joint ventures due to lack of unanimous consent if there is disagreement between us and our joint venture partners; or (ii) our joint venture partners may have business or financial interests that are inconsistent with ours.

In addition, our investment in associates and joint ventures are subject to liquidity risk. Our investments in associates and joint ventures are not as liquid as other investment products as there is no cash flow until dividends are received even if our associates and joint ventures reported profits under the equity method of accounting. Furthermore, our ability to promptly sell one or more of our interests in the associates or joint ventures in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates or joint ventures for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquidity nature of our investment in associates or joint ventures may significantly limit our ability to respond to adverse changes in the performance of our associates and joint ventures. In addition, if there is no share of results or dividends from our associates or joint ventures, we will also be subjected to liquidity risk and our financial condition or result of operations could be materially affected.

Failure to fulfill our obligations with respect of contract liabilities may materially and adversely affect our results of operations, liquidity and financial condition.

Our contract liabilities primarily consist of our (i) customer loyalty program liabilities, and (ii) advances receipt from customers for sales of merchandise, provision of travel related services, and provision of property management services. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had contract liabilities of RMB451.5 million, RMB905.7 million, RMB1,371.6 million and RMB1,175.7 million, respectively.

There is no assurance that we will be able to fulfill our obligations with respect of contract liabilities, as the fulfillment of such obligations are subject to various factors, including the supplies of our merchandise and services and normal operations of our business. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payments made by our customers or to provide alternative compensation for the deferred revenue due to the customers of our customer loyalty program. As a result, our results of operations, liquidity and financial condition may be materially and adversely affected.

The duty-free retail business in general is highly competitive.

In addition to other travel retailers, we also compete with traditional duty-paid retailers in general to attract customers. We face various competitive challenges on different aspects in the retail business, including, but not limited to, sourcing products efficiently and economically, identifying new and emerging brands and maintaining relationships with existing brands and business partners, pricing our products competitively, anticipating and responding quickly to changing consumer preferences, developing new services and features to enhance consumer experience and conducting effective marketing activities. If we cannot address any of these challenges properly, we would lose market share in the retail business and our business and prospects would be materially and adversely affected. In addition, some of our competitors may have greater financial, sourcing, marketing, operational or other resources, greater purchasing economies of scale or lower cost bases, any of which may give them a competitive advantage over us. If we lose market share to our competitors, our revenues would be reduced and our business, financial condition and results of operations adversely affected.

Furthermore, we compete with other travel retailers at global, regional and local levels in obtaining and maintaining concessions for our duty-free stores. Some of our competitors have recently expanded, or plan to expand, their presence in the duty-free industry in China. More specifically, certain travel retailers from Korea and Japan have recently started to expand their presence in China. These travel retailers have already started their entrance into the Hainan duty-free market through methods such as the opening of a new duty-free store in Hainan or entering into strategic partnerships with local duty-free businesses. International and domestic brand owners may also decide to increase their presence in Hainan and other locations that we operate, which may in turn result in more competitions for us. These competitors may have strong financial support or solid relationships with the transportation authorities or facility owners or suppliers around the world, which benefit them in competing for concessions. Certain of our competitors have been and may in the future be able and willing to outbid us for concession agreements, accept a lower profit margin or invest more capital in order to obtain or retain business. There is no guarantee that we will be able to renew our existing concessions or that, if we do renew a concession, it will be on similar terms because of competition from other duty-free industry players. In addition, failure to obtain or renew a concession could render us being unable to enter or continue operating in the market represented by such concession. If we fail to renew existing concessions on similar terms due to competition or fail to obtain further concessions due to competition, our business, financial condition and results of operations could be materially adversely affected.

We may face increasing competition from Internet shopping platforms, and we may not be successful in operating our own online shopping services, given our limited history and experience compared to certain competitors.

In recent years, changes in consumer habits have made retail sales over the Internet increasingly popular in China. Such retailers are able to sell directly to consumers, diminishing the importance of traditional distribution channels. Internet retailers may have significantly lower operating costs than we do, as they do not rely on an expensive network of retail points of sale or a large sales force. As a result, such retailers can offer their products at lower costs than we do and in certain cases are able to bypass retailing intermediaries and deliver high quality merchandise directly to consumers. We believe that our target customers are increasingly using the Internet to shop for merchandise, in particular, electronics products and cosmetic products, at bargain prices, and that they are likely to continue doing so. If e-commerce and retail sales through the Internet continue to grow, consumers' reliance on traditional distribution channels such as ours could be materially diminished and our financial condition, results of operations and business may be materially and adversely affected.

Additionally, spurred by the COVID-19 pandemic, we have launched our online platforms such as "cdf Membership Club" and adopted innovative sales models such as online pre-order services. See "Business – Our Digital Strategy – Online Platform". We face increasingly intense competition in this area from other established e-commerce and shopping platforms domestically and internationally. The online shopping area is subject to rapid market change, introduction of new business models, entry of new and well-funded competitors and dominance of established players, and due to our limited history and experience in operating the online shopping channels, we may be required to divert significant managerial, financial and human resources in order to remain competitive in this area. In particular, the successful operation and maintenance of our online shopping channels require continuous upgrading of our platforms and technology infrastructure and adoption of new features and functions, which in turn require significant investments of time and resources. Any failure to maintain and improve our technology infrastructure could result in system disruptions, slower response times, impaired user experience, and delays in reporting accurate operating and financial information, which would materially and adversely affect our business, financial condition, results of operations, reputation and brand.

We may not be able to accurately predict or fulfill consumer preferences or demands.

We derive a significant amount of our revenue from the sale of cosmetics and perfume, fashion and accessories and tobacco and liquor, which are subject to rapidly changing customer tastes. The availability of new products and changes in customer preferences have made it more difficult to predict customers' demand for these types of products accurately. Our success depends in part on our ability to effectively predict and respond quickly to the changing consumer demands and preferences, and to translate market trends into appropriate merchandise listings. Additionally, due to our limited sales space relative to other retailers', the selection of salable merchandise is an important factor in revenue generation. There can be no assurance that our product orders will accurately match the actual demand. If we are unable to successfully predict or respond to sales demand or to the changing styles or trends or experience inventory shortfalls on popular merchandise, our revenue will be lowered, which could have a material adverse effect on our business, financial condition and results of operations.

Restrictions related to certain products in our duty-free sales may affect our business.

A majority of our revenue is generated from duty-free sale of perfume and cosmetics, fashion and accessories and tobacco and liquor. Sales of these products, however, may face restrictions arising out of regulatory, health or public interest concerns. For instance, as part of the campaign to highlight the negative effects of smoking, international or domestic health organizations and anti-smoking campaigns continue to seek restrictions on the duty-free sale of tobacco products. Furthermore, to formalize tobacco control measures and ensure effective implementation of such measures, the PRC and other countries are accelerating their legislation process in respect of tobacco control on national and local government levels. For instance, many cities in China have prohibited smoking in all indoor workplaces, indoor public places such as restaurants, bars, health facilities, government buildings and schools, and on public transportations. On the other hand, the use of animal ingredients, animal body parts and animal testing in the production of perfume, cosmetics and fashion and accessories is also under strong criticism for inhumane treatment of animals, and public opinion continues to call for improvement of animal welfare in supply chain and production. As a result, if our ability to sell certain duty-free products in our major markets is deprived of or restricted due to regulatory, health or public interest reasons, or if consumers' rising health and public interest concerns cause a reduction in demand for certain of our products, our business, financial condition and results of operations may be materially and adversely affected.

We may from time to time be involved in legal or other proceedings arising out of our operations and/or products and may face significant liabilities as a result.

We may be involved in disputes with various parties, including partners, contractors, suppliers, employees and customers in connection with our operations and/or products. Such disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management attention. Even if successfully disposed of without direct adverse financial impact, these claims could have a material adverse effect on our reputation. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees, resulting in pecuniary liabilities, causing delays, diverting resources and management attention or otherwise materially and adversely affecting our business, financial condition or results of operations.

We face risks related to instances of customer accidents and injuries and the associated liability claims and other negative impacts.

As we occupy premises to operate our duty-free stores and also maintain certain interior designs, decorations and fixtures for our stores, we face the inherent risk of customers experiencing accidents or injuries due to risky, dangerous or hazardous conditions on the store premises, as well as the associated liability claims. We may not be able to fully uncover all the hidden dangers on the premise or to warn customers of the latent perils despite our careful inspections, and certain accidents may be caused by external factors beyond our control. Furthermore, due to the scale of our operations, we may face the risk that certain of our stores and the in-store employees may not adhere to our safety protocols and requirements. Such failure to prevent dangers on the premise or to follow safety standards could increase the probability of accidents or injuries to customers and lead to liability claims, complaints, negative publicity, damage to our reputation and reduced customer traffic at our stores, which may materially and adversely affect our business, financial condition, results of operation and reputation.

Our sales are subject to seasonality which could cause our results of operations to fluctuate.

Our sales performance is subject to seasonal fluctuations. We typically record higher revenue in festive seasons around major holidays as people tend to travel abroad and to Hainan during the holiday periods. As a result, our revenue is usually higher during the periods around the May 1st Labor Day holiday and the October 1st National Day holiday and the months from October to February. This seasonal pattern may result in the fluctuation of our operating results, and therefore, comparing our results of operations across the different periods of a given year as an indicator of our performance may not be meaningful and should not be relied upon as indicators of future performance. Furthermore, if our operations are disrupted or affected by unpredictable events taking place during the peak travel seasons, our business, financial condition and results of operations would be adversely affected. Our sales and operating results are likely to continue to fluctuate due to seasonality.

Our business is subject to concentration risks.

During the Track Record Period, virtually all of our revenue came from our travel retail business, comprising sales of both duty-free and duty-paid products, which results in us having a higher business concentration risk compared with other companies, which may have more diverse business interests in terms of sectors. Any adverse effect on the reputation, performance or profitability of our travel retail business due to risks highlighted in this section or otherwise will therefore affect our entire business. In addition, as substantially all of our business is located in China and 93.9% of revenue in 2021 and 94.7% of revenue for the three months ended March 31, 2022 were generated in China, we are also exposed to geographical concentration risks. Our business may therefore be significantly impacted by any adverse event affecting the travel and tourism industry in China such as adverse changes in government policies, serious economic downturn, natural disasters or outbreaks of contagious diseases in China, which may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to maintain optimal levels of inventory and any excessive build-up or insufficient stock of inventory could affect the volume of our future orders.

We enter into agreements with different brands under which we are authorized to sell their products. As a result, we maintain inventories of products to be distributed to customers through various types of retail stores. We monitor our inventory information with the help of an automated inventory monitoring and replenishment system at our stores using big data analytics, which monitors the current inventory level of our merchandise and automatically generates an alert if it foresees that the inventory will run out of stock. However, we may not be able to accurately track our inventory level or to identify any excessive build-up or insufficient stock of inventory at various levels of our retail network. In addition, our retail network may be unable to sell adequate amounts of inventories of our products in a given period to customers, which may result in a build-up of inventory for us. In such event, we may need to reduce future orders until our inventory levels realign with demand from end customers. On the other hand, our inventory stock may also be insufficient when there is an unexpected increase in demand for our products, causing us to lose sales. The excessive build-up or insufficient stock of inventory would lead to operational inefficiency, which could have a material adverse impact on our business, financial condition, results of operations and prospects.

Failing to cooperate with the brand owners on acceptable terms could affect our business.

We do not usually enter into long-term arrangements with the brand owners from whom we source and procure the products. Our agreements with the brand owners usually carry terms of one to five years. We assess each contract at the end of the contractual term to determine whether to renew the contract based on performance or business need; renewal of contracts is subject to the mutual consent and approval and we cannot assure that the brand owners with whom we are satisfied will agree to renew.

In addition, as our business need evolves in response to the ever-changing market conditions, we may find the current arrangements with the brand owners inadequate to address such changes and may need to modify or adjust the terms of the arrangements with the brand owners, which would require the consent from the brand owners.

If we are unable to secure cooperation with the brand owners from whom we source and procure the products at present or in the future, our brand owners could terminate the relevant supply arrangement prematurely and/or decide not to renew their supply contracts with us, in which case the supply from those brand owners may be disrupted. We may also be exposed to litigation risks as a result of the disagreements between us and the brand owners. Our business, financial condition, results of operations, reputation and prospects will be materially and adversely affected if we fail to secure cooperation with the brand owners.

Even if we are able to secure cooperation with the brand owners, we cannot assure you that the terms of such agreements are favorable to us. Our business could be materially and adversely affected if there are any material changes to the terms of our cooperation with brand owners, which could in turn materially and adversely affect our business, financial condition, results of operations and prospects.

We rely on a limited number of suppliers for certain of our products.

Although we have a diversified portfolio of suppliers across most of our product categories, we rely on a small number of suppliers for certain of our products. For example, for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, purchases from our largest supplier accounted for 14.1%, 27.0%, 28.6% and 30.2% of our total purchases in the same periods, respectively. As a result, our suppliers may have increased bargaining power and we may be required to accept less favorable purchasing terms. In addition, the suppliers are required to comply with various and extensive production, health, hygiene, safety, labor, export control and other export- and import-related laws and regulations promulgated by the relevant government authorities in countries and regions where they operate. In the event they are found to be in breach of the relevant regulations, their supply to us may be affected. Furthermore, in the event of a dispute with any supplier, the delivery of a significant amount of merchandise may be delayed or canceled, or we may be forced to purchase merchandise from other suppliers on less favorable terms. Such events could cause revenues to fall and costs to increase, thus adversely affecting our business, financial conditions and results of operations.

If we fail to maintain or further increase our brand recognition, we may face difficulty in maintaining existing and acquiring new customers and business partners.

Brand value plays an important role in influencing consumers' decision to make purchases at our stores. Our business and market position depend on our ability to successfully market our brands, especially the primary brand "cdf China Duty Free", in order to maintain a sizeable and active customer base, maintain relationships with our business partners, provide high-quality customer service, properly address customer needs and handle customer complaints and organize effective marketing and advertising programs, which are all critical to our success. If our customer base significantly declines, the quality of our customer services substantially deteriorates, or our business partners cease to do business with us, we may not be able to cost-effectively maintain and promote our brand, and as a result, our business, financial condition, results of operations may be materially and adversely affected.

Any negative publicity regarding our Company, Directors, employees or products and services, regardless of its veracity, could adversely affect our business.

As an established brand, our image is sensitive to the public's perception of us as a business in entirety, which includes not only the quality of our products and services, but also our corporate management and culture. We cannot guarantee that no one will, intentionally or incidentally, disseminate information about us, especially those regarding the quality of our products and services or our internal management matters, that may result in negative perception of us by the public. Although we had promptly taken clarification or rectification measures when we faced negative publicity in the past, we cannot assure you that such measures will always be effective in the future. Any negative publicity about our Company, Directors, employees, spokespersons or products and services, regardless of veracity, could lead to potential loss of consumer confidence or difficulty in retaining or recruiting talents that are essential to our business operations. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

If we are unable to attract and retain qualified personnel, our business could be affected.

Our success depends, to a significant extent, on the performance and expertise of our management and other key employees. There is intense competition for skilled, experienced personnel (especially those with core competence and industry knowhow) in the fields in which we operate and, as a result, the retention of such personnel cannot be guaranteed and we may lose these talents to our competitors. Our continuing ability to recruit and retain skilled personnel, especially in management functions in China, will be an important element of our future success. The loss of senior management or any other key employees or the failure to attract new highly qualified employees could have a material adverse impact on our business, financial condition and results of operation.

We may not be able to detect or prevent fraud or other misconduct committed by our employees, representatives, agents, suppliers, customers or other third parties.

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, suppliers, customers or other third parties that could not only subject us to financial losses and sanctions imposed by governmental authorities but also adversely affect our reputation. Such misconduct could include:

- hiding unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to our decision-making processes;
- improperly using or disclosing confidential information;
- engaging in improper activities such as offering bribes to counterparties in return for any type of benefit or gain;
- misappropriation of funds;
- conducting transactions that exceed authorized limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;
- engaging in smuggling, embezzlement, theft or other criminal activities;
- engaging in unauthorized or excessive transactions to the detriment of our customers; or
- otherwise not complying with applicable laws or our internal policies and procedures.

Our internal control measures are designed to monitor our operations and ensure overall compliance. However, our internal control measures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, especially those committed by suppliers or other third parties, and the precautions we take to prevent and detect such activities may not be effective. There is no guarantee that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result. The failure to detect and prevent fraud and other misconduct may have a material adverse effect on our reputation, business, financial condition and results of operations.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in China and other jurisdictions that we operate in. We may be subject to investigations and proceedings by the relevant governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

If we fail to maintain effective internal control measures to identify deficiencies and contain risks, our business could be affected.

We have implemented various measures to improve our internal control. However, due to limited experience with these internal control measures, there can be no assurance that all such measures will prove effective or that material deficiencies in our internal control measures will not be discovered in the future. Our efforts to improve our internal control measures have required, and may still require in the future, increased costs and significant management time and commitment. If we fail to maintain effective internal control measures, our business, financial condition, results of operations or reputation may be materially and adversely affected.

We may not be able to adequately protect our intellectual property rights, which could harm the value of our brand.

We primarily rely on a combination of trademarks and domain name registrations to protect our intellectual property rights. We use various protective measures to safeguard our intellectual property rights, such as regularly monitoring our intellectual property rights through our legal department. See "Business – Intellectual Property" for details. However, we cannot assure you that our protective measures will be sufficient to protect our intellectual property rights against any unauthorized use, misappropriation or disclosure. We cannot guarantee that there will not be further infringements on our intellectual property rights in future. We also cannot guarantee that we will be successful in enforcing our rights or undertaking legal proceedings in the event that there is any unauthorized use of our intellectual property. If we fail to effectively protect our intellectual property from inappropriate or unauthorized use by third parties in ways that materially and adversely affect our brand name, our reputation could suffer, which in turn could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Third parties may assert or claim that we have infringed their intellectual property rights.

Intellectual property rights, such as trademarks and brand names, are important in the retail industry as they protect brand images, product formulations and other valuable rights. Our competitors or other third parties may have intellectual property rights and interests which could potentially conflict with ours. If any trademark or brand names infringement or other intellectual property claims against us are successful, we may not have a legal right to continue to use or sell products that are adjudicated to have infringed third parties' intellectual property rights. We may be legally required to expend significant resources to review and revise our business and operations so that they do not infringe third parties' intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. Intellectual property litigation against us could significantly disrupt our business, divert our management's attention or consume much of our financial resources.

Additionally, we may be subject to infringement or misappropriation claims by third parties in other aspects of our day-to-day operations, such as our usage of images, fonts or music in our advertising and promotional activities, as well as computer software. Any intellectual property disputes could have a material adverse effect on our business, financial condition, results of operations and prospects.

The appraised value of our properties may be different from their actual realizable value and are subject to change.

The appraised value of our certain properties as set forth in the property valuation report contained in Appendix IV is based on multiple assumptions that include elements of subjectivity and uncertainty. Assumptions used by JLL in the valuation report include (among other things) that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests. Even though JLL adopted valuation methodologies used in valuing similar types of properties when preparing the property valuation report, the assumptions adopted by JLL may be inaccurate. As a result, the appraised value of our certain properties may differ materially from the value we would receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of our property development projects, as well as national and local economic conditions, may affect the value of our properties. In addition, if we fail to obtain the approvals from regulators necessary for the development of our projects, some assumptions used by JLL in appraising the value of our certain properties will prove inaccurate. You should not place undue reliance on such appraised value attributable to these properties by JLL.

Our operational and financial performance may be affected by the shortage of labor and increase in labor costs.

Operating duty-free stores is a labor intensive operation, and we may encounter difficulties in securing sufficient labor, in particular frontline salesperson, for our operations. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, the staff costs under our selling and distribution costs amounted to RMB1,469.4 million, RMB1,345.5 million, RMB1,680.1 million, RMB351.3 million and RMB428.3 million, respectively, representing 9.0%, 13.8%, 31.1%, 15.7% and 22.9% of our selling and distribution costs during the corresponding periods. When there is a significant increase in the costs of labor, we have to retain our labor by increasing their wages. Our labor costs will increase and as a result, our profitability will be adversely affected.

There is no assurance that the supply of labor and average labor costs will always be stable. If we experience a shortage of labor or we are unable to recruit labor with appropriate experience in time, we may not be able to support our operation. Significant increases in employee turnover rates and labor costs due to competition for talents or changes in labor and other relevant laws could have a material adverse effect on our results of operations and financial condition. If labor costs continue to increase in China, our costs of operation will increase and we will not be able to pass these increases to our customers due to the limited flexibility on the pricing of our merchandise. Accordingly, if we experience a shortage of labor or our labor costs continue to increase, our business prospects, financial condition and operating results may be adversely affected.

We may be subject to fines or other penalties under the PRC Labor Contract Law, which may adversely affect our business, profitability and reputation.

During the Track Record Period, we engaged third-party employment agencies to dispatch contract workers. On December 28, 2012, the Labor Contract Law of the PRC (中華人民共和國勞動合同法) was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, the number of dispatched contract workers that an employer hires may not exceed a certain percentage of its total number of employees, to be decided by the Ministry of Human Resources and Social Security and the dispatched contract workers may only engage in temporary, auxiliary or substitute work. According to the Interim Provisions on Labor Dispatch promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014 (the "**Interim Provisions**"), the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). The Interim Provisions on Labor Dispatch further requires the employer that is not in compliance with the above provisions to formulate a plan to reduce the number of its dispatched contract workers to below 10% of the total number of its employees. In addition, an employer is not permitted to hire any new dispatched contract worker until the number of its dispatched contract workers has been reduced to below 10% of the total number of its employees. The employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make correction within a stipulated period. Where correction is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold. During the Track Record Period, the total dispatched contract workers hired by three of our Subsidiaries have exceeded 10% of their total number of employees. As of the Latest Practicable Date, all of them had rectified the non-compliance issue. Even though the relevant Subsidiaries have not received any notice of warning or been subject to any administrative penalties or other disciplinary actions from relevant PRC authorities, we cannot assure you that the relevant PRC authorities will not take actions against such Subsidiaries for their past practice. If we decide to increase our number of dispatched workers in the future and are found to be in violation of the rules regulating dispatched contract workers, we may be subject to fines and penalties. Such penalties may adversely affect our business, profitability and reputation.

Any failure or perceived failure by us to comply with the anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.

According to the Anti-Monopoly Law of the People's Republic of China promulgated by the SCNPC on August 30, 2007 and effective on August 1, 2008 (the "**PRC Anti-Monopoly Law**"), monopolistic activities shall include: (1) monopolistic agreements between undertakings; (2) abuse of dominant market position by undertakings; and (3) concentration of undertakings which has or may have an effect of eliminating or restricting competition. Dominant market position shall mean that an undertaking is able to control the prices, quantities or any other terms of transaction in the relevant market or is able to obstruct and affect the entry of other undertakings into the relevant market. Undertakings which hold dominant market position shall not abuse their dominant market position to engage in the following activities: (1) sell commodities at unfairly high prices or purchase commodities at unfairly low prices; (2) sell commodities at below-cost prices without a valid reason; (3) refuse to transact with trading counterparts without a valid reason; (4) restrict trading counterparts to transact only with the undertaking or only with designated undertakings without a valid reason; (5) bundle sale of commodities without a valid reason or imposition of any other unreasonable terms of transaction during a transaction; or (6) implement differential treatment for terms of transaction such as transaction price for similar trading counterparts without a valid reason; or (7) perform any other activities of abuse of dominant market position as defined by the anti-monopoly enforcement agency of the State Council. The SCNPC decided to amend the PRC Anti-Monopoly Law on June 24, 2022. The amendment to the PRC Anti-Monopoly Law became effective from August 1, 2022, which further stipulates that undertakings which hold dominant market position shall not abuse their dominant market position to engage in the preceding activities by taking advantage of data, algorithms, technology and platform rules. According to the amendment to the PRC Anti-Monopoly Law, anti-monopoly regulatory forces will be strengthened and enforcement and judicature of the PRC Anti-Monopoly Law will be enhanced. Given the promulgation of the amendment to the PRC Anti-Monopoly Law, the PRC authorities may strengthen their supervision over the competition compliance issues. We may receive greater scrutiny and attention from regulators and more frequent and rigid investigation or review by regulators, which will increase our compliance costs and subject us to heightened risks and challenges. We may have to spend much more personnel cost and time evaluating and managing these risks and challenges in connection with our business and operations to avoid any failure to comply with these regulations. In the future, we may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of the amendment to the PRC Anti-Monopoly Law and other relevant rules to complete such acquisitions could be time-consuming, and any applicable approval processes may delay or inhibit our ability to complete such acquisitions, which could affect our ability to expand our business or pursue our growth. See "Regulatory Overview – Anti-monopoly Laws" for further details.

Although we have been advised by our PRC Legal Advisers that the PRC Anti-monopoly Law currently in effect, as well as its amendment that became effective from August 1, 2022, does not materially and adversely impact our business, we cannot assure you that we will not be subject to any anti-monopoly-related governmental investigations or enforcement actions in the future. We may be subject to penalty in connection with any such enquiry. Our failure to comply with the PRC Anti-Monopoly Law will result in penalties, fines, administrative proceedings and litigations. Specifically speaking, if we are found to have violated the provisions in effect in relation to entering into and implementing a monopolistic agreement, the PRC anti-monopoly enforcement agency may order us to stop the illegal act and confiscate the illegal income and impose a fine ranging from 1% to 10% of the sale amount of the preceding year. Where a monopolistic agreement has been entered into but has not been implemented, a fine of not more than RMB500,000 may be imposed. According to the amendment to the PRC Anti-Monopoly Law, where an undertaking has violated the provisions in relation to entering into and implementing a monopolistic agreement and has no sale amount in the preceding year, the anti-monopoly enforcement agency may impose a fine of not more than RMB5,000,000. Where a monopolistic agreement has been entered into but has not been implemented, a fine of not more than RMB3,000,000 may be imposed. Where the legal representative, principal and directly responsible person of an undertaking are personally responsible for entering into a monopoly agreement, a fine of not more than RMB1,000,000 may be imposed. Where we are found to have violated the provisions in relation to abusing our dominant market position, the PRC anti-monopoly enforcement agency may order us to stop the illegal act and confiscate the illegal income, in which case a fine of 1% to 10% of the sales amount of the preceding year may also be imposed. Where we are found to have violated the provisions in effect in relation to implementing concentration, the PRC anti-monopoly enforcement agency may order us to stop implementing concentration, dispose of the shares or assets within a stipulated period, transfer the business within a stipulated period, or adopt other necessary measures to reinstate the pre-concentration status. A fine of not more than RMB500,000 may also be imposed. According to the amendment to the PRC Anti-Monopoly Law, where an undertaking has violated the provisions in implementing concentration, which has or may have the effect of eliminating or restricting competition, the preceding provisions shall apply and a fine of not more than 10% of the sales amount of the preceding year may also be imposed. Where an undertaking has violated the provisions in implementing concentration without the effect of eliminating or restricting competition, a fine of not more than RMB5,000,000 may be imposed. See "Regulatory Overview – Anti-monopoly Laws" for further details. Any failure or perceived failure by us to comply with the anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigations or claims against us and could have an adverse effect on our business, financial condition and results of operations.

We are subject to a wide variety of regulations, and failure to comply with such regulations or to control the associated costs may harm our business.

We are required to comply with various and extensive duty-free licensing, health, food, tobacco and alcohol, hygiene, safety, labor, export control and other export- and import-related laws and regulations promulgated by the relevant government authorities in countries and regions where we operate. See "Regulatory Overview". Our failure to comply with these laws and regulations will result in penalties, fines, administrative proceedings, litigations and suspension or revocation of our licenses or permits to conduct our business. Considering the complexity and magnitude of the laws and regulations, compliance with them may be burdensome or may require a significant amount of financial or other resources. These laws and regulations change from time to time and thus we cannot give assurance that the relevant government authorities will not impose any additional or more stringent laws or regulations, compliance with which may cause us to incur significantly increased costs, which we may not be able to pass on to our customers. Failure to comply with the relevant regulations and to control the associated costs may materially and adversely affect our business, financial condition, results of operations and prospects.

We may fail to obtain or renew certain relevant approvals, licenses and permits on time.

Pursuant to the relevant laws and regulations in China and other jurisdictions where we have business operations, we are required to obtain various approvals, licenses and permits from certain governmental authorities with respect to our operation, including but not limited to the license to sell duty-free merchandise. Obtaining and renewing such approvals, licenses and permits, however, may take considerable time and there is no assurance that we will be able to secure or renew all requisite approvals, licenses and permits in a timely manner or at all. If we fail to do so, our business, financial condition and results of operations may be materially and adversely affected. For instance, 29 of our branches and subsidiaries have experienced issues with obtaining or renewing the requisite frontier port hygiene licenses as of the Latest Practicable Date. Among those branches and subsidiaries, as of the Latest Practicable Date, eleven had successfully obtained or renewed the frontier port hygiene licenses, four had submitted the applications for the licenses to the competent government authorities and 14 were unable to submit the applications for the relevant license as the stores remained temporarily closed due to the COVID-19 pandemic. The relevant subsidiaries and branches indicated that they would renew the licenses before resuming business. In addition, government authorities in the relevant jurisdictions may impose penalties on us for failing to comply with the related regulations and maintain effective approvals, licenses and permits.

Changes in existing laws, regulations and policies may cause us to incur additional compliance costs.

We are subject to various regulations relating to product safety and general consumer protection in China and other countries and regions where we operate. From time to time, government authorities may modify such laws and regulations to promulgate higher standards of product quality and safety and impose more stringent limitations on operations of the retail industry. Additionally, we are also subject to changes in general laws, regulations and policies, such as zoning ordinances, environmental regulations or sanctions, which may hinder our expansion plan and impact our daily operations. As such, we may need to incur additional costs and our business growth and development may slow down due to resources we have to spend on complying with these laws and regulations, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Some of our leased properties in the PRC have not been registered.

As of March 31, 2022, we leased 298 operational properties in the PRC, 295 of which had yet to be registered with the relevant government authorities in accordance with the PRC laws and regulations. As advised by our PRC legal advisers, the lack of registration of a lease will not affect its validity. However, we may be subject to administrative fines ranging from RMB1,000 to RMB10,000 for each of such non-registered leases should we fail to register the lease agreements upon request by the relevant authority, which may materially and adversely affect our business, financial condition, results of operations and prospects. See "Business – Properties – Leased Properties" for details.

Lessors for some of our leased properties were not able to provide relevant title certificates, permits for planning construction projects or consents from the owners of these properties.

As of March 31, 2022, the lessors of 196 of our leased properties had failed to provide valid title certificates, permits for planning construction projects or consents from the owners of such leased properties. As a result, these leases may be invalid, and any dispute or claim in relation to these properties could result in us having to relocate and/or obtain alternative accommodation for certain of our employees. If our right to use these properties is challenged, we would need to seek alternative properties on short notice and incur relocation costs, and there is no guarantee that we would be able to find suitable alternative properties on reasonable commercial terms, or at all. Any relocation could lead to disruptions to our operations and may have an adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to fines and penalties under PRC laws for failure to make full contributions for social insurance and housing provident funds for our employees.

Under the applicable PRC laws, we are required to contribute, as an employer, to social insurance (including pension fund, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance) and housing provident funds for the benefit of our employees.

During the Track Record Period, we had not fully paid housing provident funds for our employees in accordance with the requirements and standards of the local housing provident authority. According to the Housing Accumulation Funds Regulation, if the employer fails to register and establish an account for housing provident fund, the authority shall order the employer to correct it within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the authority shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a People's Court of the PRC for compulsory enforcement. The shortfall amount of our housing provident fund contribution during the Track Record Period was immaterial. However, we may still be ordered by the relevant authorities to pay the shortfall amount, failing which we may be subject to specific enforcement by the People's Court.

In addition, during the Track Record Period, we failed to make social insurance contributions for certain employees in full. According to the Social Insurance Law, if an employer fails to make social insurance contributions in full, the relevant authorities shall order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. The shortfall amount of our social insurance contribution during the Track Record Period was immaterial. However, we may still be ordered by the relevant authorities to pay the shortfall amount, failing which we may be subject to a penalty in an amount that is equal to one to three times of such shortfall amount. See "Business – Legal and Arbitration Proceedings and Compliance Matters" for details.

During the Track Record Period, the aforementioned failures to make full contributions for social insurance and housing provident funds involved a total of 21 PRC Subsidiaries. As of the Latest Practicable Date, 20 of them had rectified the non-compliance issue, and the remaining subsidiary was in the process of rectifying it.

We cannot assure you that we will not be subject to any order to rectify these non-compliance incidents in the future, nor can we assure you that there are no, or will not be any, relevant employee complaints against us. Any such order may adversely and materially affect our business, financial condition, results of operations and prospects.

The insurance coverage we have may not adequately protect us against all operating risks.

We face various operational risks in connection with our business, including but not limited to:

- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;

- economic loss due to product recalls;
- on-site operation accidents;
- war, revolution, terrorist acts, embargoes and social, political and labor unrest;
- disruption in the global capital markets and economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods, collapse of mine or other natural disasters.

To manage operating risks, during the Track Record Period, we maintained insurance policies that are required under the PRC laws and regulations as well as based on our assessment of our operational needs and industry practice, including cargo transportation insurance and property all-risks insurance. See "Business – Insurance". However, claims under the insurance policies may not be honored fully or on time, or the insurance coverage may not be sufficient to cover costs associated with accidents incurred in our operations due to the above-mentioned operational risks. To the extent that we suffer loss or damage that is not covered by insurance or that exceeds the limit of our insurance coverage, our results of operations and cash flow may be materially and adversely affected.

Our information technology systems may experience unexpected system failures, interruptions, inadequacies or security breaches.

We rely on our information technology systems, particularly the CRM system to effectively manage our inventory, client information analysis, logistic data, sales activities, sales personnel workload and other business processes. In addition, we have applied a series of "smart store" technologies such as the electronic shelf label ("**ESL**") system and the virtual reality ("**VR**") technology to improve our in-store operational efficiency and accuracy. As our sales through online channels grow, we plan to continue using our CRM system, which is connected to all e-commerce platforms we operate, as a unified system to manage all online sales activities across different platforms in the future, and to continue applying the "smart store" technologies to better manage our in-store operations. Our growing use and reliance on information technology will place an increasing pressure on such systems. We may encounter problems when upgrading our systems and services, which could adversely affect our sales and other operations.

In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches and viruses. Any significant failure of our information technology systems, or loss or leakage of confidential information could result in transaction errors, process inefficiencies and loss of sales and customers, which could further harm our reputation and materially and adversely affect our business, financial condition, results of operations and prospects.

We may fail to adequately protect our customer data or to comply with data privacy and protection laws and regulations.

We believe that our ability to analyze sales data and customer data is critical to our success. We have built a unified and centralized customer data base with the help of our CRM system, which pulled together previously disparate data sources spread across different parts of our network to give us a more holistic picture of our customers, increasing their lifetime value by providing us with more useful information so that we can target our customers more accurately. With the help of big data analytics and AI technology, we can gain insights to our customer behavior and improve efficiencies of our operations. Given the area of data privacy law is rapidly evolving, we may not be aware of the latest developments in the area of data privacy law in time and we cannot assure you that our data privacy practice will always meet the requirements of the relevant laws and regulations. The PRC laws and regulations in relation to cybersecurity and personal information, including the PRC Cyber Security Law, which was effective from June 2017, the Data Security Law of the People's Republic of China, which was effective from September 2021, the Personal Information Protection Law of the People's Republic of China which was effective on November 1, 2021, and the relevant implementation rules are relatively new and evolving, and their interpretation and enforcement involve uncertainties, and the PRC government authorities may promulgate new laws and regulations regulating this area in the future, which could be costly to comply with. In addition, concerns about our practices with regard to the collection, storage, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation, and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. Furthermore, any actual or alleged leakage or unauthorized use of the customer data we have collected could result in decreases in the online traffic to purchase our products and the overall sales, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our facilities and operations may require substantial investment and timely upgrading which may increase operational costs and cause material and adverse effect on our business, financial condition, results of operations and prospects.

Our facilities and operations may require substantial investment and upgrading from time to time due to depreciation or business growth, which may increase our cost. If we cannot successfully recover such cost, our profitability may be decreased. Additionally, the timely completion of planned upgrading is subject to a number of factors, including our ability to raise and maintain sufficient funds for such upgrading, our ability to obtain the required licenses and permits from government authorities, and adequate supply and timely delivery of products. If upgrading is not completed in a timely manner, our operations may be temporarily restrained, which may further materially and adversely affect our business, financial condition, results of operations and prospects.

We may be subject to force majeure events that are beyond our control.

Our business is subject to general economic and social conditions in China and other countries and regions where we operate. Natural and man-made disasters, and other force majeure events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people there. For instance, some regions in China, including the cities where we operate, are under the threat of infectious disease (such as the Severe Acute Respiratory Syndrome, SARS, the H5N1 avian flu, the human swine flu (also known as Influenza A (H1N1)), or, most recently, the COVID-19 pandemic), flood, earthquake, sandstorm, snowstorm, fire or drought. An occurrence or recurrence of any of these events could result in a slowdown of China's economy or material disruptions to our operations, which could materially and adversely affect our business, financial condition, results of operations and prospects. Acts of war and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our distribution channels and destroy our markets. The potential for war or terrorist attacks may also harm or cause uncertainty to our business in ways that we cannot predict.

RISKS RELATING TO CONDUCTING BUSINESS OPERATIONS IN THE PRC

Changes in political and economic policies of the PRC Government could have an adverse effect on China's overall economic growth, which could increase our operating costs and adversely affect our competitive position.

Substantially all of our business operations and assets are in China. Accordingly, our business, financial condition, operating results and prospects are affected significantly by China's economic, political and legal developments. The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing, and the allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC Government still exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC economy has grown significantly in the past 30 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and operating results may be adversely and materially affected by government control over capital investments or changes in tax regulations that may be applicable to us. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and operating results.

Uncertainties with respect to the PRC legal system could have an adverse effect on our business.

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters such as issuance and trading of securities, shareholders' rights, corporate governance and organization, commerce, tax and trade, with a view to developing a comprehensive system of commercial law. However, the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us.

In addition, some regulatory requirements issued by certain PRC Government authorities may not be consistently applied. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners and customers.

Such uncertainties, including the inability to enforce our contracts, together with any development or interpretation of the PRC law that is adverse to us, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in the PRC may not be as effective as in the more developed countries. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares under the PRC laws.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within the PRC unless a treaty or similar arrangement provides otherwise. Under the PRC Individual Income Tax Law (中華人民共和國個人所得稅法) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

If the PRC income tax is imposed on gains realized from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

More stringent restrictions on the remittance of Renminbi into and out of the PRC and governmental control over currency conversion may limit our ability to pay dividends and other obligations.

Renminbi is not currently a freely convertible currency, as the PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our payments from customers in Renminbi and will need to convert Renminbi into foreign currencies for the payment to our suppliers and payment of dividends, if any, to holders of our Shares, and to fund our business activities outside China. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy our foreign currency denominated obligations.

Under China's existing foreign exchange regulations, payment of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may take measures at its discretion from time to time to restrict access to foreign currencies for current account transactions. Since 2015, in response to China's declining foreign currency reserves, the PRC Government has placed increasingly stringent restrictions on the convertibility of Renminbi into foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China. Any existing and future restrictions on currency exchange may limit our ability to purchase raw materials outside of China or otherwise fund any future business activities that are conducted in foreign currencies.

We are exposed to fluctuations in currency exchange rates, which could negatively impact our financial condition and results of operations.

Our reporting currency is Renminbi. However, following the Global Offering, we may maintain a significant portion of the proceeds in Hong Kong dollars before they are used in our PRC operations. The value of the Renminbi against the US dollar, Hong Kong dollar and other currencies may be affected by changes in the PRC's policies and international economic and political environments. As a result of these and any future changes in currency policy, the exchange rate may become volatile, the Renminbi may be revalued further against the US dollar or other currencies, or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars, which are pegged to the US dollar, of our cash flows, revenues, earnings and financial position. On the other hand, we are also impacted by the purchasing power of the functional currency of our stores compared with other currencies. When the functional currency of our stores appreciates in value, our products become more expensive for the international travelers whose home currency has less relative purchasing power. In addition, the increased purchasing power of the functional currency of our stores could also cause domestic travelers to purchase products abroad instead. As a result, our business, financial condition and results of operations could be a materially adversely impacted.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China or Hong Kong based on foreign laws against us, our Directors and senior management.

Substantially all of our assets, and a significant portion of the assets of our Directors are located in China. As a result, it may not be possible for investors to effect service of process upon us or persons who reside in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**"), pursuant to which a party with a final judgment rendered by a Hong Kong court requiring payment in a civil and commercial case according to a jurisdiction agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. A jurisdiction agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not entered into a jurisdiction agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**") was signed between the Supreme People's Court of China and Hong Kong government.

Comparing with the 2006 Arrangement, the 2019 Arrangement establishes a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and China in civil and commercial matters under both Hong Kong and PRC law. The 2019 Arrangement will apply to judgments made by the courts of Hong Kong and China on or after its commencement date, which will be announced by Hong Kong and China after necessary procedures of both places have been completed. The 2006 Arrangement will be superseded upon the effective date of 2019 Arrangement. However, the 2006 Arrangement will remain applicable to a "jurisdiction agreement in writing" as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement taking effect. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

Any deficiency in China's internet infrastructure could impair our ability to conduct business over our online platforms, which could lead to loss of customers.

Our business maintains a considerable online sales component. The operation of online business depends on the performance and stability of the internet infrastructure in China. The availability of our online platform depends on the service of telecommunications carriers and other third party service providers for communications and data storage capacity, including, among other things, bandwidth and server storage. If we are unable to enter into or renew service agreements with these providers on acceptable terms, or if any of our existing agreements with such providers are terminated as a result of breach by us or by them, our ability to sell products to customers online could be adversely affected. Service interruptions or suspensions prevent customers from accessing our online sales channels and placing orders, and frequent interruptions or suspensions would frustrate consumers and discourage them from visiting our platforms and attempting to place orders, which could cause us to lose consumers and thus harm our operating results.

RISKS RELATING TO THE GLOBAL OFFERING

Our A Shares were listed in China in 2009, and the characteristics of the A Share and H Share market may differ.

Our A Shares were listed on the Shanghai Stock Exchange in 2009. Following the Global Offering, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on the Stock Exchange. Under current PRC laws and regulations, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

An active trading market for our H Shares may not be developed.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares may not be indicative of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amount of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

The liquidity and market price of our H Shares may be volatile.

The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in our revenue, earnings and cash flow, strategic alliances or acquisitions, addition or departure of key personnel, litigation, removal of restrictions on H Share transactions or volatility in market prices and changes in the demand for our products. These factors could cause large and sudden changes to the market price and trading volume at which our H Shares trade. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

There is no assurance that we will declare dividends in the future.

Our Group had declared dividend in the past. However, there is no assurance that our Group will declare dividends. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors, and are also subject to the approval of shareholder meetings. See "Financial information – Dividend policy" for details. We cannot assure investors when or whether we will pay dividends in the future.

There is a time lag between pricing and commencement of trading of the H Shares, and the price of our H Shares may fall before trading begins.

As there will be a gap of several days between the pricing and the trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins. The Offer Price of our H Shares is expected to be determined on the Price Determination Date, which is expected to be on August 18, 2022. However, our H Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be on August 25, 2022. As a result, investors may not be able to sell or otherwise deal in our H Shares during the period between the Price Determination Date and the Listing Date.

Accordingly, Shareholders are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release our financial and operational information on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares is based on the regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the Global Offering. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this prospectus. As a result, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus and the Application Forms. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong with respect to the Global Offering.

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Global Offering.

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there may be press and media coverage regarding the Global Offering and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.

In preparation for the Listing, we have applied to the Hong Kong Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, transactions which will constitute partially-exempt and non-exempt continuing connected transactions of our Group under the Hong Kong Listing Rules upon the Listing. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver in relation to such continuing connected transactions between us and certain connected persons under Chapter 14A of the Hong Kong Listing Rules. See "Connected Transactions" in this prospectus for further details.

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Currently, all of our executive Directors reside in the PRC. Given that our head office and core business operations are principally located, managed and conducted in the PRC, our Company does not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Hong Kong Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Hong Kong Listing Rules. Our Company has made the following arrangements to maintain effective communication between the Hong Kong Stock Exchange and us:

(i) we have appointed Mr. Wang Xuan and Ms. Zhang Xiao ("**Ms. Zhang**") as the authorized representatives for the purpose of Rule 3.05 of the Hong Kong Listing Rules. Our authorized representatives will act as our principal channel of communication with the Hong Kong Stock Exchange;

(ii) both of our authorized representatives have means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange proposes to contact a Director with respect to any matter;

(iii) each Director has provided his/her contact details (such as mobile phone numbers, office phone numbers and e-mail addresses) to our authorized representatives and the Hong Kong Stock Exchange, and in the event that any Director expects to travel or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives;

(iv) to the best of our knowledge, each of the Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Hong Kong Stock Exchange within a reasonable period; and

(v) our Company has appointed Somerley Capital Limited as the compliance adviser of our Company, who will also act as an additional channel of communication with the Hong Kong Stock Exchange from the Listing Date to the date when our Company dispatches the annual report of our financial results to the Shareholders for the first full financial year immediately after the listing of the H Shares of the Company. Somerley Capital Limited will maintain constant contact with the authorized representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Hong Kong Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Hong Kong Listing Rules. According to Rule 3.28 of the Hong Kong Listing Rules, the company secretary of an issuer must be a person who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Hong Kong Listing Rules, the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a Member of The Hong Kong Institute of Chartered Secretaries;

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Hong Kong Listing Rules, in assessing "relevant experience", the Hong Kong Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Hong Kong Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Chang Zhujun ("**Mr. Chang**") as one of our joint company secretaries. Mr. Chang joined our Group in April 2000 and has substantial experience in handling corporate, operational and other matters relating to our Company. See "Directors, Supervisors and Senior Management" for further biographical details of Mr. Chang. Although Mr. Chang does not possess any of the qualifications under Rules 3.28 and 8.17 of the Hong Kong Listing Rules, our Company considers that it is for our benefit to appoint Mr. Chang as one of the joint company secretaries of our Company.

Our Company has also appointed Ms. Zhang, an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Hong Kong Listing Rules, to act as one of our joint company secretaries and to provide assistance to Mr. Chang for a period of three years from the Listing Date. Over such period, our Company proposes to implement the following measures to assist Mr. Chang to become a company secretary with the requisite qualifications or relevant experience as required under the Hong Kong Listing Rules:

(i) Mr. Chang will endeavor to attend relevant training courses to enable him to familiarize himself with the Hong Kong Listing Rules and the duties required of a company secretary of an issuer listed on the Hong Kong Stock Exchange. Mr. Chang has also confirmed that he will be attending a total of not less than 15 hours of relevant professional training during each financial year as required under Rule 3.29 of the Hong Kong Listing Rules;

(ii) Ms. Zhang will assist Mr. Chang to enable him to acquire the relevant knowledge and experience as required under the Hong Kong Listing Rules in order to discharge his functions as our company secretary; and

(iii) Ms. Zhang will communicate regularly with Mr. Chang on matters relating to corporate governance, the Hong Kong Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Zhang will work closely with, and provide assistance to, Mr. Chang in the discharge of his duties as a company secretary, including organizing the Company's Board meetings and shareholders' general meetings of our Company.

Our Company expects that Mr. Chang, having had the benefit of Ms. Zhang's assistance during the three-year period, will acquire the qualifications and relevant experience required under Rule 3.28 of the Hong Kong Listing Rules prior to the end of the three-year period after the Listing.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Hong Kong Listing Rules, on the following conditions:

(i) Mr. Chang must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Hong Kong Listing Rules and is appointed as a joint company secretary throughout the three-year period; and

(ii) the waiver can be revoked if there are material breaches of the Hong Kong Listing Rules by our Company.

Before the end of the three-year period, we will liaise with the Hong Kong Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. Chang, having had the benefit of Ms. Zhang's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Hong Kong Listing Rules such that a further waiver would not be necessary.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) of the Hong Kong Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital. Rule 8.08(1)(b) of the Hong Kong Listing Rules provides that where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares, having an expected market capitalization at the time of listing of not less than HK$125,000,000.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1)(b) of the Hong Kong Listing Rules to reduce the minimum public float of our Company to the higher of (a) 5.00% and (b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering, as increased by the H Shares to be issued upon any exercise of the Over-allotment Option, of the enlarged issued share capital of the Company, subject to the following: (a) our Company will disclose such lower percentage of the public float in this prospectus; (b) announce the percentage of H Shares held by the public immediately after the completion of the Global Offering (before any exercise of the Over-allotment Option) and upon any exercise of the Over-allotment Option such that the public will be informed of the minimum public float requirement applicable to the Company; and (c) confirm the sufficiency of public float in successive annual reports after its listing.

Our Company will implement appropriate measures and mechanisms to ensure continual maintenance of a 5.00% public float of H Shares (or such higher percentage upon the completion of any exercise of the Over-allotment Option). In the event that the public float percentage falls below the minimum percentage prescribed by the Hong Kong Stock Exchange, the Directors will take appropriate steps to ensure the minimum percentage of public float prescribed by the Hong Kong Stock Exchange is complied with.

CLAWBACK MECHANISM

Under Paragraph 4.2 of Practice Note 18 to the Listing Rules, where an initial public offering includes both a placing tranche and a public subscription tranche, the minimum allocation of shares to the public subscription tranche shall be an initial allocation of 10% of the shares offered in the initial public offering and subject to a clawback mechanism that increases the number of shares available in the public subscription tranche depending on the demand for those shares.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of oversubscription in the Hong Kong Public Offering, the Joint Sponsors and the Joint Representatives will apply an alternative clawback mechanism following the closing of the application lists. For further information, please refer to the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" in this prospectus.

ALLOCATION OF H SHARES TO EXISTING MINORITY SHAREHOLDERS AND THEIR CLOSE ASSOCIATES

Rule 10.04 of the Hong Kong Listing Rules requires that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of the issuer either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Hong Kong Listing Rules are fulfilled. It is provided in Rule 10.03(1) of the Hong Kong Listing Rules that no securities may be offered to existing shareholders on a preferential basis and no preferential treatment may be given to them in the allocation of the securities; and in Rule 10.03(2) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) must be achieved.

Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules provides that no allocations will be permitted to the existing shareholders of the applicant or their close associates, whether in their own names or through nominees, in the Global Offering unless the conditions set out in Rules 10.03 and 10.04 under the Hong Kong Listing Rules are fulfilled.

Prior to the Listing, our Company's share capital comprises entirely A Shares listed on the Shanghai Stock Exchange. We have a large and widely dispersed public A Share shareholder base.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix 6 to the Listing Rules to permit H Shares in the International Offering to be placed to certain existing minority Shareholders who (i) hold less than 5% of the total number of A Shares in issue of our Company prior to the completion of the Global Offering and (ii) are not and will not become (upon the completion of the Global Offering) core connected persons of our Company or the close associates of any such core connected person (together, the "**Existing Minority Shareholders**"), subject to the conditions as follows:

(i) each Existing Minority Shareholder to whom our Company may allocate the H Shares in the International Offering holds less than 5% of the total number of A Shares in issue of our Company prior to the completion of the Global Offering;

(ii) each Existing Minority Shareholder is not, and will not be, a core connected person of our Company or any close associate of any such core connected person immediately prior to or following the Global Offering;

(iii) none of the Existing Minority Shareholders have the right to appoint any Directors and/or have any other special rights;

(iv) allocation to the Existing Minority Shareholders and their close associates will not affect our ability to satisfy the public float requirement as prescribed by the Hong Kong Stock Exchange under the Listing Rules under Rule 8.08 of the Listing Rules;

(v) we will confirm to the Hong Kong Stock Exchange that:

   (a) in the case of participation as cornerstone investors, no preferential treatment has been, nor will be, given to the Existing Minority Shareholders by virtue of their relationship with our Company, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Stock Exchange Guidance Letter HKEX-GL51-13, and the Existing Minority Shareholders' cornerstone investment agreements do not contain any material terms which are more favorable to the Existing Minority Shareholders than those in other cornerstone investment agreements; or

(b) in the case of participation as placees, no preferential treatment has been, nor will be, given to the Existing Minority Shareholders by virtue of their relationship with our Company in any allocation in the placing tranche;

(vi) in the case of participation as placees, the Joint Bookrunners will confirm to the Hong Kong Stock Exchange that, to the best of their knowledge and belief, no preferential treatment has been, nor will be, given to the Existing Minority Shareholders by virtue of their relationship with our Company in any allocation in the placing tranche; and

(vii) the Joint Sponsors will confirm to the Hong Kong Stock Exchange that based on (i) their discussions with our Company and the Joint Bookrunners; and (ii) the confirmations provided to the Stock Exchange by our Company and the Joint Bookrunners, and to the best of their knowledge and belief, they have no reason to believe that the Existing Minority Shareholders received any preferential treatment in the IPO allocation either as cornerstone investors or as placees by virtue of their relationship with our Company, other than, in the case of participation as cornerstone investors, the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in the Stock Exchange Guidance Letter HKEX-GL51-13, and details of allocation to the Existing Minority Shareholders will be disclosed in this prospectus (for cornerstone investors) and allotment results announcement (for both cornerstone investors and placees) of our Company.

PROPOSED SUBSCRIPTION OF H SHARES BY HAINAN FREE TRADE PORT FUND THROUGH GALAXY JINHUI

Paragraph 5(1) of Appendix 6 to the Listing Rules provides that, unless with the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors.

Paragraph 13(7) of the Appendix 6 states that "connected client" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

For the purpose of the cornerstone investment, Hainan Free Trade Port Construction Investment Fund Co., Ltd. (海南自由貿易港建設投資基金有限公司) ("**Hainan Free Trade Port Fund**") has engaged Galaxy Jinhui Security Asset Management Corporation Limited ("**Galaxy Jinhui**"), an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, to subscribe for the Connected Client Shares on a discretionary basis on behalf of Hainan Free Trade Port Fund. In addition, the fund manager of Hainan Free Trade Port Fund is Galaxy Capital Management Co., Ltd. ("**Galaxy Capital**"). As Galaxy Capital, Galaxy Jinhui, and China Galaxy International Securities (Hong Kong) Co., Limited ("**China Galaxy International Securities (Hong Kong)**") (as one of the Joint Lead Managers) are members of a group of companies controlled by China Galaxy Securities Co., Ltd., each of Galaxy Capital and Galaxy Jinhui is a "connected client" (each a "**Connected Client**" and collectively "**Connected Clients**") of China Galaxy International Securities (Hong Kong) for the purpose of paragraph 13(7) of Appendix 6 to the Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit Hainan Free Trade Port Fund to participate in the Global Offering through Galaxy Jinhui as a cornerstone investor subject to the following conditions:

(i) Galaxy Jinhui will hold Shares on behalf of Hainan Free Trade Port Fund, which is an Independent Third Party of the Company;

(ii) the cornerstone investment agreement to be entered into with Hainan Free Trade Port Fund will not contain any material term which is more favourable to Hainan Free Trade Port Fund (through Galaxy Jinhui as the asset manager) than those in other cornerstone investment agreements;

(iii) China Galaxy International Securities (Hong Kong) has not participated, and will not participate, in the decision-making process of relevant discussions among the Company, the Joint Bookrunners and the Underwriters as to whether Hainan Free Trade Port Fund (through Galaxy Jinhui as the asset manager) will be selected as a cornerstone investor;

(iv) no preferential treatment has been, nor will be, given to the Connected Clients other than the preferential treatment of assured entitlement to Hainan Free Trade Port Fund (through Galaxy Jinhui as the asset manager) under a cornerstone investment following the principles set out in the Stock Exchange Guidance Letter HKEX-GL51-13;

(v) each of the Joint Sponsors, the Company, China Galaxy International Securities (Hong Kong), the Connected Clients and the Joint Bookrunners has provided the Hong Kong Stock Exchange a written confirmation in accordance with the Stock Exchange Guidance Letter HKEX-GL85-16; and

(vi) details of the allocation have been disclosed in this prospectus and will be disclosed in the allotment results announcement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

We have obtained an approval letter from the CSRC for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange dated November 9, 2021. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the **Green** Application Form.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the **Green** Application Form contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 5,138,200 Offer Shares and the International Offering of initially 97,623,700 Offer Shares (subject, in each, to reallocation on the basis as set out in "Structure of the Global Offering".)

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **Green** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

See "Structure of the Global Offering" for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in "How to Apply for Hong Kong Offer Shares" in this prospectus and in the **Green** Application Form.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus and the **Green** Application Form.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and/or the **Green** Application Form and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC or the U.S.

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the agreement on the Offer Price between the Joint Representatives (for themselves and on behalf of the Underwriters) and us. See "Underwriting" for further details on the Underwriters and the underwriting arrangements.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option). Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Thursday, August 25, 2022. Except for the A Shares that have been listed on the Mainboard of the Shanghai Stock Exchange and our pending application to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or debt securities is listed on or dealt in on the Hong Kong Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Hong Kong Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of the Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of the Company.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws, rules and regulations to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

- authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, and senior officers whereby such Directors, Supervisors, and senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined in the Hong Kong Listing Rules) of any of the Directors or Supervisors of the Company or an existing Shareholder of the Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiary) have been included in this prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK$1.00 to RMB0.8587, Renminbi into U.S. dollars at the rate of US$1.00 to RMB6.7405 and Hong Kong dollars into U.S. dollars at the rate of US$1.00 to HK$7.8498.

No representation is made that any amounts in RMB or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

DIRECTORS

Executive Directors

Name	Address	Nationality
Mr. Peng Hui (彭輝)	No. 311, Building 28 No. 20 Chengfu Road Haidian District, Beijing PRC	Chinese
Mr. Chen Guoqiang (陳國強)	No. 609, Building 2 Zaoyuan Community Chongwen District, Beijing PRC	Chinese
Mr. Wang Xuan (王軒)	No. 601, Unit 9, Building 8 Haiyuncang Hutong Dongcheng District, Beijing PRC	Chinese

Independent non-executive Directors

Name	Address	Nationality
Mr. Zhang Rungang (張潤鋼)	No. 703 and 704, Building 3 No. 32 Beiwa Road Haidian District, Beijing PRC	Chinese
Mr. Wang Bin (王斌)	No. 1508, Unit 2, Building 1 Yuanda Garden, Century City Haidian District, Beijing PRC	Chinese
Ms. Liu Yan (劉燕)	No. 213, Apartment 17 Weixiu Garden, Peking University Haidian District, Beijing PRC	Chinese
Mr. Ge Ming (葛明)	Flat F, 22/F, Block 23 Laguna City, 15 Laguna Street Cha Kwo Ling, Kowloon Hong Kong	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. Liu Defu (劉德福)	No. 1607, Building 3 Wei Garden, Dacheng Lane Fengtai District, Beijing PRC	Chinese
Ms. Li Hui (李輝)	No. 6, 5th Floor, Building 28 No. 14 East Chang'an Street Dongcheng District, Beijing PRC	Chinese
Ms. Dou Xiaoqiong (鈄曉瓊)	No. 1404, Building 21 Huawei North Lane Chaoyang District, Beijing PRC	Chinese

Further information is disclosed in the section headed "Directors, Supervisors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	UBS Securities Hong Kong Limited 52/F Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

Joint Bookrunners	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	CCB International Capital Limited 12/F CCB Tower 3 Connaught Road Central Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Hong Kong
	BOCOM International Securities Limited 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

DBS Asia Capital Limited
73/F The Center
99 Queen's Road Central
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
26/F-28/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

ICBC International Capital Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

Joint Lead Managers

China International Capital Corporation Hong Kong Securities Limited
29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

DBS Asia Capital Limited
73/F The Center
99 Queen's Road Central
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
26/F-28/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

ICBC International Securities Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

Soochow Securities International Brokerage Limited
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

Legal Advisers to our Company

As to Hong Kong and United States laws
Linklaters
11/F Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law
Haiwen & Partners
20/F, Fortune Financial Center
5 Dong San Huan Central Road
Chaoyang District
Beijing
PRC

Legal Advisers to the Joint Sponsors and Underwriters

As to Hong Kong and United States laws
Freshfields Bruckhaus Deringer
55th Floor, One Island East
Taikoo Place
Quarry Bay
Hong Kong

As to PRC law
Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District
Beijing
PRC

Auditor and Reporting Accountants

KPMG
Certified Public Accountant
Registered Public Entity Auditor
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Property Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7/F, One Taikoo Place 979 King's Road Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock International Square No. 1717 Nanjing West Road Jingan District Shanghai China
Compliance Adviser	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **Industrial and Commercial Bank of China (Asia) Limited** 33/F, ICBC Tower 3 Garden Road Central Hong Kong

Registered Office and Headquarters in the PRC	8/F, Building A No. A2 Dongzhimenwai Xiaojie Dongcheng District Beijing PRC
Principal Place of Business in Hong Kong	16/F, Everbright Centre 108 Gloucester Road Wanchai Hong Kong
Company's Website	**www.ctgdutyfree.com.cn** *(The information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	Mr. Chang Zhujun No. 6, Gate 33 No. 25 Yuetan North Street Xicheng District, Beijing PRC Ms. Zhang Xiao *(an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. Wang Xuan No. 601, Unit 9, Building 8 Haiyuncang Hutong Dongcheng District, Beijing PRC Ms. Zhang Xiao 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Wang Bin *(Chairman)* Mr. Zhang Rungang Ms. Liu Yan Mr. Ge Ming
Remuneration and Evaluation Committee	Ms. Liu Yan *(Chairwoman)* Mr. Zhang Rungang Mr. Wang Bin

Strategy Committee	Mr. Peng Hui *(Chairman)* Mr. Chen Guoqiang Mr. Wang Xuan Mr. Zhang Rungang
Nomination Committee	Mr. Zhang Rungang *(Chairman)* Mr. Peng Hui Mr. Wang Xuan Mr. Wang Bin Ms. Liu Yan
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Banks	**Bank of China Limited, Beijing Chongwen Sub-Branch** 1 – 4/F No. 47 Guangqumennei Street Dongcheng District Beijing PRC **Industrial and Commercial Bank of China Limited, Beijing Wangfujing Sub-Branch** 237 Wangfujing Street Dongcheng District Beijing PRC **China Merchants Bank Co., Ltd., Beijing Dongsanhuan Sub-Branch** West Gate, 1/F, Huijia Building No. 6 Dongsanhuan North Road Chaoyang District Beijing PRC

*The information and statistics set out in this section have been extracted, in part, from various official government publications and a market research report prepared by Frost & Sullivan (the "**Frost & Sullivan Report**") and commissioned by us. We believe that these sources are appropriate sources for such information and statistics and reasonable care has been exercised by us in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Neither our Company nor any of the Relevant Persons makes any representation as to the accuracy of information and statistics extracted from official government publications set forth in this section or elsewhere in this prospectus.*

OVERVIEW OF THE GLOBAL TRAVEL RETAIL MARKET

Travel retail refers to the sales of merchandise to international and domestic travelers. Travel retail merchandise encompasses various categories such as perfume and cosmetics, fashion and accessories, tobacco and alcohol, food and other miscellaneous goods.

Classification of the Travel Retail Market

Major Categories of Travel Retail by Product Type

The travel retail market can be broadly categorized into two categories based on the types of products sold, namely the duty-free segment and the duty-paid segment:

Duty-free: Duty-free sales refer to sales of foreign products with an exemption from duties and other taxes incurred during importation and domestic products with taxes exempted or refunded and sold in a duty-free store, and normally the products are sold to travelers crossing borders or going to offshore destinations.

Duty-paid: Duty-paid sales refer to duty-paid goods sold by travel retailers in a travel environment and the goods are subject to taxes and duties.

Major Categories of Travel Retail by Distribution Channel

Duty-free and duty-paid merchandise are sold through different sales channels in the travel retail market, which mainly include port stores, offshore stores, downtown stores and others:

Port stores: Port stores refer to "exit and entry" travel retail stores found at key hubs such as airports, border crossings, railway stations, cross-border bus stations and seaports. The typical customers who frequent port stores are passengers en route to their destination.

Offshore stores: Offshore stores refer to travel retail stores which are qualified to operate a duty-free and a travel retail business in a designated area, typically an island, and only customers who are leaving the designated area can buy duty-free products. Offshore stores attract (i) tourists with valid proof of identity and (ii) local residents who are departing from the designated area. These stores are typically located in the downtown location or the airports in the designated area.

Downtown stores: Downtown stores refer to travel retail stores in downtown locations which are frequented by (i) foreign nationals who are about to leave the country with valid identity document and outbound tickets, and (ii) domestic persons, within a period of time after returning from foreign countries.

Others: Other stores refer to travel retail stores onboard cruise ships, ferries or aircrafts. The typical customers who frequent these stores are passengers on transportation vehicles that are en route to their destinations.

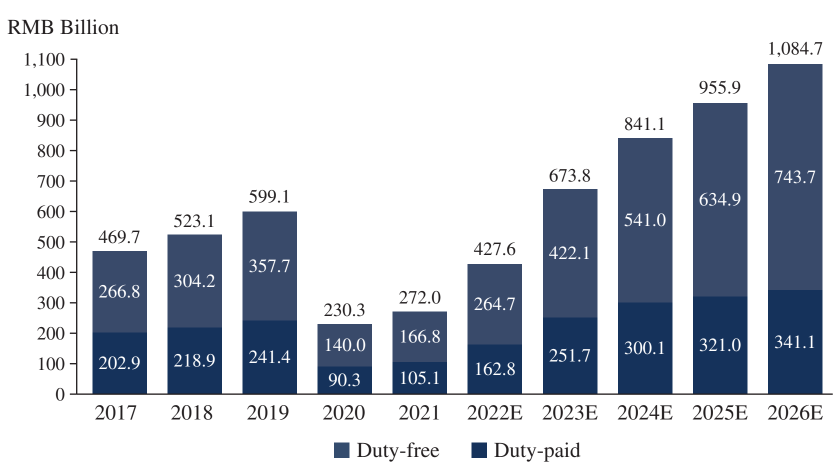
Market Size of the Global Travel Retail Market

The global travel retail market has recorded steady growth before the COVID-19 pandemic, growing from RMB469.7 billion in 2017 to RMB599.1 billion in 2019 with a CAGR of 12.9%. In 2020 and 2021, the global travel retail market was significantly affected by the COVID-19 pandemic and related travel restrictions. Its market size dropped significantly to RMB272.0 billion in 2021 compared to 2019. Assuming the overall global international travel restrictions outside of China will be relaxed gradually starting from the end of 2022, it is expected that the travel retail market will gradually recover in 2023 and reach RMB673.8 billion in 2023. From 2023 to 2026, it is expected the travel retail market will continue its steady growth and increase to RMB1,084.7 billion in 2026, registering a CAGR of 17.2% from 2023 to 2026.

Sales revenue from duty-free travel retail accounted for 56.8% of the travel retail market globally in 2017 and grew at a CAGR of 15.8% from 2017 to 2019, faster than duty-paid travel retail at a CAGR of 9.1% during the same period. Since 2020, as COVID-19 devastated the travel industry, governments took a series of actions to stimulate the development of the duty-free market, such as measures by the Chinese government to encourage offshore duty-free shopping and the development of integrated travel retail complexes and downtown duty-free stores and by the South Korean government that temporarily suspended the restrictions on the number of items that may be purchased per duty-free shop visit, which further increased the share of duty-free travel retail to 60.8% of the global travel retail market. It is expected that duty-free travel retail will grow at a CAGR of 20.8% from 2023 to 2026, faster than duty-paid retail at 10.7% during the same period. In 2026, the duty-free travel retail is expected to account for 68.6% of the global travel retail market. The following chart sets forth the market size of the global travel retail market and duty-free market from 2017 to 2026.

Market Size of Travel Retail Market (by sales revenue), Global, 2017-2026E

	CAGR (17-19)	CAGR (19-21)	CAGR (19-23E)	CAGR (23E-26E)
Duty-free	15.8%	-31.7%	4.2%	20.8%
Duty-paid	9.1%	-34.0%	1.0%	10.7%
Total	**12.9%**	**-32.6%**	**3.0%**	**17.2%**



Source: Frost & Sullivan

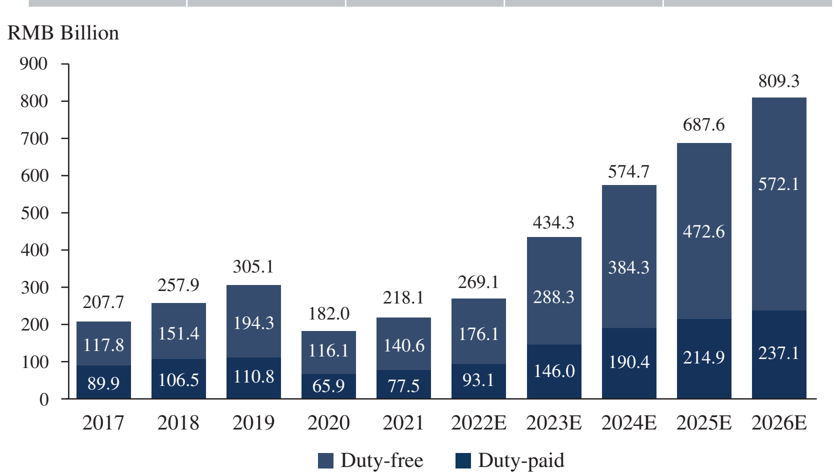
Market Size of the Travel Retail Market in Asia

Asia's travel retail market is one of the fastest-growing markets by continent worldwide. The travel retail market in Asia grew at a higher rate than the global market and increased from RMB207.7 billion in 2017 to RMB305.1 billion in 2019, registering a CAGR of 21.2%. In 2020 and 2021, Asia's travel retail market was also impacted by the COVID-19 pandemic. In 2021, Asia's travel market shrank significantly to RMB218.1 billion compared to 2019. However, the magnitude of the decrease was smaller than that of the global market, primarily due to the vigorous efforts by the governments in China and other Asian countries to control the COVID-19 pandemic. It is expected that, assuming the overall global international travel restriction outside of China will be relaxed gradually starting from the end of 2022, the travel retail market in Asia will gradually recover in 2023 and reach RMB434.3 billion in 2023. Fueled by the further growth of the travel retail industry in China backed by its growing economy and favorable policies, the Asian travel retail market is expected to further grow to RMB809.3 billion in 2026 with a CAGR of 23.1%. Asia accounted for 44.2% of the global travel retail market in 2017 and its share increased to 50.9% in 2019. Asia's share is expected to increase to 74.6% in 2026. With the expected expansion of China's duty-free market, China and Asia are expected to become the main growth engine to propel the further growth of the world's travel retail market.

Similar to elsewhere in the world, with a CAGR of 28.4% from 2017 to 2019, the growth of duty-free travel retail in Asia also outpaced the growth duty-paid travel retail, at a CAGR of 11.0% during the same period. The ratio of the sales revenue of duty-free travel retail increased from 56.7% of Asia's total travel retail market in 2017 to 63.7% in 2019, as a result of the measures by China's and other governments in Asia to support and stimulate the development of the duty-free market. Assuming the overall global international travel restriction outside of China will be relaxed gradually starting from the end of 2022, with the development of the duty-free industry and the re-channeling of duty-free consumption from overseas back into China, Asia's duty-free travel market will continue to grow rapidly at a CAGR of 25.7% from 2023 to 2026 and reach RMB572.1 billion in 2026, outpacing the growth of Asia's duty-paid market at a CAGR of 17.6% from 2023 to 2026, and making up 70.7% of the travel retail market of Asia in 2026. The following chart sets forth the market size of the Asia travel retail market from 2017 to 2026.

Market Size of Travel Retail Market (by sales revenue), Asia, 2017-2026E

	CAGR (17-19)	CAGR (19-21)	CAGR (19-23E)	CAGR (23E-26E)
Duty-free	28.4%	-14.9%	10.4%	25.7%
Duty-paid	11.0%	-16.3%	7.1%	17.6%
Total	**21.2%**	**-15.4%**	**9.2%**	**23.1%**

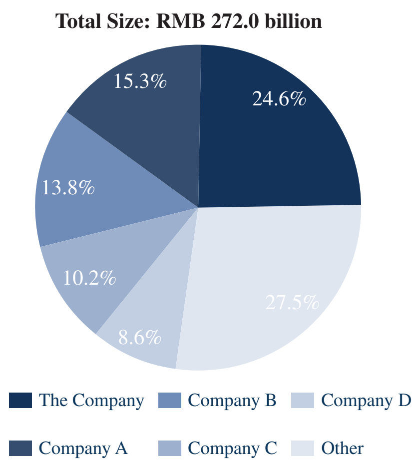


Source: Frost & Sullivan

Competitive Landscape of the Global Travel Retail Market

The global travel retail market is relatively concentrated and the entry barrier is high. In 2021, the top five global travel retailers accounted for 72.5% of the market share in terms of sales revenue, among which we ranked first with a market share of 24.6%. The following chart sets forth the details of market concentration and market shares of the top five global travel retailers by sales revenue in 2021.

Top 5 Travel Retailers Ranking (by sales revenue), Global, 2021



Rank	Company	Sales Revenue (RMB Billion)	Market Share
1	**The Company**	66.9	24.6%
2	Company A	41.6	15.3%
3	Company B	37.5	13.8%
4	Company C	27.6	10.2%
5	Company D	23.3	8.6%
	Other	75.1	27.5%
	Total	**272.0**	**100.0%**

Source: Frost & Sullivan

Notes:

1. Company A was founded in 1980, a travel retailer in Korea and worldwide with its core business in Korea. Company A currently operates 19 stores in 7 countries.

2. Company B was founded in 1986, a travel retailer in Korea and worldwide. Company B currently operates 5 duty free stores in Korea.

3. Company C started its duty-free wholesale business in 1948, a global travel retailer with its headquarter in Basel, Switzerland, and travel retail stores in 66 countries on all 6 continents.

4. Company D established its first duty-free shop in 1965, a global travel retailer. Company D operates over 4,800 stores in 42 countries across travel essentials, duty free & fashion and foodservice in airports, railway stations, etc.

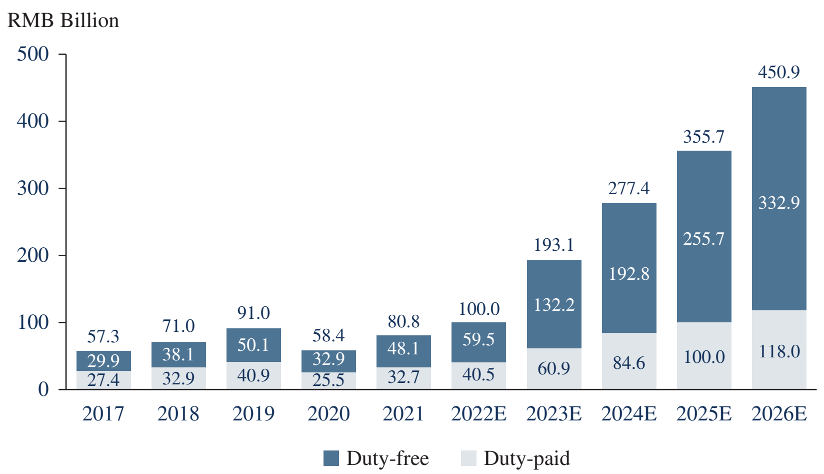
OVERVIEW OF THE TRAVEL RETAIL MARKET IN CHINA

The sales revenue of travel retail goods in China increased from RMB57.3 billion in 2017 to RMB91.0 billion in 2019, registering a CAGR of 25.9%. In 2020 and 2021, along with other parts of the world, both domestic travel and international travel in China were affected due to the COVID-19 pandemic. However, because of the successful containment effort as well as the Chinese government's favorable policies aimed at developing the duty-free market and increasing domestic consumption, China's travel retail market only suffered a drop of CAGR of 5.8% during 2019 to 2021 (as compared to 32.6% for the world and 15.4% in Asia during the same period) and still reached RMB80.8 billion in 2021. With a market share of 77.8% in China travel retail market by sales revenue in 2021, the Company was the largest player in China's travel retail market in 2021. For China's offshore travel retail sales channel, the Company also holds the highest market share of 90.1% in 2021, which makes it the largest player in offshore travel retail market.

In the first half of 2022, due to the emergence of COVID-19 Omicron variant cases in some regions of China, the resumption of cross-border travel and domestic travel in China slowed down, which further affected travel retail market performance. Nevertheless, considering the spread of the COVID-19 Omicron variant cases is under effective control, cities such as Shanghai have been released from the previous lockdown, and the government is devoted to speeding up economy recovery and the resumption of business activities by introducing stimulative policies, travel retail market in China is expected to recover. The size of China's travel retail market is estimated to be RMB100.0 billion in 2022. Considering the recent emergence of COVID-19 Omicron variant cases, assuming that China's spread of the COVID-19 pandemic can be gradually under control and its cross-border travel may gradually resume starting from the first half of 2023, driven by the recovery of the travel industry, the resumption of international travel and favorable government policies of developing the duty-free market, China's travel retail market is expected to climb to RMB450.9 billion by 2026, with a CAGR of 32.7% from 2023 to 2026. The following chart sets forth the market size of the travel retail market in China from 2017 to 2026.

Market Size of Travel Retail* (by sales revenue), China, 2017-2026E

	CAGR (17-19)	CAGR (19-21)	CAGR (19-23E)	CAGR (23E-26E)
Duty-free	29.4%	-2.1%	27.5%	36.0%
Duty-paid**	22.1%	-10.5%	10.5%	24.6%
Total	**25.9%**	**-5.8%**	**20.7%**	**32.7%**



* China travel retail and duty-free market size does not include the duty-free merchandise which can be purchased by Hainan residents without leaving Hainan island.

** Duty-paid sales revenue includes offshore travellers make online orders after departing from Hainan.

Source: Frost & Sullivan

China's Duty-Free Market

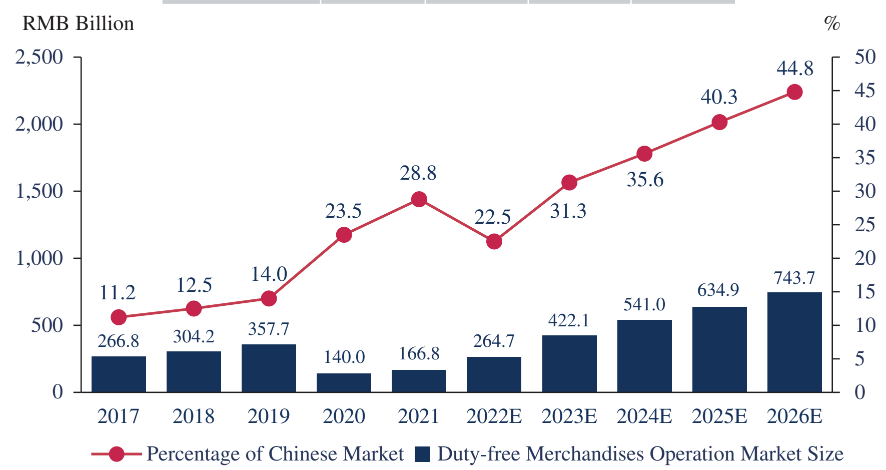
China's duty-free market witnessed a rapid growth with a CAGR of 29.4% from 2017 to 2019 due to the rapid development of the travel industry and the increase in residents' income levels. In 2020 and 2021, amid the COVID-19 pandemic, due to the successful containment effort as well as the Chinese government's favorable policies aimed at developing the duty-free market and increasing domestic consumption, China's duty-free market showed resilience and declined by a CAGR of only 2.1% during 2019 to 2021 (in contrast to 31.7% for the world and 14.9% in Asia during the same period) and still reached RMB48.1 billion in 2021.

In the first half of 2022, due to the emergence of the COVID-19 Omicron variant cases in some regions of China, the resumption of cross-border travel and domestic travel in China slowed down, which further affected duty-free merchandise sales market performance. Nevertheless, considering the spread of COVID-19 Omicron variant cases is under effective control, and the government is devoted to speeding up economy recovery and the resumption of business activities by introducing stimulative policies, duty-free merchandise sales market in China is expected to recover. The size of China's duty-free merchandise sales market is estimated to be RMB59.5 billion in 2022. The favorable government policies will continue to drive the growth of China's duty-free market in the future, with the market expected to reach RMB132.2 billion in 2023 with a CAGR of 27.5% between 2019 and 2023. Assuming that China's spread of the COVID-19 pandemic can be gradually under control and its cross-border travel may gradually resume starting from the first half of 2023, China's duty-free market is expected to further climb to RMB332.9 billion by 2026, with a CAGR of 36.0% from 2023 to 2026.

Sales of duty-free merchandise has become an increasingly important part of China's travel retail market, accounting for 52.2% of China's travel retail market in 2017, 59.5% in 2021 and is expected to account for up to 73.8% in 2026. China's duty-free market has also become an increasingly important part of the global duty-free market, with its share of the global duty-free market growing from 11.2% in 2017 to 28.8% in 2021, and is expected to further increase to 44.8% by 2026. The following chart sets forth the market size of the duty-free market in China and its share of the global duty-free market from 2017 to 2026.

Market Size of Duty-free Market (by sales revenue), Global, 2017-2026E

	CAGR (17-19)	CAGR (19-21)	CAGR (19-23E)	CAGR (23E-26E)
Duty-free market size	15.8%	-31.7%	4.2%	20.8%



Source: Frost & Sullivan

China's Duty-Free Market by Channel

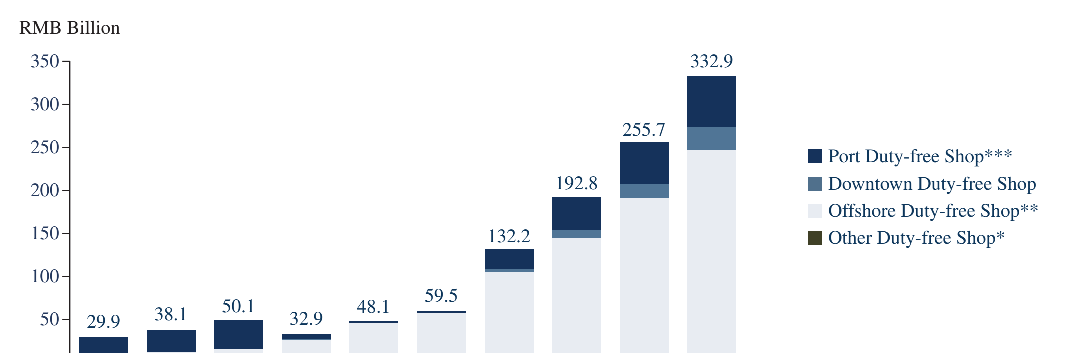
China's duty-free channels consist of port, offshore, downtown and other duty-free sales channels. Port duty-free channels and offshore duty-free channels are the largest duty-free channels in China, accounting for 94.6% in 2017 and 97.9% in 2021. These channels are expected to continue to be the primary duty-free sales channels in 2026, accounting for 90.9% of the duty-free sales in that year.

China's port duty-free stores enjoyed rapid growth before 2020. The market for port duty-free stores increased from RMB20.3 billion in 2017 to RMB34.2 billion in 2019 with a CAGR of 29.8%. In 2020 and 2021, along with other port duty-free stores around the world, China's port duty-free stores have been severely affected by the COVID-19 pandemic. The sales revenue of China's port duty-free stores dropped by a CAGR of 76.7% during 2019 to 2021. In the first half of 2022, due to the emergence of the COVID-19 Omicron variant cases in some regions of China, the resumption of cross-border travel in China slowed down, which further affected port duty-free merchandise sales market performance. The size of China's port duty-free merchandise sales market is estimated to be RMB2.2 billion in 2022. Assuming that China's spread of the COVID-19 pandemic can be gradually under control and its cross-border travel may gradually resume starting from the first half of 2023, sales revenue of China's port duty-free stores are expected to gradually recover and further increase to RMB59.3 billion in 2026 with a CAGR of 36.1% from 2023 to 2026.

China's offshore duty-free stores enjoyed rapid growth before 2020 as well. The market size for offshore duty-free stores increased from RMB8.0 billion in 2017 to RMB13.5 billion in 2019 with a CAGR of 29.7%. With the COVID-19 pandemic largely under control domestically and the Chinese government's favorable policies aimed at developing the duty-free market and increasing consumption, the offshore duty-free stores in China experienced a significant increase in sales and reached RMB45.2 billion in sales revenue in 2021, representing an increase at a CAGR of 83.0% during 2019 to 2021. In the first half of 2022, due to the emergence of the COVID-19 Omicron variant cases in some regions of China, domestic travel in China including to Hainan island has been affected, which further affected offshore duty-free merchandise sales market performance. The size of China's offshore duty-free merchandise sales market is estimated to be RMB56.7 billion in 2022. Considering the spread of COVID-19 Omicron variant cases is under effective control, it is expected that the size of China's offshore duty-free market will increase to RMB103.8 billion in 2023 with a CAGR of 66.6% from 2019 to 2023. Sales revenue of China's offshore duty-free stores are expected to continue to grow at a rapid pace to reach RMB243.2 billion in 2026 with a CAGR of 32.8% from 2023 to 2026.

The following chart sets forth the trend for China's duty-free market by channel.

Market Size of Duty-free Market (by channel)*, China, 2017-2026E



	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (17-19)	CAGR (19-21)	CAGR (19-23E)	CAGR (23E-26E)
	20.3	26.1	34.2	5.7	1.9	2.2	23.5	39.2	48.4	59.3	29.8%	-76.7%	-8.9%	36.1%
	0.1	0.3	0.3	0.6	0.6	0.2	2.9	8.8	16.0	26.9	109.4%	35.4%	72.5%	110.0%
	8.0	10.1	13.5	26.0	45.2	56.7	103.8	142.0	188.2	243.2	29.7%	83.0%	66.6%	32.8%
	1.5	1.6	2.1	0.6	0.4	0.4	2.0	2.8	3.1	3.5	16.9%	-56.1%	-2.0%	21.7%
Total	**29.9**	**38.1**	**50.1**	**32.9**	**48.1**	**59.5**	**132.2**	**192.8**	**255.7**	**332.9**	**29.4%**	**-2.1%**	**27.5%**	**36.0%**

* Other duty-free shops include diplomat duty-free shops, vehicle duty-free shops and vessel supply duty-free shops.

** Sales revenue of offshore duty-free shops does not include the duty-free merchandise which can be purchased by Hainan residents without leaving Hainan island, or offshore travellers making online orders after departing from Hainan.

*** Port duty-free shops include online pre-order followed by offline pickup when departing from mainland China.

Source: Frost & Sullivan

China's Duty-Paid Market

In addition to duty-free merchandise, duty-paid merchandise are also sold through different travel retail sales channels that consist of port, offshore, downtown and other travel retail channels. Offshore travellers making online orders after departing from Hainan is also included in offshore duty-paid sales revenue. China's duty-paid travel retail market has shown steady growth from 2017 to 2019, growing at a CAGR of 22.1%. In 2017, the sales revenue of duty-paid travel retail accounted for 47.8% of China's travel retail market. In 2020 and 2021, China's duty-paid travel retail market was affected by the COVID-19 pandemic. In 2021, the sales revenue of China's duty-paid travel retail market was RMB32.7 billion, dropping at a CAGR of 10.5% during 2019 to 2021. In the first half of 2022, due to the emergence of the COVID-19 Omicron variant cases in some regions of China, the performance of China's duty-paid market was affected. Nevertheless, considering the spread of COVID-19 Omicron variant cases is under effective control, and the government is devoted to speeding up economy recovery and the resumption of business activities by introducing stimulative policies, duty-paid merchandise sales market in China is expected to recover. The size of China's duty-paid merchandise sales market is estimated to be RMB40.5 billion in 2022. Driven by the recovery of travel retail industry and the continuous consumption upgrade, China's duty-paid market is expected to reach RMB60.9 billion in 2023 and further increase to RMB118.0 billion in 2026 with a CAGR of 24.6% from 2023 to 2026. In 2026, duty-paid travel retail is expected to account for 26.2% of China's travel retail market.

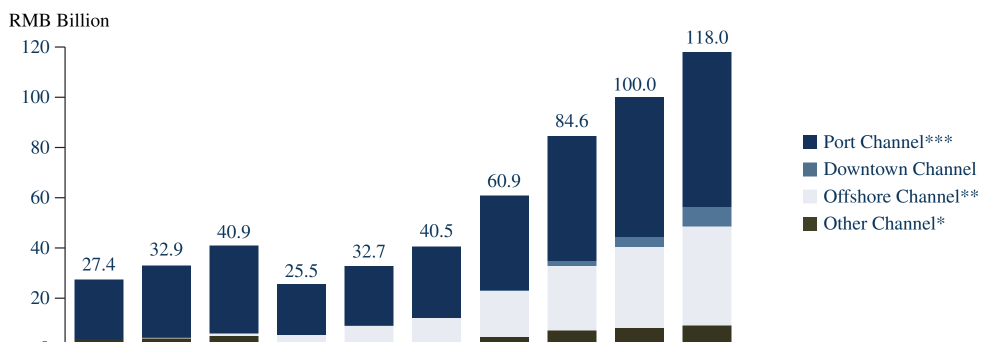
Port and offshore channels are the largest duty-paid travel retail sales channels in China, in aggregate accounting for 86.9% in 2017 and 94.0% in 2021 of the duty-paid travel retail sales market in the respective years. These channels are expected to continue to be the primary duty-paid travel retail sales channels in 2026, accounting for 85.7% of the duty-paid travel retail sales revenue in that year.

Port duty-paid sales enjoyed steady growth before the COVID-19 pandemic. The market for port duty-paid sales increased from RMB23.7 billion in 2017 to RMB35.0 billion in 2019 with a CAGR of 21.6%. In 2020 and 2021, China's port duty-paid sales were significantly affected by the COVID-19 pandemic. As a result, China's port duty-paid travel retail sales revenue decreased by a CAGR of 17.7% to RMB23.7 billion during 2019 to 2021. In the first half of 2022, due to the emergence of the COVID-19 Omicron variant cases in some regions of China, the resumption of domestic and cross-border travel in mainland China slowed down, which further affected port duty-paid merchandise sales market performance. The size of China's port duty-paid merchandise sales market is estimated to be RMB28.4 billion in 2022. Considering the spread of COVID-19 Omicron variant cases is under effective control and assuming that China's spread of the COVID-19 pandemic can be gradually under control and its cross-border travel may gradually resume starting from the first half of 2023, driven by the resumption of domestic and international travel, China's port duty-paid travel retail sales revenue are expected to gradually recover and further increase to RMB61.7 billion in 2026 with a CAGR of 18.0% from 2023 to 2026.

The sales revenue of offshore duty-paid merchandise in China also showed robust growth from RMB0.2 billion in 2017 to RMB0.9 billion in 2019. Benefiting from the the Chinese government's favorable policies aimed at developing the offshore market in Hainan and increasing consumption, China's offshore duty-paid sales experienced a significant increase in 2020 and 2021, representing a CAGR at 177.2% during 2019 to 2021. In the first half of 2022, due to the emergence of the COVID-19 Omicron variant cases in some regions of China, domestic travel in mainland China including to Hainan island was affected, which further affected offshore duty-paid merchandise sales market performance. The size of China's offshore duty-paid merchandise sales market is estimated to be RMB9.8 billion in 2022. Considering the spread of COVID-19 Omicron variant cases is under effective control, and domestic and international travel in China gradually resume, it is expected that China's offshore duty-paid sales revenue will grow along with China's offshore duty-free sales revenue and increase to RMB18.3 billion in 2023 with a CAGR of 111.4% from 2019 to 2023. China's offshore duty-paid sales revenue will reach RMB39.4 billion in 2026 with a CAGR of 29.2% from 2023 to 2026.

The following chart sets forth the trend for China's duty-paid market by channel.

Sales Revenue of Duty-paid Travel Retail Market (by channel)*, China, 2017-2026E



	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (17-19)	CAGR (19-21)	CAGR (19-23E)	CAGR (23E-26E)
	23.7	28.7	35.0	20.2	23.7	28.4	37.6	49.9	55.7	61.7	21.6%	-17.7%	1.8%	18.0%
	0.0	0.0	0.0	0.0	0.1	0.0	0.5	1.9	4.0	7.8	138.7%	84.0%	140.0%	147.9%
	0.2	0.2	0.9	3.8	7.0	9.8	18.3	25.7	32.3	39.4	136.5%	177.2%	111.4%	29.2%
	3.5	4.0	5.0	1.5	1.9	2.3	4.5	7.1	8.0	9.1	16.9%	-37.7%	-2.0%	26.2%
Total	**27.4**	**32.9**	**40.9**	**25.5**	**32.7**	**40.5**	**60.9**	**84.6**	**100.0**	**118.0**	**22.1%**	**-10.5%**	**10.5%**	**24.6%**

* Other channel mainly includes transportations and vehicles.

** Offshore channel sales revenue includes offshore travellers make online orders after departing from Hainan.

*** Port channel sales revenue includes online duty-paid business.

Source: Frost & Sullivan

Growth Drivers of China's Travel Retail Market and Duty-free Market

Growth Drivers of China's Travel Retail Market

The continued growth of the overall economy, the per capita disposable income and the tourism industry as well as the favorable demographics are the primary growth drivers that support the further growth of China's travel retail industry.

Growth of the Overall Economy

China enjoyed rapid economic growth in the past. Its real GDP increased from RMB78.7 trillion in 2017 to RMB89.0 trillion in 2019 with a CAGR of 6.3%. China's GDP growth rate decreased in 2020 due to the COVID-19 pandemic. Due to China's strong containment efforts and timely actions, the country has been able to return to normalcy in a comparatively short period of time, with most businesses and production activities as well as domestic travel resuming toward the end of the first half of 2020. China was the only major economy which grew in 2020 and according to the growth forecast by the International Monetary Fund published in April, 2022 and the data of China's National Bureau of Statistics, China's real GDP is expected to continue its recovery in 2022 and 2023 with a CAGR of 7.8% from 2019 to 2023. Assuming China's spread of the COVID-19 pandemic can be gradually brought under control starting from the first half of 2023, China's GDP is expected to increase further to RMB139.1 trillion in 2026, representing a CAGR of 5.0% from 2023 to 2026.

Growth of Per Capita Disposable Income

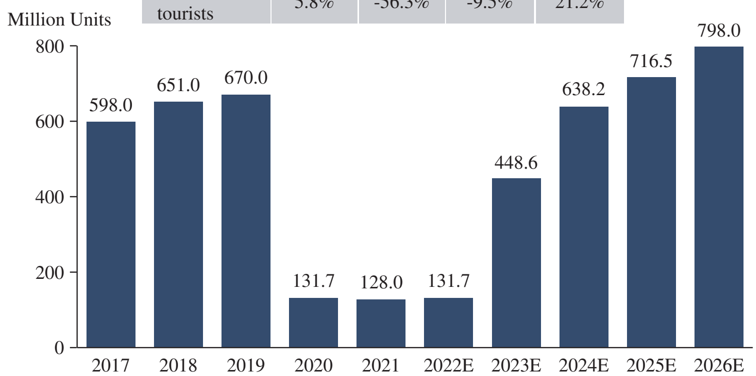
As a result of the growing economy, per capita disposable income experienced robust growth from RMB26.0 thousand in 2017 to RMB30.7 thousand in 2019, representing a CAGR of 8.8%. Although the per capita disposable income growth rate slowed down to 4.7% in 2020 as a result of the COVID-19 pandemic, benefiting from China's strong containment efforts and timely actions, per capita disposable income will further increase to RMB41.4 thousand in 2023, representing a CAGR of 7.7% from 2019 to 2023. Assuming China's spread of the COVID-19 pandemic can be gradually brought under control starting from the first half of 2023, the growth of per capita disposable income in China is expected to accelerate and reach RMB51.1 thousand in 2026 with a CAGR of 7.2% from 2023 to 2026.

Growth of the Tourism Industry

From 2017 to 2019, international tourists of China increased from 598.0 million units to 670.0 million units, registering a CAGR of 5.8%. The number of Chinese tourists traveling overseas increased steadily due to the growth of the tourism industry and the development of the transportation industry. In 2020 and 2021, the number of international tourists reduced significantly due to COVID-19 related travel restrictions. In 2021, the number of international tourists of China was 128.0 million units. Assuming that China's spread of the COVID-19 pandemic can be gradually under control and its cross-border travel may gradually resume starting from the first half of 2023, with the resumption of international travel, the international tourism industry is expected to gradually recover and the number of international tourists of China is expected to reach 448.6 million units in 2023. The number of international tourists of China is expected to increase to 798.0 million units in 2026 with a CAGR of 21.2% from 2023 to 2026. The following chart sets forth the scale of international tourists of China from 2017 to 2026.

International Tourist Scale (including arrivals and departures), China, 2017-2026E

	CAGR (17-19)	CAGR (19-21)	CAGR (19-23E)	CAGR (23E-26E)
International tourists	5.8%	-56.3%	-9.5%	21.2%

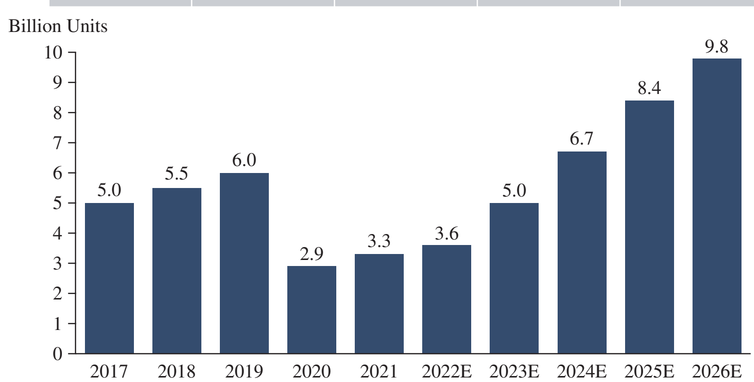


Source: National Bureau of Statistics, Frost & Sullivan

From 2017 to 2019, the total number of domestic tourists increased from 5.0 billion units to 6.0 billion units, registering a CAGR of 9.6%. In 2020, the number of domestic tourists decreased significantly to 2.9 billion units as a result of COVID-19. In 2021, the number of domestic tourists was 3.3 billion units. Assuming China's spread of the COVID-19 pandemic can be gradually brought under control starting from the first half of 2023, it is predicted that the number of domestic tourists will reach the pre-COVID-19 level in 2024. It is predicted the number of domestic tourists will grow further to 9.8 billion units in 2026, registering a CAGR of 24.9% from 2023 to 2026. The following chart sets forth the scale of domestic tourists in China from 2017 to 2026.

Domestic Tourist Scale, China, 2017-2026E

	CAGR (17-19)	CAGR (19-21)	CAGR (19-23E)	CAGR (23E-26E)
Domestic tourists	9.6%	-26.4%	-4.4%	24.9%



Source: National Bureau of Statistics, Frost & Sullivan

China's Favorable Demographics

The travel retail market will likely benefit from China's large base of customers. China's total population increased from 1,400.1 million in 2017 to 1,412.6 million in 2021, and is expected to increase further to 1,419.7 million in 2026. In 2021, the age group between 20 to 59, with 839 million people, represented 59.4% of the entire Chinese population. The population of this age group is expected to remain generally stable at 838.6 million in 2026, representing 59.1% of the entire Chinese population in 2026. As people aged between 20 to 59 hold the most purchase power and the willingness to purchase among all age groups, having a large and stable population base with growing purchase power will help stimulate the growth in travel retail sales revenue.

Growth Drivers of China's Duty-free Market

In addition to the driving factors of China's travel retail market overall, there are several specific factors that will drive the development of China's duty-free market, namely (i) favorable government policies, and (ii) consumers' changing consumption patterns.

Favorable Government Policies

To support the development of the travel retail market that has been significantly affected by the COVID-19 pandemic and to encourage domestic consumption, the Chinese government enacted a series of policies to promote the growth and development of the duty-free industry, including measures to encourage offshore duty-free shopping and the development of integrated travel retail complex and downtown duty-free stores. See "Regulatory Overview – Macroeconomic policies in relation to travel and retail industry" for further information regarding favorable government policies.

Consumers' Changing Consumption Patterns

The rising disposable income of Chinese residents has fueled Chinese consumers' demands for high-quality and higher-priced products, especially premium cosmetics and perfume, tobacco and alcohol products and fashion and accessories, items that are the focus of the duty-free retail industry. Furthermore, spurred by the COVID-19 pandemic, consumption behavior in China has transformed and Chinese tourists have become more inclined to purchase domestically in the duty-free channels in China. Given the uncertainties associated with the resumption of international travel in the short term, the duty-free market in China is expected to become more popular in the foreseeable future.

In addition, the travel retail market will likely benefit from China's large base of Generation Y (people who are born from 1980 to 1995) and Generation Z customers (people who are born from 1995 to 2010). In 2021, 703.4 million people in China were below 40 years of age. In 2026, the number will remain around 700 million. Generation Y is a core consumption group of the travel retail market and has both strong purchase power and the willingness to purchase. Furthermore, as Generation Z, born during the rapid development period of the Chinese economy and the rise of e-commerce, start their careers, the change in their consumption habits and consumption philosophy, combined with high purchasing power, will bring the Chinese travel retail market (and especially its duty-free market) further potential for growth.

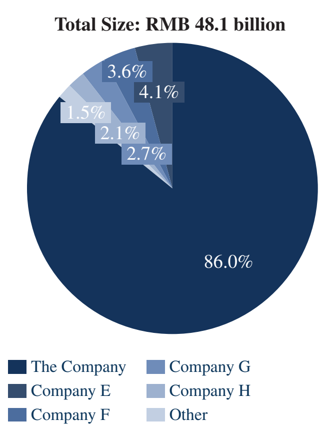
Development Trends of China's Travel Retail Market

Although there have been new entrants to China's travel retail market in the recent years and more players may enter China's travel retail market in the future, it is expected that the existing leading players will be able to leverage their first-mover advantage as well as advantages in procurement, sales channel and scale of operations and continue to play a leading role in China's travel retail industry. Since the enactment of favorable offshore duty-free policies in Hainan, companies have been pouring their resources into Hainan to develop new duty-free stores. The trend is expected to continue into the foreseeable future. Moreover, it is expected that domestic travel retailers will seize opportunities in the development of the Guangdong-Hong Kong-Macau Greater Bay Area and the Belt and Road Initiative to look for opportunities in the bay area as well as countries along the Belt and Road Initiative. Furthermore, it is expected that the downtown duty-free policies will be further relaxed. The government has already announced that the downtown duty-free policies will need to be further refined. It is expected that the further development of downtown duty-free stores will bring the Chinese duty free and travel retail market into a new era.

Competitive Landscape of China's Duty-free Market

The Chinese duty-free market is highly concentrated and has a high entry barrier. In 2021, the top five duty-free travel retailers in China accounted for 98.5% of the market share in terms of sales revenue. According to the same source, within the top five duty-free travel retailers in China, in 2021, we ranked first with a market share of 86.0%. The following chart sets forth the details of market concentration and market shares of the top five duty-free travel retailers in China by sales revenue in 2021.

Top 5 Duty-free Merchandises Operators Ranking (by sales revenue), China, 2021



Rank	Company	Sales Revenue (RMB Billion)	Market Share
1	**The Company**	**41.3**	**86.0%**
2	Company E	2.0	4.1%
3	Company F	1.7	3.6%
4	Company G	1.3	2.7%
5	Company H	1.0	2.1%
	Other	0.8	1.5%
	Total	**48.1**	**100%**

Source: Frost & Sullivan

Notes:

1. Company E was founded in 2005, a state-owned enterprise. Company E mainly operates offshore duty-free shops in Hainan province.

2. Company F was founded in 2020 in Haikou and mainly operates offshore duty-free shops in Hainan province.

3. Company G was founded in 1987 in Zhuhai, a state-owned enterprise. Company G mainly operates port duty-free shops in Zhuhai and Tianjin.

4. Company H was founded in 1983, a duty-free operator in China, which holds port duty-free operation permit, offshore duty-free operation permit and downtown duty-free operation permit.

Analysis of the Entry Barriers to China's Duty-Free Market

As of December 31, 2021, the Company was among nine groups of entities with duty-free operation permits in China and also among five groups of entities with duty-free operation permits to operate duty-free port stores nationwide. The Company is currently the only group with operation permits for all types of duty-free stores in China. Although the restriction to enter into the PRC duty-free market relaxed somewhat in recent years, new entrants are expected to have a relatively limited impact on China's duty-free market in the short term, and the competitive landscape of China's duty-free market is expected to remain relatively stable with high entry barriers. The new entrants are likely to face barriers in (i) obtaining the required duty-free operating permit, (ii) industry experience, and (iii) supplier resources.

Operating Permit: The duty-free industry in China is strictly regulated and duty-free operation must be approved by the State Council or a government authority under the State Council authorization. Duty-free operations are regulated by many government agencies including Ministry of Finance, MOFCOM, Ministry of Culture and Tourism, General Administration of Customs and State Taxation Administration.

Industry Experience: Current players in the market are all state-owned companies with long-time industry operation history. The bidding on duty-free projects requires comprehensive assessments including the store layout design, marketing and customer service strategies, business plan and brand introduction. New entrants would have difficulties providing a comprehensive and profitable business plan compared to mature players with abundant duty-free operation experience. Additionally, abundant industry experience gives current players more chances to expand their business. For example, after 2016, the duty-free operation right of certain ports of entry is only open to operators that have had duty-free operations in practice for the past three years. For new entrants without track records and operation histories, it would be difficult to enter the market.

Supplier Resources: Duty-free businesses generally attract more high-end brands, especially luxury brands. These brands generally only engage in business relationship with well-established duty-free operators. The duty-free operators usually need to have a good reputation and high volumes of purchase orders to gain bargaining power with brand owners. Additionally, duty-free operation requires a stable supply to fulfill customer needs, which requires strong supplying capacity with abundant supplier resources.

OVERVIEW OF THE OFFSHORE MARKET IN CHINA

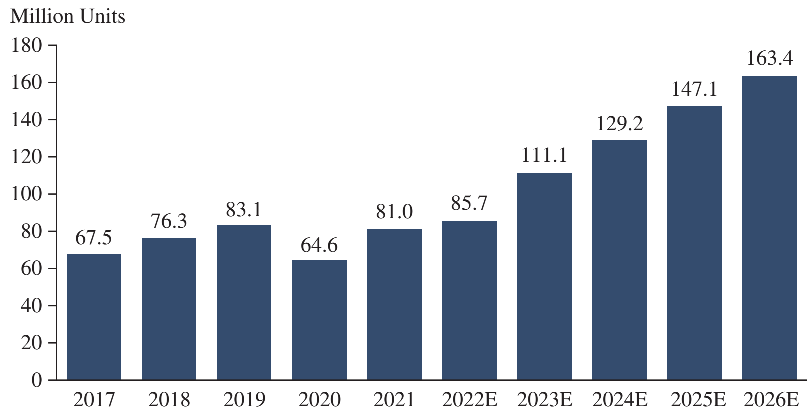
The number of tourists in Hainan has enjoyed robust growth before the COVID-19 pandemic. In 2019, the tourist scale in Hainan was 83.1 million units, as compared to 67.5 million units in 2017, representing a CAGR of 11.0%. In 2021, the number of tourists in Hainan was 81.0 million, representing a decrease of CAGR of 1.3% during 2019 to 2021. Thanks to the PRC government's successful effort to contain the COVID-19 pandemic and the favorable government policies benefiting the offshore duty-free market, the magnitude of decrease was smaller than that experienced by other parts of China and the rest of world. The rapid development of Hainan's transportation infrastructure to support transforming Hainan into a free trade port, as well as the increasing attractiveness of Hainan as a recreational and shopping destination to tourists, is expected to lead to robust growth in Hainan's travel retail market in the coming years.

In the first half of 2022, due to the emergence of the COVID-19 Omicron variant cases in some regions of China, tourist scale of Hainan is affected, which is estimated to be 85.7 million units in 2022. Nevertheless, considering the spread of the COVID-19 Omicron variant cases is under effective control and the government is devoted to speeding up economy recovery and the resumption of business activities by introducing stimulative policies, domestic travel is expected to resume and tourist scale of Hainan is expected to grow. Assuming China's spread of the COVID-19 pandemic can be gradually brought under control starting from the first half of 2023, the tourist scale of Hainan is expected to grow from 83.1 million units in 2019 to 111.1 million units in 2023, representing a CAGR of 7.5% from 2019 to 2023, and further to 163.4 million units in 2026, representing a CAGR of 13.7% from 2023 to 2026.

The following chart sets forth the tourist scale of Hainan from 2017 to 2026.

Tourist Scale of Hainan, 2017-2026E

	CAGR (17-19)	CAGR (19-21)	CAGR (19-23E)	CAGR (23E-26E)
Tourists of Hainan	11.0%	-1.3%	7.5%	13.7%



Source: Government disclosure, Frost & Sullivan

Introduction to China's Offshore Duty-Free Market

In March 2011, Ministry of Finance made an announcement that travelers leaving the Hainan island will enjoy duty-free shopping, marking the beginning of Hainan as an offshore duty-free market. Currently, all domestic and foreign travelers with valid identification materials and train, plane or ship tickets to leave Hainan island (but not the country) can enjoy the preferential duty-free policies.

In 2014, the Sanya International Duty-Free Complex in Haitang Bay commenced commercial operation as the first integrated travel retail complex in China, ushering in a new era for China's duty-free industry. Integrated travel retail complex is a business model with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel. An integrated travel retail complex creates a hub effect by providing customers with a more diversified one-stop shopping travel and leisure experience, thus appealing to a broader customer base than that for traditional duty-free stores.

Market Size of China's Offshore Duty-Free Market

See "– Overview of the Travel Retail Market in China – China's Duty-Free Market" for further analysis of China's offshore duty-free market.

Growth Drivers of China's Offshore Market

Favorable Government Policies Specifically Benefiting the Offshore Market

The offshore duty-free market has benefited significantly from favorable policies launched in July 2020, which (a) raised the annual duty-free purchase quota from RMB30,000 to RMB100,000 per person, (b) revoked the maximum purchase price of RMB8,000 per item, (c) expanded the categories of duty-free products, and (d) revoked the purchasing quantity limit for products other than cosmetics, cell phones and alcohol.

In the future, under favorable government policies aimed at developing Hainan into a Free Trade Port (FTP) (Master Plan for the Construction of Hainan Free Trade Port 《海南自由貿易港建設總體方案》), the offshore market is expected to experience a significant expansion, with more comprehensive product categories, better facilities, infrastructure and shopping experience for those visiting Hainan. More specifically, in June 2021, the State Council promulgated 14th Five-Year Plan for Hainan which further outlines and promulgates the expansion of Hainan as a major transportation hub in order to increase passenger traffic and support the growth of the offshore market in the coming years.

Emergence of the New COVID-19 Variants

While the new COVID-19 variants are expected to slow down China's plan to resume cross-border travel and impact the recovery of international travel, which will in turn impact passenger traffic through port duty-free stores, the offshore market remains strong. The slow recovery of international travel will also be a factor that further spurs the growth of the offshore market as more tourists will seek to travel to Hainan as an alternative to going overseas. The increased tourism will lead to growth in the offshore market.

Entries of More Brands and Service Providers

Furthermore, more brands and other service providers are seeking to take advantage of the growth of the offshore market by choosing to cooperate and partner with the offshore local businesses to streamline their business operations and product and service offerings to consumers shopping in the offshore market. The increased and varied product portfolios resulting from these joint ventures and partnerships have also contributed to and will continue to drive the growth of the offshore market.

Competitive Landscape of China's Offshore Duty-Free Market

As of December 31, 2021, there were five groups of entities with operation permits to operate in China's offshore duty-free market. With a market share of 90.0% by sales revenue in 2021, the Company was the largest player in China's offshore duty-free market in 2021.

IMPACT OF COVID-19 ON THE COMPETITIVE LANDSCAPE OF THE GLOBAL TRAVEL RETAIL MARKET AND CHINA'S TRAVEL RETAIL MARKET

The outbreak of the COVID-19 pandemic had an immediate impact on both the global and China's travel retail markets as tourism was significantly affected by the pandemic. As a result of the COVID-19-related travel restrictions, the global and China's travel retail sales revenue dropped significantly in 2020 and 2021 as compared to 2019.

However, while the port duty-free stores in China saw a significant decrease in their sales in 2020 and 2021 along with most other duty-free stores around the world, driven by the favorable policies adopted by the Chinese government to stimulate domestic consumption and the travel retail market, China's offshore duty-free industry has benefitted from the COVID-19 pandemic. As a result of increased domestic travel to Hainan during the COVID-19 pandemic, the offshore duty-free market in Hainan increased significantly from RMB13.5 billion in 2019 to RMB45.2 billion in 2021. In the first half of 2022, due to the emergence of the COVID-19 Omicron variant cases in some regions of China, domestic travel in China including to Hainan island was affected, which further affected offshore duty-free merchandise sales market performance. The size of China's offshore duty-free merchandise sales market is estimated to be RMB56.7 billion in 2022. The COVID-19 pandemic also transformed the consumption behavior of Chinese consumers. Before the pandemic, Chinese consumers tended to buy duty-free products from abroad. Spurred by the COVID-19 pandemic, however, consumption behavior in China has transformed and Chinese tourists have become more inclined to purchase domestically in the duty-free channels in China. Given the uncertainties associated with the resumption of international travel in the short term, the duty-free market in China is expected to become more popular in the foreseeable future.

In the long term, as the COVID-19 pandemic is brought under control and international travel resumes, it is expected that the traditional travel retail sales channel will also recover, driving further growth of China's and global travel retail markets in the future.

SOURCE OF INFORMATION

In connection with the Global Offering, we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report about, the global travel retail industry and China's travel retail industry. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. In connection with the market research services provided, we have agreed to pay a fee of RMB1,200,000 to Frost & Sullivan, which we believe to be consistent with market rates.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan adopted the following assumptions: (i) the global social, economic and political environment is likely to remain stable in the five years from 2022 to 2026 (the "**Forecast Period**"), (ii) purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions, (iii) the overall global international travel restrictions outside of China will be relaxed gradually starting from the end of 2022; (iv) the scaled spread of pandemic can be gradually under control starting from the first half of 2023 and the international travel in and out of China will gradually recover afterwards; and (v) related industry drivers such as favorable government policies are likely to drive the travel retail industry in the Forecast Period.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Frost & Sullivan has prepared the Frost & Sullivan Report based on detailed primary research which involved discussing the status of the travel retail industry with certain leading industry participants and secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

OVERVIEW

Duty-free operation is implemented by way of concession in the PRC. Major regulatory authorities for duty-free operation in the PRC include Ministry of Finance, MOFCOM, MCT, General Administration of Customs and SAT. Laws and regulations applicable to the duty-free operation industry in the PRC mainly include the Customs Law of the PRC (《中華人民共和國海關法》), the Regulations on Further Strengthening the Centralized and Unified Management of Duty-free Businesses (《關於進一步加強免稅業務集中統一管理的有關規定》), the Regulatory Measures for Duty-free Shops and Duty-free Goods of the Customs of the PRC (《中華人民共和國海關對免稅商店及免稅品監管辦法》), the Interim Measures for the Administration of Port Entry Duty-free Shops (《口岸進境免稅店管理暫行辦法》), the Interim Measures for the Administration of Port Exit Duty-free Shops (《口岸出境免稅店管理暫行辦法》), the Interim Measures for the Administration of Duty-free Shops for Travelers Leaving Hainan Island (《海南離島旅客免稅購物商店管理暫行辦法》) and related laws, regulations and regulatory documents.

PRINCIPAL LAWS AND REGULATIONS RELATING TO OUR BUSINESSES IN THE PRC

Market Entry for Duty-free Operation

Market entry for duty-free operation includes market entry for the entities with duty-free operation qualification and market entry for duty-free shops.

Pursuant to the Regulations on Further Strengthening the Centralized and Unified Management of Duty-free Businesses (Cai Wai Zi [2000] No. 1) (《關於進一步加強免稅業務集中統一管理的有關規定》(財外字[2000] 1號)) enacted by Ministry of Finance, General Administration of Customs, SAT and National Tourism Administration and came into effect on January 1, 2000, the State implements monopoly operation and centralized and unified management on the sales business of duty-free goods, and national policies relating to duty-free sales business will be proposed by Ministry of Finance in conjunction with General Administration of Customs, SAT and the National Tourism Administration for approval by the State Council.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》), the operation of duty-free shops shall comply with the regulatory requirements of the customs, obtain approval from the customs, and complete the registration procedure. According to the Regulatory Measures for Duty-free Shops and Duty-free Goods of the Customs of the PRC (《中華人民共和國海關對免稅商店及免稅品監管辦法》) promulgated on November 28, 2005 and last amended on May 29, 2018, duty-free shops shall be established by the operating entities after obtaining approval from General Administration of Customs, including port duty-free shops, transportation vehicle duty-free shops, downtown duty-free shops, diplomatic personnel duty-free shops and cruise duty-free shops, etc. The "operating entity" refers to an enterprise which is approved by the State Council or its authorized department with the qualification to operate duty-free business. On December 5, 2011, Ministry of Finance, MOFCOM, General Administration of Customs and SAT jointly promulgated the Interim Measures for the Administration of Duty-free Shops for Travelers Leaving Hainan Island (《海南離島旅客免稅購物商店管理暫行辦法》) which added the category of duty-free shops for travelers leaving Hainan Island in addition to the scope of the aforementioned categories of duty-free shops.

Port Exit Duty-free Shops

On May 17, 2019, the Interim Measures for the Administration of Port Exit Duty-free Shops (《口岸出境免稅店管理暫行辦法》) (the "Interim Measures for Exit Duty-free Shops") were promulgated jointly by Ministry of Finance, MOFCOM, MCT, General Administration of Customs and SAT to regulate the administration of port exit duty-free shops.

Port exit duty-free shops are shops selling duty-free goods to outbound passengers in the airports, ports, stations and land exit points open to the public. Port exit duty-free shops are implemented by way of concession in the PRC. Application for the number of port exit duty-free shops to be established and the specific port shall be made by the local government of the location where the port is situated or the Civil Aviation Administration of China (CAAC), and shall be approved by Ministry of Finance in conjunction with MOFCOM, MCT, General Administration of Customs and SAT. Unless otherwise required by the State Council, toward entities with duty-free operation qualification as approved by the State Council with operating records for five consecutive years in operating port or downtown entry and exit duty-free shops, the restrictions on geographical location and categories of duty-free shops to be operated will be relaxed and such entities are entitled to bid for the operation right of port exit duty-free shops on equal basis. The port exit duty-free shop must be under the absolute control (with a shareholding ratio of over 50%) of an entity with duty-free operation qualification.

The operating entity for the port exit duty-free shop shall be determined by the tenderer or port owner through tender method. If the tender conditions are not met, such as the volume of inbound and outbound passenger traffic flow is relatively small and under special circumstances such as the shop area is limited, an application may be made for obtaining approval from Ministry of Finance jointly with the relevant departments, and the operating entity will be determined by competitive negotiations and other methods as stipulated in the Government Procurement Law of the PRC (《中華人民共和國政府採購法》). The bidder who has won the tender for operating the port exit duty-free shop must satisfy the regulatory requirements of the customs, obtain approval from the customs and complete the registration procedure. For details of the specific requirements to be fulfilled in order to obtain approval from the customs by the operating entity for establishing a duty-free shop, please refer to "Other Duty-free Shops" in this section.

When the operating entity of the newly established port exit duty-free shop, or of the port exit duty-free shop with expired operation contract, has been determined by tender or has been approved, the operation period shall not be more than 10 years, and no automatic renewal is allowed upon expiry of the agreement, the operating entity should be determined again in accordance with the Interim Measures for Exit Duty-free Shops.

Port Entry Duty-free Shops

On February 18, 2016, Ministry of Finance, MOFCOM, General Administration of Customs, SAT and the National Tourism Administration jointly issued the Announcement on the Policy of Port Entry Duty-free Shops (《關於口岸進境免稅店政策的公告》) which decided to increase and resume port entry duty-free shops, and jointly promulgated the Interim Measures for the Administration of Port Entry Duty-free Shops (《口岸進境免稅店管理暫行辦法》) (the "Interim Measures for Entry Duty-free Shops") to regulate the administration of port entry duty-free shops.

Port entry duty-free shops are business premises which are established in isolated areas of airports, waterway or land border ports open to the public and offer import duty-free shopping for inbound passengers in accordance with regulations. Port entry duty-free shops are implemented by way of concession in the PRC. The number of port entry duty-free shops to be established, the specific port and the control over the scale of business premises are subject to the approval of the State Council after receiving advice from Ministry of Finance in conjunction with MOFCOM, General Administration of Customs, SAT and the National Tourism Administration. Unless otherwise required by the State Council, toward entities with duty-free operation qualification as approved by the State Council with operating records for three consecutive years in operating port or downtown entry and exit duty-free shops, the restrictions on geographical location and categories of duty-free shops to be operated will be relaxed and such entities are permitted to bid for the operation rights of port entry duty-free shops on an equal basis. A port entry duty-free shop must be under the absolute control (with a shareholding ratio of over 50%) of an entity with duty-free operation qualification.

The operator of a port entry duty-free shop must satisfy the regulatory requirements of the customs, obtain approval from the customs and complete the registration procedure. For details of the specific requirements to be fulfilled in order to obtain approval from the customs by the operating entity for establishing a duty-free shop, please refer to "Other Duty-free Shops" in this section. The operating entity for a port entry duty-free shop is generally determined by tender bidding invited by the airport or other tenderers. If the tender conditions are not met, such as the volume of inbound and outbound passenger traffic flow is relatively small and under special circumstances such as the shop area is limited, an application may be made for obtaining approval from Ministry of Finance, and the operating entity will be determined by competitive negotiations and other methods as stipulated in the Government Procurement Law of the People's Republic of China (《中華人民共和國政府採購法》).

The operating period shall not be more than 10 years for each agreement signed between the tenderer or port owner and the duty-free operating entity. No automatic renewal is allowed upon expiry of the agreement and the operating entity should be determined again in accordance with the Interim Measures for Entry Duty-free Shops.

Duty-free Shops for Travelers Leaving Hainan Island

On December 5, 2011, Ministry of Finance, MOFCOM, General Administration of Customs and SAT jointly issued the Interim Measures for the Administration of Duty-free Shops for Travelers Leaving Hainan Island (《海南離島旅客免稅購物商店管理暫行辦法》) (the "Interim Measures for Duty-free Shops for Travelers Leaving the Island"). Pursuant to these Measures, a duty-free shop for travelers leaving Hainan Island refers to a business premises which offers import duty free shopping for travelers leaving the Island (excluding leaving the territory) by airplane with restrictions on the number of times, sales amount, quantity and varieties of goods. Duty-free shops for travelers leaving Hainan Islands are implemented by way of concession in the PRC. The layout and site selection of duty-free shops for travelers leaving the Island will be advised by the government of Hainan Province and will be submitted for review by Ministry of Finance in conjunction with General Administration of Customs, SAT and MOFCOM before submission to the State Council for approval. The operating entity of the duty-free shop for travelers leaving the Island may be a single shareholder or multiple shareholders, and the duty-free shop for travelers leaving the Island may adopt the operation methods of equity holding or cooperation or other methods, and such duty-free shop for travelers leaving the Island must be under the absolute control of an entity with duty-free operation qualifications.

For the establishment of a duty-free shop for travelers leaving the Island, an application must be made by the operating entity with duty-free operation qualification, which will be reviewed jointly by Ministry of Finance in conjunction with General Administration of Customs, SAT and MOFCOM and advice will be provided before submission to the State Council for approval. The operating entity with duty-free operation qualification shall meet the following requirements: (1) registered capital of not less than RMB100 million; (2) payment of licensing fees and various taxes for duty-free goods in full amount and on time according to the law, without non-performing records (save for newly established enterprises); (3) complete corporate articles of association and internal financial management system; and (4) other requirements stipulated by laws and regulations.

Other Duty-free Shops

Pursuant to the Regulatory Measures for Duty-free Shops and Duty-free Goods of the Customs of the PRC (《中華人民共和國海關對免稅商店及免稅品監管辦法》) promulgated on November 28, 2005 and last amended on May 29, 2018, apart from port duty-free shops, duty-free shops also include transportation vehicle duty-free shops, downtown duty-free shops, diplomatic personnel duty-free shops and cruise duty-free shops, etc.

A written application shall be submitted to General Administration of Customs for establishing a duty-free shop by the operating entity, and the following requirements must be satisfied: the entity (1) has independent legal person qualification; (2) has sales premises for duty-free goods and a regulated warehouse for duty-free goods in compliance with the regulatory requirements of the customs; (3) has a computer management system in compliance with the regulatory requirements of the customs and is capable of providing information on, among others, entry and exit of duty-free goods to and from the warehouse and sales information; (4) has a certain scale of operation, for application of establishment of a port duty-free shop, and the annual inbound and outbound passengers of the port where the port duty-free shop is located shall not be less than 50,000 passenger; (5) has articles of association with comprehensive contents including cooperation agreement, mode of operation and legal person representative and a comprehensive internal financial management system; and (6) other requirements stipulated by laws, administrative regulations and customs rules. The establishment of sales venue of duty-free goods shall comply with the regulatory requirements of the Customs.

Save as described above, the Regulations on Further Strengthening the Centralized and Unified Management of Duty-free Businesses (Cai Wai Zi [2000] No. 1) (《關於進一步加強免稅業務集中統一管理的有關規定》(財外字[2000]1號)) enacted by Ministry of Finance, General Administration of Customs, SAT and the National Tourism Administration which came into effect on January 1, 2000 have stipulated that applications for the establishment of duty-free branches, duty-free shops and diplomatic personnel duty-free shops at exit ports shall be submitted by the headquarters of China Duty Free Group, and those applications are subject to strict review and approval by Ministry of Finance in conjunction with General Administration of Customs, SAT and the National Tourism Administration. For opening a downtown duty-free shop, the application shall also be submitted by the headquarters of China Duty Free Group for approval by the State Council after receiving advice from Ministry of Finance in conjunction with General Administration of Customs, the National Tourism Administration and SAT.

Alteration and Termination of Duty-free Shops

According to the Regulatory Measures for Duty-free Shops and Duty-free Goods of the Customs of the PRC (《中華人民共和國海關對免稅商店及免稅品監管辦法》) promulgated on November 28, 2005 and last amended on May 29, 2018, applications to suspend, terminate or resume the operation of duty-free shops shall be reported to General Administration of Customs for approval. Duty-free shops should complete the relevant customs procedures such as the settlement of duty-free inventory before the operating entity applies for suspension or termination of operation. For any duty-free shop which has been approved for establishment, if it has not commenced business to the public without proper reasons within one year from the date of approval, or has suspended operation for more than one year, or there is a change in the operation partners, the relevant application procedure should be completed all over again. If there is any change in the name of the duty-free shop, or any change in the address or area of the duty-free sales premises or regulated warehouses, the operating entity shall report to General Administration of Customs for approval.

According to the Interim Measures for Exit Duty-free Shops (《出境免稅店暫行辦法》) promulgated on May 17, 2019, the operating entity shall not change the operating area determined when the port exit duty-free shop wins the bid during the operation period. If the approved operating area needs to be expanded, the tenderer or port owner should apply for approval by Ministry of Finance in conjunction with relevant departments; if the approved operating area needs to be reduced, the tenderer or port owner should apply for approval by General Administration of Customs. If any significant changes have occurred in the basic circumstances such as the shareholding structure or operating conditions of the operating entity, the tenderer or port owner should report to Ministry of Finance, MOFCOM, MCT, General Administration of Customs and SAT by procedure. If the shareholding ratio of the operating entity is at or below 50% after the shareholding structure has been changed, the tenderer or port owner of the port exit duty-free shop that has been approved to establish shall redetermine the operating entity according to the Interim Measures for Exit Duty-free Shops (《出境免稅店暫行辦法》).

According to the Interim Measures for Entry Duty-free Shops (《進境免稅店暫行辦法》) promulgated on February 18, 2016, if any significant change has occurred in the basic circumstances such as the shareholding structure or operating conditions of the operating entity, a report should be made to Ministry of Finance, MOFCOM, General Administration of Customs, SAT and the National Tourism Administration. Moreover, in principle, the port entry duty-free shops are not allowed to expand the area of the operation premises, establish branches or sub-counters. If there are genuine needs to increase the area of the operation premises, and establish branches and sub-counters, then approval shall be obtained again according to the procedures for establishing new shops under the Interim Measures for Entry Duty-free Shops.

According to the Interim Measures for Duty-free Shops for Travelers Leaving the Island (《離島免稅店暫行辦法》) promulgated on December 5, 2011, for the duty-free shop for travelers leaving the Island that has been approved to establish, if any change has occurred in its circumstances such as addition or withdrawal of the operating entity, change in shareholding ratio of the operating entity, change in the address and area of the operating premises, suspension, termination or resumption of operation of duty-free shopping by travelers leaving the Island business, it should report to Ministry of Finance in conjunction with General Administration of Customs, SAT and MOFCOM for approval.

REGULATIONS RELATING TO THE OPERATION OF DUTY-FREE SHOPS AND DUTY-FREE GOODS

Sales Target

According to the Interim Measures for Exit Duty-free Shops (《出境免稅店暫行辦法》), the Announcement on the Policy of Port Entry Duty-free Shops (《關於口岸進境免稅店政策的公告》), the Announcement on the Policy of Duty-free Shopping for Travelers Leaving Hainan Island (Announcement of Ministry of Finance, General Administration of Customs and SAT in 2020 No. 33) (《關於海南離島旅客免稅購物政策的公告》(財政部、海關總署、稅務總局公告2020年第33號)) and the Regulatory Measures for Duty-free Shops and Duty-free Goods of the Customs of the PRC (2018 Amendment) (《中華人民共和國海關對免稅商店及免稅品監管辦法》(2018年修訂)), the sales target restrictions of various categories of duty-free shops are as follows:

- the sales targets of port exit duty-free shops are travelers who have completed exit procedures and are going to board an aircraft, a ship or a vehicle going offshore or in a transportation vehicle for exit;
- the sales targets of port entry duty-free shops are travelers who have not completed the entry procedures of customs;
- the sales targets of duty-free shops for travelers leaving the Island refer to the travelers who are taking airplanes, trains or ships to leave Hainan Island (excluding leaving the territory);
- the sales targets of transportation vehicle duty-free shops are limited to persons who travel on the entry and exit transportation vehicles for entry into or exit out of the country;
- the sales targets of downtown duty-free shops are limited to offshore persons who are going to leave the country;
- the sales targets of diplomatic personnel duty-free shops are limited to the diplomatic representatives and the diplomatic personnel and officials of the embassy of a foreign country stationed in the PRC, as well as other institutions and personnel entitled to diplomatic privileges and immunity; and
- the sales targets of cruise duty-free shops are limited to international (regional) ships and crew on board to leave the country.

Varieties of Goods

According to the requirements of the Interim Measures for Exit Duty-free Shops (《出境免稅店暫行辦法》), the Announcement on the Policy of Port Entry Duty-free Shops (《關於口岸進境免稅店政策的公告》) and the Interim Measures for Duty-free Shops for Travelers Leaving the Island (《離島免稅店暫行辦法》), the goods permitted to be operated by different types of duty-free shops must comply with their respective applicable category catalog and restricted quantity for purchase.

Sales Limit

According to the Announcement on the Policy of Port Entry Duty-free Shops (《關於口岸進境免稅店政策的公告》), the duty-free shopping amount for port exit duty-free shops shall be: on the basis of maintaining a duty-free limit of RMB5,000 for entry goods of resident travelers, a certain amount of duty-free goods may be added by the port entry duty-free shops, together with the offshore duty-free shopping amount, the total amount must not exceed RMB8,000.

Pursuant to the Regulatory Measures for Duty-free Shopping by Travelers Leaving Hainan Island of the Customs of the PRC (《中華人民共和國海關對海南離島旅客免稅購物監管辦法》), the duty-free shopping amount, varieties of duty-free goods and the limit of purchase amount of each time for each traveler leaving Hainan Island in each year shall be implemented in accordance with the relevant requirements stipulated in the announcement of Ministry of Finance, General Administration of Customs and SAT, and import duties shall be levied on the part exceeding the annual duty-free shopping amount in accordance with the relevant rules. Under these Measures, if a duty-free shop for travelers leaving the Island sells duty-free goods beyond the stipulated varieties or amount, the customs shall order it to make corrections, and may give a warning. If such shop is warned by the customs more than three times within a calendar year, the customs may suspend its offshore duty-free business for up to six months. If the circumstances are serious, the customs may cancel the registration of the duty-free shops for travelers leaving the Island. Meanwhile, the duty-free shops for travelers leaving the Island shall make supplementary payment of corresponding taxes of the imported goods. Pursuant to the Announcement on the Policy of Duty-free Shopping for Travelers Leaving Hainan Island (《關於海南離島旅客免稅購物政策的公告》) (Announcement of Ministry of Finance, General Administration of Customs and SAT in 2020 No. 33), with effect from July 1, 2020, the limit of duty-free shopping amount for each traveler leaving Hainan Island in each year shall be RMB100,000 with unlimited times.

Pursuant to the Regulatory Measures for Duty-free Shops and Duty-free Goods of the Customs of the PRC (《中華人民共和國海關對免稅商店及免稅品監管辦法》) promulgated on November 28, 2005 and last amended on May 29, 2018, diplomatic personnel duty-free shops shall sell duty-free goods in accordance with the limited value approved by the competent customs based on the relevant provisions.

According to the Regulatory Measures for Duty-free Shops and Duty-free Goods of the Customs of the PRC (《中華人民共和國海關對免稅商店及免稅品監管辦法》) and the Implementation Provisions of the Customs of the PRC on Administrative Penalties (《中華人民共和國海關行政處罰實施條例》), in case any operating entity or duty-free shop sells duty-free goods beyond the varieties approved by the customs or the stipulated amount or value, the customs shall order it to make corrections and may give a warning. If the circumstances are serious, the operating entity or duty-free shop may be suspended from engaging in relevant business for a period of not more than 6 months or the competent customs may revoke the registration of such operating entity or duty-free shop.

The sales systems of our inbound duty-free stores are connected to the relevant government authorities', which allow us to monitor in real-time the balance of the duty-free allowance. When a customer makes the purchases, we will update the government authorities accordingly. Should the customer's purchases exceed the allowance, the customer will be required to pay the duty to the relevant authorities before the transaction may be completed. For outbound port duty-free stores, the PRC duty-free regulations are not applicable. We will advise our customers the duty-free allowance of their destinations based on their boarding passes.

Online Sales of Duty-free Goods on Leaving Hainan Island

Pursuant to the Announcement on the Policy of Duty-free Shopping for Travelers Leaving Hainan (《關於海南離島旅客免稅購物政策的公告》) promulgated on June 29, 2020 by Ministry of Finance, General Administration of Customs and SAT, and the Regulatory Measures for Duty-free Shopping for Travelers Leaving Hainan Island of the Customs of the PRC (《中華人民共和國海關對海南離島旅客免稅購物監管辦法》) issued by General Administration of Customs on July 6, 2020, the sales channels under the duty-free policy on leaving the Island include duty-free shops and approved online sales windows for travelers leaving Hainan Island. When a passenger who has purchased duty-free goods in duty-free shops for travelers leaving the Island in downtown or online from the duty-free window for travelers leaving the Island enters the isolated area, he/she shall go through the procedures for picking up the purchased duty-free goods at the relevant pick-up point.

Pursuant to the Announcement on Increasing the Pick-up Methods for Duty-free Shopping for Travelers Leaving Hainan Island (《關於增加海南離島旅客免稅購物提貨方式的公告》) jointly promulgated by Ministry of Finance, General Administration of Customs and SAT on February 2, 2021, travelers who are leaving Hainan Island may also choose to receive the goods by postal delivery apart from picking up the goods at the designated areas at airports, railway stations or port terminals.

In addition, to further support offshore duty-free sales, in May 2020, the Department of Commerce of Hainan Province issued the Measures on Promoting Business Development to Promote Consumption Expansion and Quality (《關於促進商業發展推動消費擴容提質的措施》), which allows the development of offshore duty-free purchase after customers leaving Hainan Island.

Supervision for Pick-up of Duty-free Goods on Leaving the Island

Pursuant to the Regulatory Measures for Duty-free Shopping by Travelers Leaving Hainan Island of the Customs of the PRC (《中華人民共和國海關對海南離島旅客免稅購物監管辦法》) issued by General Administration of Customs on July 6, 2020, a Duty-free Shop for travelers leaving the Island shall set up pick-up points in isolated areas for domestic travel at airports, railway stations and port terminals in Hainan and report to the customs for approval. When a passenger who has purchased duty-free goods in duty-free shops for travelers leaving the Island in downtown or online from the duty-free window for travelers leaving the Island enters the isolated area, he/she shall go through the procedures for picking up the purchased duty-free goods at the relevant pick-up point. The duty-free shop for travelers leaving the Island shall deliver the duty-free goods after verifying that such Island leaving passenger's identity documents and necessary voucher for boarding are correct. Passengers leaving the Island can instantly pick up their duty-free goods purchased in duty-free shops for travelers leaving the Island in isolated areas.

Pursuant to the Announcement on Increasing the Pick-up Methods for Duty-free Shopping for Travelers Leaving Hainan Island (《關於增加海南離島旅客免稅購物提貨方式的公告》) jointly promulgated by Ministry of Finance, General Administration of Customs and SAT on February 2, 2021, when travelers leaving the Island with valid identity documents and departure information purchase duty-free goods from the duty-free shops for travelers leaving the Island (including from approved online sales window), they may also choose to receive the goods by postal delivery apart from picking up the goods at the designated pick-up areas at airports, railway stations or port terminals.

Licensing Fees

According to the Notice issued by Ministry of Finance on the Publication of "Licensing Fee Payment Method for Duty-free Goods" (Cai Qi [2004] No. 241 (《財政部關於印發<免稅商品特許經營費繳納辦法>的通知》(財企[2004]241號)) and the Supplementary Notice issued by Ministry of Finance on the Publication of "Licensing Fee Payment Method for Duty-free Goods" (Cai Qi [2006] No. 70) (《財政部關於印發<免稅商品特許經營費繳納辦法>的補充通知》(財企[2006]70號)), an enterprise which engages in duty-free operation shall pay licensing fees to the State at 1% of the annual sales revenue from the business of duty-free goods operation. The headquarters of China Duty Free Group shall pay its licensing fees in a centralized manner based on its consolidated financial statements. Pursuant to the Interim Measures for Exit Duty-free Shops (《出境免稅店暫行辦法》) and the Interim Measures for Entry Duty-free Shops (《進境免稅店暫行辦法》), the payment of licensing fees for duty-free goods by the Exit Duty-free Shops and the Entry Duty-free Shops shall be executed in accordance with the aforesaid requirements of Ministry of Finance.

Pursuant to the Interim Measures for Duty-free Shops for Travelers Leaving the Island (《離島免稅店暫行辦法》) promulgated on December 5, 2011, the duty-free shops for travelers leaving the Island shall pay licensing fees to the State at 4% of the annual sales revenue from the business of duty-free goods operation.

REGULATIONS RELATING TO THE SALES OF TOBACCO, FOOD, PERFUME AND COSMETICS

Sales of Duty-free Tobacco

The Tobacco Monopoly Law of the PRC (2015 Amendment) (《中華人民共和國煙草專賣法》(2015年修訂)) has deleted the original Article 29 which stipulated that "Enterprises that engage in the import and export business of tobacco monopoly products, consignment business of foreign tobacco products or the business of buying and selling duty-free foreign tobacco products within the regulated area of the customs, must obtain approval from the competent authority of tobacco monopoly administration under the State Council or the competent authority of tobacco monopoly administration at provincial level, and receive the License for Special Tobacco Monopoly Operating Enterprise." According to the Notice on Matters relating to the Cancelation of the Approval of the License for Special Tobacco Monopoly Operating Enterprise (Guo Yan Zhuan [2016] No. 31) (《關於取消特種煙草專賣經營企業許可證審批有關事項的通知》(國煙專[2016] 31號)) issued on February 15, 2016 by the State Tobacco Monopoly Administration, the License for Special Tobacco Monopoly Operating Enterprise issued pursuant to the original Article 29 of the Tobacco Monopoly Law will not be renewed upon expiration of its valid period; enterprises that engage in the business of tobacco monopoly operation as stipulated in the original Article 29 of the Tobacco Monopoly Law are no longer required to obtain the License for Special Tobacco Monopoly Operating Enterprise, and their operating activities should comply with the requirements of the relevant laws and regulations and the documents issued by the national authority.

Pursuant to the Notice of the State Tobacco Monopoly Administration on the Publication of the Regulatory Measures for Duty-free Cigarettes and Cigars (Guo Yan Zhuan [2016] No. 81) (《國家煙草專賣局關於印發免稅捲煙和雪茄煙經營監管辦法的通知》(國煙專[2016]81號)) dated March 30, 2016, duty-free tobacco refers to the cigarettes and cigars imported by domestic duty-free operating enterprise in the PRC on a duty-free basis into the regulated area of the customs for sale to designated targets under the approval of the customs; duty-free tobacco should be affixed with duty-free tobacco logos; the State Tobacco Monopoly Administration implements planned management on duty-free tobacco operations, the State

Tobacco Monopoly Administration will print duty-free tobacco logos according to the purchase plans of the duty-free tobacco operating enterprises and make arrangement for distribution according to the actual implementation progress of the plans of the duty-free tobacco operating enterprises (and shall not exceed the annual purchase plan); if any duty-free retail shop sells goods that are not affixed with the duty-free tobacco logos, such sales will be deducted from the annual purchase plan of domestic brand duty-free tobacco for the next year of the duty-free tobacco operating enterprise that supplies the goods; if duty-free tobacco is found in the domestic taxable market, the annual purchase plan of domestic brand duty-free tobacco for the next year of the relevant duty-free tobacco operating enterprise will be reduced by 10 times the quantity found.

According to the Regulatory Measures for Duty-free Shops and Duty-free Goods of the Customs of the PRC (《中華人民共和國海關對免稅商店及免稅品監管辦法》), the Chinese and English wordings of "中國關稅未付" and "China Duty Not Paid" should be printed at a prominent position on the internal and external packaging of duty-free imported tobacco products and alcoholic beverages for sale in duty-free shops.

Sales of Food, Perfume and Cosmetics

Pursuant to the Administrative Measures of Hygiene Licensing at Frontier Ports (《國境口岸衛生許可管理辦法》) promulgated by General Administration of Customs on April 28, 2016 and last amended on May 29, 2018, entities or individuals engaging in food production (including inflight catering), sales of food (including food supply on arriving or departing transportation vehicles), catering services (except for food vendors), supply of drinking water and operations on public premises at frontier ports shall make an application to the customs of the place where they are situated for a frontier port hygiene license, and may only engage in the relevant operation or service activities after the frontier port hygiene license has been obtained, and they must be subject to supervision by the customs.

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) last amended on April 29, 2021, the State implements a licensing system for food production and operation, and anyone who engages in food production, sales of food products and catering services shall obtain a license in accordance with the law. However, for those who only engage in the sales of pre-packaged food products, obtaining a license is not required, instead they should make a filing to the food safety regulatory and administrative authority under the local government at county level or above in their place of operation.

On February 14, 2007, the General Administration of Quality Supervision, Inspection and Quarantine of the State (currently merged into State Administration for Market Regulation) promulgated the Notice on the Relevant Matters relating to Inspection and Quarantine of Imported Duty-free Food and Cosmetics (《關於進口免稅食品、化妝品檢驗檢疫工作有關事項的通知》), which provided that all directly affiliated inspection and quarantine bureaus have implemented filing management for duty-free operation entity which operate imported duty-free food and cosmetics within their jurisdictions on a voluntary basis of the enterprises. Imported duty-free food and cosmetics of duty-free operation entity filed within the jurisdictions of the respective inspection and quarantine authorities are exempted from Chinese labeling and label compliance inspection, and they are not required to provide sample labels and translated document during the filing inspection. For imported duty-free food and cosmetics of the duty-free business units without filing, they are inspected and quarantined on a general trading import basis.

On April 12, 2021, General Administration of Customs promulgated the Administrative Measures for the Safety of Imported and Exported Food (《進出口食品安全管理辦法》) which stipulate that imported food shall comply with the national standard for food safety in China and the relevant inspection and quarantine requirements. Imported food is required to complete the quarantine approval procedures for imported animals and plants that are subject to quarantine approval, and the importer shall obtain the Quarantine Permit for Imported Animals and Plants of the PRC (《中華人民共和國進境動植物檢疫許可證》) before signing a trade contract or agreement. The importer or its agent of food imports shall report to the customs according to the requirements, the customs shall implement filing administration on the importer of food imports, and the importer shall make an application for filing to the customs office of the place where it is located.

On November 23, 2018, General Administration of Customs promulgated the Supervisory and Administrative Measures for the Inspection and Quarantine of Imported and Exported Cosmetics (《進出口化妝品檢驗檢疫監督管理辦法》) which stipulate that the customs will implement filing administration on the consignee of imported cosmetics. The consignee of imported cosmetics shall truthfully record the flow of imported cosmetics, and the record keeping period shall not be less than two years. The consignee or its agent of imported cosmetics shall apply for inspection according to the relevant requirements of General Administration of Customs, and provide the filing reference number of the consignee at the same time. Before the certificate of passing inspection and quarantine has been obtained, the imported cosmetics shall be kept in premises designated or authorized by the Customs, and without consent from the customs, no entity or person may relocate, sell or use such cosmetics without authorization.

Other Relevant Requirements of Inspection and Quarantine

On April 28, 2018, General Administration of Customs promulgated the Administrative Measures of Inspection by Sampling for Import and Export Goods (《進出口商品抽查檢驗管理辦法》), pursuant to which General Administration of Customs shall formulate and announce the annual plan of inspection by sampling for import and export goods, including the names of goods, basis of inspection, sampling requirements, testing items, basis of judgment and implementation time, etc. The plan of inspection by sampling may be adjusted, if necessary, or a special plan of inspection by sampling for import and export goods may be enforced.

On November 23, 2018, General Administration of Customs promulgated the Supervisory and Administrative Measures for Inspection of Imported and Exported Toys (《進出口玩具檢驗監督管理辦法》), such administrative measures are applicable to the supervision and administration of the imported and exported toys listed in the catalog of imported and exported goods subject to compulsory inspection (hereinafter the "Catalog") and the imported and exported toys subject to inspection under the requirements of laws and administrative regulations. For imported toys listed in the catalog of compulsory products for certification, they should also obtain the certificate of compulsory product certification. For imported toys which have not been listed in the catalog of compulsory products for certification, if the applicant for inspection has provided a passing test report issued by the testing laboratory for imported and exported toys, the Customs will conduct a review on the relevant documentary proof provided by the applicant and the goods for consistency check. The customs will conduct a sampling inspection on imported and exported toys not listed in the Catalog in accordance with the requirements of General Administration of Customs.

Relevant Requirements of Cross-border E-commerce

On August 31, 2018, the SCNPC approved the Law of E-commerce of the PRC (《中華人民共和國電子商務法》) (the "Law of E-commerce") which came into effect on January 1, 2019. The Law of E-commerce has defined e-commerce as the operating activities for sales of merchandise or provision of services through internet and other information network, and has defined the e-commerce operators as the natural persons, legal persons and non-legal person organizations engaging in the operating activities for sales of merchandise or provision of services through internet and other information network, including e-commerce platform operators, intra-platform operators and e-commerce operators selling merchandise or providing services through self-built websites and other network services. For an e-commerce operator who engages in operating activities, if a relevant administrative license is required pursuant to the law, it should obtain an administrative license in compliance with the law. An e-commerce operator should continuously display its business license information and the information of its administrative license related to its operating business, or the hyperlink symbol of the aforesaid information, in a prominent position on its homepage.

On November 28, 2018, MOFCOM, NDRC, Ministry of Finance, General Administration of Customs, SAT and State Administration for Market Regulation issued the Notice on the Work of Improving the Supervision and Control of Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口監管有關工作的通知》); the Notice was applicable to the cross-border e-commerce retail import business conducted in 37 cities (regions) including Beijing, Tianjin and Shanghai, and was effective from January 1, 2019. For direct purchase import businesses operating in those cities not selected for pilot implementation, the relevant provisions in the Notice should be followed. The Notice defined cross-border e-commerce retail imports as the consumer behavior of domestic consumers in the PRC who purchase products from offshore through a cross-border e-commerce third-party platform operator and deliver the products into the PRC by way of "online shopping tax free imports" or "direct purchase imports". Pursuant to the Notice, the participants of cross-border e-commerce retail imports mainly include: (1) the cross-border e-commerce retail import operator ("cross-border e-commerce enterprise"): it refers to the offshore registered enterprise that sells cross-border e-commerce retail import goods from offshore to domestic consumers as well as the owner of title in the goods; a cross-border e-commerce enterprise should appoint an enterprise with onshore industrial and commercial registration to complete the registration procedure with the customs; a cross-border e-commerce enterprise that transmits real-time cross-border e-commerce retail import transaction electronic data with electronic signature to the customs may make a declaration to the customs by itself or through appointing an agent, and shall undertake the corresponding responsibilities; (2) the cross-border e-commerce third-party platform operator ("cross-border e-commerce platform"): the operator that completes onshore industrial and commercial registration, provides website space, virtual operating premises, trading rules, matching for transaction, information release and other services to both parties of the transaction (consumer and cross-border e-commerce enterprise), and establishes the information network system for conducting independent transaction activities by both parties, the cross-border e-commerce platform operator should complete registration procedure with the customs in accordance with the relevant provisions, and transmits real-time cross-border e-commerce retail import transaction electronic data with electronic signature to the Customs, reviews the authenticity of the transaction and the identity of consumers and undertakes the corresponding responsibilities; (3) the onshore service provider: the entity that completes onshore industrial and commercial registration and accepts appointment from the cross-border e-commerce enterprise to act on its behalf in providing services such as reporting, payment, logistics and warehousing, and has the corresponding operation qualifications to provide information on payment, logistics and warehousing directly to the customs, subject to subsequent regulation by the Customs and the market regulation authority and undertakes the corresponding responsibilities; the onshore service provider should submit the relevant qualification certificates to the customs and complete the registration procedure; and (4) the consumer: it refers to the onshore buyer of cross-border e-commerce retail import goods, the consumer is not allowed to resell the cross-border e-commerce retail import goods purchased by him/her to others.

Pursuant to the Notice on Improving the Taxation Policy for Cross-border E-commerce Retail Imports (Cai Guan Shui [2018] No. 49) (《關於完善跨境電子商務零售進口稅收政策的通知》(財關稅[2018]49號)) issued by Ministry of Finance, General Administration of Customs and SAT, the limit of a single transaction of cross-border e-commerce retail import goods was increased from RMB2,000 to RMB5,000, and the annual transaction limit was increased from RMB20,000 to RMB26,000. The e-commerce import goods purchased are the ultimate goods used by the consumer and shall not be resold in the domestic market.

Pursuant to the Announcement on the Regulatory Matters relating to Cross-border E-commerce Retail Import and Export Goods (《關於跨境電子商務零售進出口商品有關監管事宜的公告》) promulgated by General Administration of Customs on December 10, 2018 and came into effect on January 1, 2019, the enterprises that participate in cross-border e-commerce retail import business, including the cross-border e-commerce platform enterprises, logistics enterprises and payment enterprises, shall complete registration with the local customs authority in accordance with the relevant provisions of registration administration of the relevant customs declaration units. The offshore cross-border e-commerce enterprise shall appoint an onshore agent as a "domestic agent" to complete registration with the local customs authority of the place where such agent is situated. The cross-border e-commerce platform enterprise that operates cross-border e-commerce retail import business and its domestic agent for cross-border e-commerce enterprise should verify the authenticity of the transaction and the identity information of the consumer (purchaser) and undertake the corresponding responsibilities; if the identity information has not been verified by a competent national authority or its delegated authority, the purchaser and the payer should be the same person.

Macroeconomic policies in relation to travel and retail industry

Several Opinions on Promoting the Construction and Development of the Hainan International Tourism Island (《關於推進海南國際旅遊島建設發展的若干意見》), which was promulgated by the State Council on December 31, 2009, states that efforts to give full play to Hainan's advantages in geography and resources and build Hainan into an international tourism island and a tourist resort with an international competitive edge is a major move of Hainan to speed up the development of its modern service industry and realize the rapid yet sound economic and social development, and will play a key exemplary role in the adjustment and optimization of economic structure and change of development mode in the whole country. In order to solidly promote the construction and development of the Hainan international tourism island, the State Council put forward the opinions on advancing the development of modern logistics industry and expanding the relevant policy support in actively developing large shopping malls, special commodity markets, brand discount stores and featured commercial street, developing and operating duty-free stores, improving supporting business facilities for tourism destination towns and leisure resorts, so that Hainan will be gradually developed into an international shopping center.

Several Opinions on Promotion of Tourism Reform and Development (《關於促進旅遊業改革發展的若干意見》), which was promulgated by the State Council on August 9, 2014, studied the feasibility of increasing the number of duty-free stores at ports of entry while ensuring regulations on luggage and goods of people crossing the borders and urged efforts to develop malls for featured goods, provide financial, logistics and other services that provide convenience, and develop shopping travel.

According to Several Opinions of the General Office of the State Council on Promoting the Steady Growth of Imports and Exports (《國務院辦公廳關於促進進出口穩定增長的若干意見》), which was promulgated by the General Office of the State Council on July 22, 2015, efforts to expand imports should be strengthened, the policies in relation to imports of consumer goods should be improved and import tariffs on certain daily consumer goods in great demand would be lowered on a pilot basis, while the number of duty-free stores should be increased rationally, the scope of duty-free products shall be widened rationally and the limit on duty-free shopping should be raised to a certain level, so that domestic consumers will have more choices when they are going shopping.

According to the 13th Five-Year Plan for Tourism Development (《"十三五"旅遊業發展規劃》), which was promulgated by the State Council on December 7, 2016, as the tourism industry has become a focus of investment among the people and an integrated major industry, the policies for finance and taxation on tourism should be improved, and the number of duty-free stores at ports of entry should be increased while ensuring regulations on luggage and goods of people crossing the borders, so as to channel overseas consumption back to China.

According to Guiding Opinions of the General Office of the State Council on Promoting the Development of All-for-one Tourism (《國務院辦公廳關於促進全域旅遊發展的指導意見》), which was promulgated by the General Office of the State Council on March 9, 2018, efforts should be made to develop all-for-one tourism, integrate a certain region into an entire tourist destination, regard the tourism industry as an advantageous industry, unify planning and layout, optimize public services, advance industry integration, strengthen comprehensive management, and implement systematic marketing. For the purposes of promoting the development of all-for-one tourism, all regions should do a good job in advancing integrated development and innovating the supply of products, improving tourism services for higher consumer satisfaction, enhancing supporting facilities and improving public services as well as establishing marketing network and building brand image.

According to the Opinions of the General Office of the State Council on Further Tapping Consumption Potential in Culture and Tourism (《國務院辦公廳關於進一步激發文化和旅遊消費潛力的意見》), which was promulgated by the General Office of the State Council on August 12, 2019, nine key tasks were proposed to enhance quality and level for culture and tourism consumption, including introducing measures to benefit people through consumption, making consumption more convenient, improving the environment for inbound tourism, expanding pilot schemes to boost the consumption, widening the supply side of products, enhancing scenic spots in terms of quality and capacity, developing holiday and night market economy, promoting integrated development among various industries and strengthening market regulation and enforcement.

According to the Implementation Opinions on Promoting Consumption Expansion and Quality Improvement and Accelerating the Creation of a Strong Domestic Market (《關於促進消費擴容提質加快形成強大國內市場的實施意見》), which was promulgated by 23 departments including the NDRC on February 28, 2020, with the goal of building a tax-free system with Chinese characteristics, top-level design shall be strengthened, obstacles to industry development shall be removed, and the quality and level of industry development shall be improved. The policy on downtown duty-free shops shall be improved, and a group of downtown duty-free shops with Chinese characteristics shall be established. Cities with good conditions shall be encouraged to provide land, financing and other support for the construction and operation of downtown duty-free shops, and points of pick-up on departure shall be established at airport duty-free stores for downtown duty-free shops. Port duty-free business shall be expanded, and port duty-free stores shall be added. According to the improvement of residents' income level and consumption upgrading, the adjustment of tax exemption limits and tax-exempt categories shall be researched in due course. A certain area for sales of the domestic goods shall be established in duty-free stores, relevant enterprises shall be directed to develop premium and characteristic domestic products exclusively for duty-free channels, and duty-free stores shall be developed into an important platform to support premium domestic products, display indigenous brands, and spread national traditional culture.

According to Notice on Supporting the Resumption of Business for Commercial Circulation Enterprises (《關於支持商貿流通企業復工營業的通知》), which was promulgated by the General Office of MOFCOM, NDRC and the National Health Commission on March 19, 2020, for the purpose of supporting the resumption of commercial and logistics companies, the companies and their branches will be categorized based on their nature of business, and target measures for prevention and control of diseases will be applied for different areas, different risk levels and different categories, so as to enhance public management and services and ensuring operations under laws and regulations. Traditional spending will be expanded by various measures and, in particular, improving infrastructure for spending, stabilizing spending on physical goods, promoting recovery of spending on services and promoting time-honored brands. Meanwhile, spending on new products will be fostered by integration of online and offline businesses, advancing digital transformation and improving the logistics industry.

According to the Master Plan for the Construction of Hainan Free Trade Port (《海南自由貿易港建設總體方案》), which was promulgated by the CPC Central Committee and the State Council on June 1, 2020, China will, focus on the liberalization and facilitation of trade and investment and adhere to the principles of clear labor division and systems and guarding against systematic risks, establish a policy system which is suitable for the Hainan Free Trade Port that is based on free, orderly, safe and convenient flow of various production factors across borders and modern industrial system with special taxation arrangements, efficient social governance system and a complete law-based system. By 2025, China will focus on liberalization and facilitation of trade and investment. Under the premise of effective supervision, the opening-up policy will be advanced in an orderly manner and closed operation on the whole island will be launched in a timely manner. By 2035, the opening-up policy and the relevant systems will be further improved, thus realizing free and convenient flow of trade, investment, cross-border capital flow, people and transportation, as well as secure and orderly flow of data, thereby forming a free trade port with high quality.

According to the Opinions on deepening "Internet + tourism" to promote high-quality development of tourism (《關於深化"互聯網+旅遊"推動旅遊業高質量發展的意見》), which was promulgated by 10 departments including MCT on November 30, 2020, to further improve the "Internet+ tourism" network by 2022, promote wider application of internet at scenic spots and deepen the integration through "Internet+ tourism" by 2025, information technology and, in particular, the internet should be regarded as a vital factor in the development of tourism. Key tasks include accelerating the construction of the smart scenic spots, improving information technology infrastructure at scenic spots, strengthening online marketing efforts and safeguarding data security of travelers.

According to the Hainan Free Trade Port Law of the PRC (《中華人民共和國海南自由貿易港法》), which was promulgated by SCNPC on June 10, 2021 and came into effect on June 10, 2021, the state shall establish and improve a system of a Special Customs Supervision Zone of Hainan Free Trade Port featured by independent customs operations throughout Hainan Island. On the basis of lawful and effective supervision, the management rules on free, safe and convenient trade in goods shall be established, and the management measures for trade in services shall be optimized, to realize trade liberalization and facilitation. When independent customs operation of the entire Hainan Island begins, taxes and fees such as value-added tax, consumption tax, vehicle purchase tax, urban maintenance and construction tax and education surcharge shall be simplified and combined, and sales tax will be levied in the retail of goods and services. Upon the independent customs operation of Hainan Island, the tax system will be further simplified. Prior to independent customs operation and tax simplification, travelers leaving Hainan who purchase duty-free goods and pick up on departure are exempt from import tariffs, import value-added tax and consumption tax according to relevant requirements. Upon the independent customs operation of Hainan Island and tax simplification, the tax management measures for the entry and exit of articles between Hainan Free Trade Port and the mainland shall be developed by the relevant departments under the State Council in conjunction with Hainan Province.

REGULATIONS RELATED TO INFORMATION SECURITY AND PRIVACY PROTECTION

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. Pursuant to Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which was promulgated by the Ministry of Industry and Information Technology (the "MIIT") in December 2011 and became effective in March 2012, internet information service providers shall not collect any users' personal information or provide any such information to third parties without the consent of the users. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly maintain the users' personal information, and in case of any leak or likely leak of the users' personal information, and it must take immediate remedial measures and, in severe circumstances, immediately report to the telecommunications authorities. And pursuant to the Provisions on Protecting the Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》) issued by MIIT on July 16, 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity within the specified purposes, methods and scopes. A telecommunication business operator or internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or illegally providing such information to other parties.

On June 28, 2016, the Cyberspace Administration of China ("CAC"), issued the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》), which took effect on August 1, 2016. Pursuant to which, owners or operators of mobile applications that provide information services are required to be responsible for information security management, establish and improve the protective mechanism for user information, observe the principles of legality, rationality and necessity, and expressly state the purpose, method and scope of, and obtain user consent to, the collection and use of user personal information.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》), which was promulgated by the SCNPC on November 7, 2016 and became effective on June 1, 2017, requires that network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties. Any violation of the provisions and requirements under the PRC Cyber Security Law may subject internet service providers to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated by NPC on May 28, 2020 and came into effect on January 1, 2021, the personal information of a natural person shall be protected. Any organization or individual shall legally obtain the personal information of others when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make public the personal information of others. In addition, on August 20, 2021, the SCNPC passed the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) (the "Personal Information Protection Law") which came into effect on November 1, 2021, the Personal Information Protection Law integrates the scattered rules with respect to personal information rights and privacy protection. The Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. The Personal Information Protection Law provides the circumstances under which a personal information processor could process personal information, which include but not limited to, where the consent of the individual concerned is obtained and where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party.

On June 10, 2021, the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "Data Security Law") was promulgated by the SCNPC, which took effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides a security review procedure for the data processing activities which may affect national security.

On December 28, 2021, CAC jointly with the relevant authorities, published the Cyber Security Review Measures (《網絡安全審查辦法》), which stipulates that operators of critical information infrastructure purchasing network products and services, and online platform operators carrying out data processing activities that affect or may affect national security, shall conduct cyber security review.

On November 14, 2021, CAC published the Cyber Data Security Management Regulations (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "Draft Regulations on Cyber Data Security Management"), which sets out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, supervision and management, and legal liabilities. According to the Draft Regulations on Cyber Data Security Management, data processor seeking a listing in Hong Kong that have or could have influence on the national security should be reported and undergo the cybersecurity review. The criteria for determining "having or could have influence on national security," as stipulated in the Draft Regulations on Cyber Data Security Management, are uncertain, remain to be observed and are subject to further elaboration by CAC. The public comment period of the Draft Regulations on Cyber Data Security Management ended on December 13, 2021. As of the Latest Practicable Date, the Draft Regulations on Cyber Data Security Management had not been officially promulgated.

ANTI-MONOPOLY LAWS

According to the PRC Anti-Monopoly Law promulgated by the SCNPC on August 30, 2007 and effective on August 1, 2008, monopolistic activities shall include: (1) monopolistic agreements between undertakings; (2) abuse of dominant market position by undertakings; and (3) concentration of undertakings which has or may have an effect of eliminating or restricting competition. Dominant market position shall mean that an undertaking is able to control the prices, quantities or any other terms of transaction in the relevant market or is able to obstruct and affect the entry of other undertakings into the relevant market. Undertakings which hold dominant market position shall not abuse their dominant market position to engage in the following activities: (1) sell commodities at unfairly high prices or purchase commodities at unfairly low prices; (2) sell commodities at below-cost prices without a valid reason; (3) refuse to transact with trading counterparts without a valid reason; (4) restrict trading counterparts to transact only with the undertaking or only with designated undertakings without a valid reason; (5) bundle sale of commodities without a valid reason or imposition of any other unreasonable terms of transaction during a transaction; or (6) implement differential treatment for terms of transaction such as transaction price for similar trading counterparts without a valid reason; or (7) perform any other activities of abuse of dominant market position as defined by the anti-monopoly enforcement agency of the State Council. The SCNPC decided to amend the PRC Anti-Monopoly Law on June 24, 2022. The amendment to the PRC Anti-Monopoly Law became effective from August 1, 2022, which further stipulates that undertakings which hold dominant market position shall not abuse their dominant market position to engage in the preceding activities by taking advantage of data, algorithms, technology and platform rules. According to the amendment to the PRC Anti-Monopoly Law, the state will strengthen anti-monopoly regulatory forces and enhance enforcement and judicature of the PRC Anti-Monopoly Law.

Our failure to comply with the PRC Anti-Monopoly Law will result in penalties, fines, administrative proceedings and litigations. Specifically speaking, where an undertaking has violated the provisions in effect in entering into and implementing a monopolistic agreement, the anti-monopoly enforcement agency may order the undertaking to stop the illegal act and confiscate the illegal income and impose a fine ranging from 1% to 10% of the sale amount of the preceding year. Where a monopolistic agreement has been entered into but has not been implemented, a fine of not more than RMB500,000 may be imposed. Where an undertaking has voluntarily reported the relevant activities in entering into a monopolistic agreement to the anti-monopoly enforcement agency and provided important evidence, the anti-monopoly enforcement agency may, at its discretion, reduce or waive the punishment for such an undertaking. According to the amendment to the PRC Anti-Monopoly Law, where an undertaking has violated the provisions in relation to entering into and implementing a monopolistic agreement and has no sale amount in the preceding year, the anti-monopoly enforcement agency may impose a fine of not more than RMB5,000,000. Where a monopolistic agreement has been entered into but has not been implemented, a fine of not more than RMB3,000,000 may be imposed. Where the legal representative, principal and directly responsible person of an undertaking are personally responsible for entering into a monopoly agreement, a fine of not more than RMB1,000,000 may be imposed. Where an undertaking has violated the provisions in abusing its dominant market position, the anti-monopoly enforcement agency shall order the undertaking to stop the illegal act and confiscate the illegal income, in which case a fine of 1% to 10% of the sales amount of the preceding year may also be imposed. Where an undertaking has violated the provisions in effect in implementing concentration, the anti-monopoly enforcement agency may order the undertaking to stop implementing concentration, dispose of the shares or assets within a stipulated period, transfer the business within a stipulated period, or adopt other necessary measures to reinstate the pre-concentration status. A fine of not more than RMB500,000 may also be imposed. According to the amendment to the PRC Anti-Monopoly Law, where an undertaking has violated the provisions in implementing concentration, which has or may have the effect of eliminating or restricting competition, the preceding provisions shall apply and a fine of not more than 10% of the sales amount of the preceding year may also be imposed. Where an undertaking has violated the provisions in implementing concentration without the effect of eliminating or restricting competition, a fine of not more than RMB5,000,000 may be imposed.

Although we ranked the first among all Chinese duty-free operators in terms of sales revenue and achieve a substantial market share in China, we are of the view, and our PRC Legal Advisers concur, that the PRC Anti-monopoly Law currently in effect, as well as its amendment that became effective from August 1, 2022, does not materially and adversely impact our business, based on the following: (1) we confirm that we did not abuse the dominant market position in the Track Record Period and we were not investigated or penalized by any government authority for any alleged abuse of the dominant market position during the same period; (2) we have been authorized by the State Council to carry out duty-free business; and over the recent years, more duty-free operators have been entering into the PRC duty-free market and it is expected that more duty-free operators will enter into the PRC duty-free market in the future; and (3) the duty-free industry is a highly regulated industry in China, and our competitors are generally the other global operators operating at popular overseas destinations for Chinese travelers. Therefore, the travelers typically have the freedom to choose whether they buy the duty-free products from us or our competitor in a foreign country.

However, we cannot assure that we will not be in the future subject to any anti-monopoly enquiry. Any failure or perceived failure by us to comply with the anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations. See “Risk Factors – Risks Relating to Our Business and Industry – Any failure or perceived failure by us to comply with the anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.” for further details.

FOREIGN INVESTMENT LAWS AND REGULATIONS

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “Foreign Investment Law”) was promulgated by the NPC on March 15, 2019 and came into effect on January 1, 2020. The State will grant pre-establishment national treatment to foreign investment and implement a negative list administration system; foreign investment outside the negative list will be granted national treatment. With effect from January 1, 2020, the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and Wholly-foreign Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) were repealed concurrently.

The State Council promulgated the Regulations for the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) ("Regulations for the Implementation of the Foreign Investment Law") on December 26, 2019, and after which came into effect on January 1, 2020, the Regulations for the Implementation of the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), the Interim Provisions for the Joint Venture Period of Sino-Foreign Equity Joint Venture Enterprise (《中外合資經營企業合營期限暫行規定》), the Detailed Rules for the Implementation of the Wholly-foreign Owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Detailed Rules for the Implementation of the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》) were repealed concurrently.

MOFCOM and State Administration for Market Regulation jointly promulgated the Measures for Reporting of Foreign Investment Information (《外商投資信息報告辦法》) on December 30, 2019; these Measures came into effect on January 1, 2020 and replaced the Interim Measures for the Filing and Administration of Incorporation and Alteration of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors or foreign investment enterprises must report investment information to the competent authority of commerce through the enterprise registration system and the national enterprise credit information publicity system.

LABOR LAW

The Labor Law of the People's Republic of China (《中華人民共和國勞動法》) was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, pursuant to which the employer must establish and improve the safety and health system for labor, strictly enforce the national regulations and standards on safety and health of labor and educate the employee on their safety and health. The employer must provide the employee with safe and healthy conditions for labor in compliance with the national regulations and relevant protective provisions for labor force.

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, amended on December 28, 2012 and came into effect on July 1, 2013, when the employer and the employee enter into a labor relationship, they should enter into a labor contract in writing. The employer shall not force the employee to work overtime. Overtime payment for overtime work arranged by the employer shall be paid to the employee according to the relevant national regulations. Moreover, remuneration shall not be lower than the local minimum wage standard and remuneration must be paid to the employee on a timely basis.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, which was amended and came into effect on December 29, 2018, the Interim Regulations on Payment of Social Insurance Fees (《社會保險費徵繳暫行條例》) (State Council Order No. 259) that came into effect on January 22, 1999 and were amended on March 24, 2019, the Pilot Measures for Maternity Insurance of Employees of Enterprises (《企業職工生育保險試行辦法》) (Lao Bu Fa [1994] No. 504) that came into effect on January 1, 1995, and the Regulations of Work Injury Insurance (《工傷保險條例》) (State Council Order No. 375) that came into effect on January 1, 2004 and were amended on December 20, 2010, the employer must pay timely and full amount contributions to pension insurance, unemployment insurance, medical insurance, work injury insurance and maternity insurance (which has been combined with medical insurance) for employees. Those that do not complete registration for social insurance will be ordered by the social insurance administration authority to rectify within a prescribed period of time. If no rectification is made within the prescribed period, a fine will be imposed on the employer equivalent to one to three times the social insurance fees payable, and the directly responsible person-in-charge and other directly responsible officers will be imposed a fine of RMB500 to RMB3,000. If the employer fails to make timely and full amount payment of social insurance fees, the collection authority of social insurance fees will impose an order of payment within a prescribed period of time for the outstanding or shortfall amount, and commencing from the due date, a late payment of 0.05% per day will be imposed; if no payment is made thereafter, the relevant administration authority will impose a fine equivalent to one time to three times of the outstanding amount.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, which were amended on March 24, 2002 and were amended and came into effect on March 24, 2019, the employer shall register with the Housing Provident Fund Management Center for making contribution to the housing provident fund. After review and registration by the Housing Provident Fund Management Center, the employer shall complete the housing provident fund account opening procedure for its employees at the authorized bank. The employer shall transfer its contribution amount and the employee contribution amount on behalf of the employees to the specific housing provident account within five days from the date of remuneration payment to employees in each month, and the authorized bank will transfer the relevant amount into the housing provident account of each employee. If the employer fails to make contribution after the due date or fails to make sufficient contribution, the Housing Provident Fund Management Center will order the employer to make payment within a prescribed period of time; if payment is still outstanding after the due date, an application may be made to the People's Court for enforcement action.

INTELLECTUAL PROPERTY RIGHT

Copyright Law and Software Copyright Registration

The SCNPC promulgated the Copyright Law (《著作權法》) in 1990 and amended it in 2001, 2010, and 2020, and the latest version will take effect on June 1, 2021. The Copyright Law stipulates that the PRC citizens, legal entities, or unincorporated organization shall, whether published or not, enjoy copyright in their works, including computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which are beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of socialist culture and science.

The State Council promulgated the Computer Software Protection Regulations (《計算機軟件保護條例》) on December 20, 2001 and amended them in 2011 and 2013. The Regulations are intended to protect the rights and interests of computer software copyright owners, align the interest relationships that occur in the development, dissemination and use of computer software, encourage the development and application of computer software, and promote the development of software industry and informatization of our national economy. According to the provisions of the Regulations, the PRC citizens, legal entities, or other organizations shall, whether published or not, enjoy copyright in software developed by them. A software copyright owner may register with a software registration institution recognized by the copyright administration department of the State Council. The certificate of registration issued by the software registration institution shall be the preliminary evidence of the registered matters. On February 20, 2002, the National Copyright Administration, which has been incorporated into National Press and Publication Administration, promulgated the Measures on Computer Software Copyright Registration (計算機軟件著作權登記辦法). The measures apply to registration of software copyright, as well as registration of software copyright license and transfer agreements. Copyright Protection Center of China shall be the software registration institution.

Trademark

Trademarks are protected by the Trademark Law of the PRC(《中華人民共和國商標法》) (the "Trademark Law") which was promulgated by the SCNPC on August 23, 1982, came into effect on March 1, 1983 and was amended in 1993, 2001, 2013 and 2019 and the Regulations for the Implementation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) which were promulgated by the State Council on April 29, 2014 and came into effect on May 1, 2014. Trademark Office of China National Intellectual Property Administration (the "Trademark Office") is responsible for trademark registration and authorizing registered trademarks for a validity period of 10 years. Trademark registrants may apply for renewal of registration, and the validity of a renewed registered trademark is the following 10 years. Trademark registrants may, by signing a trademark license contract, authorize others to use their registered trademark. The trademark license contract shall be submitted to the Trademark Office for filing. For trademarks, the Trademark Law adopts the principle of prior application while handling trademark registration. Where a trademark under registration application is identical with or similar to the trademark of another party that has, in respect of the same or similar goods been registered or preliminarily approved, the application for trademark registration may be rejected. Anyone who applies for trademark registration shall not impair any existing prior right of anyone else, or forestall others in registering a trademark which others have already begun to use and which has some influence.

Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) issued by MIIT on August 24, 2017 and came into effect on November 1, 2017, the principle of "first-to-file" is adopted for domain name registration services. No domain name may contain any content abolished by laws and administrative regulations. An applicant of domain name registration shall be required by the service agency of domain name registration to provide true, accurate and complete information including the domain name holder's identity for registration purposes.

OVERVIEW OF THE GROUP'S HISTORY

The history of our Group can be traced back to 1984, when the State Council of the PRC officially authorized the establishment of China Duty Free Company, the predecessor of CDFG, to operate nationwide duty-free business. In March 2008, our Company, then known as China International Travel Service Corporation Limited (中國國旅股份有限公司), was established with a registered share capital of RMB660 million, contributed by CITS Group, a state-owned enterprise primarily engaged in travel services, duty-free business and real estate development and management, and OCT Group, a state-owned enterprise primarily engaged in travel services, real estate and hotel development. CITS Group and OCT Group were the promoters of our Company.

After nearly 40 years of development, we have become the largest and one of the fastest growing travel retail operators in the world primarily focusing on sales of high-quality duty-free and duty-paid merchandise to domestic and international travelers and mid- to high-end consumers, forming an all-round shopping experience. We ranked first in the world among all travel retail operators in 2021 by sales revenue, with a 24.6% market share of the global travel retail industry in 2021, according to Frost & Sullivan. We have developed China's travel retail business with duty-free as our core strength and seek to increase our global presence. As of the Latest Practicable Date, we operated 193 stores, including 184 stores in 100 cities across 28 provinces, municipalities and autonomous regions in China. We also operate nine duty-free stores overseas, including seven in Hong Kong, Macau and Cambodia and two cruise duty-free stores. According to Frost & Sullivan, from 2019 to 2021, the airports where we operated stores alone served more than 2.2 billion travelers.

Since October 2009, our A Shares have been listed on the main board of the Shanghai Stock Exchange (stock code: 601888).

In order to streamline our business and focus on the duty-free retail industry, we acquired Sunrise China, Sunrise Shanghai and Hainan DF in March 2017, April 2018 and June 2020, respectively. Furthermore, in February 2019, we transferred our entire equity interest in CITS Agency to CTG. See "– Major Acquisitions and Disposals" for further details. In June 2020, our Company was renamed China Tourism Group Duty Free Corporation Limited, in accordance with the business and strategic emphasis of our Group. As of the Latest Practicable Date, our registered capital was RMB1,952,475,544, comprising 1,952,475,544 A Shares, of which approximately 53.30% was held by CTG, our Controlling Shareholder.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following is a summary of our Group's key corporate and business development milestones:

1984
The PRC State Council officially authorized the establishment of China Duty Free Company (the predecessor of CDFG).

1989
China Duty Free Company's Hong Kong agency was established to strengthen our overseas duty-free good procurement and distribution ability.

1990
Our Beijing CDF Downtown Duty Free Shop (北京市內免稅店), our first downtown duty-free store in China, commenced its commercial operation.

1996
Our Heihe Border Duty Free Store in Heilongjiang Province was established as our first border duty-free store in Asia, further diversifying our retail channels.

1997
We began selling domestic products at our duty-free stores, showcasing the Chinese domestic brands and products to the world.

2001
Our Shanghai CDF Downtown Duty Free Shop (上海市內免稅店) commenced its commercial operation.

2004
CDFG was selected as one of the franchised retailers for the 2008 Beijing Olympic Games.

2006
We established overseas sales terminals for the first time, signifying a breakthrough in our overseas market development and expansion.

2008
In March, our Company, then known as China International Travel Service Corporation Limited, was established in the PRC.

2009
In October, the A Shares of our Company (then known as China International Travel Service Corporation Limited (中國國旅股份有限公司)) became listed on the main board of the Shanghai Stock Exchange (stock code: 601888).

2011
In April, our Sanya downtown duty free store commenced its business operation as the first duty-free store operated under the Policies on Duty-free Shopping for Travelers Leaving the Hainan Island.

2014
In September, Phase I of our Sanya International Duty-Free Complex commenced its commercial operation. The Sanya International Duty-Free Complex is the largest standalone duty-free store in the world in terms of sales area as of 2020 according to Frost & Sullivan.

In December, our first overseas duty-free store commenced its business operation in downtown Angkor, Cambodia, marking the first step of our global business expansion.

2017
In March, our Group completed the acquisition of 51% equity interest in Sunrise China, which strengthened our market share in the duty free business in Beijing Capital International Airport.

In April, CDF-Lagardere Company Limited (the joint venture between our Group and Lagardere Travel Retail Hong Kong Limited, an independent third party) secured the duty-free liquor and tobacco concession at Hong Kong International Airport.

In June, we secured the duty-free concessions at Terminal 2 and Terminal 3 of the international area of Beijing Capital International Airport for the following eight years, which is expected to enhance our leadership in the duty-free business.

2018
In April, our Group completed the acquisition of 51% equity interest in Sunrise Shanghai, which further strengthened our market position in the duty-free business at major international airports in Shanghai, consisting of Shanghai Pudong International Airport and Shanghai Hongqiao International Airport.

In June, we secured the duty-free concession onboard Costa Atlantica cruise ship, further expanding our cruise onboard duty-free business.

In July, we secured the duty-free concessions at Pudong International Airport and at Shanghai Hongqiao International Airport for the following seven years.

2019
In March, our Group secured the duty-free concessions for the following 10 years at the newly established Beijing Daxing International Airport, successfully solidifying our market position in duty free business.

2020
In January, Phase II of our Sanya International Duty-Free Complex commenced its commercial operation.

In June, our Group completed the acquisition of 51% equity interest in Hainan DF, which strengthened our offshore duty-free business in Hainan.

In June, our Company was renamed as China Tourism Group Duty Free Corporation Limited (中國旅遊集團中免股份有限公司).

We became the largest travel retailer in the world this year in terms of sales revenue according to Frost & Sullivan.

2021
Moodie International published the Moodie Davitt Report naming us as the largest travel retailer in the world in 2020, and having further consolidated our global leading position in the first half of 2021.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Incorporation of our Company in March 2008

In March 2008, as approved by the Central SASAC and the State Council, our Company, then known as China International Travel Service Corporation Limited, was established with an initial registered share capital of RMB660 million contributed by CITS Group and OCT Group, representing 660 million shares of RMB1.00 each. CITS Group and OCT Group were the promoters of our Company. The shareholding structure of our Company as of the date of the establishment was as follows:

Name of the Shareholder	Number of Shares held	Approximate percentage of shareholding (%)
CITS Group	558,461,500	84.62
OCT Group	101,538,500	15.38
Total	660,000,000	100.00

Listing on the Shanghai Stock Exchange in October 2009

As approved by the CSRC, our Company completed the initial public offering and listing of our A Shares on the Shanghai Stock Exchange (stock code: 601888) in October 2009, under which a total of 220 million new A Shares were issued. Immediately following this offering, our registered share capital was increased to RMB880 million, and the shareholding structure of our Company was as follows:

Name of the Shareholder	Number of A Shares held	Approximate percentage of shareholding (%)
CITS Group	539,846,100	61.35
OCT Group	98,153,900	11.15
National Council for Social Security Fund	22,000,000	2.50
Other Shareholders	220,000,000	25.00
Total	880,000,000	100.00

As of the Latest Practicable Date, our Company was listed on the Shanghai Stock Exchange, and our Directors confirmed that we had no instances of non-compliance with the rules of the Shanghai Stock Exchange in any material respects since our listing on the Shanghai Stock Exchange and, to the best knowledge of our Directors after having made all reasonable enquiries, there was no matter that should be brought to investors' attention in relation to our compliance record on the Shanghai Stock Exchange. Based on the filings on the website of the Shanghai Stock Exchange and the information available in the public domain, our PRC Legal Advisers are of the view that the above confirmation of our Directors with regard to our compliance record is accurate and reasonable. Based on the independent due diligence conducted by the Joint Sponsors and our PRC Legal Advisers' view above, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange.

Private Placement in 2013

In December 2012 and May 2013, respectively, our Company obtained approval from our Shareholders and the CSRC for a private placement, the purpose of which was to fund the construction of our Sanya International Duty-Free Complex. The new A Shares issued in this private placement were priced at RMB26.58 each, which was determined based on various factors, including the average price of the 20 trading days prior to the pricing date, the dividend payment by our Company for 2012 and the subscription of the shares by potential investors. The new A Shares were eventually placed to eight investors who were all Independent Third Parties, raising a net proceed of approximately RMB2,502.6 million. Following the completion of this placement in July 2013, our registered share capital was increased to RMB976.2 million, and the shareholding structure of our Company was as follows:

Name of the Shareholder	Number of A Shares held	Approximate percentage of shareholding (%)
CITS Group	539,846,100	55.30
OCT Group	98,153,900	10.05
Other Shareholders	338,237,772	34.65
Total	976,237,772	100.00

Transfer of Shares by CITS Group in 2016

In July 2016, as part of the reorganization of our parent group, CITS Group entered into a share transfer agreement with CTG, a state-owned enterprise primarily engaged in travel and tourism services, to transfer all 55.30% of the equity interest that CITS Group then held in our Company to CTG. The Central SASAC approved this share transfer agreement in August 2016 and the CSRC granted a waiver to CITS Group with respect to its obligations to tender a general offer as a result of the transfer in September 2016. As a result, upon the completion of this share transfer, CTG held 55.30% of the equity interest in our Company and thus became our Controlling Shareholder. The shareholding structure of our Company upon the completion of this share transfer in December 2016 was as follows:

Name of the Shareholder	Number of A Shares held	Approximate percentage of shareholding (%)
CTG	539,846,100	55.30
OCT Group	39,850,455	4.08
Other Shareholders	396,541,217	40.62
Total	976,237,772	100.00

Capitalization Issue in 2018

In the annual shareholder meeting held in May 2017, our Shareholders approved the plan of issuing new shares of our Company by way of capitalization of capital reserve of our Company on the basis of 10 additional shares for every 10 existing shares. This plan was eventually completed in January 2018, and, as a result, the total registered share capital was increased to approximately RMB1,952.5 million. The shareholding structure of our Company immediately upon the completion of this issue of new shares by way of capitalization of capital reserve was as follows:

Name of the Shareholder	Number of A Shares held	Approximate percentage of shareholding *(%)*
CTG	1,079,692,200	55.30
Other Shareholders	872,783,344	44.70
Total	1,952,475,544	100.00

OUR PRINCIPAL SUBSIDIARIES

As of the Latest Practicable Date, we held 13 principal subsidiaries. The following table sets forth the detailed information of these principal subsidiaries as of the Latest Practicable Date:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to our Group	Authorized share capital/ registered capital	Principal activities
CDFG	PRC	February 1985	100%	RMB4,250.0 million	Travel retail business
CDF Investment Development Co., Ltd. (中免投資發展有限公司)	PRC	May 2010	100%	RMB3,000.0 million	Investment and development of integrated travel retail complexes in travel destinations
CDFG Sanya Downtown Duty Free Store Co., Ltd. (中免集團三亞市內免税店有限公司)	PRC	June 2009	100%	RMB1,850.6 million	Travel retail business
China Duty Free International Limited (中免國際有限公司)	Hong Kong	November 1996	100%	HK$42.8 million	Travel retail business
CDF-Lagardere Company Limited (中免-拉格代爾有限公司)	Hong Kong	January 2017	80%	HK$130.0 million	Travel retail business
CDFG Beijing Capital Airport Duty Free Co., Ltd. (中免集團北京首都機場免税品有限公司)	PRC	December 2017	51%	RMB200.0 million	Travel retail business

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Equity interest attributable to our Group	Authorized share capital/ registered capital	Principal activities
CDFG (Guangzhou Xinmian) Duty Free Merchandise Co., Ltd. (廣州新免免稅品有限公司)	PRC	January 2008	100%	RMB220.6 million	Travel retail business
Sunrise Shanghai	PRC	June 1999	51%	US$1.0 million	Travel retail business
Sunrise China	PRC	November 2005	51%	US$6.3 million	Travel retail business
Hainan DF	PRC	October 2011	51%	RMB200.0 million	Travel retail business
China Duty Free Group (Hainan) Operation Headquarter Co., Ltd. (中免集團(海南)運營總部有限公司)	PRC	May 2018	100%	RMB2,500.0 million	Travel retail business
CDF (Sanya) Investment Development Co., Ltd. (中免(三亞)投資發展有限公司)	PRC	August 2011	100%	RMB387.8 million	Investment and development of integrated travel retail complex
CDF (Sanya) Haitang Bay Investment Development Co., Ltd. (中免(三亞)海棠灣投資發展有限公司)	PRC	July 2014	100%	RMB240.0 million	Investment and development of integrated travel retail complex

MAJOR ACQUISITIONS AND DISPOSALS

Acquisition of Sunrise China in 2017 and Sunrise Shanghai in 2018

In March 2017, our Group entered into an agreement with Sunrise Shanghai and Sunrise Duty Free Group Limited, both of which were then Independent Third Parties, to acquire 51% equity interest in Sunrise China for a consideration of approximately RMB38.8 million, determined with reference to the valuation of the assets of the acquired entity. The acquisition was completed in March 2017 and the consideration for this acquisition was fully settled on October 25, 2017. Shareholder approval was not required for this acquisition. Upon the completion of this acquisition, Sunrise China became a non-wholly owned subsidiary of our Group. This acquisition has been properly and legally completed and settled and all necessary approvals from the relevant authorities have been obtained. For the years ended December 31, 2019, 2020 and 2021 and for the three months ended March 31, 2021 and 2022, our revenue from Sunrise China was RMB7,477.1 million, RMB3,202.2 million, RMB1,906.8 million, RMB492.9 million and RMB262.9 million, respectively, representing 15.6%, 6.1%, 2.8%, 2.7% and 1.6% of our total revenue from continuing operations during the same periods. See Note 16 of "Appendix I – Accountants' Report" for the summarized financial information of Sunrise China.

Furthermore, in February 2018, our Group entered into an agreement with Base Rich Investments Limited and Shanghai Wenyuzhai Books Co., Ltd., both of which were then Independent Third Parties, to acquire 51% equity interest in Sunrise Shanghai for a consideration of approximately RMB1,501.6 million, determined with reference to the valuation of the assets of Sunrise Shanghai. The acquisition was completed in April 2018 and the consideration for this acquisition was fully settled on April 27, 2018. Shareholder approval was not required for this acquisition. Upon the completion of this acquisition, Sunrise Shanghai became a non-wholly owned subsidiary of our Group. This acquisition has been properly and legally completed and settled and all necessary approvals from the relevant authorities have been obtained. For the years ended December 31, 2019, 2020 and 2021, and for the three months ended March 31, 2021 and 2022, our revenue from Sunrise Shanghai was RMB15,148.5 million, RMB13,729.6 million, RMB12,490.7 million, RMB2,954.0 million and RMB2,949.4 million, respectively, representing 31.6%, 26.1%, 18.5%, 16.3% and 17.6% of our total revenue from continuing operations during the same period. See Note 16 of "Appendix I – Accountants' Report" for the summarized financial information of Sunrise Shanghai.

Disposal of CITS Agency in 2019

In December 2018, in the effort of streamlining our business, avoiding direct business competition with our parent group and focusing on our core duty-free business, we entered into an agreement to dispose of 100% of our equity interest in CITS Agency to CTG, our Controlling Shareholder, for a total consideration of RMB1,830.8 million, determined with reference to the valuation of the assets of CITS Agency. Shareholder approval for this transaction was obtained in January 2019. The disposal was completed in February 2019 and the consideration for this disposal was fully settled on March 21, 2019. CITS Agency was primarily engaged in the provision of travel services. This transaction has been properly and legally completed and settled and all necessary approvals from the relevant authorities have been obtained.

Acquisition of Hainan DF in 2020

In October 2018, in anticipation of a transfer of 51% equity interest in Hainan DF from the State-owned Assets Supervision and Administration Commission of the Hainan Province ("**Hainan SASAC**") to CTG and to avoid potential competition between CTG (through Hainan DF) and our Group, CTG entered into an undertaking to transfer such equity interest in Hainan DF to our Group once CTG has acquired such interest from Hainan SASAC. In January 2019, CTG completed the acquisition of 51% equity interest of Hainan DF from Hainan SASAC. In May 2020, we entered into an agreement with CTG, our Controlling Shareholder, to acquire 51% equity interest in Hainan DF for a consideration of approximately RMB2,065.3 million, determined with reference to the valuation of the assets of the acquired entity. Shareholder approval for this acquisition was obtained in May 2020. The acquisition was completed in June 2020 and the consideration was fully settled on June 10, 2020. Upon the completion of this acquisition, Hainan DF became a non-wholly owned subsidiary of our Group, which further strengthened our strategic deployment in the offshore business in Hainan. This acquisition has been properly and legally completed and settled and all necessary approvals from the relevant authorities have been obtained. During the period from February 2019 to December 31, 2019 and the years ended December 31, 2020 and 2021, our revenue from Hainan DF was RMB2,999.1 million, RMB9,911.4 million and RMB15,962.5 million, respectively; for the three months ended March 31, 2021 and 2022, our revenue from Hainan DF was RMB3,677.7 million and RMB2,396.1 million, respectively. The revenue from Hainan DF represented 6.2%, 18.8%, 23.6%, 20.3% and 14.3% of our total revenue from continuing operations in the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. See Note 16 of "Appendix I – Accountants' Report" for the summarized financial information of Hainan DF.

See "Financial Information – Factors Affecting Our Results of Operations and Financial Condition – Acquisitions and Disposal" for further details of our acquisitions and disposals during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not conduct any other major acquisition or disposal.

REASONS FOR THE LISTING

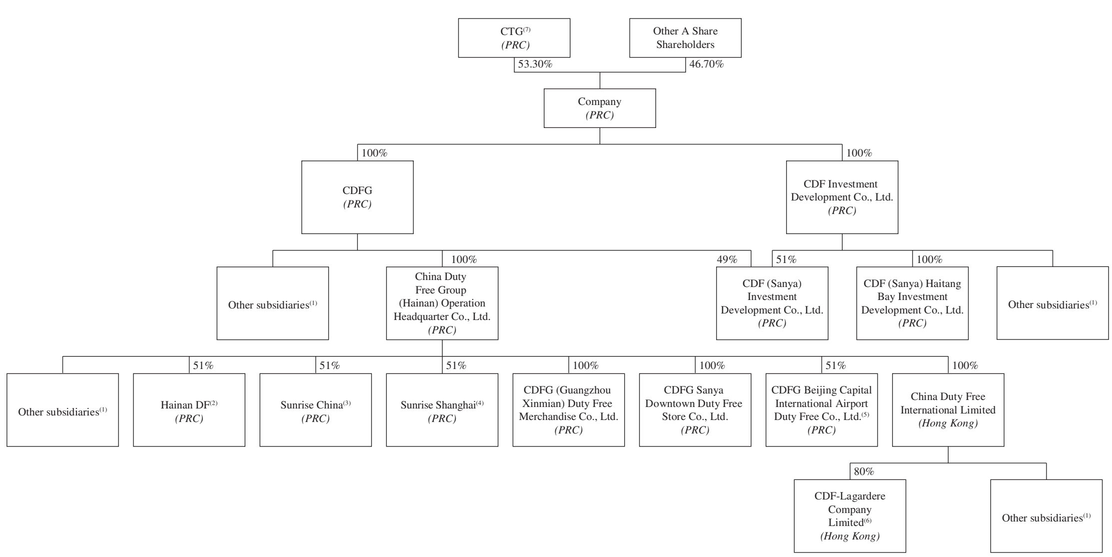
Our Company seeks to be listed on the Hong Kong Stock Exchange in order to provide further capital for the development and expansion of our business, provide an additional fundraising platform for our Company should the need arise, further strengthen our business profile and market position in the travel retail industry and further improve our level of corporate governance. We aim to continue building a competitive edge in our existing business and maintain market leadership, actively expand new business and explore more profit growth opportunities, reinforce competitive advantages in upstream supply chain and domestic and overseas markets through capital operation, further strengthen core capabilities to provide a driving force for continuous development, and attract and retain top-notch strategic talents to preserve corporate human resources. We currently intend to use the net proceeds from the Global Offering to reinforce our domestic channels, expand overseas channels, improve supply chain efficiency, upgrade our information technology system, for marketing and to further improve our customer loyalty program, and for working capital and other general corporate purposes. See "Business – Our Strategies" and "Future Plans and Use of Proceeds" for more details.

REASONS FOR EXCLUDING SOME BUSINESSES FROM OUR GROUP

In February 2019, with a view to focusing on our core competencies in our principal business, streamlining our group structure and simplifying our business portfolio, we disposed of 100% equity interest of CITS Agency to CTG, our Controlling Shareholder, for a total consideration of RMB1,830.8 million. Prior to the disposal, CITS Agency was principally engaged in the provision of travel related services. See "– Disposal of CITS Agency in 2019" and "Financial Information – Description of Principal Consolidated Statements of Profit or Loss and Other Comprehensive Income Items – Discontinued Operations" for details.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

The following chart illustrates our corporate and shareholding structure immediately prior to the Global Offering:



Notes:

(1) Other subsidiaries include, in aggregate, 104 subsidiaries incorporated in the PRC, three subsidiaries incorporated in Hong Kong, two subsidiaries incorporated in Macau and one subsidiary incorporated in Cambodia.

(2) Hainan DF is owned as to 39% by Hainan Tourism Investment Development Co., Ltd. (海南省旅遊投資發展有限公司), an independent third party and 10% by the Department of Finance of Hainan Province (海南省財政廳), a PRC Government body.

(3) Sunrise China is owned as to 49% by Sunrise Duty Free Group Limited, an independent third party.

(4) Sunrise Shanghai is owned as to 49% by Base Rich Investments Limited, an independent third party.

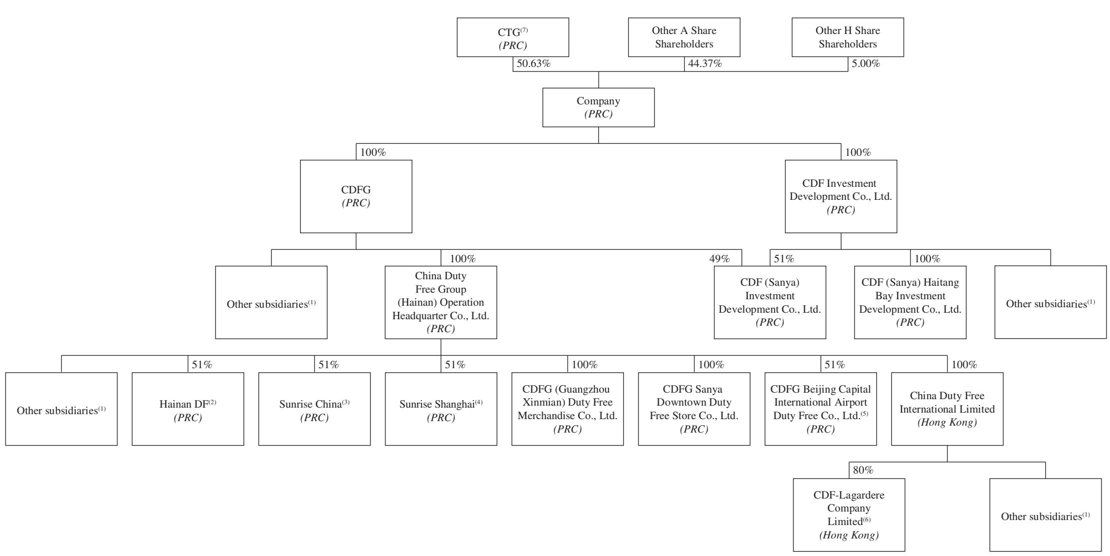
(5) CDFG Beijing Capital International Airport Duty Free Co., Ltd. is owned as to 49% by Beijing Yichangfeng Commerce Co., Ltd. (北京奕長豐商業有限公司), which also holds 49% equity interest in CDFG Beijing Daxing International Airport Duty Free Merchandise Co., Ltd. (中免集團北京大興國際機場免稅品有限公司).

(6) CDF-Lagardere Company Limited is owned as to 20% by Lagardere Travel Retail Hong Kong Limited, an independent third party.

(7) CTG is a state-owned enterprise under the control and supervision of the Central SASAC. As requested by the State Council, the Central SASAC is in the process of transferring 10% of its shareholdings in CTG to the PRC National Council for Social Security Fund (全國社會保障基金理事會), which is also a PRC Government body. As of the Latest Practicable Date, such share transfer has not been completed.

As of the Latest Practicable Date, all of our Shares were traded on the Shanghai Stock Exchange. CTG, our Controlling Shareholder, directly held approximately 53.30% of our total issued Shares. To the best knowledge of our Directors after having made all reasonable enquiries, as of the Latest Practicable Date, no other shareholders of our A Shares were close associates of CTG.

The following chart illustrates our corporate and shareholding structure immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised:



Notes:

(1) Other subsidiaries include, in aggregate, 104 subsidiaries incorporated in the PRC, three subsidiaries incorporated in Hong Kong, two subsidiaries incorporated in Macau and one subsidiary incorporated in Cambodia.

(2) Hainan DF is owned as to 39% by Hainan Tourism Investment Development Co., Ltd. (海南省旅遊投資發展有限公司), an independent third party and 10% by the Department of Finance of Hainan Province (海南省財政廳), a PRC Government body.

(3) Sunrise China is owned as to 49% by Sunrise Duty Free Group Limited, an independent third party.

(4) Sunrise Shanghai is owned as to 49% by Base Rich Investments Limited, an independent third party.

(5) CDFG Beijing Capital International Airport Duty Free Co., Ltd. is owned as to 49% by Beijing Yichangfeng Commerce Co., Ltd. (北京奕長豐商業有限公司), which also holds 49% equity interest in CDFG Beijing Daxing International Airport Duty Free Merchandise Co., Ltd. (中免集團北京大興國際機場免税品有限公司).

(6) CDF-Lagardere Company Limited is owned as to 20% by Lagardere Travel Retail Hong Kong Limited, an independent third party.

(7) CTG is a state-owned enterprise under the control and supervision of the Central SASAC. As requested by the State Council, the Central SASAC is in the process of transferring 10% of its shareholdings in CTG to the PRC National Council for Social Security Fund (全國社會保障基金理事會), which is also a PRC Government body. As of the Latest Practicable Date, such share transfer has not been completed.

OUR MISSION

Share the joy of shopping and extend the enjoyment of travel.

OVERVIEW

Established in 1984 and after nearly 40 years of development, we have become the largest travel retail operator in the world primarily focusing on sales of high-quality duty-free and duty-paid merchandise to domestic and international travelers and mid- to high-end consumers, forming an all-round shopping experience. According to Frost & Sullivan, our worldwide ranking by sales revenue has steadily increased over the past 10 years, from the 19th in 2010 to the 12th in 2015, and further to the fourth in 2019 before reaching the first in 2020 and 2021, with a 24.6% market share of the global travel retail industry in 2021. We have developed China's travel retail business with duty-free as our core strength and seek to increase our global presence. We are the only retail operator in China covering all duty-free sales channels (which include port stores, offshore stores, downtown stores, cruise stores, inflight stores and ship-supply stores). We have the most duty-free stores in China. As of the Latest Practicable Date, we operated 193 stores, including 184 stores in 100 cities across 28 provinces, municipalities and autonomous regions in China. We also operate nine duty-free stores overseas, including seven in Hong Kong, Macau and Cambodia and two cruise duty-free stores. According to Frost & Sullivan, from 2019 to 2021, the airports where we operated stores alone served more than 2.2 billion travelers.

Our business from continuing operations has significantly grown during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021, our revenue was RMB48,012.6 million, RMB52,597.8 million and RMB67,675.5 million, respectively, and our net profit was RMB5,471.1 million, RMB7,109.4 million and RMB12,441.3 million, respectively. From 2019 to 2021, our revenue grew at a CAGR of 18.7% and our net profit grew at a CAGR of 50.8%. For the three months ended March 31, 2021 and 2022, our revenue was RMB18,133.5 million and RMB16,782.3 million, and our net profit was RMB3,427.6 million and RMB2,933.7 million, respectively.

We are a pioneer of China's duty-free industry. Since our establishment in 1984, we have been continuously promoting the development of China's duty-free industry. We opened China's first offshore store in downtown Sanya in 2011 in anticipation of favorable offshore duty-free policies. Furthermore, we opened China's first integrated travel retail complex, the Sanya International Duty-Free Complex, in Sanya in 2014, pioneering the integrated travel retail complex business model for China's duty-free industry. The Sanya International Duty-Free Complex has become a new landmark of tourism in Hainan; it is also the largest standalone integrated travel retail complex in the world by sales area as of 2020, with a sales area of more than 70,000 sq.m. While focusing on duty-free business, it also conducts other businesses such as duty-paid retail, dining, entertainment and leisure, providing travelers with a diversified one-stop shopping and leisure experience. In 2021, revenue generated from the Sanya International Duty-Free Complex[1] amounted to RMB34,811.2 million, ranking first among all shopping complexes in China. In addition, we also started operating cruise duty-free stores in 2018 and became the first duty-free operator in Asia to operate cruise duty-free stores.

1 Represented by revenue from CDFG Sanya Downtown Duty-Free Store Co., Ltd. (中免集團三亞市內免稅店有限公司).

In terms of geographical coverage, we believe we have the best duty-free stores in China. We have captured the core offshore duty-free sales channels in Hainan, including Haikou Meilan International Airport and Sanya Phoenix International Airport, the core downtown areas of Haikou and Sanya, as well as the area of Boao Forum for Asia. We have concession rights to operate duty-free stores in major aviation hubs in China and the Asia-Pacific Region, including nine of the top 10 airports in China and, in particular, the top three airports (Beijing Capital International Airport, Shanghai Pudong International Airport and Guangzhou Baiyun International Airport), in terms of international passenger traffic in 2019 prior to the COVID-19 outbreak, as well as the Hong Kong International Airport, the Macau International Airport and other Asia-Pacific international hub airports.

Our global procurement capability is our core competency, which enables us to have the most comprehensive brand portfolio in China's duty-free industry. We have established stable long-term relationships with world-renowned brands and rank among the top tier travel retail operators in the world in terms of brand resources, far ahead of other domestic duty-free operators. Our excellent procurement advantage enables us to provide our customers with a high-quality product portfolio at favorable prices.

We have established the only nationwide duty-free logistics and distribution system in China. We have also formed direct procurement channels with more than 430 merchandise suppliers and over 1,200 brands worldwide. Our merchandise primarily includes mid- to high-end perfume and cosmetics, fashion and accessories (such as watches, jewelry, clothing and accessories), tobacco and liquor, food and miscellaneous goods.

We have won various important awards and certificates during the Track Record Period, including "Top 100 Listed Companies in China", "Top 100 Companies in China", "Top 100 High Growth Companies in China Award" and "Top 100 Best Management and Operation in China Award" in 2021 by Warton Economic Institute, "Model Enterprise of Corporate Governance of State-owned Enterprises" in 2021 by SASAC, "Top 100 Main Board Value Award" by Securities Times, "Most Valuable Company of the Year" in 2021 by CHN Fund, "The Best Board of Directors for Investor Relations in Main-Board-Listed Chinese Companies" in 2021 by Securities Times, "Digital Economy Pioneer Award" in 2020 by Securities Daily, "30 Most Influential Listed Companies in 2020" by Caijing Magazine and "Top 500 Most Valuable Brands in China" (ranking first in the travel retail industry) in 2020 by World Brand Lab. Additionally, our store at Hong Kong International Airport was awarded as the "Best Airport Liquor Retailer in 2019" by Drinks International Magazine.

OUR MARKET OPPORTUNITIES

The size of China's duty-free market has grown from RMB29.9 billion in 2017 to RMB50.1 billion in 2019, with a CAGR of 29.4%. The duty-free market shrunk to RMB32.9 billion in 2020 due to the COVID-19 pandemic. Nonetheless, there remains significant growth potential in this market. According to Frost & Sullivan, the amount PRC travelers spend while traveling overseas on duty-free and duty-paid goods exceeded RMB700 billion in 2019, which is around 14 times the size of the domestic duty-free market in the same period. Driven by the following factors, we believe that China's duty-free market has tremendous growth opportunities:

- *"Dual circulation" economic development policy:* The 14th Five-Year Plan promotes a new development pattern that centers on the domestic circulation and the co-development of both the domestic and international circulation. The policy emphasizes the central role of the domestic circulation and seeks to improve the efficacy and efficiency of the domestic circulation with the international circulation, achieving the co-development of both the domestic and international circulation. Domestic sales of duty-free goods will play an increasingly important role in the new economic development pattern because it is a key driver for domestic consumption and channeling overseas consumption back to China, and an important method for us to expand overseas to serve travelers worldwide and connect to the international circulation. On January 20, 2022, the 14th Five-Year Plan for the Development of Tourism Industry was released, which clearly defined and actively improved the policies for the duty-free industry to promote the healthy and orderly development of China's duty-free industry. It is expected that the offshore duty-free market will continue to benefit from the domestic consumption backflow under the "dual circulation" policy in the long run.

- *Policy support for the domestic duty-free industry:*

  - o *The offshore duty-free policies have been enhanced.* The Chinese government has recently implemented several changes in the offshore duty-free policies, including:

    (1) *Purchase quota:* raising the annual duty-free purchase limit from RMB30,000 to RMB100,000 per person;

    (2) *Product price and categories:* relaxing restrictions on unit price and eligible product categories;

    (3) *Product quantity limit:* revoking the purchasing quantity limit for most categories of products; and

    (4) *Channels:* allowing online order and shipment by mail to stimulate growth of the offshore duty-free market.

    According to Frost & Sullivan, considering the spread of COVID-19 Omicron variant cases in China is under effective control, the offshore duty-free market is expected to grow from RMB13.5 billion in 2019 to RMB103.8 billion in 2023, representing a CAGR of 66.6%, and is expected to grow further to RMB243.2 billion in 2026, with a CAGR of 32.8% from 2023 to 2026, exceeding the projected growth rate of the global duty-free market for the same period; and

  - o *The downtown duty-free policies will also be improved.* Pursuant to the Chinese government's policy on promoting domestic consumption, more downtown duty-free stores will be established and local governments, if conditions permit, are encouraged to provide support (including land and financing support) for these stores. On December 20, 2021, the 14th Five-Year Plan for the Development of Domestic Trade was released, stating that in the future, the policies of downtown duty-free stores will be gradually improved and a number of duty-free stores with Chinese characteristics are planned to be developed. The downtown duty-free stores are expected to be a driver in expanding the domestic duty-free market.

Given the overall government strategy to encourage domestic consumption and plan to make Hainan Province a free trade port and an international tourism and consumption destination, we expect the favorable duty-free policies will continue in the foreseeable future.

- *Consumption upgrade:* With the development of China's economy and the increase of GDP per capita, demand for premium perfume and cosmetics, fashion and accessories and tobacco and liquor, which are also our core merchandise offerings, has been gradually increasing. Additionally, China's travel retail market will benefit from the large consumer group consisting of Generation Y, born between 1980 and 1995, and Generation Z, born between 1995 and 2010. China's population under the age of 40 was 703.4 million in 2021, and is expected to remain around 700 million in 2026. Generation Y is an important consumer group of the travel retail market, with strong purchase power and willingness to purchase. Furthermore, as Generation Z, born in the era of rapid development of China's economy and the internet, enters the workforce, China's travel retail market, and duty-free market in particular, will have further growth potential as Generation Z brings shifts in consumption habits and consumerism ideals as well as increases in purchase power.

- *Rapid development of our new travel retail formats:* With the change in consumer spending habits, new travel retail formats (including online sales and integrated travel retail complexes) are also experiencing growth, complementing our traditional offline retail sales.

- *Expected recovery from the COVID-19 pandemic:* Although the COVID-19 pandemic had a major impact on international travel and traditional offline retail channels, the domestic travel market has mostly recovered as the pandemic subsided in China. Once the pandemic can be gradually brought under control, the cross-border travel market is expected to recover, which will benefit our port stores and stores overseas.

Given the tremendous opportunities ahead, we will leverage our advantages in areas such as retail network, market resources, brand portfolio, management, procurement, supply chain, customer loyalty program, business models, investment strategies, management experience and shareholder support to maintain our growth and solidify our position as a world-leading top-tier travel retailer.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths will enable us to maintain our leadership in the travel retail industry.

The largest and one of the fastest growing travel retail operators in the world

We are the largest travel retail operator in the world. According to Frost & Sullivan, we ranked the first among the world's travel retail operators measured by sales revenue in 2021, with a market share of 24.6%. We take full advantage of the development of the duty-free market around the globe and especially in China. China is the largest travel retail market and one of the fastest-growing markets in the world. From 2017 to 2019, China's travel retail market has increased from RMB57.3 billion to RMB91.0 billion with a CAGR of 25.9%, as compared to 12.9% globally. In 2019, China's travel retail market made up 15.2% of the global travel retail market. In 2020 and 2021, although China's travel retail market, like the rest of the world, was impacted by the COVID-19 pandemic, it demonstrated robust resilience and its share of the global travel retail market increased to 25.4% in 2020 and further to 29.7% in 2021.

Driven by the market growth in China, we are one of the fastest-growing operators in the global travel retail market. Our worldwide ranking by sales revenue has steadily increased from the 19th in 2010 to the 12th in 2015, and further to the fourth in 2019 before reaching the first in 2020 and 2021. From 2019 to 2021, our revenue from continuing operations grew at a CAGR of 18.7% and our net profit for the year grew at a CAGR of 50.8%, both of which, according to Frost & Sullivan, were significantly higher than growth rates of other leading operators in the global travel retail industry. The continuous expansion of our scale provides the Company with greater bargaining power in commercial negotiations, which enables us to continuously optimize the procurement terms and comprehensively enhance our profitability.

We are also a well-recognized leader in China's duty-free market with the most retail outlets. We have been ranked the first among all Chinese duty-free operators for the past five years in terms of sales revenue. In recent years, the Company has opened duty-free stores in prime geographical locations throughout the country through organic growth, and also carried out horizontal integration within the industry. In 2021, our duty-free market share in China reached 86.0% in terms of sales revenue, more than 20 times the market share of the second largest. As of the Latest Practicable Date, our retail network consisted of 193 stores, including 184 stores in 100 cities across 28 provinces, municipalities and autonomous regions in China, which, according to Frost & Sullivan, exceeded the total number of all the other domestic duty-free operators' stores combined as of the same date. We also operated a total of nine overseas duty-free stores, including seven in Hong Kong, Macau and Cambodia and two cruise duty-free stores. According to Frost & Sullivan, from 2019 to 2021, the airports where we operated stores alone served more than 2.2 billion travelers.

Given our industry-leading position in China and worldwide, we believe we will continue benefiting from the growth potential of the global travel retail market, especially China's duty-free market, in the coming years. Assuming the overall global international travel restrictions outside of China will be relaxed gradually starting from the end of 2022, the global travel retail market is also expected to gradually recover and further grow to RMB1,084.7 billion in 2026, with a CAGR of 17.2% from 2023 to 2026, according to Frost & Sullivan. Driven by China's strategy to stimulate domestic demand and to channel back overseas consumption, including the development of the Hainan free trade port and other favorable policies, China's travel retail market is expected to grow from RMB91.0 billion in 2019 to RMB193.1 billion in 2023, with a CAGR of 20.7%, and further grow to RMB450.9 billion in 2026, with a CAGR of 32.7%, according to Frost & Sullivan. China's travel retail market is forecasted to account for a 41.6% market share worldwide by 2026. Relying on our extensive sales network in Asia Pacific and especially in China, we believe we will be able to consolidate our leading market position and seize market opportunities, benefiting from the booming industry and achieving sustained growth in the foreseeable future.

The most comprehensive duty-free retail channels and the best market resources in China with strong acquisition and integration capabilities

We are the only retail operator covering all duty-free retail channels in China with the most duty-free retail outlets. As one of the earliest operators to obtain a duty-free license, we have a strong first-mover advantage, fully occupying various prime locations for duty-free stores, which gives us an unparalleled advantage. We successfully opened China's first offshore store in 2011, first integrated travel retail complex in 2014 and first cruise duty-free store in 2018, according to Frost & Sullivan. As of the Latest Practicable Date, we operated the most diverse types of duty-free stores among the duty-free operators worldwide, covering port stores, offshore stores, downtown stores, cruise stores, inflight stores as well as ship-supply stores.

We take full advantage of high-quality sales channels and market resources to benefit from the future growth of China's duty-free industry:

- **Offshore stores in Hainan.** We have captured the core duty-free sales channels in Hainan, and have set up airport duty-free stores, integrated travel retail complexes, downtown stores, and experience centers strategically throughout the island. We currently operate the duty-free stores exclusively at Haikou Meilan International Airport and Sanya Phoenix International Airport, the two major airports in Hainan. We continue to increase the operating area of our offshore duty-free business. In 2021, we opened the only duty-free store at Terminal 2 of Haikou Meilan Airport and the French garden expansion project at Sanya Phoenix International Airport is currently ongoing. Our Sanya International Duty-Free Complex, with more than 70,000 sq.m of sales area, located in Haitang Bay, Sanya, provides travelers with a one-stop experience of leisure and duty-free shopping. We also operate duty-free stores with convenient access in downtown Haikou and the area of Boao Forum for Asia. In addition, as part of our marketing and promotion strategy, we have opened duty-free experience centers tailored for different locations such as resorts, scenic spots and outlets, to further enhance our brand influence. Consumers can experience the products first hand in our experience centers and order them online for pick-up when they depart Hainan. Finally, modeled after our highly successful Sanya International Duty-Free Complex, our Haikou International Duty-Free Complex under construction, with an estimated sales area of 150,000 sq.m, is expected to commence operation in September 2022. We believe the Haikou International Duty-Free Complex will reinforce our leadership position in the offshore duty-free market;

- **Port duty-free stores.** We have concession rights to operate duty-free stores in nine of the top 10 airports in China, including Beijing Capital International Airport, Shanghai Pudong International Airport and Guangzhou Baiyun International Airport, the top three airports in China, in terms of international passenger traffic in 2019 prior to the COVID-19 outbreak, and Shanghai Hongqiao International Airport. The above four airports served over 50% of the total number of border-crossing passengers by air to and from China in the same year. In addition, in 2019, we won the concession rights to sell duty-free perfume, cosmetics, food, tobacco and liquor products at Beijing Daxing International Airport for a term of 10 years. In the future, as the passenger traffic of Daxing Airport continues to grow, our influence over the duty-free channels of the major ports in China will be further strengthened; and

- **Downtown duty-free stores.** In view of expected introduction of the new downtown duty-free stores policy in the next few years, we have opened downtown duty-free stores in Beijing, Shanghai, Xiamen, Dalian, Qingdao and Harbin, and have successfully operated downtown duty-free stores overseas, gaining extensive experience in the operation of downtown stores. In addition to the establishment of traditional downtown duty-free stores, we have developed a replicable and marketable integrated travel retail complex model, which can be applied to cities where the new downtown duty-free stores policy can be implemented. For example, in 2021, CTG Group collaborated with the Guangzhou Municipal Government on the CTS Duty-free Complex Project of Guangzhou North Railway Station, of which the duty-free segment will be operated by us. At the same time, since the downtown duty-free store is an extension of the airport store, we are able to take advantage of our nationwide high-quality port channels to maximize the synergy between port duty-free stores and downtown duty-free stores; and

- **Overseas duty-free stores.** We have obtained concession rights to sell duty-free tobacco and alcohol at the Hong Kong International Airport and a duty-free operating license for Macau International Airport. The Hong Kong International Airport and the Macau International Airport are important international shipping hubs in the Asia-Pacific region. Winning the concession rights for duty-free operations in these two airports fully demonstrated our duty-free operational capabilities and first-class international competitiveness. In addition, we currently operate one downtown duty-free store in Hong Kong, one downtown duty-free store in Macau and three downtown duty-free stores in three major cities of Cambodia, including Phnom Penh, Siem Reap and Sihanoukville. In 2019, we received 25.6 million travelers with our overseas duty-free stores. Although the number of travelers received by our overseas duty-free stores decreased to 1.2 million in 2021, we believe the travelers will return to our duty-free stores once the COVID-19 pandemic subsides. These overseas stores allow us to gain more experience in overseas operations and pave the way for us to further increase our global presence.

As an industry leader, we have strong inter-industry acquisition and integration capabilities. From 2017 to 2021, we have completed acquisition of 51% equity interest in Sunrise China, 51% equity interest in Sunrise Shanghai and 51% equity interest in Hainan DF, which reinforced our comprehensive retail network, further enhanced our retail channels and market resources, optimized our product structure and further integrated our membership system. The series of acquisitions of Sunrise entities gave us access to the airports in Beijing and Shanghai, the No. 1 and No. 2 busiest airports in China and two of the top 10 busiest airports in the world by passenger traffic in 2019, while laying a solid foundation for our online business development under the pandemic. The acquisition of Hainan DF enabled us to capture a significant market share in the PRC offshore duty-free market and take full advantage of the benefits brought by the favorable policies in Hainan. After acquisition of the target entities, our strong integration capability enables entities acquired to assimilate into our system rapidly and create significant synergies. For example, after our acquisition of Hainan DF in June 2020, the revenue of Hainan DF from external customers grew significantly in the second half of 2020, recording a 258.5% increase from the same period of 2019. We believe our strong acquisition and consolidation capabilities will help us to effectively achieve rapid growth and maximize profits for our shareholders.

Excellent operation and procurement capabilities and significant advantages in brand and product portfolios

We regard our operation and overseas procurement capabilities as our core competency. With nearly 40 years of operational experience, we have formed our unique operation system, whereby we directly operate and manage all our stores. We drive our operation and management through digitalization. We have mastered professional modular data analysis and planning for key business processes relating to procurement, supply and sales. We launched the first duty-free online pre-order platform in China, integrating online and offline operations. Additionally, through continuous digitalization upgrade, we increased decision accuracy and management efficiency, and achieved precision marketing. We keep boosting our operational efficiency. For the years ended December 31, 2019, 2020 and 2021, our net profit margin for continuing operations was 9.9%, 13.5% and 18.4%, respectively. For the three months ended March 31, 2021 and 2022, our net profit margin for continuing operations was 18.9% and 17.5%, respectively. According to Frost & Sullivan, our net profit margins between 2019 and 2021 were higher than those of other leading global travel retail operators during the same period.

Our vast retail network and business scale provide us with significant advantages in procurement. We have adopted a centralized procurement model for the entire Group, whereby we source and procure products directly from a diverse range of brand owners globally. As of March 31, 2022, the business relationships between our Group and our top five suppliers during the Track Record Period range from three to 23 years. Compared with other domestic duty-free operators, our long-term cooperation with suppliers and expanding business volume have brought us closer to our suppliers. As a result, brand owners are often willing to provide us with favorable discounts and rebates, which lowers our unit procurement cost and allows us to offer our customers more favorable prices. Additionally, brand owners are willing to prioritize our demands for popular merchandise and CDF customized products. The continuous strengthening of our core competitiveness in procurement helps us to maintain our leading position in the industry. According to a survey conducted by Frost & Sullivan among 1,000 consumers that had purchased duty-free merchandise in 2019 and 2020 (the "**Survey**"), we had a significantly higher fulfilment rate of popular duty-free merchandise than other global leading travel retail operators. Our direct procurement system also ensures that the products we procure from our brand partners are directly from their origin, which we believe help build a strong brand image for us and win long-term repeated purchases from our customers. Additionally, we have in-depth collaboration with our brand partners and engage in product and packaging design together.

With almost 40 years of dedication to the duty-free industry, we believe we have become a trusted partner for global luxury and premium brands as well as mainstream brands who seek window-display opportunities and distribution channels in China. As of March 31, 2022, our brand portfolio consisted of over 1,200 brands, and our merchandise portfolio consisted of over 316,000 SKUs. According to Frost & Sullivan, we are far ahead of other domestic duty-free operators in terms of brand resources, and rank among the top tier in the world. Our perfume and cosmetics cover top international brands, including Dior, Estee Lauder, Lancome and Shiseido; our tobacco and liquor products cover various top-tier tobacco and liquor brands; and our fashion and accessories cover top brands worldwide such as Cartier, Hermes and Prada. After attracting leading premium brands to establish their presence in the duty-free complex, we utilize leading brands to exert the brand effect and agglomeration effect in order to attract customers and drive the category sales performance by which we will be able to further engage other brands to be a part of our brand portfolio. Not only do we strive to provide popular fashion brands for the general public, we also constantly introduce niche brands and trendy brands, such as Thom Browne, Golden Goose, that are beloved by the youngsters and possess significant growth potentials so as to promote spending from young consumers. We also regularly collaborate with brand suppliers to set up pop-up stores to create a sense of pleasure and novelty in shopping while providing customers with a comprehensive portfolio of merchandise. We had 228 professional buyers with extensive experience in the luxury industry, with an average of over eight years of industry experience as of March 31, 2022.

Our excellent procurement capability has enabled us to seize market opportunities of fast-growing product categories. For example, with the increasing purchase power of Chinese residents, there has been a rapid increase in the demand for premium cosmetics from Chinese travelers overseas, which has driven the rapid increase in the sales revenue of duty-free perfume and cosmetics products globally. According to Frost & Sullivan, perfume and cosmetics products have become one of the largest and fastest growing product categories in the global travel retail market, with a CAGR of around 20% from 2017 to 2019 and, assuming the overall global international travel restrictions outside of China will be relaxed gradually starting from the end of 2022, an estimated CAGR of around 19.5% from 2023 to 2026 in terms of sales revenue. Our sales revenue of duty-free perfume and cosmetics products in 2021 reached RMB23,082.9 million with an approximately 18.0% market share in the global perfume and cosmetics travel retail market, ranking the first among all duty-free operators in China.

Strong supply chain and superb customer experience

Our supply chain management system ensures that we can maintain industry-leading operating efficiency while expanding our business scale to meet our customers' demand for a comprehensive range of high-quality duty-free products. We have the only nationwide duty-free logistics distribution system in China. We have built seven logistics centers in Dalian, Shanghai, Qingdao, Shenzhen, Beijing, Sanya and Hong Kong whose operations are subject to the supervision of the General Administration of Customs covering the entire country, greatly enhancing the efficiency of customs declaration and clearance of commodities. We are in the process of building a new smart logistics center in Haikou. We have established a strict classification system and distribution standards for jewelry, alcohol and other high-end products. Our digitalized warehouse management system enables us to closely monitor the products in our supply chain and plan the most suitable logistic route intelligently to shorten the product delivery time to retail stores and the time from the warehouse to the airport. According to Frost & Sullivan, our inventory turnover in 2021 was in the leading position among top global travel retailers. Our strong supply chain management system not only enables us to restock our stores timely but also respond to changes in market trends and customer preference promptly, helping us to precisely match our customer demands, thus improving their experience when shopping with us. According to the Survey, 99.5% of the customers who have purchased duty-free merchandise from our stores are willing to shop with us again in the future. Furthermore, based on the Survey results, we scored the highest among leading global travel retail operators in terms of brand and product portfolio, price and discount, customer service and store location.

We focus on the specific customer group of cross-border travelers, and seek to better understand customer preferences and increase customer loyalty through our membership system. We believe our brands have become a household name that our customers trust when it comes to purchasing duty-free products. We have completed the deployment of our centralized CRM system in February 2021 and integrated our multiple customer loyalty programs into an integrated customer loyalty program, allowing our members to shop across our duty-free sales network and get the same recognition and rewards. Our integrated customer loyalty program also incorporates big data analytics and AI technology, which allows us to efficiently analyze and gain insights to our consumer preferences and make timely assessments of the market trends. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had a total of 1.2 million, 12.0 million, 20.3 million and 21.9 million registered members, representing a CAGR of 311.3% from 2019 to 2021. As of the Latest Practicable Date, we had 23.3 million registered members. We believe we have become the go-to shopping channel for our members thanks to our competitive advantages in brand resources and product varieties, which provide our members with comprehensive product categories and competitive prices.

In addition, we provide our customers with comprehensive value-added services before, during and after the trip, such as fast tracks, premium lounge services, face-to-face customer service, home delivery service of duty-free products, bus transportation services for shoppers in Hainan and limousine services in major cities, which enables them to focus on their shopping experiences within relatively limited time frame. In addition, we also collaborate with banks, mobile payment platforms and travel service platforms to continuously enhance our customers' shopping experience and increase customer loyalty.

Continuous expansion of new travel retail formats to increase our competitiveness

In response to changes in the industry such as the development of online sales platforms and changes in consumption patterns, we actively explore new travel retail formats by integrating duty-paid business into our duty-free business (such as online platforms, integrated travel retail complexes and other innovative business models) to seek growth opportunities.

The impact of the COVID-19 pandemic has prompted us to expedite the deployment of online business, accelerate the establishment and made improvements on multiple online platforms such as "cdf Membership Club", adopt multiple creative online business models and motivate customers to repeat purchases by listing more products and services online. Our online business not only made up for the decline in offline traditional business caused by travel restrictions, but also reduced rental costs and improved profitability, helping us to maintain growth in both revenue and profit in 2020 and 2021 even when the number of international travelers has fallen sharply during the pandemic. For the years ended December 31, 2020 and 2021, the revenue generated from online sales was RMB24.6 billion and RMB31.9 billion, respectively. The pandemic has changed consumers' consumption habits. It is expected that online consumption habits will sustain after the pandemic, and online business has become a beneficial complementary channel to offline business.

We also believe our integrated travel retail complexes are strategically significant to our business, helping us utilize our unique advantage and achieve a diversified multi-format competitive edge over our competitors. The integrated travel retail complex is a business model with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel. We have achieved horizontal business expansion by expanding our duty-free business to other retail formats in the travel retail industry so as to create a more comprehensive shopping experience for our customers. In 2014, our Sanya International Duty-Free Complex commenced operation as the first integrated travel retail complex in China, pioneering a new business model for China's duty-free industry. In addition to duty-free shopping, the Sanya International Duty-Free Complex also brings together five primary functional zones, namely worldwide merchandise, Hainan local products, outdoor sports, food and customer services and a play zone for children. The Sanya International Duty-Free Complex has become a new landmark of tourism in Hainan. It received over 5.8 million visitors in total in 2021 and achieved average daily sales revenue of more than RMB95.4 million in the same year.(1) During the 2021 National Day holiday from October 1, 2021 to October 7, 2021, the visitors to Sanya International Duty-Free Complex reached over 21,000 per day and the average daily sales revenue exceeded RMB171.5 million. We are building a larger integrated travel retail complex with business formats such as duty-free and duty-paid commerce, entertainment, dining, leisure and premium hotel in Haikou, including investing in the construction of the Haikou International Duty-Free Complex, which is expected to commence operation in September 2022. With significant room for future development in terms of conventions and businesses in Haikou, Haikou International Duty-Free Complex will attract business and elite customer groups with high purchasing power. The complex will have many distinctive features such as the world's exclusive customized immersive WETA-themed atrium, one of the world's largest whisky museums, the world's first Moutai experience store integrating cultural and creative retail as well as collection and auction, the world's first China-chic and beauty store in the travel retail scenarios. Collaborating with brand owners across different industries, we have come up with

Note:

(1) Calculated as revenue from CDFG Sanya Downtown Duty-Free Store Co., Ltd. (中免集團三亞市內免稅店有限公司) divided by 365.

distinctive experienced-based hybrid business formats such as retail + café, retail + teahouse and retail + bar. Haikou International Duty-Free Complex will enhance our leading advantage and attract more consumers to come shopping. Our integrated travel retail complexes also help significantly reduce the rent payments, which could in turn improve our operating leverage and profit margins, enabling us to maintain our competitiveness in the highly competitive duty-free industry.

Strong shareholder support, experienced management and excellent talent pool

Our controlling shareholder, CTG, is the largest central state-owned enterprise in the tourism industry in China. It has strong travel-related resources, covering segments including tourism services, travel investment and operations, travel retail, hotel operations, travel finance and strategic investment in the travel industry; its business network spans over mainland China, Hong Kong, Macau and close to 30 countries and regions overseas. As a subsidiary of CTG, we believe we have a bright prospect as we take advantage of CTG's resources such as strong travel-related coordination capability and marketing and promotional capabilities along the industry chain and form our unique "travel + duty-free" capabilities. As we develop, we believe we are able to generate significant synergy with our Controlling Shareholder by leveraging its resources in areas such as travel agencies and transportation, and cooperating in various sectors in the tourism industry. This synergy can help further unlock our potential in the travel retail business, provide better services and experience for our customers, and facilitate our long-term sustainable growth.

Our management team consists of top talents in China's travel retail industry, with excellent strategic vision and extensive management experience. Our senior management team has an average of approximately 20 years of experience in the travel retail industry, and our Chairman, Mr. Peng Hui has nearly 30 years of experience in the travel retail industry and has been elected as the "duty-free person of the year" by The Moodie Davitt Report in the global travel retail industry in 2014. Our general manager, Mr. Chen Guoqiang, has over 30 years of extensive experience in management and operation of the duty-free industry and has been elected as the "duty-free person of the year" multiple times by the same magazine from 2017 to 2019 and in 2021. With their deep understanding of the industry and policies, we are able to seize market opportunities, overcome industry challenges, and increase our scale of operations and profit to create higher value for shareholders.

We have been consistently upholding the "people-oriented" management philosophy. After nearly 40 years of travel retail operation, we have established a talent assessment, recruitment and training system that is in line with the needs of China's duty-free industry. We continue to learn from international best practices to build a world-class procurement and operation management team. As of March 31, 2022, we had a total of 14,359 directly employed employees, of which 31.0% held a bachelor's degree or above, and 54.2% had more than three years of relevant industry experience. We are market-oriented and provide competitive salaries.

OUR STRATEGIES

To achieve our objectives and strengthen our leadership positions, we intend to implement the following development strategies.

Continue building competitive edge in existing business and maintain industry leadership

– ***Vigorously develop our offshore business to take full advantage of the favorable offshore duty-free policies in Hainan***

We aim to further develop our offshore business in Hainan and build a world-class duty-free platform that helps to advance the overarching goal to turn Hainan into a free trade port. We will accelerate the development of integrated travel retail complexes in Hainan. Taking full advantage of the favorable offshore duty-free policies and leveraging our proven track record from the Sanya International Duty-Free Complex, we will focus on the development of Haikou International Duty-Free Complex. We will also continue to optimize our offshore network in Hainan with a focus on major transportation hubs. To maintain our leadership position in this market, we will carry out a development plan that is tailored to the current state of our offshore business.

– ***Focus on traditional domestic channels to reinforce our omni-channel retail network***

We will bid for the concession rights for port duty-free stores in first- and second-tier cities and other major cities to reinforce our high-quality channel resources and increase our competitiveness. Leveraging our advantage in operational scale brought by our existing stores in key ports, we aim to make further progress in areas such as procurement, supply assurance, marketing and operational support. We also intend to explore the opportunities to open more cruise duty-free stores and inflight duty-free stores, and further participate in the development of various seaports, bay area economies and cultural tourism to enhance the prospect of the relevant duty-free business.

We will further develop high quality duty-paid business to satisfy customers' needs for more frequent and diversified travel scenarios, so as to ensure the sustainability of the Company's future growth and mitigate business risks. We will (i) support the innovation of duty-paid businesses by leveraging the duty-free hub effect from the integrated travel retail complex so as to create an attractive retail format and brand portfolio with "culture + business + tourism" as the core features, design and sell travel retail derivatives developed from self-owned IPs such as "WETA Theme Stories" of the Haikou International Duty-free Complex and "Sky Ring" of the Sanya International Duty-free Complex, and promote the value of the integrated travel retail complex effectively; (ii) promote business management integration and interworking of brand resources between integrated travel retail complex and transportation hubs such as airports, high speed railway stations and expressways, share the Company's experience in duty-free operation and management and advantages in solicitation, procurement and digitalization and enhance profitability in our duty-paid businesses; (iii) continue to develop online business, utilize the traffic of our online businesses to promote China Duty-Free's brands and expand our member base, and further open up the China Duty-Free's membership mechanism, so as to co-share the membership benefits and introduce our duty-free and duty-paid members to the other membership program and continuously enhance the comprehensive synergies among online and offline businesses.

Actively expand new business and explore more profit growth opportunities

– ***Further develop integrated travel retail complexes with duty-free business as the core, to accelerate expansion into other parts of the industry***

We believe integrated travel retail complexes will be an area with future growth potential. The integrated travel retail complex is a business model with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel, creating a hub effect by providing customers with a more diversified one-stop shopping travel and leisure experience, thus appealing to a broader customer base than that for traditional duty-free stores. As a result, we are determined to build upon our experience with the Sanya International Duty-Free Complex and further develop integrated travel retail complexes. With our projects in Hainan as a benchmark, we will refine our project procurement and expansion, design and research, development and construction, and management and operation capabilities. We aim to develop the integrated travel retail complex as an exemplar business model and strive to build our integrated travel retail complexes into benchmark projects for the global travel retail industry.

In addition to the Haikou International Duty-Free Complex that is currently under development, we seek to expand the integrated travel retail complex business in other parts of China. We seek to develop integrated travel retail complex business in key cities where downtown duty-free policies have been implemented, such as Beijing, Shanghai, Dalian, Qingdao, Xiamen and Harbin, and other cities that may be eligible for downtown duty-free stores in the future as the policies evolve. We believe that the duty-free business, duty-paid retail and various other business formats in our integrated travel retail complexes can mutually support the growth of each other and appeal to a broader customer base than that for traditional duty-free stores, which in turn will help further improve our channel resources, expand our sales area and increase our profitability.

– ***Forestall in opening of downtown duty-free stores to expand the emerging channel market space***

We will also open more downtown duty-free stores to seize market opportunities. We will carefully select cities that (i) are eligible for development of downtown duty-free stores and (ii) align with our strategic position and further optimize the allocation of our resources as well as our network of downtown stores. With "duty-free" as our main theme to attract customer traffic, we plan to fully utilize publicity effect and brand power of duty-free shopping to promote the synergy between downtown duty-free stores and other self-owned retail formats in the city.

– ***Continue expanding overseas business channels and further increase global competency***

We will continue exploring investment opportunities in overseas hot spots. We intend to seize the tremendous opportunities in the development of the Guangdong-Hong Kong-Macau Greater Bay Area, cultivate our network in Hong Kong and Macau and further boost our network of downtown stores in Hong Kong and Macau. We will also take advantage of the Belt and Road Initiative and look for opportunities to open duty-free stores overseas in areas such as airport hubs, large ports, city centers and cruise ships, especially in popular tourist destinations in Asia.

We will also further develop duty-free management services and wholesale business. In certain countries where foreign operators are not allowed to directly set up duty-free stores, we intend to cooperate with local duty-free operators in these countries as their suppliers. In other countries, the local duty-free operators have limited operational experience and are open to external support. In these cases, we intend to cooperate with these duty-free operators by providing management services to their stores. We hope to gradually penetrate into these local markets and seek to further deepen cooperation when opportunities arise.

Reinforce competitive advantages in upstream brand suppliers and domestic and overseas channels through capital operation

- *Upstream brand suppliers:* we will strengthen our research on upstream brands and brand suppliers and target high-value consumables brands related to travel retail channels such as cosmetics, fashion and accessories, health supplements, electronics, souvenirs, local specialties and China Chic, for potential cooperation and investment opportunities. Through direct cooperation with upstream brand suppliers or investment, we will strengthen our capital ties with brand suppliers and enhance cooperation to create long-term synergies of interest, thereby strengthening our power and influence in the entire duty-free supply chain. Our duty-free and integrated complex channels are excellent platforms for brand development and can further empower the invested products and brands to boost their sales, thereby enhancing our results of operations.

- *Domestic market:* to reinforce our omni-channel retail network, we will selectively pursue acquisition opportunities to acquire domestic travel retail operators that complement our existing capabilities and revenue streams and can help us expand our existing nationwide sales network.

- *Overseas market:* we will actively seek strategic cooperation and investment opportunities with operators of duty-free stores that are located in popular tourist destinations with frequent Chinese tourists. We will closely observe the latest trends of international duty-free market and seek investment opportunities in consumer markets in Hong Kong, Macau and Asia-Pacific countries.

Further strengthen core capabilities to provide driving force for continuous development

We will further strengthen core capabilities including operation and management, procurement, logistics and delivery, information management and digitalization, and marketing and promotion.

- *Operation and management:* We will seize opportunities as the tourism market gradually recovers from the COVID-19 pandemic. Benchmarking against our international peers, we will conduct in-depth research on other world-class travel retail operators in terms of their supply chain management, operational efficiency, management model and cost structure, with a goal to enhance our own supply chain management, build an integrated marketing system and improve our store operations. We also plan to focus on extending the new travel retail business to provide customers with more convenient and smooth shopping experiences, and building a professional and dedicated team to achieve the integrated operation and development of the new travel retail business.

- *Procurement:* We will continue expanding our existing advantage in scale and sales network, and further upgrade our product mix, reduce procurement costs and increase profit margins by continuously strengthening our advantages in global resources and optimizing our centralized overseas direct procurement model.

- *Logistics and delivery:* Through our investment in the smart supply chain management system, we will selectively build more logistics centers and warehouses, upgrade our existing facilities and realize integration and visualization of our supply chain, further improving our operational efficiency and reducing costs.

- *Information management and digitalization:* We will extensively apply digital technology to further improve digitalized operation and management, and increase the accuracy of our business decisions and management efficiency; with big data analytics and our customer loyalty program, we will be able to conduct targeted marketing activities, deepen inter-industry cooperation, and provide potential customers with a full range of travel retail services before, during and after the trip.

- *Marketing and promotion:* We will continue to strengthen core capabilities such as operation management and brand promotion and other marketing activities. Embracing the value of our frequent customers, we will also enhance our customer loyalty program to attract new customers and retain existing members.

Attract and retain top-notch strategic talents to preserve corporate human resources

We will continue to attract and build a diversified, cross-disciplinary and international talent team through expanding our multi-dimensional recruitment resources, creating a strategic talent profile and having an attractive organizational culture, a comprehensive talent development plan and regular training. We will particularly focus on training our procurement, supply chain and marketing professionals and building a digitalization and information technology team.

We will keep innovating to create an industry-leading human resource management system. We will build a global human resource management platform and improve the pool of international talent reserves. We will continue to provide market-competitive salary and incentive packages to align the interests of our management and employees with those of our Company more closely. We will also continue to improve the professional capabilities and business support capabilities of the human resources team.

OUR BUSINESS MODEL

Our business primarily includes the sales of duty-free and duty-paid merchandise to domestic and international travelers. We are the largest travel retail operators in the world and have recorded significant growth over the past decade. We ranked first in the world among all travel retail operators in 2021 by sales revenue, with a 24.6% market share of the global travel retail industry in 2021, according to Frost & Sullivan, increasing from the 19th in 2010, the 12th in 2015 and the fourth in 2019. We have also ranked first among all Chinese duty-free operators for the past five years in terms of sales revenue with a market share of 86.0% in China in 2021. We rank among the top tier in the world in terms of brand resources, far ahead of other domestic duty-free operators, according to Frost & Sullivan, and have established the only nationwide duty-free logistics and distribution system in China.

The table below sets forth a breakdown of our revenue from continuing operations by business segment during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (unaudited)	*% of total*	*RMB'000*	*% of total*
Sales of Merchandise										
Duty-free	46,441,206	96.7	32,361,706	61.5	42,935,607	63.4	12,613,512	69.5	11,369,464	67.7
Duty-paid	1,150,656	2.4	19,707,555	37.5	24,005,704	35.5	5,324,661	29.4	5,244,726	31.3
Sub-total	47,591,862	99.1	52,069,261	99.0	66,941,311	98.9	17,938,173	98.9	16,614,190	99.0
Others(1)	420,728	0.9	528,546	1.0	734,204	1.1	195,356	1.1	168,096	1.0
Total	48,012,590	100.0	52,597,807	100.0	67,675,515	100.0	18,133,529	100.0	16,782,286	100.0

Note:

(1) Primarily including income from rental of our billboards and gross rental income from our investment properties in Hainan.

Sales of Merchandise

During the Track Record Period, we derived a substantial portion of our revenue by selling duty-free and duty-paid merchandise to customers. Our supply chain and sales channels are critical to our success in merchandise sales. We have fostered close working relationship with our brand partners in the supply chain and sales channels to facilitate mutual understanding and long-term partnership, which in turn allow us to provide a superior shopping experience to our customers. The following diagram illustrates our business model.

1. Supply Chain: Cooperation with brands around the world for a comprehensive brand and product portfolio

With nearly 40 years of operational experience and the largest duty-free merchandise procurement volume in the PRC duty-free industry, the strong procurement capability has become one of our core competencies. We are well-connected in the industry as a trusted partner to many internationally renowned brands with long-term relationships. As a result, we offer the most comprehensive selection of brands among PRC duty-free operators, according to Frost & Sullivan. As of March 31, 2022, our brand portfolio consisted of over 1,200 globally sourced brands, many of which are household names. Additionally, we also carry selected duty-paid local specialties in our duty-free stores, as well as duty-paid cosmetics and convenience products in our duty-paid stores. In addition, in 2020, spurred by the COVID-19 pandemic, we expedited the deployment of our digital strategy and greatly expanded our online business, which included sales of duty-paid products. See "– Our Digital Strategy" for further details. As of March 31, 2022, our product portfolio had more than 316,000 SKUs, ranging from perfume and cosmetics, fashion and accessories, tobacco and liquor, and food and miscellaneous goods.

Our competitive advantages of having a wide variety of brand and product selections is strengthened by (i) our centralized procurement, which further increased our bargaining power vis-à-vis the brand owners by increasing our scale of purchase, and (ii) the improved access to duty-free merchandise, including preferred allocation of popular products by the brand owners. In turn, we create value for the brand owners by providing them with access to our sales network covering all duty-free sales channels and with the most retail outlets in the PRC and an opportunity for them to further increase their brand awareness among increasingly affluent Chinese consumers. See "– Our Brands and Products" and "– Procurement, Warehousing and Logistics" for further details.

2. Sales channels: Selling merchandise through multiple channels

We offer our customers the most comprehensive retail network of duty-free products among all PRC duty-free operators. We also offer a range of retail formats including duty-free stores, duty-paid stores and integrated travel retail complexes. As of the Latest Practicable Date, our retail network consisted of 193 stores, including 184 stores in 100 cities across 28 provinces, municipalities and autonomous regions in China. Benefiting from our valuable insight into Chinese consumer behavior, we have gradually expanded to destinations overseas that are popular among Chinese travelers. As of the Latest Practicable Date, we operated nine duty-free stores overseas, including seven in Hong Kong, Macau and Cambodia and two duty-free cruise stores.

Our stores are located in a variety of travel retail settings covering all duty-free sales channels. As of the Latest Practicable Date, we operated 123 port duty-free stores, five offshore stores in Hainan, 11 downtown duty-free stores and 54 other stores (including two duty-free cruise stores, and two duty-free inflight stores, 40 duty-free ship-supply stores and ten duty-paid stores). We believe our business performance has allowed us to fully exploit the commercial potential of the travel locations where we operate. See "– Our Retail Network" for details.

We have also expanded beyond duty-free business to other parts of the travel retail industry. During the Track Record Period, we also invested in integrated travel retail complexes in Hainan to provide travelers a more holistic and integrated shopping experience. See "– Our Retail Network – Integrated Travel Retail Complexes" for details.

In addition to our offline sales channels, we have been fully engaged in online sales and marketing through multiple online platforms since February 2020 as extensions of our physical stores. Customer behavior is trending towards a shopping experience that seamlessly integrates both online and in-store sales channels. These online platforms have enabled us to take advantage of this trend to deliver a new and an increasingly popular shopping experience to our customers, allowed eligible customers to have greater flexibility in their duty-free shopping experience, and allowed us to meet the robust demand of Chinese consumers for duty-free products despite the impact of the COVID-19 pandemic. See "– Our Digital Strategy" for details.

From time to time, we also sell duty-free merchandise to certain duty-free operators. See "– Our Wholesale Services" for details.

3. Customers: Unparalleled shopping experience for our customers

On top of a comprehensive brand and product portfolio, we create a distinctive and unified store style across our sales network in China and overseas. To that end, we use standardized store design, store layout, storefront presentation, staff uniform and marketing brochures that also conform with the overall setting of the facilities (such as airport terminals) where we operate to build a consistent brand image and provide our customers with a consistent shopping experience. The customer experience is further enhanced by our efficient and courteous customer service and strong after-sales service support. We strive to provide an unparalleled shopping experience for our customers that elevates their travel experiences and makes their trip more memorable.

Others

To expand our retail network and increase our profit margins in the long term, we invest in integrated travel retail complexes. The integrated travel retail complex is a business model with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel. We operate the duty-free and duty-paid retail businesses by ourselves; additionally, leveraging the customer traffic brought by the duty-free retail business, we rent out non-core parts of the integrated travel retail complexes to third-party dining, entertainment and leisure business operators from whom we collect rental income. As of the Latest Practicable Date, we operated the Sanya International Duty-Free Complex and the Haikou International Duty-Free Complex was under construction. See "– Our Retail Network – Our Retail Formats – Integrated Travel Retail Complexes" for further details. We believe integrated travel retail complexes are strategically significant to our business development as they create a hub effect by providing customers with a more diversified, one-stop shopping travel and leisure experience, thus appealing to a broader customer base than that for traditional duty-free stores.

Discontinued Operation

In February 2019, we sold 100% of our equity interest in CITS Agency to CTG, our Controlling Shareholder, for a total consideration of approximately RMB1,830.8 million. See "History, Development and Corporation Structure – Major Acquisitions and Disposals – Disposal of CITS Agency in 2019" and "Financial Information – Description of Principal Consolidated Statements of Profit or Loss and Other Comprehensive Income Items – Discontinued Operation" for details. Before the disposal, CITS Agency was primarily engaged in the provision of travel services.

OUR RETAIL NETWORK

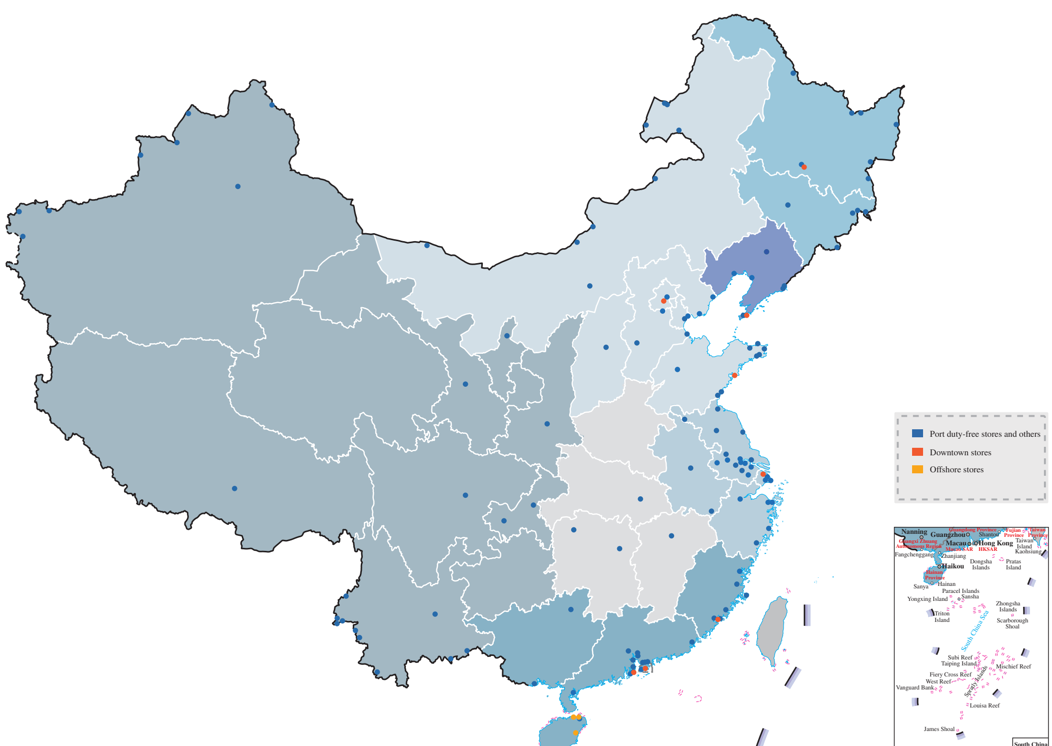
Since the establishment of China Duty Free Corporation in 1984 pursuant to the State Council's authorization, we have been pioneering the development of China's duty-free industry by successfully opening China's first offshore store in 2011, first integrated travel retail complex in 2014 and first cruise duty-free store in 2018, according to Frost & Sullivan. Through nearly 40 years of development and capital investment, we have built the largest and most comprehensive duty-free retail network in China. We also offer a wide range of retail formats including duty-free stores, integrated travel retail complexes and duty-paid stores, providing our customers with an exceptional duty-free shopping experience wherever they are in our retail network.

Over the years, our retail network expanded across the PRC and we began to expand overseas. As of the Latest Practicable Date, our retail network consisted of 193 stores, including 184 stores in 100 cities across 28 provinces, municipalities and autonomous regions in China. In addition, as of the same date, we operated nine stores overseas.

Our Diverse Retail Channels

Our stores are located in a variety of travel retail settings. As of the Latest Practicable Date, we operated 123 port duty-free stores, five offshore stores in Hainan, 11 downtown duty-free stores, and 54 other stores (including two duty-free cruise stores, two duty-free inflight stores, 40 duty-free ship-supply stores and ten duty-paid stores).

The following map illustrates the geographic distribution of our stores in operation as of the Latest Practicable Date.



The following table sets forth the number of our stores by type as of the dates indicated.

	As of December 31, 2019	2020	2021	As of March 31, 2022	As of the Latest Practicable Date
Port duty-free stores	126	126	123	123	123
Airport	*60*	*60*	*58*	*58*	*58*
Border crossings and others[(1)]	*66*	*66*	*65*	*65*	*65*
Offshore stores[(2)]	4	5	5	5	5
Downtown duty-free stores	10	10	11	11	11
Others[(3)]	59	54	54	54	54
Total	199	195	193	193	193

Notes:

(1) Including railway stations, cross-border bus stations and seaports.

(2) Hainan is an offshore duty-free market. "Offshore store" refers to all stores in Hainan that enjoy favorable duty-free policies.

(3) Including cruise duty-free stores, inflight duty-free stores, ship-supply duty-free stores and duty-paid stores.

Additionally, we hold non-controlling interests in some duty-free stores, to which we may, from time to time, sell duty-free merchandise as part of our wholesale services. See "– Our Wholesale Services" for details. As of each of December 31, 2019, 2020 and 2021 and March 31, 2022, there was approximately 50 duty-free stores in which we held non-controlling interests.

The following table sets forth a breakdown of our revenue from continuing operations by retail channel during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000 (unaudited)*	*% of total*	*RMB'000*	*% of total*
Continuing Operations										
Port duty-free stores										
Airport	31,008,496	64.6	19,704,980	37.4	16,882,904	24.9	4,126,871	22.7	3,885,618	23.2
Border crossings and others[(1)]	828,790	1.7	295,245	0.6	128,698	0.2	63,602	0.4	2,620	0.0
Subtotal	31,837,286	66.3	20,000,225	38.0	17,011,602	25.1	4,190,473	23.1	3,888,238	23.2

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000 (unaudited)*	*% of total*	*RMB'000*	*% of total*
Offshore stores[(2)]	13,249,573	27.6	29,961,897	57.0	47,057,725	69.5	13,106,694	72.3	12,102,392	72.1
Downtown duty-free stores	759,181	1.6	1,026,657	2.0	1,069,137	1.6	335,043	1.8	219,306	1.3
Others[(3)]	2,166,550	4.5	1,609,028	3.0	2,537,051	3.8	501,319	2.8	572,350	3.4
Total	48,012,590	100.0	52,597,807	100.0	67,675,515	100.0	18,133,529	100.0	16,782,286	100.0

Notes:

(1) Border crossings and others include stores at border crossings, railway stations, cross-border bus stations and seaports.

(2) Offshore stores cover all of our stores in Hainan, including port duty-free stores and integrated travel retail complexes in Hainan. Our categories of "port-duty free stores," "downtown duty-free stores" and "others" do not include our stores in Hainan.

(3) Others primarily include revenue from (i) cruise stores, inflight stores, ship-supply stores and duty-paid stores, (ii) gross rental income from our investment properties in Hainan and (iii) revenue from our wholesale business to external customers.

Same Store Sales Analysis

We are of the view that same store sales analysis will not provide meaningful information to investors, because

(1) all of our stores were temporarily closed in the first quarter of 2020 due to the COVID-19 pandemic; as of the Latest Practicable Date, 63% of our stores still remained closed and 11% of them only operated with reduced capacity. Therefore, same-store sales data based on an average of all stores during the Track Record Period may not be comparable and thus may not be meaningful to investors;

(2) our business model generally did not rely on opening more stores to generate more revenue during the last three years, particularly since the start of the COVID-19 pandemic. Our growth during the Track Record Period was mainly driven by the acquisitions of 51% equity interest in Sunrise entities and Hainan DF, the expansion of Hainan duty-free business with the opportunities presented by favorable government policies in Hainan with regards to duty-free shopping, and the development of online business. From 2019 to 2021, while our number of stores decreased from 199 as of December 31, 2019 to 193 as of December 31, 2021, our revenue from offshore stores increased from RMB13.2 billion in 2019 to RMB47.1 billion in 2021, representing a CAGR of 88.9%. The revenue contributed from offshore stores also increased from 27.6% in 2019 to 69.5% in 2021; and

(3) furthermore, it is difficult for us to obtain pre-acquisition data related to Hainan DF and Sunrise Shanghai in an accurate manner. Therefore, the same store sales figures may not be accurate and may be misleading.

Port duty-free stores

We operate an extensive network of port duty-free stores at airports, border crossings or other areas (such as railway stations, cross-border bus stations and seaports) where travelers may enter or leave a country or territory. As of the Latest Practicable Date, we operated 123 port duty-free stores, including 58 stores at airports, 46 stores at border crossings and 19 at other locations.

The airport channel remains the largest part of our port duty-free business during the Track Record Period. Our stores are located in both departure and arrival areas in airports, and are typically located in central areas with large passenger flow. Through our wholly-owned subsidiary CDFG and majority-owned subsidiaries Sunrise China and Sunrise Shanghai, we have the concession rights to operate duty-free stores in nine of the top 10 airports in China in terms of international passenger traffic in 2019 prior to the COVID-19 outbreak. In particular, we have concession rights to operate duty-free stores in Shanghai Pudong International Airport, Shanghai Hongqiao International Airport, Beijing Capital International Airport and Guangzhou Baiyun International Airport. See "– Our Retail Network – Concession Agreements" for further details of our concession agreements. Beijing Capital International Airport, Shanghai Pudong International Airport and Guangzhou Baiyun International Airport were ranked the top three airports in China in terms of total international passenger traffic in 2019 prior to the COVID-19 outbreak. Together, the above four airports served over 50% of the total number of international passengers by air to and from China in the same year. In addition, in 2019, we won the concession rights to sell duty-free perfume, cosmetics, food, tobacco and liquor products at Beijing Daxing International Airport for a term of 10 years. In the future, as the passenger traffic of Daxing Airport continues to climb, our influence over the duty-free channels of the major ports will be further strengthened.

Our duty-free stores also provide the most comprehensive coverage in border crossings across China, according to Frost & Sullivan. As of March 31, 2022, we operated duty-free stores at 46 land border-crossings. As of the same date, we operated 19 duty-free stores in other locations such as railway stations, cross-border bus stations and seaports.

Offshore stores

We have captured the core duty-free sale channels in Hainan by strategically setting up offshore stores throughout the island under the preferential tax policy for tourists leaving Hainan to enjoy duty-free shopping promulgated by the State Council in 2011. See "Regulatory Overview – Principal Laws and Regulations Relating to Our Businesses in the PRC – Duty-free Shops for Travelers Leaving Hainan Island" for further information. Our Sanya International Duty-Free Complex, opened in 2014, was the first integrated travel retail complex in China. We also operate duty-free stores with convenient access in downtown Haikou and the area of Boao Forum for Asia. In addition, as part of our marketing and promotion strategy, we have set up experience centers tailored for different locations such as resorts, scenic spots, and outlets in Hainan where customers can experience the products firsthand and order them online for pick-up when they depart Hainan. Together with our stores in Haikou Meilan International Airport and Sanya Phoenix International Airport, the two major airports in Hainan, we have effectively established a comprehensive duty-free retail network in Hainan.

Our offshore stores provide Chinese tourists who traditionally visit overseas duty-free stores an attractive alternative. Due to the significant reduction in international travel activities amid the COVID-19 pandemic as well as the favorable government policies that greatly enhanced the offshore duty-free policies in 2020, sales from our offshore stores were significantly boosted. In 2019, 2020 and 2021, the revenue generated from our offshore stores amounted to RMB13,249.6 million, RMB29,961.9 million and RMB47,057.7 million, with a CAGR of 88.5%. For the three months ended March 31, 2022, the revenue generated from our offshore stores amounted to RMB12,102.4 million, representing a 7.7% decrease from RMB13,106.7 million the corresponding period in 2021.

Downtown duty-free stores

We operate six downtown duty-free stores in China and five downtown duty-free stores overseas. In China, we operate six downtown duty-free stores in Beijing, Shanghai, Xiamen, Qingdao, Dalian and Harbin, targeting foreign nationals and residents of Hong Kong, Macau and Taiwan. Customers may only purchase duty-free products at our stores if they have a definite plan to travel abroad. They are required to present their boarding passes or other travel documents when placing orders and making payments and may only pick up the purchased products in the pick-up areas of airports or other facilities where we operate. For the details related to our downtown duty-free stores overseas, see "– Our Retail Network – Our Geographical Distribution – Overseas" for details.

Others

We operate duty-free stores onboard cruise liners and airplanes that are en route to destinations abroad. As of the Latest Practicable Date, we operated two inflight duty stores with major airlines in China. In 2018, we signed a cooperation agreement with one of the world's largest cruise companies, pursuant to which we are granted the concession rights to open duty-free stores on their cruises. This marked an important first step of us to expand into the international cruise market.

We also provide ship-supply services to outbound ships. Additionally, we operate duty-paid stores in the domestic departure and arrival areas of certain airports and railway stations.

Our Retail Formats

We offer a range of retail formats and store formats adapted and customized to specific store locations, including duty-free stores, duty-paid stores and integrated travel retail complexes. Additionally, as a partner of choice for global brands to showcase their products in dedicated retail spaces that mirror their premium brand image, we operate brand boutiques as a store-within-a-store in our Sanya International Duty-Free Complex.

Duty-Free Stores

Duty-free stores are our most commonly used format, which are typically located in central areas with large passenger flow, mostly in airports, but can also be in border crossings, railway stations and other locations. In airports and railway stations, both departure and arrival areas can be fitted with this store format. As of December 31, 2019, 2020 and 2021, March 31, 2022 and the Latest Practicable Date, we operated 185, 185, 183, 183 and 183 duty-free stores.

Most of our duty-free stores provide a full range of products, including perfume and cosmetics, fashion and accessories, tobacco and liquor, and food and miscellaneous goods. We also operate stores dedicated to one or a few specific product categories. For example, as of the Latest Practicable Date, we operated a "DUTY ZERO by cdf" store at the Hong Kong International Airport through cdf-Lagardere Company Limited, a joint venture between us and Lagardère Travel Retail, a leading global travel retailer. The alliance aims to offer customers a unique assortment of tobacco and liquor and food products at reasonable prices. To create a distinctive shopping experience, "DUTY ZERO by cdf" stores introduced multiple interactive zones with themes ranging from cognac, wine, champagne, whiskey, Asian liquor to local Hong Kong food products.

Wine cellar feature zone at one of our "DUTY ZERO by cdf" stores

"cdf Beauty", launched in August 2019, is our store brand focusing on beauty products. As of the Latest Practicable Date, we operated one "cdf Beauty" store in Hong Kong.

Storefront of our "cdf Beauty" store at the Citygate Outlets in Hong Kong

Duty-Paid Stores

As of the Latest Practicable Date, we operated ten duty-paid stores in the domestic departure and arrival areas of certain airports and railway stations. Our duty-paid stores primarily carry perfumes and cosmetics and fashion and accessories.

Integrated Travel Retail Complexes

The integrated travel retail complex is a business model with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel. In 2014, our Sanya International Duty-Free Complex in Haitang Bay commenced commercial operation as the first integrated duty-free travel retail complex in China, ushering in a new era for China's duty-free industry. By providing vacation travelers with a one-stop experience of leisure and duty-free shopping, we believe our integrated travel retail complexes meet the needs of different customer groups, thus appealing to a broader customer base than that for traditional duty-free stores. In addition, our complexes also help significantly reduce the rent payments, which has in turn increased our operating leverage and profit margins, enabling us to maintain our competitiveness in the highly competitive duty-free industry. As of the Latest Practicable Date, we operated our Sanya International Duty-Free Complex in Sanya and also owned an integrated travel retail complex under construction in Haikou, which was expected to commence operation in September 2022.

Sanya International Duty-Free Complex

The Sanya International Duty-Free Complex is an integrated travel retail complex located in Haitang Bay in Sanya, a popular travel destination in China. Phase I of the Sanya International Duty-Free Complex commenced commercial operation in September 2014 with a total investment of RMB3 billion and a GFA of approximately 120,000 sq.m and Phase II commenced commercial operation in January 2020 with a total investment of RMB1.3 billion and a GFA of approximately 65,000 sq.m.

Phase I of the Sanya International Duty-Free Complex features parametric steel façades, exquisite landscaping and a configuration that integrates form and function, creating a pleasant visual and spatial experience for shoppers. It consists of five primary functional zones, namely worldwide merchandise, Hainan local products, outdoor sports, food and customer services, as well as a play zone for children. As of March 31, 2022, 642 retail brands of 30 categories of products operated in Phase I, including cosmetics, clothing, jewelry, alcohol, dietary supplements, household appliances and confectionery.

Exterior of Phase I of Sanya International Duty-Free Complex (Frontal View)

Exterior of Phase I of Sanya International Duty-Free Complex (Sideview)

Phase II of the Sanya International Duty-Free Complex sits on an island in Haitang Bay, connected to Phase I through a landscape bridge; its form visually corresponds to that of a shell resting on the sand, subtly blending in with the surroundings. Phase II consists of four primary zones, namely household life inspiration, international creativity fair, international carnival and international gourmet market. As of March 31, 2022, approximately 66 business operators operated in Phase II, 20 of which were the first stores that such brands had opened in Hainan.

Landscape bridge connecting Phase II to Phase I

Exterior of Phase II of Sanya International Duty-Free Complex

We plan to further expand the Sanya International Duty-Free Complex to develop a hybrid project of "duty-free shopping plus premium hotel." The duty-free shopping area has been under construction since March 2021 and is expected to commence operations in 2023 with an estimated GFA of 76,500 sq.m. Construction of the hotel area has commenced in December 2021 and is expected to be completed in 2026. The hotel area will have an estimated GFA of 96,000 sq.m.

The Sanya International Duty-Free Complex has become a new landmark of tourism in Hainan. During the Track Record Period, benefiting from the favorable offshore duty-free policies for Hainan, revenue generated from the Sanya International Duty-Free Complex[(1)] increased significantly from RMB10,464.6 million in 2019 to RMB34,811.2 million in 2021, representing a CAGR of 82.4%. The Sanya International Duty-Free Complex achieved average daily sales revenue of more than RMB95.4 million in 2021[(2)]. During the 2021 National Day holiday from October 1, 2021 to October 7, 2021, the visitors to Sanya International Duty-Free Complex reached over 21,000 per day and the average daily sales revenue exceeded RMB171.5 million.

Leveraging the customer traffic brought by the duty-free retail business, we also rent out non-core parts of the premises of the Sanya International Duty-Free Complex to third-party dining, entertainment and leisure business operators from whom we collect rental income.

Haikou International Duty-Free Complex

The Haikou International Duty-Free Complex has been under construction since August 2019 and is expected to commence operation in September 2022, with a total investment of approximately RMB5.0 billion. The unique design of Haikou International Duty-Free Complex resembles blossoming begonia flowers and incorporates Haikou's local elements such as its beautiful nature and marine culture. Modeled after our highly successful Sanya International Duty-Free Complex, the Haikou International Duty-Free Complex will be an integrated travel retail complex with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel. Haikou International Duty-Free Complex have distinctive features such as the world's exclusive customized immersive WETA-themed atrium, one of the world's largest whisky museums, the world's first Moutai experience store integrating cultural and creative retail as well as collection and auction, the world's first China-chic and beauty store in the travel retail scenarios. The WETA-themed atrium, designed by Weta Digital, a world-leading VFX studio, is an interactive space with artistic decorations and sculptures. The whisky museum and the Moutai experience store provide one-stop experience for customers to learn, appreciate and purchase whisky and Moutai. The China-chic and beauty store promotes and demonstrates China' beauty philosophy. Additionally, Haikou International Duty-Free Complex will also provide customers with distinctive experienced-based hybrid business formats such as retail + café, retail + teahouse and retail + bar. With a panoramic view of the Haikou Harbor and an estimated sales area of approximately 150,000 sq.m, the Haikou International Duty-Free International Complex is expected to become a landmark project with global influence.

We plan to further expand the Haikou International Duty-Free Complex with additional shopping facilities and a hotel. The expansion project has an estimated total GFA of 695,000 sq.m, of which the hotel will have an estimated total GFA of 41,000 sq.m and the GFA of the duty-free sales will be 80,000 sq.m and more than 300,000 sq.m will be devoted to other commercial activities such as duty-paid retail, dining, entertainment and leisure activities. The construction work on the expansion project has commenced in December 2021. With the

Notes:

(1) Represented by revenue from CDFG Sanya Downtown Duty-Free Store Co., Ltd. (中免集團三亞市內免稅店有限公司).

(2) Calculated as revenue from CDFG Sanya Downtown Duty-Free Store Co., Ltd. (中免集團三亞市內免稅店有限公司) divided by 365.

expected completion in 2026, we believe the expansion project will capture the growth opportunities brought by the PRC Government's plan to make Hainan Province a free trade port by 2025 and become a go-to destination in Hainan for tourists from other parts of China and around the world.

Our Store Brands

Our cdf brand is our most important brand with strong customer recognition and it is highly valued by PRC travelers. We operate our duty-free stores under our primary brand "cdf China Duty Free" and its sub-brands, such as "DUTY ZERO by cdf" and "cdf Beauty". We operate our duty-paid stores under the brand "Lile Du Luxe." In addition, we also operate duty-free stores under the "Sunrise Duty Free" following our acquisition of Sunrise Shanghai in 2018. Our strong brands enable us to leverage our relationships with over 1,200 globally sourced brands to optimize our merchandise allocations and assortments and to expand our customer base and increase brand awareness.

Our Geographical Distribution

The following table sets forth a breakdown of our revenue from continuing operations by geographical location during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000 (unaudited)*	*% of total*	*RMB'000*	*% of total*
Mainland China	43,973,194	91.6	49,756,199	94.6	63,574,357	93.9	17,183,809	94.8	15,896,805	94.7
Overseas	4,039,396	8.4	2,841,608	5.4	4,101,158	6.1	949,720	5.2	885,481	5.3
Total	48,012,590	100.0	52,597,807	100.0	67,675,515	100.0	18,133,529	100.0	16,782,286	100.0

The following table sets forth the number of our stores by geographical region as of the dates indicated.

	As of December 31,			As of March 31,	As of the Latest Practicable Date
	2019	2020	2021	2022	
Mainland China	191	187	184	184	184
Hong Kong, Macau and Overseas[(1)]	8	8	9	9	9
Total	199	195	193	193	193

Note:

(1) Including two cruise stores.

The following table sets forth the number of our stores by type and geographical region as of the Latest Practicable Date.

	Overall	Mainland China	Hong Kong, Macau and Overseas
Port duty-free stores	123	121	2
Airport	*58*	*56*	*2*
Border crossings and others[(1)]	*65*	*65*	–
Offshore stores[(2)]	5	5	–
Downtown duty-free stores	11	6	5
Others[(3)]	54	52	2[(4)]
Total	193	184	9

Notes:

(1) Including railway stations, cross-border bus stations and seaports.

(2) Hainan is an offshore duty-free market. "Offshore store" refers to all stores in Hainan that enjoy favorable duty-free policies.

(3) Including two duty-free cruise stores, and two duty-free inflight stores, 40 duty-free ship-supply stores and ten duty-paid stores.

(4) Representing two duty-free cruise stores.

Mainland China

We are the duty-free operator with the most retail outlets in China. As of the Latest Practicable Date, we operated 184 stores in 100 cities across 28 provinces, municipalities and autonomous regions in China, which, according to Frost & Sullivan, exceeded the total number of all the other domestic duty-free operators' stores combined as of the same date, with a total sales area of over 185,000 sq.m.

Overseas

Leveraging on our proven track record in China, we have expanded overseas in recent years with the goal to replicate our success in duty free business globally. As of the Latest Practicable Date, we operated nine stores overseas, including the following:

Cambodia: We operate three stores in Cambodia, consisting of a downtown duty-free store in Siem Reap opened in 2014 December, a downtown duty-free store in Sihanoukville, opened in December 2015, and a downtown duty-free store in Phnom Penh, opened in August 2016. We believe our stores in Cambodia lay a solid foundation for us to promote and replicate our successful experience globally.

Exterior of our downtown duty-free store in Sihanoukville

Hong Kong and Macau: The Hong Kong Airport and the Macau Airport are important international hubs in the Asia-Pacific region. We operate two stores in Hong Kong, consisting of a downtown duty-free store opened in August 2019, and a duty-free store at the Hong Kong International Airport, opened in 2017. We also operate two stores in Macau. Our store at the Macau International Airport commenced commercial operation in June 2018. Winning the concession rights for duty-free operations in these two airports fully demonstrated our duty-free operational capabilities and first-class international competitiveness. In addition, in September 2018, we obtained the right to exclusively open a flagship duty-free store in Grand Lisboa Palace in Macau, with a sales area of approximately 8,000 sq.m. The store has commenced its operation in December 2021. We will operate the retail business and sell various products, such as perfume and cosmetics, fashion and accessories, and tobacco and liquor products in the store.

Cruise duty-free stores: As of the Latest Practicable Date, we operated duty-free stores onboard two cruise liners. Please see "– Our Retail Network – Our Diverse Retail Channels – Others" for further details.

Prevention of Cannibalization Between Our Stores

To prevent cannibalization between our stores, we have adopted the following measures: (i) we plan carefully before opening any new stores to minimize competition with our existing stores; (ii) each duty-free store has independent operating rights with geographical restrictions and their businesses can only be carried out at certain ports and other locations approved by China customs; (iii) should there be multiple stores in the same location or in close proximity with one another, we endeavor to have the stores maintain different product mixes and focuses; and (iv) the duty-free stores in the same sales channel will generally have the same retail price for the same products, thus reducing price competition amongst the stores.

Store Expansion

We continue to look for opportunities to expand our retail network to popular travel destinations of Chinese travelers. We intend to open our new offshore store in Hainan, the Haikou International Duty-Free Complex, with an estimated sales area of 150,000 sq.m in September 2022. See "– Our Retail Network – Our Retail Formats – Integrated Travel Retail Complexes – Haikou International Duty-Free Complex" for further details. We believe that there is sufficient market demand to support our planned store expansion in light of China's continued economic growth, rising disposable income, rising demand for overseas premium products at domestic stores, the continued growth of the offshore duty-free market and favorable government policies, among other factors. We also believe that our experienced management and highly qualified workforce, localized operational management system, advanced logistics and distribution infrastructure and extensive experience in the duty-free business have well positioned us to manage the planned expansion.

The following table sets out the locations and tentative timeline of our new stores that are being planned to open in 2022 as of the Latest Practicable Date:

Name/Location	Sales Area (m^2)	Expected Year of Business Commencement
Haikou International Duty-Free Complex	150,000	2022
Weihai Harbor Passenger Transport Terminal	200	2022
Hangzhou Airport Terminal 4 Departure Duty-free Store	3,561	2022
Hangzhou Airport Terminal 4 Arrival Duty-free Store	111	2022

We will bid for the concession rights for port duty-free stores in first- and second-tier cities and other major cities domestically to reinforce our high-quality channel resources and increase our competitiveness. We will also open more downtown duty-free stores to seize market opportunities. We will carefully select cities that (i) are eligible for development of downtown duty-free stores and (ii) align with our strategic position and further optimize the allocation of our resources as well as our network of downtown stores. With "duty-free" as our main theme to attract customer traffic, we plan to fully utilize publicity effect and brand power of duty-free shopping, and promote the coordinated development of downtown duty-free stores and other self-owned retail formats. We also intend to explore the opportunities for more duty-free stores in cruise duty-free stores and inflight duty-free stores. Further, we will participate in the development of various seaports, bay area economies and cultural tourism, and enhance the prospect for ship-supply business by participating in the development of home ports.

Location-wise, we will bid for the concession rights for duty-free stores in first- and second-tier cities and other major cities domestically to reinforce our high-quality channel resources and increase our competitiveness. At the same time, we intend to seize the tremendous opportunities in the development of the Guangdong-Hong Kong-Macau Greater Bay Area, cultivate our network in Hong Kong and Macau and actively develop downtown retail business utilizing our existing stores in Hong Kong and Macau airports. We will also take advantage of the Belt and Road Initiative and look for opportunities to open duty-free stores overseas in areas such as airport hubs, large ports, city centers and cruise ships, especially in popular tourist destinations in the ASEAN countries.

See "– Our Strategies" for further details on our store expansion plans.

Breakeven Period and Investment Payback Period Analysis

Based on our experience, the respective length of the breakeven period (defined as the time needed to reach first point in time at which a store's monthly operating revenue is at least equal to its monthly operating expenses such as costs of goods sold, rent, staff costs, depreciation expenses related to the store and taxes, the "**Breakeven Period**") and investment payback period (defined as the time needed to reach the first point in time at which the accumulated net profit of the store is at least equal to the costs of opening and operating the stores, the "**Investment Payback Period**") is generally dependent upon the prevailing market condition, the economic environment, the size and location of the relevant store, the estimated passenger flow, rent and other payables to the facility owners, the type and variety of products available for sale in a particular store, operating performance, operating cost and initial investment cost of a particular retail store. Therefore, the period for reaching the Breakeven Period or the Investment Payback Period varies substantially from store to store and over time.

The table below sets forth the Breakeven Period and Investment Payback Period for our stores.

	Breakeven Period	Investment Payback Period
Port duty-free stores[(1)]	Two to three years	Four to eight years
Offshore stores		
– Integrated travel retail complex[(2)]	Two years	Five years
– Other offshore stores[(3)]	Two years	Five to six years
Others[(1)]	One to three years	Four to six years

Notes:

(1) Primarily based on our experience with new stores opened after 2011 that are still in operation and does not include any stores acquired through acquisitions.

(2) Primarily based on our experience with Phase I of Sanya International Duty-Free Complex.

(3) Primarily based on our experience with our store at Sanya Phoenix Airport.

We expect the Haikou International Duty-Free Complex to reach the "breakeven point" approximately in one to two years from its launch, and to reach the "investment payback point" approximately in five years from its launch. We expect the duty-free store in Grand Lisboa Palace, Macau to reach the "breakeven point" in approximately three years, and to reach the "investment payback point" in approximately five years from its launch. The exact time it takes for each store to achieve the "breakeven point" or the "investment payback point" is affected by various factors, including, among others, changes in government policies, consumption patterns and consumer demand, local competition, store location and the brands and products it carries. In particular, the length of Breakeven Period and Investment Payback Period for duty-free stores will be affected by changes in relevant government policies applicable to such stores, including a number of factors that have a significant impact on a store's profitability, such as the type of customers qualified to make purchases, the type and variety of merchandise allowed for sale. See "Risk Factors – Risks Relating to Our Business and Industry – Changes in the existing duty-free policies and regulations (or the interpretation thereof) could have an adverse impact on our business."

If our future stores experience prolonged delays in breaking even or achieving desired level of profitability, our overall performance and profitability may be adversely affected. The continuous expansion of our retail network also exposes us to a number of risks. For example, we may be unable to recruit, train and retain a sufficient number of qualified personnel with sufficient experience to operate our stores. See "Risk Factors – Risks Relating to Our Business and Industry – We may be unsuccessful in executing our growth strategy effectively."

We believe the COVID-19 pandemic may prolong the Breakeven Period and the Investment Payback Period for the traditional offline stores but shorten the Breakeven Period and the Investment Payback Period for the offshore stores in Hainan. As the COVID-19 pandemic is still ongoing, the impact of the COVID-19 pandemic on the Breakeven Period and the Investment Payback Period cannot be fully determined as of the Latest Practicable Date. See "– Impact of the COVID-19 Pandemic on Our Business – Impact of the COVID-19 pandemic on Our Business Plan" for further details.

New Store Opening Process

We believe that store location is critical to the success of our operations and brand image. We continuously look for attractive locations for the expansion of our retail network. In mainland China, we focus on maintaining our market leading position and will consider participating in the bidding process of all available concession contracts. We plan to strategically expand to the most visited destinations of Chinese travelers domestically and overseas.

We consider and evaluate the following criteria when selecting locations to open stores:

- political and economic stability of the relevant countries or regions;
- estimated flow of Chinese travelers to and from the destination;
- availability of experienced and dependable local partners;
- estimated profitability and the time required to break even;
- terms of the concession rights;
- existing competition from international and local competitors; and
- availability of favorable government policies.

Our new store opening process from planning to store opening generally requires one to two years and primarily consists of: (i) approval of the location by our management; (ii) obtaining concession rights through a bidding process; (iii) approval of the concession arrangement by various governmental authorities; (iv) engagement of professionals for the interior design of the store; (v) obtaining all required licenses and permits; (vi) selecting and procuring products; and (vii) recruitment or deployment of the store manager and other staff to the new store, training of new staff and other pre-opening preparations. The opening process of a store from planning typically takes a year to complete. However, integrated travel retail complexes are of a larger scale and the opening of these stores usually involves property construction, which may further prolong the opening process to three to four years. In our experience, the timeline of opening an overseas store is difficult to estimate as we are required to navigate unfamiliar local regulatory regimes and business realities.

Concession Agreements

We believe we are the partner of choice for airport authorities and other travel-related facility owners. We strive to create value through our ability to deliver best-in-class retail formats and our deep understanding of our customers, their expectations and their shopping behavior. Benefitting from the richest industry experience, we endeavor to maximize returns on the available space and create a highly innovative and attractive shopping experience for customers. Our extensive expertise in all technical and regulatory aspects and our retail know-how are core competitive advantages, as is our comprehensive attractive retail formats to satisfy the need of our customers. The in-depth understanding of customer preferences and their specific shopping behaviors learned through our nearly 40 years of operational experience in China benefit the facility we operate through increased sales and profitability of the commercial space. We believe we create more inviting and attractive commercial spaces that can maximize customer spending. We have a long-standing tradition of partnering with airport authorities, commuter hubs and other locations, be they large or small, at airports, border crossings, railway stations, cross-border bus stations, seaports or on cruise lines.

We typically enter into concession agreements with airport authorities, commuter hubs and other locations to operate our stores. Concession rights wins and extensions are key elements to secure our future business. Concessions may be awarded in a public bidding process. The facility owners award contracts through a bidding process and typically consider the following factors when reviewing concession bids: (i) their relationship with the concession operator and the concession operator's experience in a particular region; (ii) the concession operator's operational track record; and (iii) its ability to respond to the needs of the facility owner for planning and design advice and operational ability. Price is also an important competitive factor, as a concession may be awarded in a tender based upon the highest concession fee offered. Facility owners sometimes may consider the brands included in a proposal. We primarily entered into bidding process by public tender during the Track Record Period and our tender success rates in relation to new stores in 2019, 2020 and 2021 and the three months ended March 31, 2022 were nil (zero out of two), 28.6% (two out of seven), 50.0% (3 out of 6) and 100% (1 out of 1), respectively. The tender acceptance rate during the Track Record Period was low due to the following reasons: (i) one of our key strengths is having the best market resources in China. To that end, we have strategically focused on obtaining concession rights in airports with the highest passenger traffic. For example, we have successfully obtained concession rights to operate duty-free stores in nine of the top 10 airports in China, including Beijing Capital International Airport, Shanghai Pudong International Airport and Guangzhou Baiyun International Airport, the top three airports in China in terms of international passenger traffic in 2019 prior to the COVID-19 outbreak, and Shanghai Hongqiao International Airport. We have also captured the core duty-free sales channels in Hainan. Under this objective, we carefully weigh the costs and benefits when we evaluate new locations. For those locations that we deemed not to meet our strategic objectives, we did not actively pursue the opportunities despite placing our bids. For example, we held non-controlling interests in four of the five stores that were up for bidding in 2018, and the concession rights to operate these stores were awarded to our partners who have been operating these stores and we continued to maintain non-controlling interests in these stores; and (ii) the number of public bids for new locations during the Track Record Period was relatively small. Thus, both our bid volume and the number of winning bids were relatively low during the Track Record Period. We grew our business during the Track Record Period notwithstanding the low tender acceptance rate by successfully expanding our offshore business in Hainan and accelerating our digital strategy to bolster online sales. Our continued growth will depend on our ability to develop our existing locations, renew concession agreements that have strategic value to us, as well as seizing the concession rights to operate stores with the highest passenger traffic. We expect that capturing the best market resources will remain our core strategy in the foreseeable future.

We entered into separate concession agreements with approximately 90 facility owners as of March 31, 2022. Concession agreements often cover a number of stores in a single location. The key terms of the concession agreements include:

- Location of our stores and their exterior appearance: We are generally required to conform our storefront to the overall design and setting of the airport terminals or facilities. We may also be required to submit the proposed design and decoration plan to the facility owners for approval in advance.

- Permitted uses and product categories to be sold: We are authorized to operate duty-free business in the specified location. In general, subject to specific contractual terms and applicable laws and regulations, our facility owners impose no restriction on the product categories to be sold.

- Duration: 5 to 10 years, renewable through public bidding or negotiation.

- Exclusivity: We are permitted to operate duty-free business in the specified area (departure or arrival) of the specified airport terminal or other location on an exclusive basis.

- Rent and other payables: The rent we pay to airport authorities are typically determined by two methods: (i) fixed rent that could be modified based on stipulated factors such as numbers of travelers or other factors; or (ii) variable rent with a minimum annual guarantee payment. When variable rent is stipulated in the agreements, it is usually determined by reference to factors such as gross or net sales or the number of travelers using the airport or other location. Our concession agreements with smaller transportation terminals typically contain fixed rents. We negotiate the rent and payables with airport authorities or other facility owners based upon factors including the number of travelers using the airport or other location, retail space used, location of the retail store, estimated sales, past results or other metrics.

- Termination: Generally, our concession agreements may be terminated prior to expiration of term only by mutual consent or for cause.

As of March 31, 2022, the average remaining term of our concession portfolio was over four years. The following table sets forth the remaining lifetime analysis of our concession portfolio as of March 31, 2022[(1)]:

Remaining lifetime as of March 31, 2022	Percentage of Contracts in Our Concession Portfolio
Less than one year	24.0%
One to two years	18.4%
Two to five years	27.2%
Five years and above	30.4%
	100%

Note:

(1) Cruise stores and inflight stores do not have term limits and are not included in the table.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our fixed rents, primarily recorded as depreciation and amortization of assets, were RMB613.2 million, RMB705.7 million, RMB960.5 million, RMB185.1 million and RMB257.1 million, respectively, and our variable rents, primarily recorded as variable lease payments not included in the measurement of lease liabilities, were RMB12,227.7 million, RMB5,615.9 million, RMB2,364.4 million, RMB782.5 million and RMB579.1 million, respectively.

Similar to our past dealings, we would generally commence the bidding process for the renewal of our concession agreements prior to the expiry of the concession agreements after evaluating the sales performance of the relevant store(s) and the then prevailing market condition. In 2019, 2020 and 2021 and the three months ended March 31, 2022, the renewal rates of the existing concession arrangements were 100% (two out of two), 60% (six out of ten), 75% (3 out of 4) and 100% (1 out of 1), respectively. Our renewal rate was relatively low in 2020 primarily because we voluntarily decided not to renew certain the concession rights to operate certain small port duty-free stores given the COVID-19 pandemic. As we have (i) maintained good-standing business relationships with the facility owners; and (ii) duly performed our obligations under the relevant concession agreements in all material respects, we did not encounter any material difficulties in renewing our concession arrangement with our facility owners during the Track Record Period and our Directors take the view that we will have advantages in the future bidding process for the renewal of our concession arrangements.

OUR BRANDS AND PRODUCTS

Our Brand Portfolio

As the largest travel retail retailer in the world in terms of sales revenue according to Frost & Sullivan, we offer brand owners a vast window-display opportunity and distribution channel through our network of 193 stores across China, Hong Kong, Macau and Cambodia. Through our centralized procurement system, we directly source and procure products from a diverse range of brands globally. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our portfolio consisted of 995, 946, 1,009 and 1,208 brands (including 145 perfume and cosmetics brands, 253 fashion and accessories brands, 540 tobacco and liquor brands and 270 food and miscellaneous good brands as of March 31, 2022). We rank among the top tier in the world in terms of brand resources, far ahead of other domestic duty-free operators, according to Frost & Sullivan.

According to Frost & Sullivan, the travel retail industry has a number of elements that are highly attractive to suppliers: not only is it a fast-growing channel, it also has a captive and affluent audience and allows them to personally engage with customers in an international setting. Suppliers benefit from the unparalleled access to domestic and international travelers to showcase their brands across the globe, reaching captive audiences in exclusive environments.

We aim to be the preferred partner for global brands, building on the close collaboration with brand partners, based on the scope of our comprehensive network and leveraging our strong execution and customer service. In the Track Record Period, we have strengthened cooperation with our suppliers and we increasingly partner with global brands on more strategic initiatives, identifying opportunities for marketing campaigns, global promotions or product launches, that also contribute to our and the brands' turnover by generating additional income. In this context, we offer each brand a customized approach to create a joint set of goals for the brand owner and for us, and together we agree on specific actions and distinctive campaigns. Both parties establish clear targets and evaluate the effectiveness of the initiatives together.

With a focus on efficiencies, we always look for opportunities to streamline our key processes. Through our centralized procurement and logistic functions, we have considerably simplified our supply chain. Our procurement teams act as key relationship managers for brands and coordinate activities with suppliers. They develop sales plans with suppliers and negotiate all contractual parameters. We have also centralized and simplified the ordering process by internally aggregating the orders from the different retail operations and sending a consolidated order to suppliers. See "– Procurement, Warehousing and Logistics – Merchandise Procurement" for further details. Compared with other domestic duty-free operators, attributable to our business scale and procurement model, brand owners are often willing to provide us with favorable discounts, which in turn allow us to offer our customers more favorable prices, further cementing our dominant position in China's duty-free industry.

We had entered into separate distributorship agreements with 1,208 brands as of March 31, 2022. Under these distributorship agreements, we are authorized to sell products under these brands. The key terms of these distributorship agreements include:

- *Duration*: Most of the agreements have a term of one to five years, renewable upon mutual agreement.

- *Sales targets and incentive scheme*: The distributorship agreements may provide incentives, such as sales rebates or additional price discounts, when we achieve or exceed specified sales targets.

- *Pricing policy*: The brand companies determine the suggested retail prices at which these products are to be sold to end-customers. The prices at which we purchase their products are based on negotiation with the brands with reference to the suggested retail prices of the respective products. We have the discretion to set the retail prices, which may deviate from the suggested retail prices set by the brands as long as they comply with the relevant laws and regulations.

- *Delivery*: Products are generally packaged and delivered to us at the brand companies' cost, while we are responsible for providing sufficient storage capacity and timely logistics and distribution of the products. Title to the products and risks is generally passed to us when the products are delivered to and accepted by us; however, certain brand companies require that risks are passed to us upon handing the products to the carrier and title only passes to us after payment funds are cleared.

- *Credit and payment terms*: Most brand companies grant us credit terms of not less than 30 days.

- *Return or exchange of products*: We are allowed to return or exchange products of certain categories according to the contractual terms.

- *Product liability*: The brand companies are generally liable to us for our losses resulting from product defects, subject to certain customary conditions and restrictions.

- *Termination*: Both brand companies and our Group have the right to terminate certain distributorship agreements according to the terms set forth in the agreements.

In addition, during the Track Record Period, certain brand partners provided us with procurement rebates in relation to our procurements made from them. In 2019, 2020 and 2021 and the three months ended March 31, 2022, the procurement rebates amounted to RMB368.0 million, RMB852.0 million, RMB939.3 million and RMB314.7 million, respectively. The procurement rebates were used to offset the procurement costs.

We actively manage our brand portfolio. In selecting our brands, we consider factors including brand recognition, market share, product quality and profitability, and shopping preferences of target customers. In 2019, 2020 and 2021, we ceased business relationships with 41, 51 and 21 brands, mainly due to unsatisfactory annual assessment results based on our merchandise supply management policy. We did not cease business relationship with any brand for the three months ended March 31, 2022. During the Track Record Period, no brand refused to renew distributorship agreements with us.

Our Product Portfolio

The broad selection of duty-free products carefully curated by our highly skilled procurement department ranged from perfume and cosmetics, fashion and accessories, tobacco and liquor, to food and miscellaneous goods. Leveraging our comprehensive retail network and leading market position, we work closely with brand partners to offer customers a unique product selection. Additionally, we also carry selected duty-paid local specialties in our duty-free stores and other duty-paid products in our duty-paid stores. We believe our merchandising experience and in-depth knowledge of our customers and the markets within which we operate allow us to select an appropriate product assortment that is tailored to fully meet our customers' preferences.

The following table sets forth a breakdown of our revenue from continuing operations by product category during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000 (unaudited)*	*% of total*	*RMB'000*	*% of total*
Continuing Operations										
Sales of products										
Duty-free products										
Perfume and cosmetics	29,463,402	61.8	18,034,598	34.7	23,082,872	34.4	6,488,860	36.2	5,600,886	33.7
Fashion and accessories	5,832,386	12.3	10,827,709	20.8	17,584,247	26.3	5,509,993	30.7	5,203,844	31.3
Tobacco and liquor	10,356,973	21.8	2,690,850	5.2	1,830,474	2.7	470,902	2.6	430,919	2.6
Food and miscellaneous goods	788,445	1.7	808,549	1.6	438,014	0.7	143,757	0.8	133,815	0.8
Sub-total	46,441,206	97.6	32,361,706	62.3	42,935,607	64.1	12,613,512	70.3	11,369,464	68.4
Duty-paid products[1]	1,150,656	2.4	19,707,555	37.7	24,005,704[2]	35.9	5,324,661[3]	29.7	5,244,726[4]	31.6
Total	47,591,862	100.0	52,069,261	100.0	66,941,311	100.0	17,938,173	100.0	16,614,190	100.0

Notes:

(1) Our duty-paid products generally comprise of duty-paid perfume and cosmetics and duty-paid others, including duty-paid fashion and accessories, duty-paid tobacco and liquor, duty-paid food and miscellaneous goods. For the year ended December 31, 2020, revenue from sales of duty-paid perfume and cosmetics was RMB18,644.3 million, while revenue from duty-paid others was RMB1,063.2 million, and the accompanying percent of total revenue from sales of merchandise were 35.7% and 2.0%, respectively. The revenue from duty-paid products only accounted for a small percentage of the overall revenue in 2019 and a breakdown would not be meaningful information.

(2) For the year ended December 31, 2021, revenue from sales of duty-paid perfume and cosmetics was RMB22,157.9 million and the accompanying percentage of total revenue from sales of merchandise was 33.1%.

(3) For the three months ended March 31, 2021, revenue from sales of duty-paid perfume and cosmetics was RMB4,907.0 million and the accompanying percentage of total revenue from sales of merchandise for the same period was 27.4%.

(4) For the three months ended March 31, 2022, revenue from sales of duty-paid perfume and cosmetics was RMB4,820.3 million and the accompanying percentage of total revenue from sales of merchandise for the same period was 29.0%.

Typically, different products vary in product pricing and revenue growth rate. Each of our product categories of perfume and cosmetics products, fashion and accessories, tobacco and liquor to food and miscellaneous goods has its own unique positioning with different marketing strategies and promotional costs. As our revenue and profitability are largely affected by our product mix. During the Track Record Period, the revenue contribution from duty-free tobacco and liquor decreased significantly from 21.8% in 2019 to 2.7% in 2021 and further to 2.6% in the three months ended March 31, 2022, primarily because our tobacco and liquor products are primarily sold in port duty-free stores. Thus, the impact of COVID-19 related travel restrictions on our port duty-free stores led to decreased sales of our duty-free tobacco and liquor. Correspondingly, the revenue contribution from duty-free fashion and accessories increased significantly from 12.3% in 2019 to 26.3% in 2021, and further to 31.3% in the three months ended March 31, 2022, primarily due to (i) the development of the offshore duty-free market benefitting from favorable duty-free policies launched in 2020, particularly an increase in the duty-free shopping quota of travelers, leading to an increase in consumption at our Hainan duty-free stores, and (ii) the expansion of Hainan duty-free business and the development of our online business. See "Financial Information – Factors Affecting Our Results of Operations and Financial Condition – Product Mix" for further details.

Perfume and Cosmetics

Our perfume and cosmetics products mainly include fragrances, skin care, body care, eye makeup, lip makeup, face makeup, nail polish, hair care, makeup tools, fragrance sets, skin care sets and makeup sets, among others.

Fashion and Accessories

Our fashion and accessories products mainly include clothing, footwear, handbags, luggage, sunglasses, hair accessories, fashion jewelry, belts and scarves, jewelry and watches, among others.

Tobacco and Liquor

Our tobacco and liquor products mainly include cigarettes, cigars, cigar accessories, cognac, whiskey, vodka, brandy, rum and tequila, among others.

Food and Miscellaneous Goods

Our food and miscellaneous goods mainly include packaged food, snacks, dietary supplements, baby care, toys, travel accessories, sports goods, homeware, kitchenware and small electronic appliances, among others.

OUR DIGITAL STRATEGY

Digital technology has infiltrated every aspect of people's daily lives, playing an important role in retail industry and changing how our customers shop. Our digital strategy aims to extend our retail network by offering customers a convenient, pleasurable and engaging digital shopping environment while increasing our operational efficiency at the same time. As a result of the COVID-19 pandemic, we have expedited the deployment of our digital strategy by launching our online platforms such as "cdf Membership Club", adopting innovative sales models such as online pre-order services, integrating our customer loyalty programs and deploying big data analytics to gain insights to the customer behavior and further improve our operational efficiencies. Our online business not only made up for the decline in offline traditional business caused by travel restrictions, but also reduced space costs and improved profitability, helping us to maintain growth in both revenue and profit in 2020 and 2021 even when the number of international travelers has fallen sharply during the pandemic.

Online Platform

Our online platform takes full advantage of the rise of online shopping and creates a consistent customer engagement from the moment a trip is planned to well after the traveler returns home. The international travel restrictions imposed by governments worldwide since early 2020 as a result of the COVID-19 pandemic has greatly accelerated the launch of our online platforms. In order to meet the robust demand of our customers, relying on the provision in the Regulatory Measures for Duty-free Shops and Duty-free Goods of the Customs of the PRC (2018 Amendment) (《中華人民共和國海關對免稅商店及免稅品監管辦法》(2018年修訂)), we paid duties in relation to slow-moving duty-free inventories and sold them through online channels since February 2020. We also developed our online platforms under cross-border e-commerce-related rules and rolled out online platforms specifically targeting customers that have traveled to Hainan within the past 180 days, taking advantage of the favorable offshore duty-free policies in Hainan. As such, revenue generated from both duty-free and duty-paid online sales in Hainan is presented as "offshore store sales". See "Regulatory Overview – Relevant Requirements of Cross-border E-commerce" and "Regulatory Overview – Regulations Relating to the Operation of Duty-free Shops and Duty-free Goods – Online sales of duty-free goods on leaving Hainan Island" for further details of the relevant regulations. We categorize duty-free goods that are ordered and/or sold online as duty-free online sales and duty-paid goods that are ordered and/or sold online as duty-paid online sales. In 2021, the revenue from duty-free online sales amounted to RMB8,283.0 million and the duty-paid online sales amounted to RMB23,581.2 million. In the three months ended March 31, 2022, the revenue from duty-free online sales amounted to RMB1,976.2 million and the duty-paid online sales amounted to RMB5,209.3 million. In 2019, the revenue generated from online sales was immaterial.

We endeavor to deliver an engaging online shopping environment to our customers:

- *Full integration with our IT system:* Our online platform is fully integrated with our advanced information technology platform. This integrated architecture allows us to take advantage of our comprehensive sales network to provide logistics and warehousing support to our online sales. This integration also enables us to monitor our inventory level across our online and offline sales network in real time. We use third-party logistics providers to deliver products ordered online to our customers.

- *User friendly:* Customers may shop anytime via our websites, our mobile applications and our WeChat mini-apps. The layout of our online platform is intuitive and easy to use, enabling our customers to conveniently browse, select and purchase products.

- *Personalized product recommendations:* Our online platform makes personalized product recommendations to customers based on their browsing and purchase histories. To cater for shopping habits of the younger generation, we also hold livestreaming shows where our customers can directly interact with e-commerce influencers who help further promote the products that we sell.

- *Customer services and customer loyalty program:* We provide online chats and hotline support on our online platform. We also maintain an integrated customer loyalty program based on membership points where customers can redeem their membership points for credits that may be used across our retail sales network. See "– Marketing and Promotion – Customer Loyalty Program" for further details.

Screenshots of our cdf Membership Club's WeChat mini-app

We carry a wide assortment of products across different product categories on our online platform, including a wide range of items available exclusively online. We also organize select sales events exclusively on our online platform to generate additional user traffic, such as online flash sales. Our online sales channels feature detailed product descriptions, consumer reviews and multi-angle picture illustrations, which assist our customers in their product selections and improve their shopping experience. We seek to provide our customers with a customized online shopping experience by analyzing and understanding their transaction and browsing histories, customer reviews on our online sales channels and other information collected through the CRM system. We hold targeted online sales events to increase customer retention and to enhance cross-selling opportunities. We are continuously developing additional features for our online sales network to enhance the user experience. We utilize market intelligence collected through our online retail network to reinforce our customer-focused approach in product design and development, procurement, supply chain management, marketing and brand-building, pricing strategies and promotional activities.

As a part of our digital strategy, we designated one of our subsidiaries to apply a unified image, platform and service model across our online platforms. We believe such integration of our online platforms will provide our customers with a consistent first-class online shopping experience.

Pre-order Services

We engage with our customers well beyond our stores. We offer pre-order services whereby travelers can pre-order and pay for products through our websites even before they start their trip and collect them conveniently at the offline duty-free pick-up points. As of March 31, 2022, we offered pre-order services in 12 of our stores. Our customers may also pre-order products at our stores located in the departure areas and pick up the purchased products in the arrivals areas when they return from their travel.

We believe the pre-order services maximize convenience for our customers and serve as an extension of our offline physical stores so that eligible customers may have more time and opportunities to purchase duty-free products, thereby generating more business for us. In 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, the total transactional amount of orders placed through pre-order services was approximately RMB2.4 billion, RMB5.3 billion, RMB8.7 billion, RMB2.5 billion and RMB2.0 billion, respectively.

Customer Loyalty Program

We believe that having a strong customer loyalty program offering valuable benefits can help improve customer loyalty and drive repeat purchase within our retail ecosystem. In February 2021, we completed the deployment of our centralized CRM system and integrated our multiple customer loyalty programs into one integrated customer loyalty program; customers' online and offline purchases in all channels of our sales network get the same recognition for the purposes of membership points and rewards calculation, which we believe increases their loyalty and encourages repeat purchases, forming a win-win relationship between the customers and ourselves. See "– Marketing and Promotion – Customer Loyalty Program" for further details.

Big Data Analytics and AI Technology

We have incorporated big data analytics and AI technology in various aspects of our operations, which have helped us to gain insights to our customer behavior and improve efficiencies of our operations. In particular, big data analytics and AI technology can help improve the services and products that we provide to our customers, analyze and ascertain changes in consumer trends, tastes and preferences, as well as conducting both targeted and general marketing campaigns and timely assessment of market trends, among other things. We have developed an automated inventory monitoring and replenishment system at our stores using big data analytics, which monitors the current inventory level of our merchandise and automatically generates an alert if it foresees that the inventory will run out of stock.

STORE MANAGEMENT AND OPERATION

Our duty-free stores adopt a unified image design to provide our customers with a consistent shopping experience across our stores in mainland China and overseas.

Management Structure

We operate all of our retail stores directly. Our major business decisions are made at our headquarters. Our headquarters will: (i) formulate standardized operation procedures for our retail stores and review such procedures on a regular basis; (ii) develop an overall marketing and promotion strategy and a collective sales plan; (iii) coordinate the distribution and delivery of products to individual stores; (iv) oversee the operation of our entire retail network; and (v) manage human resources, information technology, warehousing and logistics, financial and legal matters.

Our retail stores maintain regular communication with our headquarters to ensure their smooth operation. In general, personnel at each retail store are primarily responsible for the operation of our stores, including (i) ensuring that the store is operated in adherence to our operation manual, (ii) ensuring that the visual merchandising and displays can meet our requirements and standards, (iii) ensuring that the customer services they provide to customers and their store logistics are sufficient and proper, and (iv) monitoring the implementation of the sales plans, evaluating sales performance of the stores as well as implementing our marketing plans from time to time.

Design and Product Display

Nearly 40 years of operations in China has given us an in-depth understanding of customer preferences and their specific shopping behaviors which in turn has enabled us to design stores that cater to the needs of consumers. In addition, we cooperate with world-class design firms to develop designs for our stores to maximize passenger flows and optimize allocation of commercial space. This collaborative work results in improved customer services, as well as more visibility and opportunities for the brands.

Our duty-free stores use a standardized store design, store layout, storefront presentation, staff uniform and marketing brochures to build a consistent brand image. However, the mix of products and brands in any store is customized for that particular store, as determined by consumer preferences, purchasing power, level of competition and market positioning of the specific store. Product and brand mixes of our offered merchandise can therefore vary from store to store. The product display and window display in these stores also vary depending on their sales performance, size and location.

Store Staffing, Sales Targets and Performance Management

Our stores are typically staffed with a manager who is responsible for its day-to-day management and operations. The number of sales staffs per store differs from store to store depending on the scale of operation of the individual store and the estimated passenger flow. We focus on both sales and service quality, which we believe are only achievable by efficient staff and management. Accordingly, we place great emphasis on the training and development of store staff, and we provide in-house training programs on customer service, customer relationship management, sales skills, product layout and safety procedures. We also have a performance-based compensation scheme in place to incentivize our frontline sales staff whereby our sales staff will be entitled to extra compensation based on their own sales performance and/or the overall performance of the retail store on a monthly, quarterly or annual basis.

Each year, we set an annual sales target for the Group as a whole, which is broken down into smaller targets for each store. Currently, all of our stores are linked to our information technology system through a POS terminal, which facilitates timely and accurate data collection and management. Management at our headquarters and store level can monitor each store’s sales performance in real time. Our management maintains regular communications with and pay periodic visits to individual stores to obtain first-hand information.

Customer Experience

Our aspiration is higher than just selling products. To provide our customers with a top-quality shopping experience, we are constantly assessing customers’ expectations and adapting our product assortments and service portfolio to the latest needs. We offer an enlarged assortment of novelties, limited editions and exclusive products as well as a comprehensive portfolio of services, such as bus services for shoppers in Hainan and value-added services in collaboration with banks, mobile payment platforms and travel service platforms. We require store staff to follow our service guidelines, such as how to greet customers, answer commonly asked questions and handle customer complaints, to ensure that they provide efficient, courteous and satisfactory service to customers. Furthermore, we believe that customers increasingly want to complete their travel experience by bringing home memories of the places they have traveled to. Our stores carry selected local specialties to create a sense of locale and thus a more attractive shopping environment for our customers.

Demographics also play a big role in our business and changes in customer preferences can occur rapidly. Therefore, we have deployed a centralized CRM system that allows us to efficiently analyze and ascertain consumer preferences. We constantly monitor consumer preferences at our stores and use these market insights to continuously fine-tune our product offerings, striving not only to match but to exceed the expectations of our customers. See "– Information Technology System" for further details.

Customers can purchase products from our port duty-free stores after they have cleared immigration; they need to present identification documents upon check-out. Customers can make orders and payments at our offshore stores and then collect the products in the departure areas at the airports. The operating hours of our port stores are generally in line with the operating hours of the airports, border crossings, railway stations or other locations where they operate. The operating hours of our downtown stores and offshore stores in Hainan vary among locations but in general are between 10:00 a.m. and 10:00 p.m., seven days a week.

PROCUREMENT, WAREHOUSING AND LOGISTICS

Merchandise Procurement

As a duty-free operator, our ability to identify and purchase an appropriate mix of merchandise in response to the latest market trends and customer preferences is one of our core competencies. To ensure an efficient procurement process, we have adopted a centralized procurement model for the entire group, whereby we source and procure products directly from a diverse range of brand owners globally. We have also centralized and simplified the ordering process by internally aggregating the orders from the different retail operations and sending a consolidated order to brands. According to Frost & Sullivan, many duty-free operators in the PRC and worldwide have designated procurement entities acting as an important supplier of duty-free merchandise for the entire group. We believe such practice increased the Group's bargaining power vis-à-vis the suppliers by increasing our scale of purchase. It also helps streamline the procurement and payment settlement process. With nearly four decades of operations and the largest duty-free merchandise procurement volume in the PRC duty-free industry, we have become well-connected in the industry as a trusted partner to many internationally renowned brands with long-term relationships. As of March 31, 2022, we had established stable relationships with 1,208 brands, including many world-famous brands. See "– Our Brands and Products – Our Brand Portfolio" for further details.

Our headquarters' operations and marketing department generally formulates overall purchasing strategies based on historical sales records, customer preferences and purchase patterns and market trends. It coordinates with the procurement departments of the relevant subsidiaries on the procurement-related matters. The subsidiaries, acting on the headquarters' instructions, are responsible for carrying out the specific procurement and sales.

For each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, approximately 11.0%, 5.9%, 2.3% and 1.6%, respectively, of our products procured were domestic products; the remainder were foreign products. For the vast majority of our foreign products, we source them directly from their countries and regions of origin to increase supply chain stability and minimize our procurement costs. Occasionally, we source from third-party distributors when sourcing from countries and regions of origin is not feasible. Products are typically delivered to our stores within one to three months after procurement orders are placed; for seasonal products such as certain fashion items, delivery could take up to six months.

Customs Clearance

Products we source from overseas need to go through customs clearance. We hire professional third-party customs clearance agents to handle the process to lower cost and increase efficiency. We inform the agents when our products arrive at the airports or ports and provide documents needed for customs declaration to them. Our agents arrange for clearance procedures and prepay the relevant fees. We will reimburse the prepayments to the agents after the completion of clearance and upon receipt of products.

The agreements we entered into with our third-party customs clearance agents typically contain the following key terms:

- *Duration:* two years, renewable upon mutual agreement.

- *Service fees:* Calculated monthly according to the fee schedules set out in the agreements.

- *Credit and payment terms:* Payments are settled monthly. The agents forward to us the monthly invoice before the end of each month and we usually settle the payment on or prior to the 25th day of the following month.

- *Liability and compensation:* The agents are liable for damages and losses arising from the customs clearance process if the agents are at fault.

- *Termination:* Generally, the agreements can only be terminated prior to expiration of term by mutual consent or for cause.

Warehousing and Logistics

We have the only nationwide duty-free logistics distribution system in China. We have built seven logistics centers in Dalian, Shanghai, Qingdao, Shenzhen, Beijing, Sanya and Hong Kong whose operations are subject to the supervision of the General Administration of Customs covering the entire country and are in the process of building a new regional logistics center in Haikou.

We have integrated our bonded warehouses in customs supervision areas to warehouse both duty-free and duty-paid merchandise and to service both our physical and online channel. We have also established a strict classification system and distribution standards for the jewelry, liquor and other premium products.

Powered by our advanced warehouse management system, these logistics centers help support the smooth operation of our retail network. Our ERP system is fully integrated with our centralized warehouse management system. All orders received by our ERP system are transferred to and processed by our warehouse management system. Our warehouse management system enables us to closely monitor each step of the order fulfillment process from the time a purchase order is confirmed to when the product is packaged and picked up by a logistics service provider for delivery. In general, we procure our merchandise centrally and distribute them to each duty-free store through our logistics centers.

At each logistics center, an inventory is bar-coded with security labels and tracked through our system, allowing real-time monitoring of inventory levels across our logistics network and item tracking to avoid unauthorized transfers of the products we sell across the sales network.

Products are typically delivered within three to four days after we receive orders from the stores. Our logistics department is primarily responsible for delivering products from our warehousing and logistics centers to our stores by land transportation, except that for certain stores that are located outside mainland China, we will arrange delivery directly from the suppliers. We may also engage independent third-party logistics service providers in certain areas who bear the risks and losses associated with delivery. As of March 31, 2022, we engaged eight logistics service providers. We usually enter into annual service agreements with our logistics service providers. The performance of our logistics service providers is subject to regular reviews and assessments, including their on-time delivery rate, transportation capability and overall service quality. Under the terms of our current service agreements, we are entitled to terminate these agreements if the logistics service providers fail to satisfy our standards and requirements.

Our transportation arrangements with third-party logistics service providers allow us to reduce our capital investments in developing and maintaining an in-house logistics system. The risks relating to transportation and delivery of products are also transferred to third-party logistics service providers. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant delays or improper handling of goods that materially and adversely affected our business operations. Furthermore, there are sufficient replacement logistics service providers that offer similar terms as our existing ones, and we do not anticipate any shortage in logistics services in the foreseeable future.

The agreements we entered into with our third-party logistics service providers typically contain the following key terms:

- *Duration*: Three years, renewable upon mutual agreement.

- *Service fees*: Calculated monthly according to the fee schedules set out in the agreements.

- *Credit and payment terms*: Payments are settled monthly. The service providers forward to us the monthly invoice before the end of each month and we usually settle the payment on or prior to the 25th day of the following month.

- *Liability and compensation*: The service providers assume liability for damages and losses incurred during transportation, unless caused by our fault or force majeure.

- *Termination*: Generally, the agreements can only be terminated prior to expiration of term by mutual consent or for cause.

In 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, the total transportation and other logistics expenses amounted to RMB75.1 million, RMB76.7 million, RMB122.5 million, RMB30.7 million and RMB28.0 million, respectively, which accounted for 0.5%, 0.8%, 2.3%, 1.4% and 1.5% of our selling and distribution expenses, respectively.

INVENTORY MANAGEMENT

In order to minimize our inventory carrying costs and preserve our working capital, we strive to maintain optimal inventory levels. Our inventory primarily consists of finished products purchased from brand companies. We adopt a first-in-first-out policy. As of December 31, 2019, 2020 and 2021 and March 31, 2022, the balance of inventories amounted to RMB8,964.7 million, RMB14,733.0 million, RMB19,724.7 million and RMB20,953.6 million, respectively. In 2019, 2020 and 2021 and the three months ended March 31, 2022, our average inventory turnover was 113.3 days, 135.0 days, 138.6 days and 166.0 days, respectively.

Each item of merchandise that we sell has a unique SKU for identification in our system, which is, in turn, linked to our POS system. When the cashiers at the stores scan the bar code or item code of the merchandise being sold, sales information from each of these store's POS terminal is collated and uploaded to our ERP system so that our system can record the sales data real-time. Any sales made by our online stores are recorded directly in our system. We have developed an automated inventory monitoring and replenishment system at our stores using big data analytics, which monitors the current inventory level of our merchandise and automatically generates an alert if it foresees that the inventory will run out of stock. Each store can also submit additional procurement requests.

The system in each of our stores is linked to our headquarters, which allows us to monitor our inventory level at our stores on a real-time basis and centralize the inventory management. We keep track of the inventory levels at each of our stores closely and conduct centralized inventory analysis on a monthly basis, taking into account sales data from previous periods and feedback from our stores. The system not only enables us to restock our stores timely but also respond to changes in market trends and customers' preference promptly. We believe our first-class inventory management is the key for us to maintain industry-leading operational efficiency while expanding our business scale in recent years.

MARKETING AND PROMOTION

We believe effective marketing and promotion is important for us to compete successfully in the travel retail business. Each year, we carry out a variety of marketing and promotional activities that we believe are well received by our customers and suppliers alike. During the Track Record Period, we launched a variety of marketing and promotional campaigns aimed at attracting and retaining customers, increasing sales volume and promoting our brand image. We have a professional and dedicated marketing team responsible for formulating and coordinating our marketing activities and maintaining collaborative relationship with brand owners. As of March 31, 2022, we employed 77 full-time marketing personnel. Our advertisement and promotion expenses in 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022 were RMB490.0 million, RMB242.6 million, RMB356.9 million, RMB65.4 million and RMB65.6 million, respectively, representing 1.0%, 0.5%, 0.5%, 0.4% and 0.4% of our revenue.

Marketing Strategy

To adapt to the market's ever-changing competitive environment, we focus on developing our business in accordance with market trends. We endeavor to expand our market share and improve our customer loyalty. Taking full advantage of our membership resources and external marketing resources and exploiting collaborative opportunities with our Controlling Shareholder, we focus on areas such as membership marketing, integrated marketing in Hainan and online marketing. Through a variety of vigorous marketing and promotional campaigns, we aim to improve the effectiveness of our marketing strategies. In order to achieve our goals and track our progress, we focus on improving certain key parameters such as marketing penetration rate, conversion rate and purchase per transactions.

Promotional Campaigns

We conduct numerous promotional campaigns all year-round.

Our marketing department and business department jointly plan promotional campaigns. We typically hold four to five company-wide promotional campaigns every year around peak seasons such as summer vacation, mid-autumn festival, national day and Chinese New Year, such as Chinese New Year Online Shopping Festival (中免新春雲上購物節), 618 Sales Event (中免618促銷活動), Hainan Offshore Duty-Free Shopping Festival (中免海南離島免稅購物節) and Hainan Offshore Duty-Free Year-End Grand Ceremony (中免海南離島免稅年終盛典). We integrate our internal market resources and external marketing resources such as those of our brand partners to expand the influence of these company-wide events. At the same time, we apply different sales strategies to the products based on their popularity.

According to the product launch cycle of different product categories, we also launch sales events for certain product categories from time to time. For example, we held a trade show for watches in collaboration with the Foundation de la Haute Horlogerie in our Sanya International Duty-Free Complex in October 2020. Attended by 11 of the world's most prestigious watch brands, the event not only promoted the sales of luxury watches but also showcased the latest advancements in watch-making technologies. This event was very well received by our customers and the watch brands. Leveraging on the successful experience, we held our first annual Watch Festival in March and April 2021, which not only promoted the sales of luxury watches but also demonstrated our excellent capabilities in procuring and marketing high-end luxury products.

Opening ceremony of Watch Trade Show

In our stores, we aim to increase purchases through attractive window displays, posters, billboards, banners and free samples. Our stores run regular sales campaigns depending on their specific circumstances.

We closely collaborate with our business partners on marketing and promotion initiatives. Our leading market position and long-term collaborative relationships with our brand partners incentivize them to invest marketing resources in our stores, including organizing new product launch promotions, celebrity visits, pop-up stores, luxury goods exhibitions, and regular gift with purchase campaigns. In addition, we carry out inter-industry marketing campaigns with third-party travel agencies as well as financial service providers to create win-win opportunities for both parties.

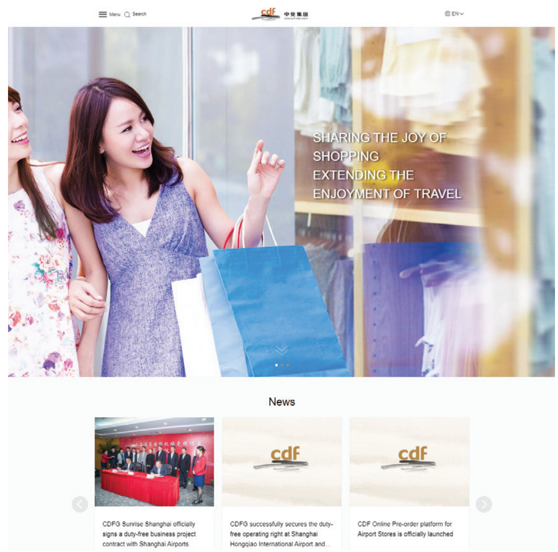
Media Marketing

We use a wide variety of media in our marketing activities. We run advertising campaigns in the print media including magazines and newspapers and on television as well as through our own website.

We also conduct marketing activities through social media, such as Weibo, WeChat, Douyin, Xiaohongshu and other major websites in China, to increase the sense of community among our customers and to increase word-of-mouth referrals. In particular, riding on the live streaming boom in China, we partnered with brands to launch joint live streaming events to promote sales. We engage bloggers, influencers and KOLs to share their shopping experiences with our stores and to promote our brand image.

Screenshots of Our WeChat Posts

We maintain our corporate website at http://www.cdfg.com.cn/, which serves as our promotional platform. The website provides customers with information on promotional activities, special offers and regional news about our stores.



Screenshot of Our Corporate Website

Customer Loyalty Program

We have established a five-tier customer loyalty program to promote customer loyalty and encourage repeat purchases. Each tier offers unique privileges and customers may upgrade to the next tier after fulfilling the relevant spending requirements. Customers may collect membership points when making purchases, which may be used to offset future purchases. Our customers can conveniently access the customer loyalty program and check their membership status and other related information via our WeChat mini-app.

The table below sets forth the details of our customer loyalty program.

Membership Tier	Upgrade Requirements	Membership Benefits
Ordinary	Free	• 2x membership points during birthday month
Silver	Total spending exceeds RMB5,000 within a three-year period, refreshed at the end of each calendar year	• 1.2x membership points when shopping • 2x membership points during birthday month
Gold	Total spending exceeds RMB10,000 within a three-year period, refreshed at the end of each calendar year	• 1.5x membership points when shopping • 2x membership points during birthday month

Membership Tier	Upgrade Requirements	Membership Benefits
Platinum	Total spending exceeds RMB50,000 within a three-year period, refreshed at the end of each calendar year	• 2x membership points when shopping • 2x membership points during birthday month • Express checkout • Dedicated customer service line • Dedicated salon • Dedicated airport transfer (twice per year)
Diamond	Total spending exceeds RMB100,000 within a three-year period, refreshed at the end of each calendar year	• 2x membership points when shopping • 2x membership points during birthday month • Express checkout • Dedicated customer service line • Dedicated salon • Private shopping companion • Dedicated airport transfer (five times per year)

For purpose of membership tier preservation, each purchase is valid for three years. Membership tiers are refreshed on December 31 each year by reference to the total spending over the past three years.

In addition, companies that were acquired by us (such as Sunrise and Hainan DF) had their own customer loyalty programs. To create a consistent brand image and to consolidate our customer service capabilities, we completed the deployment of our centralized CRM system in February 2021 and integrated our multiple customer loyalty programs. As a result, members of the previously separated duty-free programs and automatically became members of "China Duty Free" and their status was recognized throughout our duty-free sales network. Members can shop across our duty-free sales network and get the same recognition and rewards.

We believe our customer loyalty program is tailored to the shopping habits of Chinese consumers, which makes our customer loyalty program popular among consumers. The increased popularity of our online sales channels during 2020 and 2021 also attracted many new members to our customer loyalty program. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had a total of 1.2 million, 12.0 million, 20.3 million and 21.9 million registered members, representing a CAGR of 311.3% from 2019 to 2021. As of the Latest Practicable Date, the number of registered members further increased to 23.3 million.

Our customer loyalty program also incorporates big data analytics and AI technology, which allows us to efficiently analyze and ascertain consumer preferences and make timely assessments of market trends. We believe we have become the go-to shopping channel of our members thanks to our advantages in brand resources, which provides our members with the comprehensive product categories and the competitive prices.

We seek to foster customer loyalty by providing exclusive sales and perks for our members, including dedicated customer service hotlines, express checkout lanes, transportation services for shoppers in Hainan, selected limousine services in major cities for premium members, vouchers on birthdays and other special occasions and annual members' night in each December. We also seek to increase traffic on our membership WeChat mini-app, which is linked to all of our WeChat mini-app stores to drive sales, by offering reward points for each sign-in and holding holiday lucky draws. We plan to roll out additional features such as special coupons and online car booking service for premium members in the future. In addition, we collaborate with banks, mobile payment platforms and travel service platforms to provide our members with comprehensive value-added services before, during and after the trip. In the future, we plan to focus on enhancing member interaction and engagement via online channels while continuing to provide exclusive benefits and services for our premium customers.

AWARDS AND CERTIFICATIONS

The table below sets forth a summary of significant awards and certifications that we have received during the Track Record Period, which demonstrates our credentials in corporate governance and investor relationship management, among others.

Year	Awards/Certifications	Awarding Body
2021	Model Enterprise of Corporate Governance of State-owned Enterprises	SASAC
2021	Top 100 Listed Companies in China	Warton Economic Institute
2021	Top 100 Companies in China	Warton Economic Institute
2021	Top 100 High Growth Companies in China Award	Warton Economic Institute
2021	Top 100 Best Management and Operation in China Award	Warton Economic Institute
2021	Top 100 Main Board Value Award	Securities Times
2021	The Best Board of Directors for Investor Relations in Main-Board-Listed Chinese Companies	Securities Times
2021	Top 100 Listed Companies in China for High-Quality Development	Yins Finance
2021	Most Valuable Company of the Year	CHN Fund
2021	"China Excellent IR" Best Information Disclosure Award	Roadshow China

Year	Awards/Certifications	Awarding Body
2019 and 2020	Excellence Award as the Most Trustworthy Listed Company by Investors	Annual Ceremony of CNR.cn
2020	Outstanding Investor Relations Enterprise Award	Jointly sponsored by Quanjing.com and Investor Relations Management Research Center of Nankai University's China Institute of Corporate Governance
2020	Top 500 Most Valuable Brands in China (ranking first in the travel retail industry)	World Brand Lab
2020	Digital Economy Pioneer Award	Securities Daily
2020	"2020 Great Companies" – Top 15 of 300 Best Future Value Companies	Jointly sponsored by China Business Network, Caijing.com.cn, Times Media Group and Value Line Research Institute
2020	30 Most Influential Listed Companies	Jointly sponsored by Caijing Magazine, Caijing.com.cn, Caijing Think Tank and Securities Market Weekly
2020	"Ranking of Chinese Listed Companies by Market Value" – Top 50 Listed Companies by Market Capitalization	Wind Information
2020	"Ranking of Chinese Listed Companies by Market Value" – Top 50 Listed Companies Most Popular among Institutions	Wind Information
2020	"Ranking of Chinese Listed Companies by Market Value" – Top 5 in Consumer Services Industry	Wind Information
2019	The Top 50 Boards of Directors in China	Jointly sponsored by FortuneChina.com and Aon Hewitt
2019	2018 Golden Bull Best Investment Value Award	China Securities Journal
2019	Best Financially Sound Listed Company	Jointly sponsored by Jiemian.com and CLS.cn

Year	Awards/Certifications	Awarding Body
2019	2019 Outstanding Financial Efficiency Award among Chinese Listed Companies	JRJ.com
2019	The 20 Best A-Share Listed Companies	Jointly sponsored by CE.cn, China Business Network and Value Line Research Institute
2019	Our store at Hong Kong International Airport – Best Airport Liquor Retailer	Drinks International Magazine

ACQUISITIONS

Our growth is driven by both ongoing organic growth as well as strategic acquisitions. During the Track Record Period, we successfully executed two important acquisitions, namely the acquisitions of Sunrise Shanghai and Hainan DF, to increase our footprint in the duty-free business. See "History, Development and Corporate Structure – Major Acquisitions and Disposals" for further details.

We completed the acquisition of Sunrise Shanghai in April 2018, following our acquisition of Sunrise China, one of Sunrise Shanghai's subsidiaries, in March 2017. The series of acquisitions of Sunrise entities gave us the access to the airports in Beijing and Shanghai, the No.1 and No.2 busiest airports in China and two of the top 10 busiest airports in the world by passenger traffic in 2019, which gave us tremendous strategic advantages over our competitors. It also increased our profile and significantly boosted our market share in the PRC's duty-free market, especially in relation to the PRC's port duty-free stores.

In addition, we completed the acquisition of Hainan DF in June 2020. This acquisition enabled us to capture a significant market share in the PRC offshore duty-free market and take full advantage of the benefits brought by the favorable policies in Hainan.

The acquisitions of Sunrise entities generated immediate synergies by adding six stores to our retail sales network, while the acquisition of Hainan DF added three additional stores. We believe the acquisitions will pave the way for additional efficiency gains by enhancing our overall competitiveness, which in turn will further strengthen our bargaining position in the future.

We will continue to look for opportunities to acquire attractive operations which allow us to efficiently expand our footprint and to access new channels of growth in addition to organic growth.

OUR WHOLESALE SERVICES

We may sell duty-free merchandise to certain duty-free operators for the following reasons: (i) in certain countries where foreign operators are not allowed to directly set up duty-free stores, we intend to cooperate with the local duty-free operator in these countries as their wholesale suppliers; and (ii) because of our strong procurement capabilities, some smaller operators prefer to procure duty-free merchandise through us, and the consolidation of procurement can further increase our bargaining power vis-à-vis the brand suppliers and lower the duty-free operator's procurement costs, providing a win-win solution for both parties. From time to time we also sell duty-free merchandise to duty-free stores in which we hold a non-controlling interest. We provided duty-free merchandise to 42, 39, 21, and 17 duty-free operators in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. The revenue generated from our wholesale services in 2019, 2020 and 2021 and the three months ended March 31, 2022 amounted to RMB1,474.1 million, RMB497.1 million, RMB314.6 million and RMB33.9 million, respectively, representing 3.1%, 0.9%, 0.5% and 0.2% of the total revenue derived from sales of merchandise during the respective periods. The decrease in the revenue from our wholesale services in 2020 and 2021 and in the three months ended March 31, 2022 as compared to the three months ended March 31, 2021 was primarily due to the impact of the COVID-19 pandemic. The decrease in the revenue from our wholesale services in 2020 was also due to the acquisition of Hainan DF in June 2020.

We generally have long-term relationships with the wholesale customers as we prefer experienced wholesalers and would like to foster their loyalty. The following table sets out the number of our wholesale customers and its changes in the years indicated:

	As of and for the year ended December 31,			As of and for the three months ended March 31,
	2019	**2020**	**2021**	**2022**
At the beginning of the period	46	42	39	21
Increase in new wholesale customers	1	1	–	–
Decrease in existing wholesale customers[(1)]	5	4	18	4
Net increase in the number of wholesale customers	(4)	(3)	(18)	(4)
At the end of the period	**42**	**39**	**21**	**17**

Note:

(1) Representing the number of the wholesale customers with whom we have not had any transactions for the year indicated.

We enter into master sales agreements with the duty-free operators in respect of the products sold to them. The key terms of the sales agreements typically include:

- *Duration*: Generally one to three years, renewable upon mutual agreement.

- *Credit and payment terms*: Payment is usually due within 60 days from delivery. For prepaid orders, payment must be settled according to the terms set forth in the invoice.

- *Product returns/exchanges*: Product returns are not allowed. However, those with defects may be exchanged.

- *Termination*: We can terminate the agreement by written notice upon breach, or failure to cure the breach by the counterparty.

Given that the duty-free operator is either (i) operating in a foreign country in which we have no duty-free operations; or (ii) operating in the PRC, in which case the operator has independent operating rights with geographical restrictions and their businesses can only be carried out at certain ports and other locations approved by China Customs, we believe the risk of cannibalization of the duty-free sales between us and the duty-free operators that we distribute products to is rather remote.

We do not currently, nor do we plan to engage any distributors in the future. As all sales to our wholesale customers are outright sales, we do not have a policy for the return of unsold goods, nor do we impose minimum purchase requirements in the sales agreements. We have no control over the sales activities of our wholesale customers, except that for duty-free operators in the PRC, we restrict the geographic areas for sales through our sales agreements to the ports or other locations approved by China Customs.

Since 2019, Hainan DF, one of the duty-free operators we distributed duty-free merchandise to, was indirectly wholly owned by our Controlling Shareholder before being acquired by our Group in June 2020. The revenue generated from products sold to Hainan DF amounted to RMB123.2 million in the period from January 1, 2019 to the acquisition by our Controlling Shareholder, representing 8.4% of the total revenue derived from our wholesale services during the same period. Save as disclosed above in this paragraph, none of our Directors or their respective close associates or any of our Shareholders who own more than 5% of our issued share capital had any interest in any of our wholesale customers during the Track Record Period and up to the Latest Practicable Date.

PRICING STRATEGY

Retail Pricing

We generally adopt a cost-plus pricing model for products we sell, with reference to the prevailing price of the products offered by our competitors as well as the cost of running the stores. The duty-free stores in the same sales channel will generally have the same retail price for the same product to reduce price competition amongst the stores. However, additional mark-ups may be applied to products sold in certain channels (for example, cruise/inflight duty-free stores) to offset the additional cost of operating within that environment. We actively review and adjust the mark-ups periodically based on the above factors and general market conditions.

Moreover, when brands set suggested retail prices in their sales agreements with us, we will generally adhere to the recommended retail prices. We may offer discounts on the retail prices in accordance with the terms of the sales agreements signed with the brands.

Wholesale Pricing

We generally adopt a reverse pricing model by reference to the retail price for products we sell to other duty-free operators. The mark-ups are based on arm's-length negotiations with them, taking into account our expected gross profit margins, suggested retail prices at which the products are to be sold to end-customers, our marketing strategies, product design and supply, market trends, product categories, historical sales data and for the third-party retailers we extend credit terms to, the applicable credit terms.

QUALITY ASSURANCE

The quality of the products offered for sale in our stores is vital to maintaining our reputation and competitiveness. The contracts we sign with our suppliers typically specify that the quality of the products supplied to us must meet relevant standards and require suppliers to provide a warranty for these products. We conduct visual inspection of the products when they arrive at our warehouse or stores. We are generally entitled to exchange products that are found to be defective or obtain refunds from the relevant supplier.

Owing to our strict quality control policies, during the Track Record Period and up to the Latest Practicable Date, we did not, due to material quality issues, receive any significant product return requests from our customers or receive any material complaints from our customers.

SALES RETURN POLICY AND WARRANTIES

To ensure customer satisfaction with the products purchased from our stores, customers are allowed to return purchased products within a pre-determined period of purchase for a full refund if there is a quality issue with the product. During the Track Record Period, there were no material product returns, exchanges or product liability claims from our retail customers or wholesale customers.

We also provide product warranties for certain categories of products. During the warranty period, we provide free repair services for products with a quality issue. In addition, we provide paid repair services for certain categories of products after the expiration of the warranty. We maintain four regional repair centers located in Shanghai, Guangzhou, Beijing and Hong Kong covering repair requests from different parts of China and overseas.

Our customer service hotline answers customer enquiries on, among others, pre-order services, the customer loyalty program, product quality and product return. Our customer service representatives record and classify each enquiry and report it to the relevant departments for further handling. We also collect customer complaints and feedback through our customer service hotline and invite customers to provide evaluations for our services. We analyze the feedback and evaluations collected on a monthly basis to identify areas of improvement. In addition, some of our suppliers operate their own customer service hotlines, which allow customers to contact them directly for any enquiries.

SEASONALITY

Our sales performance is subject to seasonal fluctuations. We typically record higher revenue in festive seasons around major holidays as people tend to travel abroad and to Hainan during the holiday periods. As a result, our revenue is usually higher during the months from October to February.

CASH MANAGEMENT

We accept cash payments at our stores. We implement a centralized cash management system and follow strict internal control procedures for handling cash, including the following:

- Each store is equipped with a POS terminal, which is directly connected to our information technology system.
- Each store checks its sales receipts and POS receipts on a daily basis and submits daily sales reports through our system.
- Cash proceeds must be handled by designated cashiers in each store and must be kept in the store's safe and deposited to our designated bank accounts on a daily basis.
- Our headquarters or the relevant subsidiaries verify the reconciliation of sales and actual cash proceeds of the previous day by cross-checking the sales information recorded in our information technology system and the cash deposited in our designated bank accounts in respect of each store.
- Our headquarters or the relevant subsidiaries cross-check the bank deposit balance against the bank statement at least once per month.

During the Track Record Period and up to the Latest Practicable Date, we had not recorded any material cash loss or theft.

CUSTOMERS

We generate our revenue primarily from purchases by retail customers who shop at our stores. These retail customers are primarily travelers at airports, ports, stations, land border crossings or other areas or travelers to Hainan and typically settle payments in cash, debit cards, credit cards or e-wallets on their purchase. From time to time, we also provide wholesale services to other duty-free operators. See "– Our Wholesale Services" for details. However, none of our customers accounted for 5% or more of our total revenue for 2019, 2020 and 2021 and the three months ended March 31, 2022 and we did not rely on any single customer during the Track Record Period.

SUPPLIERS

We enter into concession agreements with airport authorities and other travel-related facility owners in mainland China, Hong Kong, Macau and Cambodia to operate our stores, and source and procure the products directly from a diverse range of brand owners globally. See "– Our Brands and Products" and "– Our Retail Network – Concession Agreements" for details.

Top Five Suppliers

We have maintained long-term business relationships with our major suppliers. As of March 31, 2022, the business relationships between our Group and our top five suppliers during the Track Record Period range from three to 23 years.

In 2019, 2020 and 2021 and the three months ended March 31, 2022, the aggregate purchases from our Group's top five suppliers accounted for 54.9%, 58.4%, 60.3% and 56.7% of our total purchases, respectively. For the same periods, purchases from our largest supplier accounted for 14.1%, 27.0%, 28.6% and 30.2% of our total purchases, respectively.

None of our Directors or their respective close associates or any of our Shareholders who own more than 5% of our issued share capital had any interest in any of our five largest suppliers for 2019, 2020 and 2021 and the three months ended March 31, 2022. We had not experienced any material shortage or delay of supply during the Track Record Period. The credit terms granted to us by our suppliers are typically not more than 90 days. We pay our suppliers on a timely basis and maintain a good credit track record with them.

The table below sets forth certain information about our top five suppliers during the Track Record Period.

For 2019

Supplier	Primary business scope	Products procured from the supplier during period	Cost of purchase	Approximate percentage to our total purchase	Year of commencement of business relationship with us
Supplier A	Airport authority	Rental	RMB5,560.0 million	14.1%	1999
Supplier B	Perfume and cosmetics manufacturer	Perfume and cosmetics	RMB4,716.7 million	12.0%	2005
Base Rich Investments Limited(1)	Duty-free wholesale	Duty-free merchandise	RMB4,473.6 million	11.4%	2001
Supplier C	Airport authority	Rental	RMB3,932.7 million	10.0%	2005
Supplier D	Perfume and cosmetics manufacturer	Perfume and cosmetics	RMB2,919.0 million	7.4%	2005

Note:

(1) Sunrise Shanghai is owned as to 49% by Base Rich Investments Limited, an independent third party.

For 2020

Supplier	Primary business scope	Products procured from the supplier during period	Cost of purchase	Approximate percentage to our total purchase	Year of commencement of business relationship with us
Supplier B	Perfume and cosmetics manufacturer	Perfume and cosmetics	RMB13,290.8 million	27.0%	2005
Supplier D	Perfume and cosmetics manufacturer	Perfume and cosmetics	RMB6,032.5 million	12.2%	2005
Supplier E	Manufacturer of perfume and cosmetics, fashion and accessories and alcohol products	Perfume and cosmetics and fashion and accessories	RMB3,602.3 million	7.3%	2005
Supplier C	Airport authority	Rental	RMB3,190.1 million	6.5%	2005
Supplier F	Perfume and cosmetics manufacturer	Perfume and cosmetics	RMB2,638.6 million	5.4%	2008

For 2021

Supplier	Primary business scope	Products procured from the supplier during period	Cost of purchase	Approximate percentage to our total purchase	Year of commencement of business relationship with us
Supplier B	Perfume and cosmetics manufacturer	Perfume and cosmetics	RMB14,095.0 million	28.6%	2005
Supplier D	Perfume and cosmetics manufacturer	Perfume and cosmetics	RMB6,376.6 million	12.9%	2005
Supplier E	Manufacturer of perfume and cosmetics, fashion and accessories and alcohol products	Perfume and cosmetics and fashion and accessories	RMB3,171.5 million	6.4%	2005
Supplier G	Perfume and cosmetics manufacturer	Cosmetics	RMB3,076.8 million	6.2%	2019
Supplier H	Manufacturer of fashion and accessories	Watches and jewelry	RMB3,064.6 million	6.2%	2005

For the three months ended March 31, 2022

Supplier	Primary business scope	Products procured from the supplier during period	Cost of purchase	Approximate percentage to our total purchase	Year of commencement of business relationship with us
Supplier B	Perfume and cosmetics manufacturer	Perfume and cosmetics	RMB4,104.4 million	30.2%	2005
Supplier D	Perfume and cosmetics manufacturer	Perfume and cosmetics	RMB1,625.6 million	11.9%	2005
Supplier E	Manufacturer of perfume and cosmetics, fashion and accessories and alcohol products	Perfume and cosmetics and fashion and accessories	RMB720.9 million	5.3%	2005
Supplier F	Perfume and cosmetics manufacturer	Perfume and cosmetics	RMB660.8 million	4.9%	2008
Supplier G	Perfume and cosmetics manufacturer	Cosmetics	RMB602.0 million	4.4%	2019

See "– Our Brands and Products – Our Brand Portfolio" for key terms of our contracts with our major suppliers during the Track Record Period.

RESEARCH AND DEVELOPMENT

We did not undertake any substantial research and development activity during the Track Record Period.

INFORMATION TECHNOLOGY SYSTEM

We place emphasis on our information technology system to improve the efficiency of our procurement, sales, inventory control, logistics and customer base and membership data management. Currently, all of our stores are linked to our information technology system through a POS terminal, which facilitates real-time and accurate data collection and management. Our ERP system also enables us to provide information technology support to these stores, and to compile and analyze our operational and financial data and information on a real-time basis. Our ERP system also enables us to closely monitor sales and inventory levels at our stores, providing vital information that we can use to responsively reallocate our inventory.

In February 2021, we completed the deployment of our centralized CRM system, which allowed us to create a unified and centralized customer database. The centralized CRM system pulled together previously disparate data sources spread across different parts of our network to give us a more holistic picture of our customers, increasing their lifetime value by providing us with more useful information so that we can target our customers more accurately. With the help of big data analytics and AI technology, we can efficiently gather consumer intelligence, monitor consumer preferences and make timely assessments of market trends. The centralized CRM system also allowed our customers to share the same membership benefits and privileges, attracting customers to our stores across our vast sales network. As of March 31, 2022, our centralized CRM system included information related to approximately 21.9 million customers.

We also strive to boost our in-store operational efficiency and accuracy through our "smart stores". In 2020, we implemented the electronic shelf label system in our downtown Haikou store. More than 30 stores had launched store assistant applications to facilitate inventory check and merchandise information queries. Additionally, we applied virtual reality ("**VR**") panorama photography to our Sanya International Duty-Free Complex and launched VR store viewing service for certain selected brand stores to improve our customers online shopping experience.

Our information technology system is maintained by our IT department. The IT department performs system checks, data back-ups, system maintenance and maintains spare systems and parts of emergency hardware components to secure the continuous operation of critical IT systems and facilities. It is also responsible for developing proprietary IT systems and the management, development and implementation of the big data infrastructure. As of March 31, 2022, we had 31 full-time employees in our IT department, including software engineers, product managers, data scientists and other staff members.

We safeguard our information technology system, which covers cyber security, data security and terminal security, using various technologies including encryption, anti-virus software and firewall. We continuously upgrade such technologies to enhance our information security management and implement strict measures to protect and secure confidentiality of customer/membership data. For example, we restrict access to customer/membership data to selected authorized staff who are provided with the relevant password and key data is only stored and transmitted within our intranet to avoid exposure to public internet. During the Track Record Period and up to the Latest Practicable Date, we did not experience any failure or breakdown of our information technology systems which resulted in a material adverse impact on our overall business operations.

Additionally, we have implemented certain policies and rules on customer data protection, such as operation standards for management of customers' information documents and operation standards for the management of computers and software. We have taken necessary measures such as entering into confidentiality agreements with our employees to prevent the leakage of the customer data, and we have provided training to our employees to ensure they are aware of our internal policies in relation to customer data protection. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any customer data privacy breaches, leakages or disputes.

Cyber Security Review and Customer Privacy Protection

We primarily collect the following types of customer data: identification documents, travel documents and payment details. We collect the customers' identification documents (such as their passports) and boarding passes or other travel documents to verify the purchasers' eligibility to purchase duty-free products. We also collect their payment information (such as credit card details) to complete the transactions when the customers make purchases. When the customer consents to join our customer loyalty program, their information will be used to allow our customers to share the membership benefits and privileges. The data will also be securely stored in our centralized CRM system that will help us to gather consumer intelligence, monitor consumer preferences and make timely assessments of market trends.

We collect and maintain their personal information in accordance with the relevant laws and regulations on data privacy and security in the PRC. We have taken measures to maintain the confidentiality of such information to ensure regulatory compliance. Specifically, before we perform any data analysis, we perform de-identification on raw data stored, during which we redact personal identifiable data, such as name, identification number and phone number of a specific customer. Since the collection, storage, usage, retention and transmission of information that can be identified as specific individuals or reflect the relevant activities of specific individuals are all subject to relevant data protection laws and regulations, the de-identification of raw data is necessary for us to efficiently protect personal data of our customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage or data loss, nor did we experience any material unauthorized use of customer's personal information. For more information related to our cyber security and data protection, see "– Information Technology System" for details.

Under the Cyber Security Review Measures which took effect on February 15, 2022, online platform operators with personal information of more than one million users who are going to list abroad must apply for a cyber security review to the Cyber Security Review Office. The Cyber Security Review Measures provides no further explanation or interpretation for "going to list abroad". However, the Draft Regulations on Cyber Data Security Management released on November 14, 2021 differentiates between listing in a foreign country and listing in Hong Kong. Under the Draft Regulations on Cyber Data Security Management, data processors processing of personal information of more than one million people listing in a foreign country, or data processors listing in Hong Kong which affects or may affect national security, are subject to cyber security review in accordance with relevant regulations. Under the Cyber Security Review Measures and the Draft Regulations on Cyber Data Security Management, other than a data processor's listing in Hong Kong which affect or may affect national security, circumstances that require companies to undertake a cyber security review also include when a critical information infrastructure ("CII") operator purchases network products and services or an online platform operator carries out data processing activities that affect or may affect national security. According to Regulations on the Protection of Critical Information Infrastructure Security (《關鍵信息基礎設施安全保護條例》), CII refers to important industries and sectors such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government, and defence technology industries, as well as other major network facilities and information systems that once are damaged or lose their functions or data, may seriously endanger national security, national economy, the people' livelihood, and public interests. As of the Latest Practicable Date, we have not received any notification from relevant authorities regarding identification of the Company as a CII operator. As we are a duty-free operator and our business does not involve the relevant industries and sectors specified in the above regulations, we are not likely to be identified as a CII operator. As the exact meaning of "national security" in the context of Cyber Security Review Measures and Cyber Data Security Management Regulations needs further clarification, application of the above regulations and in particular, cyber security review requests by relevant authorities, remains to be further clarified. However, the plain reading of "national security" suggests that "national security" refers to, among others, the state of freeing from any danger to the regime, sovereign, unity and territorial integrity. As a duty-free retailer, we are primarily engaged in the sales of duty-free consumer products (which mainly include perfume and cosmetics, fashion and accessories (such as watches, jewellery, clothing and accessories), tobacco and liquor, food and miscellaneous goods). Therefore, we believe that our operations are irrelevant in the context of national security. As of the Latest Practicable Date, we had not received any objection to the Listing from relevant regulatory bodies. Our PRC Legal Advisors are of the view that as of the Latest Practicable Date, the Cyber Data Security Management Regulations have not yet been promulgated officially, and the Global Offering is not yet subject to its provisions on the cyber security review of Hong Kong listings.

We have been advised by our PRC Legal Advisers that the Draft Regulations on Cyber Data Security Management, if implemented in its current form, will impose the following measures:

- data processors that process personal information of more than one million people shall also comply with the provisions of Chapter 4 of these Regulations for important data processors, including, among other things, shall (1) file with the network information authorities, (2) conduct annual data security assessments and submit the previous year's data security assessment report to the network information authorities before January 31 of each year, (3) designate a person in charge of cybersecurity and establish a cybersecurity management department internally, and (4) formulate a cybersecurity training plan and organize cybersecurity training for all employees every year. As we process personal information of more than one million people, we are required by the proposed Cyber Data Security Management Regulations to comply with the above requirements;

- data processors listed overseas are also subject to the annual data security assessments and submission requirement;

- when a data processor provides overseas data collected in the PRC, if the data contains important data, or if the data processor processes personal information of more than one million people, the data processor should, among other things, (1) pass the security assessment of outbound data organized by the network information authorities; (2) prepare an outbound data security report annually, and report to the local network information department annually; and (3) obtain individual consent for dealing with the personal information as appropriate; and

- the information system for processing "important data" in principle should meet the requirements of Grade III or higher cybersecurity protection and critical information infrastructure security protection. Whether the data processed by us are important data remains unclear. If we are deemed as an important data processor, our information system shall meet the requirements of Grade III or higher protection.

To address the concerns brought by the recently issued laws and regulations on data privacy and security, we are taking a more prudent approach in business operation and can reduce our risk of exposure related to the implementation of these laws and regulations to a certain extent by the following measures:

- Pay close attention to the latest trends in regulatory development and maintain continuous communication with the relevant regulatory authorities;

- Enhance and improve the data processing activities in accordance with the latest regulatory requirements;

- Adopt additional security measures and internal control system to protect the customer data from the risks of data leakage, theft and destruction and illegal control, and make advanced preparations in light of the regulatory development;

- Further improve the user agreement and privacy policy and other legal documents related to the collection and use of personal information;

- Continue to improve cybersecurity awareness in our future network development and deployment; and

- Conduct the applicable personal information security impact assessment and other relevant assessments and make applicable regulatory filings to address security issues/concerns that may raise national security concerns in data processing activities.

As of the date of this prospectus, we have not received any cybersecurity, data security or personal data protection related enquiries from any competent PRC regulatory authorities. Our PRC Legal Advisors and Directors are of the view that as we are a duty-free operator that primarily derives our revenue from sales of duty-free products, the existing laws and regulations in cybersecurity, data security and personal data protection will not have a material adverse impact on the Company's business operations.

We are of the view, and our PRC Legal Advisers concur, that assuming the Draft Regulations on Cyber Data Security Management become effective in its current form in the future, subject to further implementation details, guidance or clarification of the Cyber Data Security Review Measures, it will not have a material adverse effect on the Group's overall business on the basis that (i) as disclosed in this section, we have implemented comprehensive measures to ensure secured storage and transmission of data and prevent any unauthorized access or use of data; (ii) during the Track Record Period and up to the Latest Practicable Date, we did not experience any failure or breakdown of our information technology system which resulted in a material adverse impact on our overall business operations, nor did we encounter any customer data privacy breaches, leakages or disputes; (iii) during the Track Record Period and up to the Latest Practicable Date, the Group has not received any investigation, notice, warning, or sanctions from applicable government authorities with regard to its business operations concerning any issues related to cybersecurity and data security; (iv) we will take a more prudent approach in light of the changing regulatory landscape to prepare for compliance with the requirements in the Cyber Data Security Management Regulations. Based on the view of their PRC Legal Advisers and the independent due diligences including but not limited to interviews with the management of the Company and discussions with the PRC Legal Advisers of the Company, nothing has come to the attention of the Joint Sponsors which has caused them to disagree with the view of the Company above. Once the Cyber Data Security Management Regulations have been formally adopted in its current form and the specific requirements and implementation rules have been promulgated, we currently do not foresee any material impediments for us to gradually take measures under the guidance by the relevant regulators to prepare for compliance with the regulations in all material aspects; and (v) as there might be newly issued explanations or implementation rules on the existing regulations, laws and opinions or the draft measures mentioned above might become effective, we will actively monitor future regulatory and policy changes to ensure strict compliance with all applicable laws and regulations. With the continuous expansion of our business and growth of our customer base, there can be no assurance that the constantly evolving regulations on the collection and use of personal information in the PRC will have no material adverse effect on us. See "Risk Factors – Risks Relating to Our Business and Industry – We may fail to adequately protect our customer data or to comply with data privacy and protection laws and regulations." for details.

COMPETITION

Historically, we were the only state-owned company allowed to carry out duty-free business nationwide in China. Although the restriction to enter into the PRC duty-free market relaxed somewhat in recent years, China's duty-free industry remains concentrated. According to Frost & Sullivan, as of December 31, 2021, there were only nine groups of entities with duty-free operation permits in China and five groups of entities with duty-free operation permits to operate port duty-free stores nationwide. According to the same source, of these groups of entities, we are currently the only group with operation permits for all types of duty-free stores in China. As a result, we have a dominant position in China's duty-free industry and enjoy considerable competitive advantages over our competitors. Frost & Sullivan estimates that we had approximately 86.0% of the market share in the PRC duty-free industry in terms of the total sales revenue in 2021.

In particular, we enjoy substantial competitive advantages in Hainan, occupying approximately 90.0% of China's offshore duty-free market share in terms of the total sales revenue in 2021, according to Frost & Sullivan. The duty-free industry in Hainan is considered a market separate from the rest of mainland China due to the special offshore duty-free policies applicable to the region. According to Frost & Sullivan, as of December 31, 2021, there were only five groups of entities with operation permits to operate in Hainan offshore duty-free market. Although more players are forecasted to enter into duty-free business in Hainan, being the first company to establish duty-free business on the island, we believe we enjoy the first-mover advantage and have advantages in the scale of operations compared to our competitors. We are confident that the in-depth knowledge we have accumulated with nearly four decades of operations in the PRC duty-free industry and more than a decade of operation in Hainan as an offshore duty-free market has positioned us well ahead of our competitors. Our strength is further reinforced by our acquisition of Hainan DF in June 2020. See "– Acquisitions" for further details.

We also compete for concessions at airports and other transportation terminals and destinations with a number of other global, national and regional duty-free operators in China and at popular overseas destinations for Chinese travelers. Duty-free operators compete primarily on the basis of their experience and reputation in travel retailing, including their relationships with airport authorities and other landlords, their experience in a particular region, their ability to respond to the needs of an airport authority or other landlords for planning and design advice, as well as operational ability. Price is also a significant competitive factor, as a concession may be awarded in a tender based upon the highest concession fee offered. We also compete for customers directly with other travel retailers in some locations, and, as our range of products increases, we also become an indirect competitor of traditional offline and online duty-paid retailers. Leveraging on decades of experience in the PRC duty-free industry, we believe we are well-positioned to capture future growth opportunities both domestically and abroad in the business segments that we operate in.

See "Industry Overview" for further details.

EMPLOYEES

The success of our operations depends on our ability to attract, retain and motivate qualified employees. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had 11,433, 14,733, 15,392 and 14,763 full-time employees, respectively, including 10,780, 14,217, 14,936 and 14,359 employees we directly employed and 653, 516, 456 and 404 employees under labor dispatch arrangements. With nearly 40 years of duty-free experience, we have established a talent assessment, recruitment and training system that is in line with the needs of China's duty-free industry. We continue to learn from international best practices to build a world-class procurement and operation management team. As of March 31, 2022, 31.0% of our directly employed employees held a bachelor's degree or above, and 54.2% had more than three years of relevant industry experience.

Direct Employment

We enter into written employment agreements with our direct employees. The agreements typically specify the employee's position, responsibilities, remuneration, benefits and grounds of termination pursuant to relevant labor laws and regulations. The table below sets forth breakdowns of our direct employees by function and by geographic location as of the dates indicated.

	As of December 31,						As of March 31,	
	2019		2020		2021		2022	
	Number of employees	*% of total*	*Number of employees*	*% of total*	*Number of employees*	*% of total*	*Number of employees*	*% of total*
Function								
Sales	6,646	61.7%	7,270	51.1%	7,735	51.8%	7,528	52.4%
Management	1,051	9.8%	963	6.8%	781	5.2%	776	5.4%
Other	3,083	28.5%	5,984	42.1%	6,420	43.0%	6,055	42.2%
Total	10,780	100%	14,217	100%	14,936	100%	14,359	100%

	As of December 31,						As of March 31,	
	2019		2020		2021		2022	
	Number of employees	*% of total*	*Number of employees*	*% of total*	*Number of employees*	*% of total*	*Number of employees*	*% of total*
Location								
Mainland China	9,484	88.0%	13,023	91.6%	13,905	93.1%	13,312	92.7%
Overseas	1,296	12.0%	1,194	8.4%	1,031	6.9%	1,047	7.3%
Total	10,780	100%	14,217	100%	14,936	100%	14,359	100%

Labor Dispatch Arrangements

In addition to direct employment, during the Track Record Period, we entered into labor dispatch agreements with Independent Third Party employment agents whereby the employment agents dispatched suitable staff to fulfill our job requirements on mutually agreed terms, including the number of staff to be dispatched, period of the dispatch and wages and benefits of the dispatched staff. Staff dispatched to us by the employment agent are engaged only in temporary, auxiliary or substitutable positions such as logistics, catering and cleaning.

Our Directors believe that the labor dispatch arrangements enabled us to maintain a sufficient and flexible level of labor force to meet our operation requirements. Pursuant to the labor dispatch agreements, we pay a combined fee to the employment agent, primarily consisting of service fees of the employment agent and wages and benefits of the dispatched staff. The employment agent is responsible for arranging payment of wages, insurances and other welfare conditions as required by the PRC laws and regulations upon receipt of the combined fee. The dispatched staff are employed by the employment agent, and hence we are not their employer. We apply our human resources policy and codes of our conduct to the workers dispatched to us.

Recruitment and Career Progression

We believe that talent management is key to our continued success and have been consistently upholding the "people-oriented" management philosophy when it comes to talent management. We have developed a comprehensive employee recruitment system and have recruited our employees through on-campus recruitment, job fairs, recruitment agencies, employment oriented online services providers and internal and external referrals. Committed to providing fair and equal opportunities in all of our employment practices, we have adopted policies and procedures to ensure a fair selection and hiring process.

We develop new and existing candidates for more senior roles and conduct regular reviews of our talent pool to ensure that our development needs are met. We have established a career-level management system within our organization that offers our employees a clear pathway to progress within our organization. Our clearly defined dual-channel development pathways also offer our employees two distinct development paths for them to further enhance their management or professional skills, broadening their career horizons and maximizing their career potentials.

Training and Development

We maintain policies on employee training and assessment based on position and job responsibilities.

We provide new hire trainings to new joiners on our culture, business and industry to improve their understanding of our Company and their abilities to perform their duties. Our human resources department will introduce our standards and culture to our new staff and prepare a series of mandatory trainings focusing on core skills such as company introduction and work procedures. Our store managers will also train up our newly recruited staff to cater for the specific needs of individual stores.

For our experienced employees, we engage internal staff and external training agencies to provide training on both general skills, such as leadership, retail management, financial control and business negotiation skills, and retail skills, such as visual display, sales and customer services skills. With a view to educating and developing our future leaders, we launched our management trainee program in 2018, which enables our trainees to acquire skills and knowledge through rotations in core departments, participation in cross-functional projects and assignments, and functional and leadership training. We also offer regular and tailor-made trainings to our management and front-line personnel and identify suitable and promising candidates for future promotion to store managers. We believe our training programs not only increase our staff retention rates as a result of the upward mobility prospect, but also produce the right kind of candidates our management personnel need for our business expansion.

We rolled out our online training platform, "China Duty-Free Academy," in 2019, on which our employees may access pre-recorded training sessions. Since the outbreak of the COVID-19 pandemic, we have shifted to the use of distance learning solutions and have held over 100 live-streaming training sessions.

Remuneration and Benefits

The remuneration packages for our employees include basic salary, bonuses and allowances. In general, we review the performance of our employees on an annual basis, the results of which are used in the employee's salary review and promotion appraisal. We believe we have a competitive remuneration system that is able to favorably reward our best performing employees and incentivize our employees to strive for better results.

A majority of our employees are located in China. As required by Chinese regulations, we participate in social insurance schemes operated by the relevant local government authorities and maintain mandatory pension contribution plans and medical and work-related injury insurance schemes for our employees. We also contribute to social insurance funds and housing provident funds for our employees in accordance with the applicable PRC laws and regulations. For our employees overseas, we provide contributions to the mandatory provident fund, social insurance system and pension fund in accordance with the applicable laws and regulations in the relevant jurisdictions.

As of March 31, 2022, we established labor unions in China. We believe that we generally maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

Diversity and Equal Opportunity

We respect the gender, age and ethnicity of each person. As of March 31, 2022, approximately 60% of our employees were female. We will continue to focus on embracing diversity within our Group and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. To this end, we have adopted policies on compensation, dismissal, equal opportunities, diversity and anti-discrimination. Accordingly, our Group gives each job applicant an equal job opportunity and we have an internal policy in place to ensure that there is no discrimination as to gender, age and ethnicity. In addition, we have stipulated in our internal guidelines that decision in relation to human resource management, which include but not limited to promotion, salary increment and dismissal within our Group would be based solely on the employee's performance, experience and capability. While we strive to maximize equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace for all of our employees.

INTELLECTUAL PROPERTY

Intellectual Property Rights Held by Our Group

Our intellectual property rights are key to our success and competitiveness, primarily consisting of the trademarks and the domain names we use. As of the Latest Practicable Date, we owned registered trademarks and domain names which are material to our business. See "Statutory and General Information – 2. Further Information about Our Business – B. Our Intellectual Property Rights" in Appendix VII to this prospectus for more details of the material intellectual property rights.

Intellectual Property Rights Licensed by Brand Owners to Our Group

Under the sales agreements entered into with brand owners, or pursuant to separate licensing agreements made with them, our Group is generally licensed to use the brand names or trademarks of the brands owners in the operation of our stores. Depending on the terms of each individual sales agreement and the licensing agreement, the marketing plans, materials and artworks used in connection with the sales and marketing activities may have to be approved by the brand owners before launch or publication.

As of the Latest Practicable Date, we had not received any claims against our Group for infringement of any trademarks, nor were our Directors aware of any pending or threatened claims in relation to any actual or potential material infringement.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any disputes relating to, or infringement of, our intellectual property rights having a material adverse effect on our business, and we were not engaged in any litigation or legal proceedings for any material violation of intellectual property rights of any person.

PROPERTIES

Owned Properties

As of March 31, 2022, we owned 87 properties with an aggregate gross floor area of approximately 227,358 sq.m in China. The properties are mainly used for office, warehousing and business operation purpose.

We have obtained land use rights certificates on 67 owned properties with an aggregate gross floor area of 196,502 sq.m (accounting for 86.4% of the aggregate gross floor area of our owned land in China) and our PRC Legal Adviser has confirmed that we legally own these properties.

We owned three properties which we used as offices with an aggregate gross floor area of 5,291 sq.m (accounting for 2.3% of the aggregate gross floor area of our owned properties in China), for which we have obtained the premises title certificates but not the corresponding land use right certificates. As advised by our PRC legal adviser, there is no material legal impediment for us to occupy and use the properties. Nor will there be any material legal impediment for us to transfer, pledge or otherwise dispose of such properties in accordance with the relevant PRC laws and regulations as the competent local government authorities will not separately issue any land use right certificate in relation to these properties.

We owned three properties which we used as staff dormitories or commercial with an aggregate gross floor area of 4,273.58 sq.m (accounting for 1.88% of the aggregate gross floor area of our owned properties in China), for which we have obtained the premises title certificates but not the corresponding land use right certificates. As advised by our PRC legal adviser, there is no material legal impediment for us to occupy and use the properties. However, pursuant to the relevant PRC laws and regulations, we cannot transfer, pledge or otherwise dispose of such properties until we obtain the relevant land use right certificates.

We owned one properties used for warehousing, office and business operation purpose with an aggregate gross floor area of 20,516 sq.m (accounting for 9.0% of the aggregate gross floor area of our owned properties in China), for which we have obtained the land use right certificates but not the premises title certificates. As advised by our PRC legal adviser, because we have (i) obtained the land use right certificates, (ii) gone through the relevant approval procedures for construction of buildings and (iii) not received any claims from third-parties disputing the ownership of the buildings, there is no material legal impediment for us to occupy and use the properties. However, pursuant to the relevant PRC laws and regulations, we cannot transfer, pledge or otherwise dispose of such properties until we obtain the relevant title certificates.

We owned 13 properties used for parking and retail with an aggregate gross floor area of 774.96 sq.m (accounting for 0.34% of the aggregate gross floor area of our owned properties in China), for which we have neither the land use right certificates nor the premises title certificates. Twelve of these properties with an aggregate gross floor area of 445 sq.m were car park spaces. We were in the process of obtaining the relevant title certificates as of the Latest Practicable Date. As advised by our PRC legal adviser, as we have made the relevant payments in relation to the 12 properties as specified in the relevant contracts, there is no material legal impediment for us to obtain the relevant title certificates. The remaining property with an aggregate gross floor area of 330 sq.m was a commercial property. Due to historical reasons, we cannot obtain any title certificate to such property. Given the property's size is small and not material to our business, we are of the view that the lack of title certificate to such property will not materially and adversely affect our business operations.

We are of the opinion that the lack of relevant certificates for such properties would not, individually or in the aggregate, have a material adverse effect on our business, because, in addition to the reasons stated above:

(a) during the Track Record Period and up to the Latest Practicable Date, we have not received any material penalty, objection, inquiry or investigation from competent authorities with respect to the lack of relevant certificates on these properties;

(b) we have used or occupied many of such properties for many years, and during all the years of our use and occupation of the land and up to the Latest Practicable Date, we have not received any claim of right from third parties or been involved in any disputes with third parties; and

(c) we have not received any notice from competent authorities requiring us to relocate or demolish the relevant properties as a result of the lack of relevant certificates on these properties as of the Latest Practicable Date.

We have actively sought to cure the title defects. As of the Latest Practicable Date, we have obtained the premises title certificates in relation a property with an aggregate gross floor area of 31,373 sq.m (accounting for 13.8% of the aggregate gross floor area of our owned properties in China as of March 31, 2022), curing the title defects thereon. We have also submitted the relevant documents in relation to 13 properties with an aggregate gross floor area of 20,961 sq.m (accounting for 9.2% of the aggregate gross floor area of our owned properties in China as of March 31, 2022). In relation to the parcels of land with title defects, we will continue actively communicating with the relevant government authorities and prepare the required documents as necessary to facilitate the process.

In addition to the aforementioned 87 properties, we also have obtained land use rights regarding eight pieces of land with an aggregate area of 499,234.18 sq.m, and have commenced development and construction work on parts of such land. As advised by our PRC Legal Adviser, we have the legal land use rights of such land and the legal right to transfer, lease, pledge or otherwise dispose of such land according to applicable laws, and the construction projects on such land, depending on their progress, have obtained the construction and planning permits, construction work permit or opinions in letters in lieu of permits issued by the competent regulatory authorities according to applicable PRC laws. See "– Legal and Arbitration Proceedings and Compliance Matters" for further details.

JLL, an independent valuer, has valued certain of our owned property interests in selected properties as of May 31, 2022 in the valuation report as set out in Appendix IV of this prospectus.

Leased Properties

As of March 31, 2022, we leased 298 operational properties with an aggregate gross floor area of approximately 446,328 sq.m in China. As of the same date, we also leased five properties in Hong Kong, two properties in Macau and four properties in Cambodia. The properties are mainly used for office, warehousing and business operation.

We do not foresee any major difficulties or impediments in renewing the relevant leases upon their expiration, except for the concession agreements for which bidding process is required. For the concession agreements renewable through bidding, we believe we will have advantages in the future bidding process for the renewal of our concession arrangements. See "– Our Retail Network – Concession Agreements" for further details.

Non-registration of Lease Agreements in the PRC

As of March 31, 2022, we leased 298 operational properties in the PRC, 295 of which had yet to be registered with the relevant government authorities in accordance with the PRC laws and regulations. As advised by our PRC legal advisers, the lack of registration of a lease will not affect its validity. However, the competent regulatory authorities can request leasing parties to finish registration within a prescribed timeframe; failure to do so may subject us to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities, and the amount of potential penalties accounts for a minimal portion of our total revenue during the Track Record Period. On the basis that (i) the lack of registration of a lease will not affect its validity, and (ii) as of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities, and the amount of potential penalties accounts for a minimal portion of our total revenue during the Track Record Period, our Directors are of the view that the defects of such leased properties would not materially and adversely affect our business.

We believe that the reasons behind the failure to register the above lease agreements are beyond our control because, among other things, the lessors' willingness to cooperate in the registration process and provision relevant documents for registration is necessary. In our experience, most lessors are not willing to cooperate as they have to apply in person and are reluctant to provide the original copy of the relevant documents for registration. The ongoing COVID-19 pandemic has exacerbated the problem as certain stores were temporarily closed or operating in a reduced capacity because of the pandemic. In order to minimize the potential negative impact of the above lack of registration of lease agreements, we have maintained, and will continue to maintain, regular communications with such lessors seeking their cooperation to complete a late registration of the relevant leases. In addition, we have established internal guidelines and enhanced our internal control procedures requiring us to seek the landlord's agreement to register lease agreement before signing in order to ensure compliance with applicable PRC laws and regulations.

Title in Relation to Lease Properties in the PRC

We had obtained valid title certificates from relevant lessors of 98 leased operational properties with an aggregate gross floor area of approximately 227,855 sq.m (accounting for 51.1% of the aggregate gross floor area of our leased operational properties). As advised by our PRC legal advisers, such leases were legal and valid on the signing parties.

We had obtained permits for planning construction projects (建設工程規劃許可證) from relevant lessors of four leased operational properties with an aggregate gross floor area of approximately 10,205 sq.m (accounting for 2.3% of the aggregate gross floor area of our leased operational properties). As advised by our PRC legal advisers, such leases were also legal and valid on the signing parties.

In respect of 196 of our leased properties with an aggregate gross floor area of approximately 208,268 sq.m (accounting for 46.7% of the aggregate gross floor area of our leased properties), the lessors of such properties did not provide us with the relevant title certificates, permits for planning construction projects, or consents from the owners of properties evidencing their rights to lease the leased properties as of the Latest Practicable Date. As advised by our PRC legal advisers, if the lessors do not own the properties and do not have authorization from the property owners to lease the properties either, the lessors do not have the legal right to lease the properties. If third parties challenge the ownership rights or the right to lease the properties, our leases may be affected. We believe that the reasons behind the lessors' failure to provide us with the relevant title certificates are beyond our control. The ongoing COVID-19 pandemic has made cooperation from the lessors more difficult as certain stores were temporarily closed or operating in a reduced capacity because of the pandemic. To the best of our knowledge, as of the Latest Practicable Date, some of the lessors have applied for the relevant title certificates and we are not aware that any of the relevant buildings are illegal structures. In order to minimize the potential negative impact of the above title defects on our operations, we have maintained, and will continue to maintain, regular communications with such lessors regarding the progress of their rectification of the title defects. In addition, we have established internal guidelines and enhanced our internal control procedures to improve our evaluation of the new leased properties from a compliance perspective. We will also consult our external legal advisers for reviewing the title certificates and other documents of our new leased properties in order to ensure compliance with applicable PRC laws and regulations. On the basis of the aforesaid, our Directors are of the view that the defects of such leased properties would not materially and adversely affect our business.

INSURANCE

During the Track Record Period, we maintained insurance policies that are required under the PRC laws and regulations as well as based on our assessment of our operational needs and industry practice, including cargo transportation insurance and property all-risks insurance.

Considering our current operations and the prevailing industry practice, our Directors are of the view that our insurance coverage is adequate and in line with industry practice. We intend to continue to maintain our current insurance coverage. We will continue to review and assess our risk portfolio and make appropriate adjustments to our insurance coverage.

Our Directors confirmed that after making all reasonable enquires, during the Track Record Period and up to the Latest Practicable Date, we have not received any material claim, nor have we made any material claims under our insurance policies or experienced any material business interruption.

HEALTH, OCCUPATIONAL SAFETY AND ENVIRONMENTAL PROTECTION

Our Group has established procedures to provide our employees with a safe and healthy working environment by setting out a series of work safety measures in the staff manual for our staff to follow. Our Group follows the health and safety-related rules and regulations pursuant to relevant laws and regulations in Mainland China and overseas and have devised a series of requirements for workplace environmental control and hygiene in the workplaces accordingly. As of the Latest Practicable Date, we had complied with applicable laws and regulations on health, occupational safety and environmental protection in all material respects.

Owing to the nature of our business, our operational activities do not directly generate industrial pollutants, and we did not directly incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As of the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

Our strategy and investment department is responsible for the daily implementation of our work safety measures and compliance record keeping. Our Directors consider that the annual cost of compliance with the applicable health, work safety, social and environmental laws and regulations were not material during the Track Record Period and up to the Latest Practicable Date and the cost of such compliance is not expected to be material going forward.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any significant incidents or accidents in relation to workers' safety. Furthermore, we have not been subject to any material claim, whether for personal or property damage, or penalty in relation to health, work safety, social and environmental protection and have not been involved in any accident or fatality and have been in compliance with the applicable laws and regulations of the relevant jurisdictions in all material aspects during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND COMMUNITY MATTERS

Corporate and Sustainability Governance

As the largest travel retailer in China, we are fully aware of our responsibilities toward the society. As a corporate citizen, we strive to contribute to higher standards of living, wealth and quality of life wherever we operate. We demonstrate our corporate citizenship foundations through our strong commitment to safeguard our environment as well as many social responsibility initiatives. We have various governance measures in place to oversee the implementation of environmental, social and governance ("**ESG**") related policies, which are embedded in our standard operating procedures. We also plan to issue ESG report annually to disclose our efforts and achievements in ESG.

To better implement our ESG policies and measures, we have established an ESG taskforce (the "**ESG Taskforce**") which comprises representatives from different departments of our Company and is chaired by our Chairman. The ESG Taskforce shall support our Board in establishing and implementing ESG-related policies and procedures. A ESG working group is further established under the ESG Taskforce to implement ESG-related policies in our day-to-day operations.

Our Directors consider that establishing and implementing sound ESG principles and practices will increase the investment value of our Company and provide long-term return to our stakeholders. Our Group will have governance measures in place to monitor and collect ESG-related data for preparing disclosure in compliance with requirements of the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") in Appendix 27 of the Listing Rules, upon the Listing and when appropriate. To ensure the effectiveness of our ESG risk management measures and respective internal control systems, our ESG Task Force is responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG-related risks. In addition, we intend to, among others, identify the material ESG areas, discuss with our key stakeholders regarding the material ESG areas identified and discuss among our management to ensure all material ESG areas which are important to our business development are reported and comply with the recommendation of the ESG Reporting Guide.

Our Board has the overall and collective responsibility for ensuring an effective risk management and internal control mechanism and for reviewing its effectiveness to safeguard our Group's assets and our Shareholders' interests. Upon the Listing and when appropriate, enterprise risk assessment will be conducted at least once annually to cover the current and potential risks in our business, including but not limited to the risks arising from ESG and climate-related matters. Our Board will continuously assess or engage qualified independent third parties to evaluate the risks and review our Group's existing strategy, metrics and targets as well as internal controls, and necessary improvement measures will be implemented to manage and mitigate such risks.

See "– Risk management and Internal Control Systems" for further details of our risk management and internal control policies, especially the measures related to anti-money laundering, anti-bribery and anti-corruption.

Environmental Protection

CO_2 Footprint and Energy Consumption

To better assess and understand the environmental impact of our activities with regard to resource consumption and emission, we closely track and assess our resource consumption and emission and regularly carry out analysis on our electricity, gas and water consumption to help us implement necessary measures and goals to reduce the environmental impact of our business operations. Additionally, we regularly conduct energy conservation campaigns to raise awareness among our employees.

The table below sets forth our selected environmental indicators and consumption data for the periods indicated.

		2019	**2020**	**2021**	**1Q2022**
Electricity	kW/h	25.1 million	22.9 million	24.7 million	5.4 million
Water	Thousand Tons	242,000	167,000	197,000	37,218
Total energy consumption	Tons of standard coal	3,085.8	2,818.9	3,035.5	658.6

Waste Management

Proper disposal of waste is an effective way to save valuable resources. In our warehouses and stores, waste, including packaging waste such as cardboard, paper and plastic film, as well as construction and landscape maintenance waste, is carefully sorted and handled by specialized service providers to reduce environmental impact.

Sustainable logistics & supply chain

We aim to build a sustainable logistics chain from warehousing and transportation to in-store retail. In our warehouses, we gradually increase the use of recyclable and degradable packaging materials and avoid over-packaging. As we build our smart supply chain, we seek to optimize the configuration of our warehousing network and facilities to maximize transportation efficiency and minimize energy consumption during transportation.

Move to Non-Plastic Shopping Bags

Moreover, we actively promote sustainable shopping behaviors among our customers. Through in-store communication campaigns, we encourage customers to bring their own reusable shopping bags instead of using single-use plastics bags, choose environment-friendly "green" products over single-use or over-packaged products, and increase awareness of environmental protection and resource conservation in general. In addition, in response to Hainan's policies restricting the use of non-degradable single-use plastic products in December 2020, all of our stores in Hainan and other key cities such as Beijing have gradually phased out plastic shopping bags and replaced them with more sustainable alternatives.

Stores Environment

Lighting and air conditioning of our stores are the largest contributors to our energy consumption and, consequently, to our CO_2 footprint. Though our direct influence on some of the stores is limited due to the nature of our business as these stores are located in third-party owned premises and in highly regulated environments, we attempt to engage in conversations with our landlords in relation to how to serve our customers in a more energy-efficient manner.

For the stores that we own and operate, we carry out in-dept analysis of our water, electricity and gas usages and seek to find ways to reduce our energy consumption in these stores. We have gradually replaced our lighting sources to energy-efficient LED lights. To further conserve energy, we seek to turn-off certain non-key equipment such as elevators during non-peak hours. We are also in the process to replace inefficient equipment with more energy efficient ones. For example, in 2020, we replaced air conditioning units in certain of our key stores with more energy efficient ones. For water fountains under our management, we strengthened algae control measures that reduces the need for fresh water.

Office Environment

In our offices, the reduction of paper consumption is one of our ongoing challenges. We have put in place local initiatives to reduce paper and other office material consumption, including tips to reduce paper usage, such as printing double sided and encouraging people only to print when necessary. The adoption of IT solution is also helping to reduce the amount of paper used in the day-to-day work of our staff and contributing to the protection of resources. Additionally, to reduce electricity consumption, we have adopted environment-friendly in-office room temperature guidelines. We also routinely clean and maintain our air conditioning system to improve its efficiency level. Moreover, we constantly invest in our internal training on environmental protection, with more than 20 trainings hold each year. The number of trainings and attendees are also increasing each year.

Store Development and Sustainable Construction

We take a sustainability approach when designing, constructing and refurbishing stores. In the design phase and the selection of materials, we choose the most environmentally friendly options whenever possible, to reduce environmental impact. In addition, we require our contractors to develop guidelines to reduce energy consumption and minimize environmental impact, and regularly monitor the construction process to ensure that the guidelines are duly adhered to.

The design and construction of our Sanya International-Duty Free Complex and Haikou International Plastic Free Complex embody our commitment to a sustainable future. In constructing the Sanya International Duty-Free Complex, we adopted multiple energy-efficient construction techniques to minimize dust and other pollutants, such as offsite cutting of artificial stones and using pre-fabricated customized curtain walls. We also used dual-layer low emissivity windows and coated glass to improve heat insulation, as well as other sustainable materials and equipment, such as autoclaved aerated concrete blocks and low-consumption power generators, to reduce environmental impact and improve energy efficiency. In addition, the complexes have adopted smart elevator control system, enhanced wastewater classification and disposal system and smart thermal storage air conditioners to reduce electricity and water demand.

Our Haikou International Duty-Free Complex has adopted an energy optimization program to monitor and reduce the overall energy consumption of the heating, ventilation and air-conditioning systems by integrated simulation and analysis, and has adopted the heat island effect reduction technology and the double-curtain-wall structure to reduce solar heat gain and improve energy efficiency. Our Haikou International Duty-Free Complex is also equipped with rainwater collection and recycling system in the exterior landscape to minimize water consumption. Furthermore, charging ports have been installed in the underground parking lots to encourage the use of electric vehicles in response to the national initiative promoting alternative-fuel vehicles. In July 2020, the core and shell development of our Haikou International Duty-Free Complex has been awarded by U.S. Green Building Council as having fulfilled all criteria for a gold-level Leadership in Energy and Environmental Design ("LEED") v4 rating. We also plan to seek gold-level LEED certifications for the further expansion of our Sanya International Duty-Free Complex.

Corporate Social Responsibility

We are equally committed to social sustainability as an important value of our business. Examples of our achievements and initiatives in the area of social and community responsibility include the following:

Responsible Marketing

Our responsibility goes beyond the products sold and includes our marketing practices. We strictly adhere to applicable laws and regulations to ensure responsible retailing of alcohol and tobacco products in the duty-free and travel retail channels. Further, we spend significant amount of time and effort to ensure that the products that we sell meet the relevant product safety standards. From time to time, we contact our suppliers regarding how to further improve their products. We also require our suppliers to immediately notify us should there be any concerns with product qualities or if a product recall is initiated so that we can take immediate actions.

Partnerships with Suppliers and Airport Authorities and Other Landlords

We cannot achieve our success without the assistance of our suppliers and landlords. Through in-depth collaboration with the suppliers and landlords, we strive to deliver the best-in-class shopping experience for our customers and deliver sustainable growth that maximizes long-term return for our investors.

We carefully select our suppliers based on their industry reputations. We expect our suppliers to comply with applicable laws as well as conditions stipulated in the supply contracts. We also expect our suppliers to follow the best practices in respect of product safety, workplace health and safety practice, labor standards and environment protection.

In addition, we attempt to engage in conversations with airport authorities and other landlords, not only in relation to how we can further collaborate to better serve our customers, but also in relation to how to serve our customers in a more energy-efficient manner.

Career Opportunities, Diversity and Equal Opportunity for Our Employees

Our people are our greatest assets. We firmly believe that by investing time and resources in the developing our employees, we will help retain and attract the best talents to our Company whose contribution to our organization will make us even more successful. See "– Employees" for details related to recruitment and career progression and training and development opportunities for our employees as well as our policies on diversity and equal opportunity.

Cyber Security, Customer Privacy and Data Protection

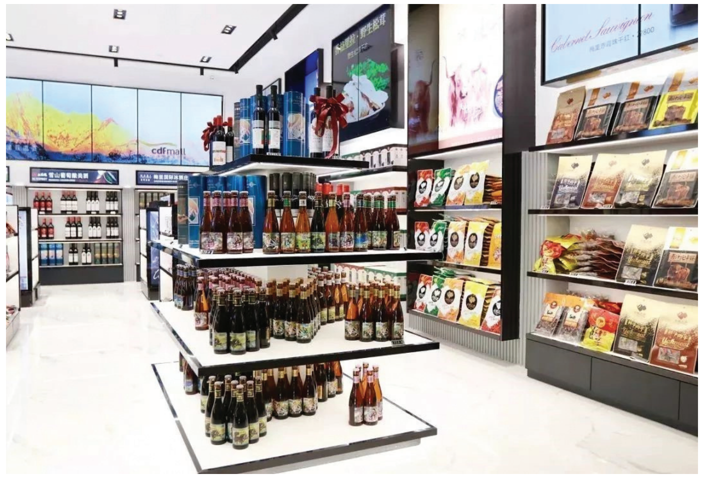
We take cyber security matters seriously and are committed to safeguarding the privacy of our customers and their personal information. See "– Information Technology System" for details.

Community Engagement

We care deeply about the community that we operate in as the well-being of the community is vital to our success. Examples of our community engagement activities include the following:

Poverty Alleviation

Joining the national initiatives to alleviate poverty, we actively procure products from poverty-stricken areas and promote these products in our retail networks to help boost the local economy, especially the agricultural sector, in these areas. For example, we set up Xing Lv Yun Pin (星旅雲品) counters in stores, which are dedicated to promoting and selling specialties from these areas and use our online platform to promote awareness of local brands. In December 2020, we opened a Xing Lv Yun Pin (星旅雲品) store in our Sanya International Duty-Free Complex, which sells exclusively specialties from poverty-striven areas in Guizhou, Yunnan and Sichuan. We select specialties that cater to the preferences of customers visiting our Sanya International Duty-Free Complex, such as honey, ice wine and beef jerky. We also encourage our employees to purchase products sourced from poverty-stricken regions in lieu of donation, which directly increases the income of local households.



Picture of our Xing Lv Yun Pin (星旅雲品) store

Education

We are keen on providing education, support and opportunities to children from different communities. We have collaborated with China Foundation for Poverty Alleviation to provide e-readers and financial assistance for schools in rural areas. Amid the COVID-19 pandemic, we participated in the initiative of the China Youth Development Foundation to provide online education opportunities for children in poverty-striven areas.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

We are subject to various risks during our operations. See "Risk Factors" for details. In order to identify, assess and control the risks that may hinder our success, we have designed and implemented a risk management system that covers each material aspect of our operations, including procurement, sales, logistics, technology and compliance.

To monitor the continuous implementation of risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, amongst other things, the following risk management measures:

- *Audit committee*: we have established an audit committee to, among other things, oversee the financial reporting system and internal control procedures of the Company. Our audit committee consists of four members, namely Mr. Wang Bin, Mr. Zhang Rungang, Ms. Liu Yan and Mr. Ge Ming. For the qualifications and experiences of these members, see "Directors, Supervisors and Senior Management";

- *Code of conduct*: we have maintained a Code of Conduct for our employees with respect to various aspects of employee behavior during the ordinary business operations;

- *Ongoing trainings*: we have conducted and will continue to conduct regular internal trainings for our employees and management on applicable laws and regulations to ensure awareness and compliance;

- *Compliance with Listing Rules*: we have internal policies in place to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions and securities transactions by our Directors; and

- *Compliance adviser*: we have appointed Somerley Capital Limited as our compliance adviser to advise on ongoing compliance with the Hong Kong Listing Rules and other applicable securities laws and regulations in Hong Kong from the Listing Date to the date when the Company dispatches the annual report of our financial results for the first full financial year commencing after the Listing Date.

We have appointed an internal control consultant to review the effectiveness of our internal control measures related to our major business processes, to identify the deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. The internal control consultant did not identify any material deficiencies in its review. However, we cannot guarantee that our internal control measures will be effective in protecting us against various risks in our business. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to detect or prevent fraud or other misconduct committed by our employees, representatives, agents, suppliers, customers or other third parties" and "Risk Factors – Risks Relating to Our Business and Industry – If we fail to maintain effective internal control measures to identify deficiencies and contain risks, our business could be affected".

Anti-money Laundering Measures

To ensure our day-to-day operations comply with applicable anti-money laundering ("**AML**") regulations in jurisdictions where we operate, we have formulated certain AML policies and procedures and are constantly looking for ways to further improve our AML procedures. Based on these policies, specific AML procedures are put in place, such as "know your customer" procedures, transaction monitoring, reporting of suspicious transactions, and record retention. To ensure our employees are kept up-to-date with regulatory updates and our AML policies and procedures, we provide AML-related trainings to our employees.

Anti-Bribery and Anti-Corruption Measures

Corruption and bribery create negative economic, social and environmental impacts. From a business perspective, corruption distorts the functioning of the market and undermines governance institutions and in general, the rule of law and the principle of fairness. Thus, the subject of anti-corruption is of considerable importance to us as we continue to expand our operations across China and abroad.

We strictly prohibit bribery and corruption at all times and in any form. We believe that all of our business must be conducted ethically and in full accordance with all applicable laws, rules, and regulations. We require all of our directors, officers and employees to behave at all times with honesty, ethics and within the confines of applicable law and in full compliance with our Code of Conduct. Our Code of Conduct outlines the types of impermissible conduct and imposes strict rules in relation to charitable contributions and sponsorships, as well as hospitality expenses, to minimize the risk of corruption. To that end, we conduct compliance trainings of directors, officers and employees on an ongoing basis to keep them up-to-date with the latest updates to our Code of Conduct.

IMPACT OF THE COVID-19 PANDEMIC ON OUR BUSINESS

The COVID-19 pandemic beginning in early 2020 has materially and adversely affected the global economy. The travel retail industry was among the industries that were the most severely affected by the COVID-19 pandemic as governments around the world imposed various restrictions on domestic and cross-border travel. As China is still recovering from the increased travel restrictions and pandemic control measures as a result of the new locally transmitted Omicron strain of the COVID-19 cases and international travel to and from China has yet recovered, our stores continue to face challenges.

Campaign against the COVID-19 Outbreak

In line with the relevant government guidelines, we have implemented precautionary measures on our retail premises, including requiring all entrants to wear face masks, measuring their temperature and providing personal disinfectant products such as hand sanitizers to our customers and employees. Our staff is required to maintain a hygienic store environment by performing regular cleaning and disinfection of our retail premises on a daily basis. In addition, on the rare occasions where our employees have to travel overseas for business, we require our employees to undergo self-quarantine for 14 days or longer, in line with the guidelines set by the relevant government authorities before they can come back to the office.

In our office space, we provide and require all persons to wear face masks when they are working onsite. For employees who are not required to work onsite, we provided alternative means, such as work-from-home arrangements, to protect their health and also ensure our smooth business operations during the outbreak. In addition, we closely monitor the health status of our employees.

Impact of the COVID-19 Pandemic on Our Operational Performance

Impact of the COVID-19 Pandemic on Our Sales

The COVID-19 pandemic has brought unprecedented challenges to our traditional retail channel. Since the COVID-19 pandemic in early 2020, governments in the regions where we operate have imposed various travel restrictions to curb the spread of the pandemic. As a result, travel activities and passenger flows at airports, ports, land border crossings and other areas where our physical stores are located have been significantly reduced. Pursuant to relevant control measures of local governments, all of our stores located in the PRC were temporarily closed between February and March in 2020. Even though the COVID-19 pandemic was gradually brought under control in China, as international travel to and from China has yet recovered, our stores (with the exception of the offshore stores in Hainan) continued to face challenges. The average customer traffic at our stores also decreased in general in 2020 as compared to 2019. For example, the average total customer traffic at our stores at Beijing Capital International Airport, Beijing Daxing International Airport, Shanghai Pudong International Airport, Shanghai Hongqiao International Airport and Guangzhou Baiyun International Airport was approximately 7,000 per day in 2021, compared to 237,000 per day in 2019. As of the Latest Practicable Date, 26% of our stores that were temporarily closed following the COVID-19 pandemic had resumed normal operations, 11% of our stores that were temporarily closed had resumed operations in a reduced capacity, and 63% of our stores remained temporarily closed. Among the different categories of duty-free products, tobacco and liquor are particularly affected by the COVID-19 pandemic as these products are primarily sold in our port duty-free stores and we had to sell tobacco products at a discount as a result of their relatively short shelf life. As a result, the revenue from sales of duty-free tobacco and liquor decreased by RMB8,526.5 million, or 82.3%, from RMB10,357.0 million in 2019 to

RMB1,830.5 million in 2021, and by RMB40.0 million, or 8.5%, from RMB470.9 million in the three months ended March 31, 2021 to RMB430.9 million in the three months ended March 31, 2022. The revenue contribution of the duty-free tobacco and liquor products also decreased significantly from 21.8% in 2019 to 2.7% in 2021 and further to 2.6% in the three months ended March 31, 2022.

Despite the difficulties faced by our stores, the overall demand for duty-free products remains resilient, attributable to the quick response by the PRC Government that brought the COVID-19 pandemic under control and robust economic growth. As international travel to and from China is currently under strict control, Chinese tourists who traditionally visit duty-free stores overseas turn to offshore stores in Hainan as an alternative. In addition, in June 2020, the PRC Government unveiled a series of measures to further promote offshore duty-free shopping in Hainan. See "– Our Market Opportunities" for further details. Favorable policies and market conditions contributed to a significant growth in our offshore business in Hainan. For example, in 2020 and 2021, our Sanya International Duty-Free Complex witnessed significant business growth as the government policy significantly raised the annual duty-free purchase limit from RMB30,000 to RMB100,000 per person and relaxed restrictions on unit price and eligible product categories with the average daily sales revenue reaching RMB58.5 million and RMB95.4 million for the years ended December 31, 2020 and 2021, respectively, representing a significant increase compared to RMB28.7 million per day for the year ended December 31, 2019.[(1)]

At the same time our business in Hainan expanded, we also saw the COVID-19 pandemic as an opportunity to accelerate our digital strategy. See "– Our Digital Strategy" for further details.

In early 2022, multiple cities in China reported new locally transmitted Omicron strain of the COVID-19 cases and surges in infection levels. Our revenue decreased by RMB1,351.2 million, or 7.5% from RMB18,133.5 million for the three months ended March 31, 2021 to RMB16,782.3 million for the three months ended March 31, 2022. The sales of our offshore stores in Hainan decreased by RMB1,004.3 million, or 7.7%, from RMB13,106.7 million for the three months ended March 31, 2021 to RMB12,102.4 million for the three months ended March 31, 2022. The sales of our duty-paid merchandise decreased by RMB80.0 million, or 1.5%, from RMB5,324.7 million for the three months ended March 31, 2021 to RMB5,244.7 million for the three months ended March 31, 2022.

The pandemic situation in China in March, April and May 2022 was more severe as compared to 2021 and 2020 due to clusters in multiple regions simultaneously and as such increased pandemic control measures, including strengthened travel restrictions, were introduced. The impact of the COVID-19 was particularly hard in March, April and May 2022. While we were able to resume most of our operations in June 2022 and the general situation began to improve in June, it could not completely offset the material adverse impact in March, April and May 2022. As a result, based on the monthly management accounts after March 31, 2022 that were available as of the Latest Practicable Date, our revenue, gross profit and operating profit for the second quarter of 2022 was lower than the same period in 2021 and the

Note:

(1) The daily average sales revenue in 2019, 2020 and 2021 are calculated as revenue from CDFG Sanya Downtown Duty-Free Store Co., Ltd. (中免集團三亞市內免稅店有限公司) divided by the number of days in the relevant year.

rate of decrease of our revenue, gross profit and operating profit was more severe than the rate of decrease for the first quarter of 2022 as a result of store closures, disruptions to our logistics and operations in Shanghai, our use of discounts as promotions and overall decreased consumption.

The pandemic control measures periodically and temporarily impacted our operations and logistics as certain of our stores had to close operations for a short period, such as our operations in Shanghai and our offshore stores in Hainan. Our Sanya International Duty-Free Complex suspended its operations for 10 days in April 2022 due to the local COVID-19 outbreak. Both the duty-free stores in Shanghai Hongqiao International Airport and Shanghai Pudong International Airport were closed at the end of March 2022 and while duty-free store in Shanghai Pudong International Airport resumed operation in June, the duty-free store in Shanghai Hongqiao International Airport remained closed as of the Latest Practicable Date.

The passenger traffic to Hainan further decreased in the second quarter of 2022 as compared to the same period last year. According to Frost & Sullivan, the passenger traffic of Haikou Meilan International Airport and Sanya Phoenix International Airport in Hainan decreased by over 60% in the second quarter of 2022 when compared to the second quarter last year. However, the passenger traffic in June 2022 started to show signs of recovery and Frost & Sullivan estimates that, despite the downturn in the second quarter, considering that the spread of the COVID-19 Omicron variant cases is under effective control and the government is devoted to speeding up economic recovery and the resumption of business activities by introducing stimulative policies, the number of tourists visiting Hainan will reach 85.7 million in 2022, representing a slight increase compared to 81.0 million tourists in 2021 and indicating a rebound in the second half of 2022.

Additionally, our logistics and warehousing services encountered challenges during March, April and May 2022. As a result, our order fulfilment was delayed and we could not promptly recognize the relevant revenue until the orders were fulfilled. Our order delivery and fulfilment gradually resumed in May and by early June 2022, we were able to resume most of our operations that were disrupted. Despite the challenges and difficulties, we continued to accept online orders from our customers and implemented mitigating measures such as the use of discounts to encourage customers to shop through our online platforms. Our online platforms remained a popular destination for our customers and saw the number of orders increasing by more than 80% in the second quarter of 2022 as compared to the same period last year, partially offsetting the impact of the decrease in passenger traffic as well as the temporary store closure. Furthermore, the disruptions caused by the pandemic control measures were mostly concentrated around our Shanghai operations in March, April and May 2022. For the first two months of 2022, prior to the resurgence of COVID-19 and ensuing pandemic control measures, our revenue and net profit increased as compared to the same period in 2021. In June 2022 as our operations in Shanghai gradually resumed and the travel retail market began its recovery, our revenue for June 2022 increased as compared to same period in 2021. However, as a result of the general disruptions to our business from the resurgence of COVID-19 and ensuing pandemic control measures, our total revenue decreased by RMB7,875.2 million, or 22.2%, from RMB35,526.0 million for the six months ended June 30, 2021 to RMB27,650.8 million for the six months ended June 30, 2022 and our net profit decreased by RMB1,985.0 million, or 30.4%, from RMB6,536.7 million for the six months ended June 30, 2021 to RMB4,551.7 million for the six months ended June 30, 2022.

Furthermore, in early August 2022, an increase of COVID-19 cases in Hainan was reported. As a result, increased pandemic control measures were implemented. Due to the outbreak and temporary pandemic control measures, certain of our stores in Hainan had to close operations temporarily, including our Sanya International Duty-free Complex, which may have a temporary adverse effect on our business and results of operations.

During this time, we have increased our promotional and marketing efforts, worked at maintaining and further developing our relationships with existing brands and business partners and other measures to mitigate and lessen the disruptions to our business. Given the rising new variant of COVID-19 cases around the world, especially the uncertainties brought by new variant of the COVID-19 cases in China and around the world, the resumption of international travel to and from China and the recovery of port duty-free sales may be delayed. However, Frost & Sullivan advised that given the overall demand for duty-free products, the offshore and online sales of duty-free products will remain strong after the pandemic situation is brought under control. Thus, we expect that, while the COVID-19 pandemic will continue to affect our port duty-free sales in the foreseeable future, the impact will be limited given the resilience in other duty-free sales channels. Accordingly, while the emergence of the new variant of the COVID-19 cases has affected and may continue to affect our short-term growth rate, we do not expect the new COVID-19 cases to have a material adverse effect on our long-term overall business and financial performance. Please refer to "Summary – Recent Developments" for further details.

Impact of the COVID-19 Pandemic on Our Supply and Logistics Chain

During the years ended 2019, 2020 and 2021 and the three months ended March 2022, we did not encounter any material issues with our procurement and logistics as a result of the COVID-19 pandemic. However, in March, April and May of 2022, as a result of the increased pandemic control measures, our order fulfillment was delayed as a result of the temporary disruption to our logistics chain, despite customers still being able to order and purchase our merchandise online. By early June 2022, we were able to resume order fulfillment.

Impact of the COVID-19 pandemic on Our Financial Performance

While the COVID-19 pandemic presented unprecedented challenges to our business and financial conditions and the sales of our port duty-free stores have been severely affected, we were able to overcome such challenges by expanding our offshore business in Hainan and accelerating our digital strategy to bolster online sales, which included sales of duty-paid merchandise.

The table below sets forth a breakdown of our revenue by channel for the periods indicated:

	Year ended December 31,		
Revenue from	**2020**	**2021**	**Change**
	RMB'000	*RMB'000*	*(%)*
Port duty-free stores	20,000,225	17,011,602	-14.9
Offshore stores[(1)]	29,961,897	47,057,725	57.1
Downtown duty-free Stores	1,026,657	1,069,137	4.1
Others[(2)]	1,609,028	2,537,051	57.7
Total	52,597,807	67,675,515	28.7

Revenue from	Three months ended March 31, 2021	2022	Change
	RMB'000	*RMB'000*	*(%)*
Port duty-free stores	4,190,473	3,888,238	-7.2
Offshore stores(1)	13,106,694	12,102,392	-7.7
Downtown duty-free Stores	335,043	219,306	-34.5
Others(2)	501,319	572,350	14.2
Total	18,133,529	16,782,286	-7.5

Notes:

(1) Offshore stores cover all of our stores in Hainan, including port duty-free stores and integrated travel retail complexes in Hainan. Our categories of "port-duty free stores," "downtown duty-free stores" and "others" do not include our stores in Hainan.

(2) Others primarily include revenue from (i) cruise stores, inflight stores, ship-supply stores and duty-paid stores, (ii) gross rental income from our investment properties in Hainan, and (iii) revenue from our wholesale business to external customers.

The table below sets forth a breakdown of our revenue from sales of merchandise by duty-free and duty-paid for the periods indicated:

Revenue from sales of merchandise	Year ended December 31, 2020	2021	Change
	RMB'000	*RMB'000*	*(%)*
Duty-free	32,361,706	42,935,607	32.7
Duty-paid	19,707,555	24,005,704	21.8
Total	52,069,261	66,941,311	28.6

Revenue from sales of merchandise	Three months ended March 31, 2021	2022	Change
	RMB'000	*RMB'000*	*(%)*
Duty-free	12,613,512	11,369,464	-9.9
Duty-paid	5,324,661	5,244,726	-1.5
Total	17,938,173	16,614,190	-7.4

In the years ended December 31, 2020 and 2021, the decrease in the sales of our port duty-free stores have been offset by the increase in (i) the sales of our offshore stores in Hainan and (ii) sales of duty-paid merchandise attributable to the deployment of our digital strategy. In 2020 and 2021, we managed to record increases in both our revenue and net profit as compared to corresponding periods in the prior year. In the three months ended March 31, 2022, the sales of the Company's offshore stores in Hainan and its duty-paid merchandise showed resilience despite the resurgence of COVID-19 in many cities in China including Hainan.

In March, April and May of 2022, as a result of the increased pandemic control measures, our operating results have experienced a material adverse impact as compared to the same period in 2021. While our revenue was negatively impacted and order fulfillment was delayed due to the pandemic control measures leading to store closures and decreased consumer demand, we implemented mitigating measures such as the use of discounts to encourage consumers to shop through our online sales platforms. However, while we were able to receive orders during that time, we were not able to fulfil them and recognize the revenue promptly until pandemic control measures were relaxed and orders were fulfilled. During this time, we have increased our promotional and marketing efforts, increased our use of discounts, worked at maintaining and further developing our relationships with existing brands and business partners and other measures to mitigate and lessen the disruptions to our business. By early June 2022, we were able to resume most of our operations that were disrupted and resume order fulfillment. In June 2022, certain of our subsidiaries received unconditional rent concession from the relevant facility owners in respect of the lease expenses relating to the previous period with total amount of RMB869.0 million. Such amount was recognized in profit or loss when the rent concession was received in June 2022. See "Summary – Impact of COVID-19 Pandemic" and "Financial Information – Impact of COVID-19" for further details.

We are of the view that we will have sufficient working capital for our present requirements covering at least 12 months from the date of this prospectus. However, there is no assurance that there will not be any direct or indirect adverse impact on our business, financial condition and results of operations arising from any effect on the PRC economy or other parts of the world as a result of the continuance of the COVID-19 pandemic. See "Risk Factors – Risks Relating to Our Business and Industry – Our business operations have been affected, and may continue to be affected, by the ongoing COVID-19 pandemic.", "Industry Overview – Impact of COVID-19 on the Competitive Landscape of the Global Travel Retail Market and China's Travel Retail Market" and "Financial Information – Recent Developments and Material Adverse Change" for further details.

Impact of the COVID-19 pandemic on Our Business Plan

The COVID-19 pandemic had a material impact on our business strategies and on our future business plans. As the COVID-19 pandemic is still ongoing and international travel restrictions remain in place in many parts of the world, we believe the COVID-19 pandemic may prolong the Breakeven Period and the Investment Payback Period for the traditional offline stores but shorten the Breakeven Period and the Investment Payback Period for the offshore stores in Hainan. As the COVID-19 pandemic is still ongoing, the impact of the COVID-19 pandemic on the Breakeven Period and the Investment Payback Period cannot be fully determined as of the Latest Practicable Date. Given the uncertainties associated with the COVID-19 pandemic, while overseas expansion remains our long-term objective, we have exercised more caution in our overseas expansions. We will focus on expansion of duty-free stores domestically (especially in Hainan) as well as continuing to accelerate our digital strategy in the immediate future, while closely monitoring the circumstances and seeking to speed up our expansion plans overseas as soon as circumstances permit. See "– Our Strategies" and "Future Plans and Use of Proceeds" for further details.

LICENSES, APPROVALS AND PERMITS

We are required to maintain various licenses, approvals and permits in order to operate our business. Our material licenses and permits include the license to sell duty-free merchandise. Our legal department, finance department and strategic investment department are jointly responsible for monitoring the validity status of our licenses and permits and make timely applications for renewal to relevant government authorities. See "Regulatory Overview" for further information on the laws and regulations that we are subject to.

As of the Latest Practicable Date, we have obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations and such licenses, approvals and permits were valid and remained in effect as of the Latest Practicable Date. In addition, we monitor our compliance with the relevant laws and regulations to ensure that we have the requisite licenses, approvals and permits for our operations.

LEGAL AND ARBITRATION PROCEEDINGS AND COMPLIANCE MATTERS

We may from time to time become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against the Company or any of our Directors which could have a material and adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, there were no material breaches or violations of laws or regulations applicable to us which are expected to have a material adverse effect on our business, financial condition or results of operations. During the Track Record Period, we have had certain land issues summarized as below.

Non-compliance Incident	Reasons for the Non-compliance	Legal Consequences and Potential Maximum Penalties	Rectification Actions Taken	Potential Operational and Financial Impact
We acquired the three parcels of land on January 2, 2019 for the development of (1) office buildings and (2) additional shopping facilities and a hotel at the Haikou International Duty-Free Complex. The original deadline to commence the construction work on these parcels, as stated in the relevant land grant contracts, is September 18, 2019. On October 27, 2020, the Natural Resources and Planning Bureau of Haikou issued to us an Idle Land Investigation Notice as construction work with regards to three parcels of land in Haikou had been delayed. The land premium of the three parcels of land previously paid by us to the government was RMB147,840,000, RMB110,740,000 and RMB611,670,000, respectively. In November 2021, the application to extend the commencement of construction work on these parcels by one year was approved by the Municipal Government of Haikou. In the same month, we entered into an amendment of the land grant contracts pursuant to which the deadline to commence the construction work on these parcels was extended to November 2022.	Commencement of construction was delayed due to the unforeseen external circumstances including the COVID-19 pandemic and delays in supporting facilities. In particular, certain conditions specified in the land grant contracts related to land parcels (including sufficient electricity supply and key accessing roads) have not been fulfilled by the end of 2019.	According to the Measures on the Disposal of Idle Land (閒置土地處置辦法) promulgated by the Ministry of Land and Resources, if we fail to commence construction of land after one year from the construction commencement date prescribed in the relevant land grant contract, we may be subject to a penalty for idle land at an amount being 20% of the land premium, or if we fail to begin construction works for more than two years from the prescribed construction commencement date, the right to use the land can be taken back by the PRC Government without any compensation, unless the delay in commencement of construction is caused by force majeure or acts of government. We have been advised by our PRC Legal Advisers that if all three parcels were to be recognized as idle land by the competent regulatory authorities, we may be imposed an aggregate amount of idle land fee of RMB174.1 million by them; and if we encounter more delays and fail to commence development of these land parcels by more than two years, the land may be subject to forfeiture by the PRC Government, in which case we would forfeit RMB870.3 million, the entire amount of land premium paid to the government. We are of the view, that (i) it is unlikely for the government authority to object to our proposed timeframe, because (a) as directed by the competent regulatory authority, we immediately started to prepare for the commencement of construction work on all of the parcels, (b) the proposed timetable in relation to the preparatory work and estimated time to start construction work is reasonable based on our experience and normal practice, (c) our application to extend the commencement of the construction work on these parcels by one year was approved by the Municipal Government of Haikou, and (d) we do not foresee any material obstacle for us to obtain the necessary permits and start the construction work based on our experience and normal practice, and there is no legal obstacle for us to obtain the necessary permits once we have prepared all the required application documents according to our PRC Legal Advisers; and (ii) the government authorities are not likely to penalize the Group, as the competent regulatory authority has stated that the relevant land would not be treated as idle land if we immediately started to prepare for the commencement of construction. Our PRC Legal Advisers are of the view that as of the Latest Practicable Date, the relevant land was not recognized as idle land by the competent regulatory authorities. Our PRC Legal Advisers also concur with our views that, as of the Latest Practicable Date, with reference to the indication from competent regulatory authority and provided that we commence the construction work on these parcels by the extended deadline stipulated in the relevant amendments to land grant contracts, the relevant land is not likely to be treated as idle land by the competent government authority and as a result, no penalty is likely to be imposed.	We have proactively communicated with multiple regulatory authorities in district and Haikou municipal level on numerous occasions after receiving the Idle Land Investigation Notice. On May 25, 2021, we have submitted an application for extending the construction commencement deadline to the Natural Resources and Planning Bureau of Haikou, the competent PRC regulatory authorities overseeing the idle land matters, explaining the reasons of the delay. The Natural Resources and Planning Bureau of Haikou required us to immediately prepare for the commencement of construction, otherwise the relevant land would be treated as idle land as the next step. In November 2021, the application to extend the commencement of construction work on these parcels by one year was approved by the Municipal Government of Haikou. In the same month, we entered into an amendment of the land grant contracts pursuant to which the deadline to commence the construction work on these parcels was extended to November 2022. As of the Latest Practicable Date, we had started our preparation for the commencement of construction work on all of the parcels, including (1) engaging third parties for the design and review of the construction plan for one of the parcels, (2) engaging a third party for the project orientation planning of the project for another parcel; and (3) carrying the conceptual planning of the third parcel. We plan to commence the construction by the stipulated deadline, so that the relevant land will not be recognized as idle land by the competent regulatory authorities. Please see "– Legal and Arbitration Proceedings and Compliance Matters – Current Status and Proposed Timetable" for further details related to the preparatory steps taken, the current status and the proposed timetable for each of the parcels.	Our Directors are of the view that the non-compliance incidents would not have any material and adverse impact on our operation or financial condition after taking into account (i) the legal advice from our PRC Legal Adviser, (ii) the request from the competent PRC regulatory authorities and the approval to extend the deadline to commence the construction work by one year, (iii) the measures we have adopted according to the competent regulatory authorities' request, and (iv) the maximum amount of idle land fee as advised by our PRC Legal Advisers accounts for less than 1.8% of profit attributable to equity shareholders of the Company in 2021. In the unlikely event of a land forfeiture, the land premium accounts for 8.9% of profit attributable to equity shareholders of the Company in 2021.

Current Status and Proposed Timetable

We have been advised by our PRC Legal Advisers that the general permits required before we can start the construction work are construction project planning permit (建設工程規劃許可證) and construction permit (施工許可證). However, as advised by our PRC Legal Advisers, in September 2021, the relevant Haikou authorities have relaxed the permit requirement and allowed construction on the building pits and supporting structure to commence before the construction project planning permit is obtained, provided that the construction permit for building pit and supporting structure is obtained. The construction project planning permit and the construction permit for the main structure will need to be obtained before the construction on the main structure commences.

The current status and timetable for each of the parcels is set forth below:

- Parcel 1:

  The proposed usage for Parcel 1 is office buildings. We have selected the general contractor, construction supervision service provider and project management contractor for Parcel 1. Preliminary land survey has been conducted for Parcel 1. In April and May 2021, we engaged multiple third parties to design and review the construction plans and construction drawings of the project, as well as carrying out detailed survey of the land, to prepare for the upcoming building construction. We have completed the project planning in February 2022. We have applied for the construction permit for building pit and supporting structure and started the construction work on the building pit and supporting structure in May 2022.

- Parcel 2:

  The proposed usage for Parcel 2 is hotel and auxiliary commercial facilities. We have selected the general contractor, construction supervision service provider and project management contractor for Parcel 2. Preliminary land survey has been conducted for Parcel 2. In June 2021, we engaged a third party for the project orientation planning and have received a preliminary draft report from the third party. In July 2021, we sent out an invitation to tender for in relation to the construction cost consultation and initiated the tendering process. We have completed the project planning in June 2022. We have applied for the construction permit for building pit and supporting structure and started the construction work on the building pit and supporting structure in July 2022.

- Parcel 3:

  The proposed usage for Parcel 3 is shopping facilities. We have selected the general contractor and construction supervision service provider for Parcel 3. Preliminary land survey has been conducted for Parcel 3. It is current in the conceptual planning phase and we have prepared a preliminary draft of the conceptual plan for internal review. In the absence of unforeseen circumstance, we target to complete the project planning by September 2022.

Subject to obtaining the relevant permits and approvals, in the absence of unforeseen circumstance, the estimated timeframe to apply for the necessary permits and start the construction work for Parcel 3 is set forth below:

Estimated time to apply for construction permit for building pit and supporting structure: October 2022
Estimated time to start construction work on the building pit and supporting structure: immediately after the construction permit is granted

Concurrently with the construction of the building pit and supporting structure, we will apply for the construction project planning permit and the construction permit for the main structure and commence the construction of the main structure after the relevant permits are obtained. Based on our experience, we do not foresee any material obstacle for us to obtain the necessary permits and start the construction work. We have been advised by our PRC Legal Advisors that, according to the relevant regulations, once all required information is submitted to the relevant government authorities, the construction project planning permit shall be granted within 20 business days and the construction permit shall be granted within 7 business days. We have also been advised by our PRC Legal Advisors that there is no legal obstacles for us to obtain the necessary permits and to start the construction work once we have prepared all the required application documents. As of the Latest Practicable Date, the construction in relation to Parcel 1 and Parcel 2 has already commenced and, in the absence of any unforeseen circumstances, the Company believes that it is on track to commence construction in relation to Parcel 3 before the deadline to commence construction on that parcel, and nothing has come to the attention of the Joint Sponsors, based on the due diligence conducted, to cause them to disagree with the view of the Company. We will update the progress of the rectification and provide detailed explanation for any delay in the rectification in our interim/annual reports after the Listing.

Additionally, to avoid recurrence of the non-compliance, we have designated each of the project companies to be responsible for the implementation of terms relating to the grant and development of land and to report regularly to the management of our Company the progress of property development projects. In the event that construction works cannot be commenced according to the prescribed commencement deadline, the relevant governmental authorities shall be notified in accordance with the relevant land grant contracts. Where necessary, we may also seek legal advice from external professional consultants.

OVERVIEW

As of the Latest Practicable Date, CTG directly held approximately 53.30% of our total issued Shares. Immediately following the completion of the Global Offering, if the Over-allotment Option is exercised in full, CTG will hold approximately 50.26% of the Shares in issue, and if the Over-allotment Option is not exercised, CTG will hold approximately 50.63% of the Shares in issue. Accordingly, CTG will continue to hold a controlling interest in our Company upon the completion of the Global Offering.

See "History, Development and Corporate Structure" for the simplified corporate structure of our Group.

DELINEATION OF BUSINESS AND COMPETITION

Our Business

We are the largest and one of the fastest growing travel retail operators in the world. We have developed China's travel retail business with duty-free as our core strength and seek to increase our global presence. We are the only retail operator in China covering all duty-free sales channels (which include port stores, offshore stores, downtown stores, cruise stores, inflight stores and ship-supply stores). We have the most duty-free stores in China. See "Business" for further details of our business.

Controlling Shareholder's Business

The history of our Controlling Shareholder, CTG, can be traced back to 1928 when CTG's predecessor, the China Travel Agency Hong Kong Branch (中國旅行社香港分社) was established. CTG is a state-owned enterprise under the control and supervision of the Central SASAC and CTG Group is primarily engaged in the following businesses through its subsidiaries and associates: (i) tourism services; (ii) travel investments and operations; (iii) travel retail; (iv) hotel operations; (v) travel finance; and (vi) strategic investment in the travel industry. Our Group is the core business entity within the travel retail portfolio of CTG Group.

As part of our duty-free retail business, we also invest in integrated travel retail complexes. The integrated travel retail complex is a business model with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel. As of the Latest Practicable Date, we operated the Sanya International Duty-Free Complex and also owned the Haikou International Duty-Free Complex. We plan to further expand the Sanya International Duty-Free Complex to develop a hybrid project of "duty-free shopping plus premium hotel". The duty-free shopping area has been under construction since March 2021 and is expected to commence operations in 2023. Construction of the hotel area has commenced in December 2021 and is expected to be completed in 2026. The Haikou International Duty-Free Complex has been under construction since August 2019 and is expected to commence commercial operation in September 2022. Modeled after our highly successful Sanya International Duty-Free Complex, the Haikou International Duty-Free Complex will be an integrated travel retail complex with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel. See "Business – Our Retail Network – Our Retail Formats – Integrated Travel Retail Complexes" for further details. We did not derive any revenue from hotel business during the Track Record Period. On the other hand, CTG Group also owns and operates certain hotels in Mainland China, Hong Kong, Macau, the United Kingdom and other regions under the brand names "Grand Metropark", "Metropark", "Kew Green" and "Traveler Inn". Based on PRC GAAP, revenue of the hotel business of CTG Group (excluding our Group) amounted to approximately RMB1,755 billion for the year ended December 31, 2021. As of the Latest Practicable Date, CTG Group (excluding our Group) has entered into agreements with independent third party owners to manage seven hotels in Hainan, of which three have commenced operations. All of these hotels are operated by CTG Group (excluding our Group) through entrusted management or franchising.

We are of the view that there is no material competition between the hotel businesses of our Controlling Shareholder and our Group primarily due to the following reasons:

(i) In relation to hotel business: in terms of location, our hotels will be located within our integrated travel retail complexes. On the other hand, although two and one of the hotels managed by CTG Group (excluding our Group) are located and is expected to be located respectively in Sanya and Haikou, being the two cities where our hotels are expected to be located, we consider that hotels managed by CTG Group (excluding our Group) will not be located in close proximity to these complexes as none of the hotels managed by CTG Group (excluding our Group) are situated within 25 kilometers of the proposed locations of our hotels. In terms of ownership, hotels managed by CTG Group (excluding our Group) are owned by independent third parties, whereas we will own the hotels within our integrated travel retail complexes. In terms of operation, CTG Group (excluding our Group) manages hotels in Hainan through entrusted management or franchising, and, in contrast, we do not plan to operate our hotels and will instead engage independent third party service providers to do so. In terms of revenue contribution and size of operations, our hotel business is not expected to constitute our principal business but is intended to be only one of our ancillary businesses which supplements our core duty-free business, and therefore our hotel business is not expected to contribute to a significant portion of our revenue in the future, and we do not expect to record any revenue in our hotel business for the two years ending December 31, 2023. Further, CTG Group (excluding our Group) currently owns, operates, manages or is contracted to manage close to 200 hotels in over 100 cities spread across Mainland China, Hong Kong, Macau, the United Kingdom and other regions, whereas we currently only invest in two hotels within our integrated travel retail complexes in Hainan, and therefore our hotel business is not expected to be material compared to that of CTG Group in terms of scale and operation. By way of illustration, the number of guest rooms expected to be provided by the Company's hotels located in the Sanya International Duty-Free Complex and the Haikou International Duty-Free Complex is expected to amount to approximately 500 and not more than 570 respectively only, whereas the number of guest rooms expected to be provided by hotels owned, operated, managed or contracted to be managed by CTG Group (excluding our Group) in Hainan and across the globe will amount to more than 3,000 and 45,000 respectively. In terms of business strategy and target customers, the hotels that we develop are intended to encourage our retail customers to prolong their stay in our travel retail complexes and encourage further spending in these complexes, and we expect that a majority of the guests in our hotels will be shoppers in our travel retail complexes. On the other hand, hotels operated by CTG Group (excluding our Group) are isolated establishments that are not located in the proximity of or ancillary to any travel retail complex and are therefore not targeted at our shoppers, and a majority of their customers are business travelers and tourists.

(ii) CTG has provided certain non-compete undertakings to our Group in July 2016 and September 2016, and an independence undertaking to our Group in July 2016. See "– Non-compete Undertakings" and "– Independence Undertaking" for further details of these non-compete and independence undertakings.

(iii) We have taken adequate measures and adopted effective mechanism so as to manage the conflicts of interest arising from the potential competing business and to safeguard the interests of the Shareholders, including measures set out in "– Corporate Governance Measures".

Therefore, our Directors are of the view that there is no material competition between the businesses of our Controlling Shareholder and our Group. Save as disclosed above, our Controlling Shareholder has no interest in a business apart from our Group's business, which competes, or is likely to compete, whether directly or indirectly, within our Group, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

COMPETING INTEREST OF DIRECTORS

As of the Latest Practicable Date, none of our Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly with our principal business.

NON-COMPETE UNDERTAKINGS

CTG Group has provided non-compete undertakings to our Group in July 2016 and September 2016, pursuant to which so long as CTG Group retains control of our Group, CTG Group undertakes to, among other things:

(i) minimize and eliminate any overlapping businesses between our Group and CTG Group (excluding our Group), taking into account the actual situations of the relevant entities and by means acceptable to relevant regulatory authorities (including but not limited to by way of trust management, asset reorganization or business consolidation);

(ii) not participate in any new business or activity which competes or may compete directly or indirectly with the principal business of our Group;

(iii) where CTG Group discovers any new business opportunity which competes or may compete directly or indirectly with the principal business of our Group, CTG Group will cause such new business opportunity to be provided first to our Group based on reasonable and fair terms and conditions. If our Group decides to not pursue such new business opportunity, CTG Group may operate such new business itself, provided that our Group may at its discretion at any time exercise either one or all of the following rights (so long as the same is permissible under relevant laws and regulations): (a) acquire the assets and/or operations of such new business from CTG Group; and (b) elect to operate the assets and/or operations of such new business by way of trust management, leasing, contracting, licensing or other means; and

(iv) exercise its rights and fulfill its obligations as shareholder equally with other shareholders, and refrain from seeking improper benefits by making use of its position as controlling shareholder or prejudicing the legal interests of our Company and other shareholders.

INDEPENDENCE UNDERTAKING

As part of its commitment to uphold the management independence, financial independence and operational independence of our Group, CTG Group executed an independence undertaking on July 19, 2016, pursuant to which so long as CTG Group retains control of our Group, CTG Group undertakes to, among other things:

(i) ensure the segregation of assets, personnel, finance, organizational structure and operation of our Group from CTG Group;

(ii) refrain from interfering with the operational decisions of our Group or prejudicing the legal interests of our Company and other shareholders; and

(iii) not utilize the funds of our Group.

INDEPENDENCE OF OUR GROUP FROM OUR CONTROLLING SHAREHOLDER

Our Directors are of the view that our Group is capable of carrying on its business independently from its Controlling Shareholder following the completion of the Global Offering for the following reasons.

Management Independence

Our Board comprises three executive Directors and four independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and/or have substantial experience in the industry in which we are engaged.

Save as described in the following table, none of our Directors, Supervisors or senior management has any other roles within CTG Group.

Name	Position held in our Company	Position held in CTG Group
Mr. Liu Defu (劉德福先生)	Supervisor	Supervisor and general manager of the audit department of CTG and head of the funds review committee of the labor union of CTG Chairman of the board of supervisors of CTG Finance
Mr. Yu Hui (于暉先生)	General accountant	Director of CTG Finance

Hence, we have sufficient management team members who do not hold any position in our Controlling Shareholder and/or its close associates, and are independent and have the adequate relevant experience to ensure the normal operation of the day-to-day business and management of our Group.

Furthermore, our Directors consider that our Directors, Supervisors and senior management will function independently of our Controlling Shareholder because:

(i) save for Mr. Yu Hui, all of our Directors and senior management do not hold any position in CTG Group, and are capable to contribute sufficient time and efforts to manage the daily operations of our Group. In addition, the management personnel of our Company have clear reporting lines, and ultimately the management team reports to the executive Directors, who are responsible for reporting to our Board. Our Board supervises and monitors the performance of our Company's management team generally through the regular reports made by our executive Directors to our Board, regular meetings of our Board and ad hoc meetings of our Board to consider, deliberate and approve material matters which exceed the delegated authorities of management team, as well as the regular updates of operational and financial data and information that are provided to our Directors;

(ii) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;

(iii) our Company is an A share listed company and we had formulated a comprehensive corporate internal control and management system in compliance with the requirements of the rules of the Shanghai Stock Exchange. The Articles of Association has also made relevant provisions to avoid conflict of interest, in that our Directors are prohibited from voting in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest, and shall not be counted in the quorum present at the particular Board meeting;

(iv) the personnel who held positions in CTG Group includes our Supervisor who supervises our Board and management and expresses independent supervision opinion, and our general accountant who is primarily responsible for finance, budgeting, informationalization planning and building, enterprise digitalization transformation and supply chain business of our Group; in particular, our Supervisors will not participate in the daily operational management of our Company. The officers responsible for the daily operation of our Company comprise the executive Directors and a group of senior management members who have extensive experience and long-term service with our Group;

(v) none of our Directors, Supervisors and senior management members of our Company holds any equity interests in the shares of CTG Group; and

(vi) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholder which would support our independent management.

Each Director of our Board possesses relevant management or industry-related experience to act as a Director of our Company. Details of the experience of each Director are set out in the section headed "Directors, Supervisors and Senior Management" in this prospectus.

In light of the above, our Directors are of the view that our Company has our own management team which is capable of maintaining the independence of our Company from our Controlling Shareholder and supporting the independent operation of our Group.

Operational Independence

Although our Controlling Shareholder will retain a controlling interest in our Company after Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently.

Our Company (through its subsidiaries) holds or enjoys the benefit of all relevant permits and licenses necessary to carry out its business in all material respects. Notwithstanding certain property management, transportation, ticketing, promotional, IT support and other miscellaneous services provided by CTG Group to our Group, the details of which are set out in the section headed "Connected Transactions" in this prospectus, our Group has sufficient assets, capital, equipment, technology and employees to operate its business independently from our Controlling Shareholder.

In addition, our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operation of our business.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholder and their respective associates during the Track Record Period and will continue to operate independently of the business of our Controlling Shareholder upon Listing.

Financial Independence

Our Group has its own internal control, accounting, funding, reporting and financial management system as well as accounting and finance department. Moreover, our Group opens and manages bank accounts independently, and has never shared any bank account with CTG Group. Our Group has independent taxation registration according to the relevant laws, and makes tax payments independently according to the applicable PRC taxation laws and regulations. Our Group has never made any tax payment jointly with CTG Group or any other entities controlled by it.

As of the Latest Practicable Date, we have engaged CTG Group for the provision of certain financial services as set out in "Connected Transactions", and we have also one short-term loan described below with CTG Group. Save for the above, our Group does not rely on the Controlling Shareholder and/or its close associates for any provision of financial assistance. Our Directors confirm that save as described above, as of the Latest Practicable Date, on one hand, none of the Controlling Shareholder or its close associates had provided any loans, guarantees or pledges to our Group and, on the other hand, our Group did not provide any loans, guarantees or pledges to our Controlling Shareholder or its close associates.

Commencement Date of Loan	Borrower	Lender	Loan amount *(RMB)*	Interest rate	Loan tenure	Purpose of loan
April 3, 2022	Our Company	CTG Group	200,000,000	4.35%	1 year	Construction of infrastructure

With respect to the aforementioned short-term loan, our Directors consider that the interest rate charged by CTG was on market terms or better for similar maturity and the loan amount was relatively small with short maturity. As such, maintaining such short-term loan will be conducive to our operations and will not affect the financial independence of our Group.

Our Directors further believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholder in view of our Group's strong financial position, steady cash flow generation and level of liquid assets following the Listing as well as its ability to raise funds on a standalone basis. As of June 30, 2022, we have obtained credit facilities with a total amount of RMB7,522.0 million from commercial banks without relying on any assistance, guarantee or security from CTG Group. See "Financial Information – Indebtedness". We have established long-term business relationships with relevant commercial banks in the PRC, and we believe we are able to obtain bank credit facilities from commercial banks on competitive terms to finance our business and development needs. Further, as of June 30, 2022, our cash and cash equivalents amounted to RMB11,169.7 million, demonstrating our strong cash position and ability to finance our operations independently. See "Financial Information – Net Current Assets/Liabilities".

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholder and its close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of sound corporate governance in protection of our Shareholders' interests. Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

In order to further avoid potential conflicts of interest, we have implemented the following measures to strengthen the protection of our Shareholders' interests:

(i) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(ii) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholder or any of its close associates has a material interest, our Controlling Shareholder will abstain from voting on the relevant resolutions;

(iii) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with our Controlling Shareholder or any of its associates, our Company will comply with the applicable requirements under the Listing Rules;

(iv) we are committed that our Board shall include a balanced composition of executive Directors and independent non-executive Directors. We have appointed four independent non-executive Directors, and we believe our independent non-executive Directors: (a) possess sufficient experience; (b) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement; and (c) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole;

(v) our independent non-executive Directors will continuously review the compliance and enforcement of the undertakings by our Controlling Shareholder and/or its associates under the non-competition and independence undertakings;

(vi) we will disclose decisions by our independent non-executive Directors with respect to any new business opportunities under the non-compete undertakings provided by CTG in our annual reports;

(vii) in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between our Group, on one hand, and our Controlling Shareholder and/or our Directors, on the other hand, our Controlling Shareholder and/or our Directors shall provide our independent non-executive Directors with all necessary information for consideration and our independent non-executive Directors can seek advice from independent advisers at the cost of our Company where necessary; and

(viii) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws in Hong Kong and the Hong Kong Listing Rules, including various requirements relating to directors' duties and corporate governance, upon Listing.

We will engage in certain transactions with our connected persons after the Listing which will constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

CONNECTED PERSONS

Upon completion of the Listing, the following persons, with whom we have entered into certain transactions in our ordinary course of business, will become our connected persons as defined under the Hong Kong Listing Rules:

- **CTG Group:** immediately following the completion of the Global Offering, if the Over-allotment Option is exercised in full, CTG will hold approximately 50.26% of our Shares in issue, and if the Over-allotment Option is not exercised, CTG will hold approximately 50.63% of our Shares in issue. Accordingly, CTG will continue to hold a controlling interest in our Company upon the completion of the Global Offering, and members of the CTG Group will become our connected persons upon completion of the Listing.

- **HAI Group:** Hainan Island Commercial Management Co., Ltd. (海南海島商業管理有限公司) ("**Hainan CM**") is a substantial shareholder of our subsidiary, Hainan DF Meilan Store, as it holds a 49% equity interest in Hainan DF Meilan Store. Based on publicly available information and to the best of our Directors' knowledge, information and belief, Hainan CM is an indirect subsidiary of Hainan Airport Infrastructure Co., Ltd (海南機場設施股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600515), and therefore members of HAI Group will fall within the Listing Rule definition of "connected persons" at the subsidiary level of our Company upon completion of the Listing.

- **Haiqi Group:** Hainan Travel Investment Development Co., Ltd. (海南省旅遊投資發展有限公司) ("**Hainan Investment**") is a substantial shareholder of our subsidiary, Hainan DF, as it holds a 39% equity interest in Hainan DF. Based on publicly available information and to the best of our Directors' knowledge, information and belief, as of the Latest Practicable Date, Hainan Investment holds a 42.5% interest in Hainan Haiqi Transportation Group Co., Ltd. (海南海汽運輸集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603069), and therefore members of Haiqi Group will fall within the Listing Rule definition of "connected persons" at the subsidiary level of our Company upon completion of the Listing.

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of our continuing connected transactions:

Nature of transaction	Applicable Hong Kong Listing Rule(s)	Waiver(s) sought
Fully-exempt continuing connected transactions		
Procurement of Services from HAI Group	14A.76(1)(b)	N/A
Procurement of Services from Haiqi Group	14A.76(1)(b)	N/A

Nature of transaction	Applicable Hong Kong Listing Rule(s)	Waiver(s) sought
Loan Agreement with CTG Group	14A.90	N/A
Partially-exempt continuing connected transactions		
Framework Services Procurement Agreement	14A.76(2)(a)	Requirement on announcement under Chapter 14A of the Hong Kong Listing Rules
Non-exempt continuing connected transactions		
Financial Services Agreement	N/A	Requirements on announcement, circular and independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Procurement of Services from HAI Group

We have entered into certain agreements with members of HAI Group pursuant to which HAI Group will provide us with property leasing and management, marketing and other miscellaneous services. Such agreements were entered into on normal commercial terms in the ordinary and usual course of our business and are expected to continue after the Listing.

Fees for property leasing and management services are generally charged as a percentage of sales of our relevant stores or on a per-unit basis determined by both parties through arm's length negotiations with reference to: (i) historical fee rates; (ii) floor area of our properties; (iii) cost of the relevant services; (iv) revenue of the relevant stores; and (v) market price.

Fees for marketing services are generally charged on a per-campaign basis, as determined by both parties through arm's length negotiations with reference to: (i) nature of the services provided; (ii) complexity of the services; and (iii) cost of the relevant services such as rental of relevant marketing spaces.

Reasons for transactions

During the Track Record Period, we had been procuring such services from HAI Group to primarily support the operations of our duty-free stores which are located in properties owned or operated by HAI Group. We had selected members of HAI Group as our service providers during the Track Record Period in light of the quality of their services and their general experience and familiarity in providing supporting services for the properties in which our relevant duty-free stores are located.

Our Directors currently expect that the highest applicable percentage ratio of these transactions with HAI Group calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will not exceed 1% on an annual basis. Under Rule 14A.76(1)(b) of the Hong Kong Listing Rules, these transactions will be fully exempt from the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Procurement of Services from Haiqi Group

We have entered into certain agreements with members of Haiqi Group pursuant to which Haiqi Group will provide us with certain transportation services. Such agreements were entered into on normal commercial terms in the ordinary and usual course of our business and are expected to continue after the Listing.

Fees for transportation services are generally charged on a per-unit basis determined by both parties through arm's length negotiations with reference to: (i) fees charged by Independent Third Parties for similar services; (ii) transportation distances; (iii) number of passengers; and (iv) frequency of transportation.

Reasons for transactions

During the Track Record Period, we had been procuring such services from Haiqi Group to provide transportation for our staff operating in Hainan. When we procure such services in our ordinary and usual course of business, we select the most suitable service providers among those available for selection through a tendering process, which comprise connected persons and Independent Third Parties, taking into account their fees, payment terms, experience, quality of services and other factors. We had selected members of Haiqi Group as our service providers in light of the suitability of the services they offered, the quality of their services and their experience in providing these services.

Our Directors currently expect that the highest applicable percentage ratio of these transactions with Haiqi Group calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will not exceed 1% on an annual basis. Under Rule 14A.76(1)(b) of the Hong Kong Listing Rules, these transactions will be fully exempt from the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Loan Agreement with CTG Group

We have entered into a short-term loan agreement with CTG Group pursuant to which CTG Group provided us with a one-year loan of RMB200 million at a fixed interest rate of 4.35% commencing from April 3, 2022. The purpose of the loan was to provide us with capital for construction of our infrastructure projects. No security over the assets of our Group has been provided in relation to the loan. See "Relationship with Controlling Shareholder – Financial Independence" for further details.

Our Directors consider that the interest rate charged by CTG Group was on market terms or better for similar maturity and the loan amount was relatively small with short maturity. As such, maintaining such short-term loan will be conducive to our operations. We have sufficient funds to operate our business independently and we are able to obtain other financing from third parties without relying on CTG Group or other connected persons to provide financial assistance.

As the loan provided by CTG Group is on normal commercial terms or better and is not secured by the assets of our Group, pursuant to Rule 14A.90 of the Listing Rules, such loan will be fully exempt from the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Framework Services Procurement Agreement

We have entered into a Framework Services Procurement Agreement with CTG. The Framework Services Procurement Agreement was entered into on normal commercial terms or better and is expected to continue after the Listing. Our Directors currently expect that the highest applicable percentage ratio of these transactions calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be above 0.1% but will not exceed 5% on an annual basis. Under Rule 14A.76(2)(a) of the Hong Kong Listing Rules, these transactions will be subject to the announcement requirement but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Parties

(1) Our Company

(2) CTG, our Controlling Shareholder

Date of agreement

August 11, 2022

Principal terms

The Framework Services Procurement Agreement has a term commencing from the Listing Date until December 31, 2024.

Under the Framework Services Procurement Agreement, we will, based on our actual operational needs, procure property management, transportation, ticketing, promotional, IT support and other miscellaneous services from members of the CTG Group. The relevant parties will enter into separate agreements to set out the specific terms and conditions of the services procured according to the principles and within the parameters provided for under the Framework Services Procurement Agreement.

Pricing

- *Property management services:* Fees for property management services are generally charged on a per-interval or per-unit basis, as determined by both parties through arm's length negotiations with reference to: (i) historical fee rates; (ii) floor area of our properties; and (iii) cost of the relevant services.

- *Transportation services:* Fees for transportation services are generally charged on a per-unit basis, as determined by both parties through arm's length negotiations with reference to: (i) transportation distances; (ii) number of passengers; and (iii) frequency of transportation.

- *Ticketing services:* Fees for ticketing services are generally charged on a per-unit basis, as determined by both parties through arm's length negotiations on a cost-plus basis with reference to the cost of the relevant tickets.

- *Promotional services:* Fees for promotional services are generally charged based on the frequency and/or amount of spending of relevant customers, as determined by both parties through arm's length negotiations.

- *IT support services:* Fees for IT support services are generally charged with reference to the amount of relevant costs and/or revenue generated, as determined by both parties through arm's length negotiations.

Reasons for transactions

During the Track Record Period, we had been procuring such services from CTG Group. When we procure such services in our ordinary and usual course of business, we select the most suitable service providers among those available for selection, which comprise connected persons and Independent Third Parties, taking into account their fees, payment terms, experience, quality of services and other factors. We had selected members of CTG Group as our service providers during the Track Record Period in light of the suitability of the services they offered, the quality of their services and their experience in providing these services.

Historical amounts

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, the transaction amounts with respect to the continuing connected transactions under the Framework Services Procurement Agreement were RMB31.1 million, RMB45.8 million, RMB73.9 million and RMB16.6 million, respectively.

Annual caps

Our proposed annual caps for the years ending December 31, 2022, 2023 and 2024 transactions under the Framework Services Procurement Agreement will be RMB128.8 million, RMB180.7 million and RMB200.0 million, respectively.

The proposed annual caps were estimated based on: (i) historical transaction amounts; (ii) the expected increase in needs for these supporting services as we expand our business, leading to an expected year-on-year general increase in the estimated property management and other fees payable for the three years ending December 31, 2024; (iii) the expected substantial increase in the transportation services required to cater for a substantial increase in the number and frequency of transportation services provided to our staff and our customers for traveling to our retail stores, upon the completion of the construction of some of our major projects in Hainan and as a result of the recent government policies encouraging duty-free spending, which is expected to eventually more than double our demand for such transportation services for the year ending December 31, 2024 compared with the same for the year ended December 31, 2021, leading to a correspondingly substantial increase in the estimated fees for transportation services which comprises a majority of the estimated service fees payable under the Framework Services Procurement Agreement for the three years ending December 31, 2024; (iv) the expected increase in demand for ticketing services considering an expected gradual recovery from the COVID-19 pandemic; (v) the new IT support services we expect to procure from CTG Group starting from the year ending December 31, 2022; and (vi) the expected inflation in the market price of these services and the relevant costs.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Financial Services Agreement

We have entered into a Financial Services Agreement with CTG Finance, a member of CTG Group, which is expected to continue after the Listing. Transactions under the Financial Services Agreement will be regarded as non-exempt continuing connected transactions of our Company under Chapter 14A of the Hong Kong Listing Rules.

Parties

(1) Our Company

(2) CTG Finance, a subsidiary of CTG

Date of agreement

June 9, 2022

Principal terms

The Financial Services Agreement has an initial term of three years commencing from the date of the agreement. To provide our independent Shareholders with an opportunity to decide on whether to continue with the transactions contemplated under the Financial Services Agreement, our Company will seek the approval of independent Shareholders for such transactions on or before the first annual general meeting of the Company after the Listing (the "**Approval Date**").

Under the Financial Services Agreement, CTG Finance will provide us with certain financial services including deposit, loan, settlement and other financial services. CTG has, via CTG Finance, provided an entrusted loan to our Company. See "– Fully-exempt Continuing Connected Transaction – Loan Agreement with CTG Group" for details.

Pricing

Interest rates for our deposits shall not be lower than the interest rates offered by normal commercial banks for similar services or interest rates offered to other members of the CTG Group. Interest rates for our loans shall not be higher than the interest rates offered by normal commercial banks for similar services or interest rates offered to other members of the CTG Group. CTG Finance shall not charge any fees for its settlement and other financial services.

Reasons for transactions

CTG Finance is a limited liability company established on July 10, 2012 with a registered share capital of RMB2,000 million and is a licensed non-bank financial institution authorized to conduct operations approved by the China Banking Regulatory Commission. We have established a long and stable relationship with CTG Finance and it would be conducive for us to maintain the continuity of financial services received by us by continuing our co-operation with CTG Finance.

The benefits to our Company from financial services provided by CTG Finance are further elaborated as follows:

- We are offered equal or better commercial terms by CTG Finance. Pursuant to the Financial Services Agreement, the interest rates on loans and deposits offered by CTG Finance will be equal to or more favorable than those offered by normal commercial banks, and the settlement and other financial services offered by CTG Finance are free of charge; and

- CTG Finance has accumulated in-depth knowledge over the years of their relationship with us in respect of our industry and our capital structure, business operation, capital requirements and cash flow patterns. We are expected to benefit from CTG Finance's better understanding of operations of the Group which should allow expedient and efficient service provision.

Historical amounts

Set out below are the historical amounts of the transactions under the Financial Services Agreement for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022:

	Historical figures (RMB million)			
	For the year ended December 31,			For the three months ended March 31,
	2019	2020	2021	2022
Maximum Daily Balance of Deposit Services	6,245.8	7,378.4	8,510.0	7,500.0
Interest Income from Deposit Services	185.4	158.4	167.0	43.1

Annual caps

Set out below are the proposed annual caps for the transactions under the Financial Services Agreement for the period commencing from the Listing Date to the Approval Date:

	Annual caps (RMB million)
	For the period commencing from the Listing Date to the Approval Date
Maximum Daily Balance of Deposit Services	10,000.0

	For the year ending December 31, 2022	For the period commencing from January 1, 2023 to the Approval Date
Interest Income from Deposit Services	160.0	105.0

The proposed annual caps were estimated based on: (i) the historical daily deposit balances during the Track Record Period; (ii) our Group's future development plan and business growth; and (iii) the proceeds from the Global Offering expected to be deposited with CTG Finance, in particular, a portion of proceeds which will be used for expanding our overseas channels, and certain of our funds which will be used to optimize our overseas merchandise procurement portfolio, both of which are expected to be deposited with CTG Finance pending deployment to our overseas operations after Listing.

Pursuant to the Financial Services Agreement, CTG Finance shall not charge any fees for its settlement and other financial services. As such, no annual caps were set in relation to such services.

WAIVER FROM THE STOCK EXCHANGE

As the material terms of the partially-exempt and non-exempt continuing connected transactions are disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of the disclosures, our Directors consider that strict compliance with the announcement, circular and/or independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules would be unduly burdensome and, in particular, would induce unnecessary administrative costs to our Company.

As a result, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, subject to the condition that the maximum aggregate annual transactions value shall not exceed the estimated annual caps as stated above, a waiver under Rule 14A.105 of the Hong Kong Listing Rules to exempt (i) transactions set out in "– Partially-Exempt Continuing Connected Transactions" in this section from strict compliance with the announcement requirement under Chapter 14A of the Hong Kong Listing Rules; and (ii) transactions set out in "– Non-Exempt Continuing Connected Transactions" in this section from strict compliance with the requirements on announcement, circular and independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

Our independent non-executive Directors and auditors of our Company will review whether the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually in accordance with the requirements of the Hong Kong Listing Rules.

In addition, we confirm that we will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules and immediately inform the Stock Exchange if any of the proposed annual caps set out above is exceeded, or when there is a material change in the terms of these transactions.

CONFIRMATION FROM OUR DIRECTORS

Our Directors, including our independent non-executive Directors, are of the view that:

(a) the partially-exempt and non-exempt continuing connected transactions described above for which waiver is sought have been entered into and will be carried out in the ordinary and usual course of business of our Group and all such transactions will be conducted on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and

(b) the proposed annual caps of such partially-exempt and non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Based on (i) the documentation and data provided by the Company, and (ii) the due diligence conducted and discussions by the Joint Sponsors with the Company, and having made reasonable inquiries and after due and careful consideration, the Joint Sponsors are of the view that, as of the date of this prospectus, the aforesaid partially-exempt and non-exempt continuing connected transactions have been entered into in the ordinary and usual course of business of the Company on normal commercial terms (or better) which are fair and reasonable, and in the interests of the Company and its Shareholders as a whole, and the proposed monetary annual caps in respect of such continuing connected transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

OVERVIEW

Our Board consists of seven Directors, three of whom are executive Directors and four of whom are Independent Non-executive Directors. All of our Directors are subject to rotation every three years and are eligible for re-election upon expiry of their terms of office. Independent non-executive Directors shall not hold office for more than six consecutive years.

Our Supervisory Board currently consists of three Supervisors, including the chairman of our Supervisory Board. Our Supervisors include one shareholder representative Supervisor and two employee representative Supervisors. Our shareholder representative Supervisors and the employee representative Supervisors are elected at our Shareholders' meetings and our employee representative assemblies, respectively, for a term of three years and shall be subject to re-election upon expiry of their terms of office.

The following tables set forth information regarding our Directors, Supervisors and senior management. All of our Directors, Supervisors and senior management meet the qualification requirements under the relevant PRC laws and regulations and the Hong Kong Listing Rules for their respective positions.

Directors, Supervisors and Senior Management

The following table sets forth the key information of our Directors:

Name	Age	Date of joining the Group	Date of appointment for the current tenure as Director	Position for the current tenure	Responsibility
Mr. PENG Hui (彭輝)	59	July 1991	22 May 2020	Chairman of our Board and executive Director	Presiding over the Board, providing strategic advice and formulating development plans of our Group
Mr. CHEN Guoqiang (陳國強)	57	August 1987	22 May 2020	Executive Director and general manager	Responsible for the overall management and operation of our Group
Mr. WANG Xuan (王軒)	53	March 2005	18 May 2021	Executive Director	Responsible for the daily management and operation of our Group
Mr. ZHANG Rungang (張潤鋼)	63	March 2017	22 May 2020	Independent non-executive Director	Responsible for supervising and providing independent judgement to our Board
Mr. WANG Bin (王斌)	56	March 2017	22 May 2020	Independent non-executive Director	Responsible for supervising and providing independent judgement to our Board
Ms. LIU Yan (劉燕)	56	March 2017	22 May 2020	Independent non-executive Director	Responsible for supervising and providing independent judgement to our Board
Mr. GE Ming (葛明)	70	May 2021	31 May 2021	Independent non-executive Director	Responsible for supervising and providing independent judgement to our Board

The following table sets forth the key information of our Supervisors:

Name	Age	Date of joining the Group	Date of appointment for the current tenure as Supervisor	Position for the current tenure	Responsibility
Mr. LIU Defu (劉德福)	52	February 2020	22 May 2020	Chairman of our Supervisory Board and Supervisor	Responsible for supervising our Board and senior management
Ms. LI Hui (李輝)	47	April 2017	22 May 2020	Supervisor	Responsible for supervising our Board and senior management
Ms. DOU Xiaoqiong (斜曉瓊)	48	July 1997	22 May 2020	Supervisor	Responsible for supervising our Board and senior management

The following table sets forth the key information of our senior management:

Name	Age	Date of joining the Group	Date of appointment for the current tenure as Senior Management	Position for the current tenure	Responsibility
Mr. CHEN Guoqiang (陳國強)	57	August 1987	22 May 2020	General manager	Responsible for the overall management and operation of our Group
Mr. WANG Xuan (王軒)	53	March 2005	22 May 2020	Deputy general manager	Responsible for the daily management and operation, commercial investment business, strategic investment, policy research and other aspects of our Group
Ms. ZHAO Feng (趙鳳)	52	July 1997	22 May 2020	Deputy general manager	Responsible for part of the procurement, marketing and auditing of our Group
Mr. WANG Yanguang (王延光)	54	July 2015	22 May 2020	Deputy general manager	Responsible for the management of the retail store network of our Group, bidding strategy, public relations and online business

Name	Age	Date of joining the Group	Date of appointment for the current tenure as Senior Management	Position for the current tenure	Responsibility
Mr. CHANG Zhujun (常築軍)	48	April 2000	22 May 2020	Deputy general manager, secretary to our Board and joint company secretary	Responsible for part of the procurement business, overseas business of our Group and investor relationships
Mr. GAO Xujiang (高緒江)	41	December 2005	21 April 2021	Deputy general manager	Responsible for the management of our operations in Hainan
Mr. YU Hui (于暉)	42	April 2017	21 April 2021	General accountant	Responsible for finance, budgeting, informationalization planning and building, enterprise digitalization transformation and supply chain business of our Group

DIRECTORS

Executive Directors

Mr. Peng Hui (彭輝), aged 59, joined our Group in July 1991. Mr. Peng has extensive experience in the duty-free industry, and he has held various positions in our Group. From March 2008 to March 2017, Mr. Peng served as our deputy general manager, and from March 2017 to August 2019, Mr. Peng served as our general manager. He has served as our executive Director since March 2017 and as the Chairman of our Board since August 2019, and is primarily responsible for providing strategic advice and formulating development plans of our Group. At CDFG, he served as general manager of the domestic product department from June 1998 to May 1999, as general manager of the domestic product sales and marketing branch company from May 1999 to March 2000, concurrently as assistant to the general manager and general manager of the duty-free sales marketing center from March 2000 to March 2002, as deputy general manager from March 2002 to August 2004 and as chairman of the board of directors and general manager from March 2013 to December 2016. Mr. Peng also served as deputy general manager of CITS Group from August 2004 to March 2008 and as its director from January 2014 to December 2016. From December 2016 to August 2019, Mr. Peng served as the chairman of CITS (Beijing) Investment Development Co., Ltd. (now known as CDF Investment Development Co., Ltd. (中免投資發展有限公司)).

Mr. Peng obtained a bachelor's degree in science from the Central China Normal College (華中師範學院) (now known as the Central China Normal University (華中師範大學)) in China in July 1984, an MBA degree from the China Europe International Business School (中歐國際工商學院) in China in September 2006, and a master's degree in economics from the Institute of Foreign Economic Management at Renmin University of China (中國人民大學外國經濟管理研究所) in July 1991.

Mr. Chen Guoqiang (陳國強), aged 57, joined our Group in August 1987. Mr. Chen has extensive management and operations experience in the duty-free industry and is primarily responsible for the overall management and operation of our Group. Mr. Chen has held various positions in our Group. He has served as our general manager since August 2019 and as our executive Director since September 2019. At CDFG, he served as chief representative of the European office from June 2000 to February 2002, deputy supervisor and supervisor of the marketing department from February 2003 to November 2004, as assistant to the general manager and supervisor of the travel retail department from May 2006 to April 2008, as deputy general manager from February 2013 to December 2016 and as director from December 2016 to August 2019. Mr. Chen also served as general manager of CDF (Beijing) Trading Co. (中免(北京)商貿有限公司) from May 2008 to June 2010 and as its chairman from July 2010 to February 2013.

Mr. Chen graduated from the University of International Business and Economics (對外經濟貿易大學) in China with a major in foreign trade English in July 1987 and obtained an EMBA degree from the Cheung Kong Graduate School of Business (長江商學院) in China in September 2014.

Mr. Wang Xuan (王軒) (former name: **Wang Dayong** (王大勇)), aged 53, joined our Group in March 2005. He is primarily responsible for the daily management and operation, commercial investment business, strategic investment, policy research and other aspects of our Group, and has held various positions in our Group. Mr. Wang has been serving as our deputy general manager since August 2019, as our standing deputy general manager since April 2021, and as our executive Director since May 2021. At CDFG, Mr. Wang served as supervisor of the investment management department from March 2005 to July 2009, assistant to the general manager from June 2008 to May 2009 and deputy general manager from May 2009 to June 2017. Prior to joining our Group, Mr. Wang served as deputy general manager of the enterprise management department of China Yuanwang Group General Company (中國遠望(集團)總公司) from December 1996 to September 1999.

Mr. Wang obtained a bachelor's degree in engineering and economics from the Beijing University of Technology (北京工業大學) in China in July 1992 and an MBA degree from the University of Science and Technology Beijing (北京科技大學) in June 2002. He obtained senior economist (高級經濟師) qualification from the Beijing Senior Professional Technical Qualifications Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2003.

Independent Non-executive Directors

Mr. Zhang Rungang (張潤鋼), aged 63, joined our Group in, and has served as our independent non-executive Director since, March 2017. Mr. Zhang has extensive experience in the hospitality and tourism industry. Prior to joining Beijing Capital Tourism Group Co., Ltd. (北京首都旅遊集團有限責任公司) and BTG-Jianguo Hotel Management Co., Ltd. (北京首旅建國酒店管理有限公司) in September 2004, Mr. Zhang served as deputy head of the quality specification and management department of the China National Tourism Administration (國家旅遊局). He served as director of BTG Hotels Group Co., Ltd. (北京首旅酒店(集團)股份有限公司), a company listed on the main board of the Shanghai Stock Exchange (stock code: 600258), from May 2012 to July 2020, and as its chairman from May 2012 to January 2017, and as an independent non-executive director of Zhejiang New Century Hotel Management Co., Ltd. (浙江開元酒店管理股份有限公司), a company formerly listed on the main board of the Stock Exchange (stock code: 01158), from June 2017 to May 2021.

Mr. Zhang obtained a bachelor's degree in foreign language from the International Institute of Politics (國際政治學院) (now known as Chinese People's Police University (中國人民警官大學)) in China in July 1982 and a doctorate degree in systems engineering from the South China University of Technology in July 2000.

Mr. Wang Bin (王斌), aged 56, joined our Group in, and has served as our independent non-executive Director since, March 2017. Mr. Wang has extensive experience in accounting and finance. Prior to joining our Group, Mr. Wang worked at the Beijing Business School (北京商學院) (now known as the Beijing Technology and Business University (北京工商大學)) as head of finance teaching and research office of the accounting faculty from April 1992 to April 1994, deputy head of the accounting faculty of the Beijing Technology and Business University from May 1994 to May 1999 and vice dean of the accounting faculty from May 1999 to May 2001. Mr. Wang is also currently a professor at the finance faculty of the Beijing Technology and Business University. Mr. Wang served as an independent non-executive director of Jihua Group Corporation Limited (際華集團股份有限公司), a company listed on the main board of Shanghai Stock Exchange (stock code: 601718), from May 2015 to January 2021. He was an independent non-executive director of Huangshan Novel Co., Ltd. (黃山永新股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002014), from January 2016 to January 2022. Mr. Wang has served as an independent non-executive director of Nexteer Automotive Group Limited, a company listed on the main board of the Stock Exchange (stock code: 01316), since June 2022. He was appointed as an independent director of UBS Securities Co., Ltd. (瑞銀證券有限責任公司) since September 2019.

Mr. Wang obtained a bachelor's degree in accounting from the Beijing Business School (now known as the Beijing Technology and Business University) in China in July 1987 and a doctorate degree in accounting from the China Academy of Fiscal Sciences (財政科學研究所) in July 2001.

Ms. Liu Yan (劉燕), aged 56, joined our Group in, and has served as our independent non-executive Director since, March 2017. Ms. Liu has held various positions at the law faculty of the Peking University (北京大學), including as lecturer from July 1993 to July 1999, as associate professor from August 1999 to July 2007, and as professor since August 2007. She was an independent non-executive director of Shandong Publishing & Media Co., Ltd. (山東出版傳媒股份有限公司), a company listed on the main board of the Shanghai Stock Exchange (stock code: 601019), from June 2015 to May 2022. Ms. Liu has also served as an independent non-executive director of Shantui Construction Machinery Co., Ltd. (山推工程機械股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000680) since January 2019.

Ms. Liu obtained a bachelor's degree in law in July 1988 and a doctorate degree in international law in July 2003 from the Peking University in China.

Mr. Ge Ming (葛明), aged 70, was appointed as our Independent Non-executive Director in May 2021 with his appointment to take effect from the Listing Date. Prior to joining our Group, Mr. Ge served as chairman and principal accountant of Ernst & Young Hua Ming LLP (安永華明會計師事務所) from July 1995 to August 2012 and then as partner from August 2012 to September 2014. He also served as a member of the second session of the Listed Companies Mergers and Acquisitions Expert Consultation Committee of CSRC from May 2012 to May 2015.

Mr. Ge served as an independent non-executive director of Shunfeng International Clean Energy Limited (順風國際清潔能源有限公司), a company listed on the main board of the Stock Exchange (stock code: 01165) from January 2011 to February 2013, as an independent non-executive director of Shanghai Zhenhua Heavy Industries Co., Ltd. (上海震華重工(集團)股份有限公司), a company listed on the main board of the Shanghai Stock Exchange (stock code: 600320) from April 2015 to November 2016, as an independent non-executive director of Amber Hill Financial Holdings Limited (安山金控股份有限公司), a company listed on the main board of the Stock Exchange (stock code: 00033), from May 2017 to December 2018 and as an independent non-executive director of Chong Sing Holdings FinTech Group Limited (中新控股科技集團有限公司), a company formerly listed on the main board of the Stock Exchange (stock code: 08207) from September 2014 to April 2020. He served as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a company listed on the main board of the Stock Exchange (stock code: 02318) as well as on the main board of the Shanghai Stock Exchange (stock code: 601318), from June 2015 to August 2021 and as an independent non-executive director of Focus Media Information Technology Co., Ltd. (分眾傳媒信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002027), from January 2016 to November 2021. He has served as an independent non-executive director of AsiaInfo Technologies Limited (亞信科技控股有限公司), a company listed on the main board of the Stock Exchange (stock code: 01675), since December 2018 and as an independent non-executive director of Hubei Sanonda Co., Ltd. (安道麥股份有限公司), a company listed on the Shenzhen Stock Exchange (stock codes: 000553 and 200553), since November 2020.

Mr. Ge graduated with a major in English in July 1975 from the Beijing Normal College (北京師範學院) in China and a master's degree in western accounting from China Academy of Fiscal Sciences in July 1982. He obtained the qualification of certified public accountant of China from the Ministry of Finance in October 1983 and the qualification of certified public account from CPA Australia in August 2015.

SUPERVISORS

Mr. Liu Defu (劉德福), aged 52, joined our Group in, and has served as Chairman of our Supervisory Board since February 2020. Mr. Liu is primarily responsible for supervising our Board and our senior management and has held various positions in CTG, including as manager of the audit department of China Travel Service (Holdings) Hong Kong Limited from January 2006 to March 2008, deputy general manager of the internal audit department of China Travel International Investment Hong Kong Limited from April 2008 to January 2010, deputy general manager of the audit department of China Travel Service (Holdings) Hong Kong Limited from December 2011 to December 2016, and chairman of the board of supervisors of CTS International Logistics Corporation Limited (港中旅華貿國際物流股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603128), from November 2015 to October 2017. Mr. Liu has also served as chairman of the board of supervisors of CTG Finance Company Limited (中旅集團財務有限公司) (formerly known as China National Travel Service (HK) Finance Company Limited (港中旅財務有限公司)) since December 2014, as general manager of the audit department of CTG since December 2016 and as its supervisor since December 2017. Mr. Liu has also served as head of the funds review committee of the labor union of CTG since July 2021.

Mr. Liu obtained a bachelor's degree in economic information management from the Shandong Economic University (山東經濟學院) (now known as the Shandong University of Finance and Economics (山東財經大學)) in China in July 1994 and a master's degree in information economics from the Northern Jiaotong University (北方交通大學) (now known as the Beijing Jiaotong University (北京交通大學)) in China in October 1997.

Ms. Li Hui (李輝), aged 47, joined our Group in April 2017. Ms. Li is primarily responsible for supervising our Board and our senior management and has held various positions in our Group. Ms. Li has served as our Supervisor since August 2019 and as general manager of the human resources department from September 2019. At CDFG, Ms. Li served as head of the office for discipline inspection and supervision from April 2017 to September 2018 and as supervisor of the human resources department from October 2018 to September 2019. Prior to joining our Group, Ms. Li held various positions at Beijing Capital Airport Aviation Security Co., Ltd. (北京首都機場航空安保有限公司), including as manager responsible for compensations and benefits at the human resources department from May 2006 to June 2007, deputy manager of the security inspection department of the western area from November 2007 to June 2008, general manager of the human resources department from May 2012 to March 2017 and head of the general manager's office from May 2012 to April 2013.

Ms. Li obtained a bachelor's degree in law from the Central Party School College of Correspondence (中央黨校函授學院) in China in December 2001 and a master's degree in retail management from the NEOMA Business School in France in September 2019.

Ms. Dou Xiaoqiong (鈄曉瓊), aged 48, joined our Group in July 1997. Ms. Dou is primarily responsible for supervising our Board and our senior management and has held various positions in our Group. Ms. Dou has served as general manager of our audit department since September 2019, and as our Supervisor since May 2020. At CDFG, Ms. Dou served as finance supervisor of the settlement department from July 1997 to August 2002, as deputy general manager of Shanghai CDF downtown duty free store from September 2002 to October 2003, concurrently as manager of the business development department and manager of the finance department from October 2003 to November 2004, deputy supervisor of the finance department from January 2006 to July 2009, deputy supervisor of the audit department from July 2009 to July 2010 and supervisor of the audit department from July 2010 to September 2019. Ms. Dou also served as senior manager of the financial information department of CITS Group from November 2004 to December 2005.

Ms. Dou obtained a bachelor's degree in accounting from the Central University of Finance and Economics (中央財經大學) in China in July 1997 and an MBA degree from The Chinese University of Hong Kong in December 2006. She obtained medium-level accountant qualification from the Beijing Personnel Bureau (北京市人事局) (now known as the Beijing Bureau of Human Resources and Social Security (北京市人力資源和社會保障局)) in September 2000.

Save as disclosed above, (i) none of our Directors or Supervisors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business, and (ii) to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors and Supervisors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(b) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Chen Guoqiang (陳國強) is the general manager and **Mr. Wang Xuan** (王軒) is the deputy general manager of our Group. See "– Directors – Executive Directors" in this section for Mr. Chen's and Mr. Wang's biographies.

Ms. Zhao Feng (趙鳳), aged 52, joined our Group in July 1997. She is primarily responsible for part of the procurement, marketing and auditing of our Group and has held various positions in our Group. Ms. Zhao has been our deputy general manager since August 2019. At CDFG, Ms. Zhao served as assistant to the general manager, supervisor of the human resources department and supervisor of sales from October 2004 to March 2005, supervisor of the liquor and tobacco sales and marketing department from March 2005 in April 2008, assistant to general manager from October 2004 to May 2006 and deputy general manager from May 2006 to August 2019.

Ms. Zhao obtained a bachelor's degree in law from the Mudanjiang Teachers College (牡丹江師範學院) in July 1994, a master's degree in law from the Beijing Normal University (北京師範大學) in China in July 1997 and an EMBA degree from the Cheung Kong Graduate School of Business in China in March 2006.

Mr. Wang Yanguang (王延光), aged 54, joined our Group in July 2015. Mr. Wang is primarily responsible for the management of the retail store network, bidding strategy, public relations and online business our Group. Mr. Wang has been our deputy general manager since August 2019. At CDFG, Mr. Wang served as its deputy general manager from July 2015 to May 2017. At CITS Agency, he served as, assistant to the general manager of the outbound tourism headquarter and supervisor of the business travel department from February 2005 to August 2005, assistant to the general manager from October 2010 to January 2013 and deputy general manager from February 2013 to July 2015. In addition, Mr. Wang served as general manager of China International Travel Service Group (Shanghai) Corporation (中国國旅集團上海有限公司) from October 2010 to August 2011.

Mr. Wang obtained a bachelor's degree in literature from the Peking University in China in July 1989. He obtained economist (經濟師) qualification from the PRC Ministry of Personnel (中國人事部) (now known as the PRC Ministry of Human Resources and Social Security (中國人力資源和社會保障部)) in November 1997.

Mr. Chang Zhujun (常築軍), aged 48, joined our Group in April 2000. Mr. Chang is primarily responsible for part of the procurement business, overseas business and investor relations of our Group and has held various positions in our Group. Mr. Chang has been our deputy general manager since November 2019 and the secretary to our Board since January 2020. He was appointed as our joint company secretary in August 2022. At CDFG, Mr. Chang served as supervisor of boutique perfume and cosmetics department from May 2007 to November 2014, supervisor of perfume and food sales from November 2014 to December 2018, supervisor of the department for imported liquor, tobacco and food sales and marketing from January 2017 to December 2018, assistant to the general manager of CDFG from December 2018 to November 2019 and general manager of China Duty Free International Limited (中免國際有限公司) since August 2018.

Mr. Chang obtained a bachelor's degree in economics from the Beijing Wuzi University (北京物資學院) in China in July 1996.

Mr. Gao Xujiang (高緒江), aged 41, joined our Group in December 2005. Mr. Gao is primarily responsible for our Group's operation in Hainan and has held various positions in our Group. He was assistant to our general manger from October 2019 to April 2021 and has been our deputy general manager since April 2021. At CDFG, he served as manager of the duty-free division of the brand agency department from December 2005 to May 2007, as manager responsible for imported liquor sales at the liquor and tobacco sales and marketing department from May 2007 to August 2012, as manager responsible for business development at the shopping tax refund project team from August 2012 to November 2012, as head of the general manager's office from June 2017 to December 2018 and as assistant to the general manager from December 2018 to September 2019. He has also served as deputy head of the general manager's office of CITS (Beijing) Investment Development Co., Ltd. (國旅(北京)投資發展有限公司) (now known as CDF Investment Development Co., Ltd. (中免投資發展有限公司)) from November 2013 to April 2015, and as general manager of CDFG Sanya Downtown Duty Free Store Co., Ltd. (中免集團三亞市內免稅店有限公司) from September 2019 to October 2020, and as its executive director since September 2019.

Mr. Gao obtained a college graduation diploma in commanding (指揮專業) in July 2002 and a master's degree in engineering in June 2015 from the Chinese People's Liberation Army Equipment Academy (中國人民解放軍裝備學院) in China.

Mr. Yu Hui (于暉), aged 42, joined our Group in April 2017. Mr. Yu is primarily responsible for finance, budgeting, informationalization planning and building, enterprise digitalization transformation and supply chain business of our Group. He has been supervisor of our financial management department from April 2017 to September 2019, and our general accountant since April 2021. He also served as general accountant of CDF Investment Development Co., Ltd. (中免投資發展有限公司) from September 2019 to April 2021. Prior to joining our Group, Mr. Yu worked in the finance department of China National Biotec Group Company (中國生物技術集團公司) from July 2007 to November 2009, served as senior manager in charge of business operations at the accounting management department, the financial management department and the finance department of China National Pharmaceutical Group Corporation (中國醫藥集團總公司) from November 2009 to January 2012, and as its assistant to the head of finance department from January 2012 to December 2016. He also served as deputy head of the finance department of China Biotechnology Co., Ltd. (中國生物技術股份有限公司) (formerly known as China National Biotec Group Company (中國生物技術集團公司)) from January 2017 to March 2017. Mr. Yu has also served as a director of CTG Finance since November 2021.

Mr. Yu obtained a bachelor's degree in engineering from the Harbin Engineering University (哈爾濱工程大學) in China in July 2003 and an MBA degree from the University of International Business and Economics (對外經濟貿易大學) in China in June 2010.

JOINT COMPANY SECRETARIES

Mr. Chang Zhujun (常築軍) is our joint company secretary. See "– Senior Management" in this section for Mr. Chang's biography.

Ms. Zhang Xiao (張瀟) was appointed as our joint company secretary in August 2022. Ms. Zhang, aged 35, is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services, and has over seven years of experience in the corporate secretarial field. Ms. Zhang has been admitted as an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2019. Ms. Zhang obtained a bachelor's degree in Computer Science from The Chinese University of Hong Kong in 2010 and a master's degree in corporate governance from Hong Kong Metropolitan University in 2018.

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees. In accordance with relevant PRC laws, regulations, the Articles and the Hong Kong Listing Rules, we have formed four board committees, namely the Audit Committee, the Remuneration and Evaluation Committee, the Strategy Committee and the Nomination Committee.

Audit Committee

The Audit Committee consists of four Directors, namely Mr. Wang Bin, Mr. Zhang Rungang, Ms. Liu Yan and Mr. Ge Ming. Mr. Wang Bin currently serves as the chairman of the committee. The main duties of the Audit Committee include (but are not limited to) overseeing the financial reporting system and internal control procedures of the Company, reviewing the financial information of the Company, considering issues relating to the external auditors and their appointment, reviewing the Group's risk management and internal control systems, reviewing and advising the Board on risk policies and the current and emerging risks and risk exposures relating to the Group's business and strategies and ensuring that a proper monitoring process is in place for risk policy and risk appetite compliance.

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of three Directors, namely Ms. Liu Yan, Mr. Zhang Rungang and Mr. Wang Bin. Ms. Liu Yan currently serves as the chairwoman of the committee. The main duties of the Remuneration and Evaluation Committee include (but are not limited to) determining the remuneration packages of individual executive directors and senior management, making recommendations to the Board on the remuneration package of non-executive Directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Strategy Committee

The Strategy Committee consists of four Directors, namely Mr. Peng Hui, Mr. Chen Guoqiang, Mr. Wang Xuan and Mr. Zhang Rungang. Mr. Peng Hui currently serves as the chairman of the committee. The main duties of the Strategy Committee include (but are not limited to) researching and making recommendations to the Board on major financing plans, investment proposals, investment decisions, mergers and acquisitions, long-term development strategies and other major strategic issues of the Company.

Nomination Committee

The Nomination Committee consists of five Directors, namely Mr. Zhang Rungang, Mr. Peng Hui, Mr. Wang Xuan, Mr. Wang Bin and Ms. Liu Yan. Mr. Zhang Rungang currently serves as the chairman of the committee. The main duties of the Nomination Committee include (but are not limited to) reviewing the structure, size and composition of the Board, assessing the independence of the Independent Non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

PARTY COMMITTEE

We have established a Party Committee in accordance with our Articles of Association. See "Appendix VI – Summary of Articles of Association – Shareholders and Shareholders' General Meetings – Party Committee" for details.

BOARD DIVERSITY POLICY

We are committed to promoting the culture of diversity in the Company. We have adopted a board diversity policy which sets out the approach to achieve and maintain diversity in our Board in order to enhance the effectiveness of our Board. Pursuant to the policy, selection of Board candidates will be based on a range of factors, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge and length of service. Our Directors have a balanced mix of knowledge, experience and skills in the areas of duty-free business operations and management, finance, education, legal profession, auditing and accounting. They obtained degrees in various majors including law, engineering, business administration and accounting. We have also taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to the Board and management levels. While we recognize that male directors take the majority of our current Board and the gender diversity at the Board level can be further improved, we will continue to apply the principle of appointments based on merit with reference to our diversity policy as a whole. We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to further enhance the effectiveness of our corporate governance.

Our Nomination Committee is responsible for the implementation of our board diversity policy. Upon completion of the Listing, our Nomination Committee will review the policy from time to time to ensure its continued effectiveness and we shall disclose the condition of implementation of the policy in our corporate governance report annually.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. As our Company was not yet listed on the Stock Exchange during the Track Record Period and the six months ended June 30, 2022, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") were not applicable to us during such period. Our Company intends to comply with all code provisions in the Corporate Governance Code and the Model Code after the Listing.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management receive their remuneration in the form of salary and allowances, employer's contribution to pension schemes, annual bonuses and independent directors' fee.

For the three years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, the total remuneration paid to our then Directors amounted to RMB10.1 million, RMB18.4 million, RMB23.6 million and RMB12.0 million, respectively.

For the three years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, the total remuneration paid to our then Supervisors amounted to RMB4.9 million, RMB3.1 million, RMB4.2 million and RMB2.2 million, respectively.

For the three years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, the total emoluments paid to the five highest paid individuals (including Directors) by our Group amounted to RMB35.7 million, RMB48.5 million, RMB57.0 million and RMB17.1 million, respectively.

For the three years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, no fees were paid by our Group to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. Our Supervisors (excluding employee Supervisors) do not receive any remuneration from our Company. Save as disclosed above, none of the Directors or Supervisors waived their remuneration during the relevant period.

The remuneration of Directors, Supervisors and senior management is determined with reference to factors including operating results of our Company, market comparables and the achievement of major operating indicators of our Company.

None of the Directors, Supervisors and senior management holds any interest in the Shares as set in Part XV of the Securities and Futures Ordinance, as of the Latest Practicable Date.

COMPLIANCE ADVISER

We have agreed to appoint Somerley Capital Limited as the compliance adviser upon listing in compliance with Rules 3A.l9 and 19A.05 of the Hong Kong Listing Rules. The material terms of the compliance adviser's agreement are as follows:

(a) Somerley Capital Limited shall act as our compliance adviser for the purpose of Rules 3A.l9 and 19A.05 of the Hong Kong Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our dispatching the annual report of financial results for the first full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier;

(b) the compliance adviser will provide us with certain services including proper guidance and advice regarding compliance with the requirements under the Hong Kong Listing Rules and applicable laws, rules, codes and guidelines in Hong Kong;

(c) the compliance adviser will, as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Stock Exchange from time to time and of any amendment or supplement to the applicable laws and guidelines in Hong Kong; and

(d) the compliance adviser will act as an additional channel of communication of the Company with the Stock Exchange.

As of the Latest Practicable Date, our share capital was RMB1,952,475,544 comprising 1,952,475,544 A Shares. The following persons directly or indirectly control, or are entitled to exercise, or control the exercise of, 5% or more of our A Shares as of the Latest Practicable Date:

Name of Shareholders	**Nature of interest**	**Class**	**Number of Shares directly held**	**Approximate percentage of interest in the total issued share capital as of the Latest Practicable Date**
CTG[(1)]	Beneficial owner	A Shares	1,040,642,690	53.30%

Note:

(1) CTG is a state-owned enterprise under the control and supervision of the Central SASAC. As requested by the State Council, the Central SASAC is in the process of transferring 10% of its shareholdings in CTG to the PRC National Council for Social Security Fund (全國社會保障基金理事會), which is also a PRC Government body. As of the Latest Practicable Date, such share transfer has not been completed.

Immediately following the completion of the Global Offering:

- assuming the Over-allotment Option is not exercised, our share capital will comprise 1,952,475,544 A Shares and 102,761,900 H Shares, representing 95.00% and 5.00% of the total share capital of our Company, respectively; and

- assuming the Over-allotment Option is fully exercised, our share capital will comprise 1,952,475,544 A Shares and 118,176,100 H Shares, representing 94.29% and 5.71% of the total share capital of our Company, respectively.

So far as our Directors are aware, immediately following the completion of the Global Offering (and the offering of any additional H Shares which may be offered pursuant to the Over-allotment Option), the following persons will have an interest or short position in our Shares or underlying Shares of our Company which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			**Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)**		
Shareholders	**Nature of Interest and capacity**	**Class**	**Number of Shares**	**Approximate percentage of interest in the relevant class of Shares**	**Approximate percentage of interest in the total issued share capital**	**Number of Shares**	**Approximate percentage of interest in the relevant class of Shares**	**Approximate percentage of interest in the total issued share capital**
CTG[(1)]	Beneficial owner	A Shares	1,040,642,690	53.30%	50.63%	1,040,642,690	53.30%	50.26%

Note:

(1) CTG is a state-owned enterprise under the control and supervision of the Central SASAC. As requested by the State Council, SASAC is in the process of transferring 10% of its shareholdings in CTG to the PRC National Council for Social Security Fund (全國社會保障基金理事會), which is also a PRC Government body. As of the Latest Practicable Date, such share transfer has not been completed.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering (and the offering of any additional H Shares which may be offered pursuant to the Over-allotment Option), have an interest or short position in our Shares or underlying Shares of our Company which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered capital of our Company was RMB1,952,475,544, comprising 1,952,475,544 A Shares of nominal value RMB1.00 each, all of which are listed on the Shanghai Stock Exchange.

Description of Shares	Number of Shares	Percentage of issued share capital
A Shares	1,952,475,544	100.00%
Total	1,952,475,544	100.00%

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the entire share capital of our Company would be as follows:

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital
A Shares	1,952,475,544	95.00%
H Shares issued pursuant to the Global Offering	102,761,900	5.00%
Total	2,055,237,444	100.00%

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is fully exercised, the entire share capital of our Company would be as follows:

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital
A Shares	1,952,475,544	94.29%
H Shares issued pursuant to the Global Offering	118,176,100	5.71%
Total	2,070,651,644	100.00%

CLASS SHARE

The H Shares in issue upon completion of the Global Offering, and A Shares, are ordinary shares in the registered share capital of our Company. However, apart from qualified domestic institutional investors ("**QDII**") and persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approval of any competent authority, or through Shanghai-Hong Kong Stock Connect pursuant to relevant PRC laws and regulations, H Shares may not be subscribed by or traded between legal or natural persons of the PRC.

H Shares and A Shares are regarded as different classes of shares under the relevant provisions of our Articles of Association. Any change or abrogation of the rights of different classes of shareholders should be approved by way of a special resolution at a general meeting of shareholders and at a separate class meetings. However, the procedures for approval by separate class meetings shall not apply where: (i) our Company issues, upon approval by a special resolution in a general meeting, either separately or concurrently once every 12 months, A Shares and overseas-listed shares representing not more than 20% of the existing issued A Shares and overseas-listed shares; (ii) the issuance of A Shares and overseas-listed shares is part of our Company's plan at the time of our establishment, which is implemented within 15 months from the date of approval by the securities regulatory authorities of the State Council; or (iii) pursuant to the approval of relevant regulatory authorities including the securities regulatory authority of the State Council, holders of A Shares of our Company convert their A Shares into overseas-listed shares and have them listed and traded on an overseas stock exchange. See "– Conversion of Our A Shares into H Shares for Listing and Trading on the Hong Kong Stock Exchange" for details.

RANKING

The differences between A Shares and H Shares, the provisions on class rights, the dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of shareholders, the method of Share transfer, appointment of dividend receiving agents and other matters are set out in our Articles of Association and summarized in the section entitled "Appendix VI – Summary of Articles of Association" of this prospectus.

Except for the differences above, A Shares and H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be calculated in Renminbi and paid by us in Hong Kong dollars whereas all dividends in respect of A Shares are to be paid by us in Renminbi. In addition to cash, dividends may be distributed in the form of Shares.

CONVERSION OF OUR A SHARES INTO H SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE

A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and H Shares may be different after the Global Offering. In accordance with the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) ("**Full Circulation Guidelines**") published and implemented by the CSRC on November 14, 2019, domestic unlisted shares of H-share companies (including domestic unlisted shares held by domestic shareholders prior to the overseas listing, domestic unlisted shares further issued in the PRC after the overseas listing and unlisted shares held by foreign shareholders) could be listed and traded on the Hong Kong Stock Exchange after application to and approval from the CSRC. The Full Circulation Guidelines are only applicable to domestic companies listed on the Hong

Kong Stock Exchange and are not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there are no relevant rules or guidelines from the CSRC providing that A shares holders may convert A shares held by them into H shares for listing and trading on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

We have obtained approval from our holders of A Shares to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained at the general meeting of our Company held on May 31, 2021 upon, among other things, the following major terms:

(i) Size of the offer

The proposed number of H Shares to be offered initially shall not exceed 8% of the total issued number of shares as enlarged by the H Shares to be issued pursuant to the Global Offering. The number of H Shares to be issued pursuant to the exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially pursuant to the Global Offering.

(ii) Method of offering

The method of offering shall be by way of a public offer for subscription in Hong Kong and an international offering to institutional and professional investors.

(iii) Target investors

The H Shares shall be issued to overseas professional organizations, institutions individual investors and other eligible investors.

(iv) Price determination basis

The issue price of the H Shares will be determined after due consideration of the interests of existing Shareholders, the acceptance of investors and issuance risks and in accordance with international practices through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(v) Valid period

The issue of H Shares and listing of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the Shareholders' meeting was held on May 31, 2021.

There is no other approved offering plans for any other shares except for the Global Offering.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstance under which our Shareholders' general meeting and Shareholders' class meeting are required, see "Appendix VI – Summary of Articles of Association".

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the cornerstone investors set out below (the "**Cornerstone Investors**" and each a "**Cornerstone Investor**") who have agreed to, subject to certain conditions, subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased for an aggregate amount of approximately HK$6,238 million at the Offer Price (exclusive of the brokerage, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee) (the "**Cornerstone Placing**").

Cornerstone investor (by alphabetical order)	Investment amount (HK$) (in million)	Indicative Offer Price[(1)]	Number of H Shares to be subscribed for (rounded down to the nearest whole board lot of 100 H Shares)[(2)]	Approximate percentage of the International Offer Shares (assuming Over-allotment Option is not exercised)	Approximate percentage of the International Offer Shares (assuming Over-allotment Option is exercised in full)	Approximate percentage of the Offer Shares (assuming Over-allotment Option is not exercised)	Approximate percentage of the Offer Shares (assuming Over-allotment Option is exercised in full)	Approximate percentage of the total issued share capital of our Company immediately after Global Offering (assuming Over-allotment Option is not exercised)	Approximate percentage of the total issued share capital of our Company immediately after Global Offering (assuming Over-allotment Option is exercised in full)
AMOREPACIFIC Group	785	Low-end: 143.50	5,470,200	5.6%	4.8%	5.3%	4.6%	0.3%	0.3%
		Mid-point: 154.50	5,080,700	5.2%	4.5%	4.9%	4.3%	0.2%	0.2%
		High-end: 165.50	4,743,000	4.9%	4.2%	4.6%	4.0%	0.2%	0.2%
China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd.[(3)]	1,177	Low-end: 143.50	8,205,300	8.4%	7.3%	8.0%	6.9%	0.4%	0.4%
		Mid-point: 154.50	7,621,100	7.8%	6.7%	7.4%	6.4%	0.4%	0.4%
		High-end: 165.50	7,114,600	7.3%	6.3%	6.9%	6.0%	0.3%	0.3%
China Structural Reform Fund Corporation Limited[(3)]	600	Low-end: 143.50	4,181,100	4.3%	3.7%	4.1%	3.5%	0.2%	0.2%
		Mid-point: 154.50	3,883,400	4.0%	3.4%	3.8%	3.3%	0.2%	0.2%
		High-end: 165.50	3,625,300	3.7%	3.2%	3.5%	3.1%	0.2%	0.2%
COSCO Shipping (Hong Kong) Co., Limited	785	Low-end: 143.50	5,470,200	5.6%	4.8%	5.3%	4.6%	0.3%	0.3%
		Mid-point: 154.50	5,080,700	5.2%	4.5%	4.9%	4.3%	0.2%	0.2%
		High-end: 165.50	4,743,000	4.9%	4.2%	4.6%	4.0%	0.2%	0.2%
Hainan Free Trade Port Construction Investment Fund Co., Ltd.	392	Low-end: 143.50	2,735,100	2.8%	2.4%	2.7%	2.3%	0.1%	0.1%
		Mid-point: 154.50	2,540,300	2.6%	2.2%	2.5%	2.1%	0.1%	0.1%
		High-end: 165.50	2,371,500	2.4%	2.1%	2.3%	2.0%	0.1%	0.1%
Luzhou Laojiao Co., Ltd.	622	Low-end: 143.50	4,332,400	4.4%	3.8%	4.2%	3.7%	0.2%	0.2%
		Mid-point: 154.50	4,023,900	4.1%	3.6%	3.9%	3.4%	0.2%	0.2%
		High-end: 165.50	3,756,500	3.8%	3.3%	3.7%	3.2%	0.2%	0.2%

Cornerstone investor (by alphabetical order)	Investment amount (HK$) (in million)	Indicative Offer Price[1]	Number of H Shares to be subscribed for (rounded down to the nearest whole board lot of 100 H Shares)[2]	Approximate percentage of the International Offer Shares (assuming Over-allotment Option is not exercised)	Approximate percentage of the International Offer Shares (assuming Over-allotment Option is exercised in full)	Approximate percentage of the Offer Shares (assuming Over-allotment Option is not exercised)	Approximate percentage of the Offer Shares (assuming Over-allotment Option is exercised in full)	Approximate percentage of the total issued share capital of our Company immediately after Global Offering (assuming Over-allotment Option is not exercised)	Approximate percentage of the total issued share capital of our Company immediately after Global Offering (assuming Over-allotment Option is exercised in full)
The Oaktree Funds[4]	314	Low-end: 143.50	2,188,000	2.2%	1.9%	2.1%	1.9%	0.1%	0.1%
		Mid-point: 154.50	2,032,300	2.1%	1.8%	2.0%	1.7%	0.1%	0.1%
		High-end: 165.50	1,897,200	1.9%	1.7%	1.8%	1.6%	0.1%	0.1%
Rongshi International Holding Company Limited	785	Low-end: 143.50	5,470,200	5.6%	4.8%	5.3%	4.6%	0.3%	0.3%
		Mid-point: 154.50	5,080,700	5.2%	4.5%	4.9%	4.3%	0.2%	0.2%
		High-end: 165.50	4,743,000	4.9%	4.2%	4.6%	4.0%	0.2%	0.2%
Shanghai Airport Investment Corporation Limited	777	Low-end: 143.50	5,415,600	5.5%	4.8%	5.3%	4.6%	0.3%	0.3%
		Mid-point: 154.50	5,030,000	5.2%	4.4%	4.9%	4.3%	0.2%	0.2%
		High-end: 165.50	4,695,700	4.8%	4.2%	4.6%	4.0%	0.2%	0.2%
Total	6,238	Low-end: 143.50	43,468,100	44.5%	38.5%	42.3%	36.8%	2.1%	2.1%
		Mid-point: 154.50	40,373,100	41.4%	35.7%	39.3%	34.2%	2.0%	1.9%
		High-end: 165.50	37,689,800	38.6%	33.3%	36.7%	31.9%	1.8%	1.8%

Notes:

(1) Being the low end, mid-point and high end of the indicative Offer Price range stated in this prospectus respectively.

(2) Calculated based on an exchange rate of US$1.00 to HK$7.8498 as described in "Information about this Prospectus and the Global Offering – Currency Translations" in this prospectus. The exact number of H Shares to be subscribed by the Cornerstone Investors will be subject to the exchange rate as prescribed in the relevant cornerstone investment agreement.

(3) China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司) holds approximately 33.95% equity interest of China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd. and approximately 30.36% equity interest of China Structural Reform Fund Corporation Limited.

(4) The Oaktree Funds comprise Oaktree Emerging Markets Equity Fund, L.P. and certain separately managed accounts within its Emerging Markets Equity strategy (severally and not jointly).

The Cornerstone Investors conduct their investments in the Company as they have confidence with our Company's business and prospect.

The Cornerstone Placing will form part of the International Offering. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Cornerstone Investors is an independent third party, is not our connected person, is independent of each other, our Group, its connected person(s) and respective associate(s) and is not an existing shareholder or close associate of our Group (save for certain accounts managed by Oaktree Capital Management, L.P. (the "**Oaktree Accounts**") which are our existing shareholders or their close associates). The H Shares to be subscribed for by the Cornerstone Investors will be counted towards the public float of our Company and will rank *pari passu* with the H Shares then in issue and to be listed on the Hong Kong Stock Exchange. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company, nor will any of them become a substantial shareholder or connected person of our Company, and will not further subscribe any Offer Shares in the Global Offering. None of the Cornerstone Investors has any preferential rights compared with other public shareholders pursuant to the cornerstone investment agreements.

To the best knowledge of our Company, (i) there are no side agreements or arrangements between our Group and each of the Cornerstone Investors for the purpose of the Cornerstone Placing; (ii) we became acquainted with the Cornerstone Investors through business relationships or introduction by the Underwriters for the purpose of the Global Offering; (iii) save for (a) Rongshi International Holding Company Limited, which may obtain a bank loan to finance its cornerstone investment but will not pledge or charge any of the Offer Shares to be subscribed for by it as security for the financing, and (b) Oaktree Funds will use client assets under management as their sources of funding, each of the Cornerstone Investors expects to fund the respective cornerstone investment with its internal resources; (iv) none of the Cornerstone Investors are accustomed to take instructions from our Company, the subsidiaries of our Company, the Directors, the Supervisors, chief executive of our Company, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of our subsidiaries or their respective close associates; (v) save in the case of the Oaktree Accounts which are our existing shareholders or their close associates, none of the subscription of the Offer Shares by the Cornerstone Investors are financed by our Company, the subsidiaries of our Company, the Directors, the Supervisors, chief executive, Controlling Shareholders, substantial Shareholders, or existing Shareholders or any of our subsidiaries or their respective close associates; and (vi) save for AMOREPACIFIC Group and Luzhou Laojiao Co., Ltd., none of the Cornerstone Investors or their holding companies is listed on any stock exchange.

If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay in full for the relevant Offer Shares before the Listing. If there is no over-allocation in the International Offering, delayed delivery will not take place. All of the Cornerstone Investors, including the aforesaid Cornerstone Investors who have agreed to a potential delayed delivery arrangement, have agreed to pay for the relevant Offer Shares that they have subscribed for before dealings in the Company's H Shares commence on the Hong Kong Stock Exchange. For details of the Over-allotment Option, please refer to "Structure of the Global Offering – Over-allotment Option".

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" in this prospectus. Details of allocation to the Cornerstone Investors will be disclosed in the announcement of allotment results of our Company to be published on or about Wednesday, August 24, 2022.

THE CORNERSTONE INVESTORS

We set out below a brief description of each of the Cornerstone Investors:

AMOREPACIFIC Group

AMOREPACIFIC Group is a parent company of global beauty companies, including AMOREPACIFIC Corporation and innisfree. AMOREPACIFIC Corporation was split-off from AMOREPACIFIC Group, Inc. on June 1, 2006, to engage in manufacturing, marketing and trading of cosmetics, personal care goods and other related products. As of December 31, 2021, AMOREPACIFIC Corporation has its plants in Osan, Daejeon and Jincheon in Korea and has five local operation divisions, excluding the head office, twenty-five overseas local subsidiaries including AMOREPACIFIC Global Operations Limited., located in Hong Kong, and three domestic subsidiaries. AMOREPACIFIC Group is listed on the Korea Stock Exchange in South Korea under stock code 002790.

AMOREPACIFIC Group does not require approval from the relevant stock exchanges or its shareholders to invest in our Company.

China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd.

The China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司) ("**Mixed-ownership Reform Fund**") is a national fund approved by the State Council, entrusted by the State-owned Assets Supervision and Administration Commission of the State Council and initiated by China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司) ("**China Chengtong**"). The Mixed-ownership Reform Fund was established in Shanghai in December 2020, with a target total scale of RMB200 billion and an initial registered capital of RMB70.7 billion. The shareholders of the Mixed-ownership Reform Fund include a number of Chinese central enterprises, local government SOEs and private enterprises, amongst which the largest shareholder is China Chengtong with a shareholding of approximately 33.95%. China Chengtong is 100% controlled by the State-owned Assets Supervision and Administration Commission of the State Council. The Mixed-ownership Reform Fund is principally engaged in equity investment, asset management, investment advisory and corporate management advisory, with an investment focus on key strategic fields, core technical domains and others.

China Structural Reform Fund Corporation Limited

China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) ("**China Structural Reform Fund**") is a company incorporated in the PRC which is indirectly controlled by the State-owned Assets Supervision and Administration Commission of the State Council with a registered capital of RMB86.37 billion. It is mainly engaged in business including non-public raising funds, equity investment, project investment, capital management, investment consulting and enterprise management consulting.

COSCO Shipping (Hong Kong) Co., Limited

COSCO Shipping (Hong Kong) Co., Limited ("**COSCO Shipping (Hong Kong)**") manages subsidiaries in Hong Kong, China and Greece and invested companies in China. The main businesses of COSCO Shipping (Hong Kong) include shipping services, expressways, information technology, industrial manufacturing, freight services, property management and other businesses, in which the businesses in Hong Kong have been in operation for more than 60 years. COSCO Shipping (Hong Kong) is now one of the largest Chinese enterprises in Hong Kong. COSCO Shipping (Hong Kong) is a subsidiary of China COSCO SHIPPING Corporation Limited (中國遠洋海運集團有限公司) and is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council.

Hainan Free Trade Port Construction Investment Fund Co., Ltd.

Hainan Free Trade Port Construction Investment Fund Co., Ltd. (海南自由貿易港建設投資基金有限公司) was established on 13 January 2022 and completed the filing with the China's Fund Industry Association on 14 February 2022. Hainan Free Trade Port Fund is principally engaged in equity investment, investment management, asset management and other activities with private funds. Hainan Free Trade Port Fund is wholly and directly owned by Hainan Caijin Group Co., Ltd., which is ultimately controlled by the People's Government of Hainan Province. The fund manager of Hainan Free Trade Port Fund is Galaxy Capital, which is wholly owned by China Galaxy Securities Co., Ltd.

For the purpose of the cornerstone investment, Hainan Free Trade Port Fund has engaged Galaxy Jinhui, an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, to subscribe for and hold such Offer Shares on a discretionary basis on behalf of Hainan Free Trade Port Fund. As Galaxy Capital, Galaxy Jinhui, and China Galaxy International Securities (Hong Kong) (being one of the Joint Lead Managers) are members of a group of companies controlled by China Galaxy Securities Co., Ltd., each of Galaxy Capital and Galaxy Jinhui is a connected client of China Galaxy International Securities (Hong Kong) for the purpose of paragraph 13(7) of Appendix 6 to the Hong Kong Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules to permit Hainan Free Trade Port Fund to participate in the Global Offering through Galaxy Jinhui as a cornerstone investor subject to certain conditions. For details, see "Waivers and Consents from Strict Compliance with the Hong Kong Listing Rules – Proposed Subscription of H Shares by Hainan Free Trade Port Fund through Galaxy Jinhui."

Luzhou Laojiao Co., Ltd.

Luzhou Laojiao Co., Ltd. (瀘州老窖股份有限公司) is the first listed baijiu company in Sichuan Province. It is a large Chinese Baijiu company listed on the Shenzhen Stock Exchange under stock code 000568. It is mainly engaged in the production and sales of baijiu under the brands of "Guojiao 1573" and "Luzhou Laojiao" and it owns one of the largest complexes of brewing cellars in the world.

Luzhou Laojiao Co., Ltd. does not require approval from the relevant stock exchanges or its shareholders to invest in our Company.

The Oaktree Funds

Oaktree Capital Management, L.P. ("**Oaktree**") is the investment manager of Oaktree Emerging Markets Equity Fund, L.P. and certain separately managed accounts within its Emerging Markets Equity strategy (severally and not jointly) (each, an "**Oaktree Fund**", and collectively the "**Oaktree Funds**"). Oaktree Emerging Markets Equity Fund, L.P. had more than 20 limited partners, and no limited partner of Oaktree Emerging Markets Equity Fund, L.P. holds 30% or more interests in Oaktree Emerging Markets Equity Fund, L.P. as of August 1, 2022, while the other Oaktree Funds are separately managed accounts of Oaktree. Oaktree is a Delaware limited partnership and is registered as an investment adviser with the United States Securities and Exchange Commission. Oaktree is a global investment management firm managing a broad array of complementary strategies in four asset classes: credit, private equity, real assets and listed equities, and maintains a contrarian, value-oriented investment philosophy. Oaktree's investor base includes institutional investors such as pension plans, insurance companies, endowments, foundations and sovereign wealth funds.

The Oaktree Funds, as our existing shareholders or their close associates, have been permitted to participate in the Cornerstone Placing pursuant to a waiver from strict compliance with Rule 10.04 of the Hong Kong Listing Rules and consent under paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules granted by the Hong Kong Stock Exchange. For details, see "Waivers and Consents from Strict Compliance with the Hong Kong Listing Rules – Allocation of H Shares to Existing Minority Shareholders and Their Close Associates."

Rongshi International Holding Company Limited

Rongshi International Holding Company Limited ("**Rongshi International**"), a wholly-owned subsidiary of State Development & Investment Corp., Ltd. ("**SDIC**") and ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council, was incorporated in Hong Kong in 2011 and is SDIC's overseas fund management platform in charge of the overseas direct investment business of SDIC. SDIC focuses on investing in three business segments, which are infrastructure-related industries business, emerging industries business and financial and services business, and continuously optimises the capital structure with an aim to increase its core industrial competitiveness. Acting as the gateway for the SDIC to implement its strategy of going global, Rongshi International targets strategic investment and financial investment in international markets and is currently exploring equity fund investments as well.

Shanghai Airport Investment Corporation Limited

Shanghai Airport Investment Corporation Limited (上海機場投資有限公司) was established in 2018 and is a wholly-owned subsidiary of Shanghai Airport (Group) Co., Ltd., which is controlled by the State-owned Assets Supervision and Administration Commission of Shanghai. Shanghai Airport Investment Corporation Limited serves as the financial asset investment and operation platform of Shanghai Airport (Group) Co., Ltd., and its principal business segments include: investment management, industrial investment, enterprise management, asset management, business information consulting, investment consulting and financial consulting.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

(i) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(ii) the Offer Price having been agreed upon between the Company and the Joint Representatives (on behalf of the Underwriters);

(iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the H Shares (including the H Shares to be subscribed by the Cornerstone Investors as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor under the cornerstone investment agreement are accurate and true and not misleading and that there is no material breach of the cornerstone investment agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE INVESTMENTS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances for the relevant Cornerstone Investor, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of and for each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. In May 2020, we entered into an agreement to acquire a 51% equity interest in Hainan DF. The transaction was completed in June 2020 and accounted for as a business combination under common control, as if such acquisition had been completed at the date when Hainan DF became under the control of CTG in February 2019. In December 2018, we entered into an agreement to dispose of our entire interest in CITS Agency. The disposal was completed in February 2019. Our results of operations for the year ended December 31, 2019 included results of operations from the continuing operations from our travel retail related business and those from CITS Agency before the completion of its disposition in February 2019. For the years ended December 31, 2020 and 2021 and the three months ended March 31, 2022, all of our results of operations were from our continuing operations. Given the substantial assets, liabilities and operations of Hainan DF and CITS Agency, our results of operations for the year ended December 31, 2019 may differ substantially from, and may not be comparable with the years ended December 31, 2020 and 2021.

We have prepared our financial information in accordance with IFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. The following discussion contains forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections headed "Forward-Looking Statements", "Risk Factors" and "Business" in this prospectus. For the purpose of this section, unless the context otherwise requires, references to 2019, 2020 and 2021 refer to our financial year ended December 31 of those years.

OVERVIEW

Established in 1984 and after nearly 40 years of development, we have become the largest travel retail operator in the world primarily focusing on sales of high-quality duty-free and duty-paid merchandise to domestic and international travelers and mid- to high-end consumers, forming an all-round shopping experience. According to Frost & Sullivan, our worldwide ranking by sales revenue has steadily increased over the past 10 years, from the 19th in 2010 to the 12th in 2015, and further to the fourth in 2019 before reaching the first in 2020 and 2021, with a 24.6% market share of the global travel retail industry in 2021. We have developed China's travel retail business with duty-free as our core strength and seek to increase our global presence. We are the only retail operator in China covering all duty-free sales channels (which include port stores, offshore stores, downtown stores, cruise stores, inflight stores and ship-supply stores). We have the most duty-free stores in China. As of the Latest Practicable Date, we operated 193 stores, including 184 stores in 100 cities across 28 provinces, municipalities and autonomous regions in China. We also operate nine duty-free stores overseas, including seven in Hong Kong, Macau and Cambodia and two cruise duty-free stores. According to Frost & Sullivan, from 2019 to 2021, the airports where we operated stores alone served more than 2.2 billion travelers.

Our business from continuing operations has significantly grown during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021, our revenue was RMB48,012.6 million, RMB52,597.8 million and RMB67,675.5 million, respectively, and our net profit was RMB5,471.1 million, RMB7,109.4 million and RMB12,441.3 million, respectively. From 2019 to 2021, our revenue grew at a CAGR of 18.7% and our net profit grew at a CAGR of 50.8%. For the three months ended March 31, 2021 and 2022, our revenue was RMB18,133.5 million and RMB16,782.3 million, and our net profit was RMB3,427.6 million and RMB2,933.7 million, respectively.

We are a pioneer of China's duty-free industry. Since our establishment in 1984, we have been continuously promoting the development of China's duty-free industry. We opened China's first offshore store in downtown Sanya in 2011 in anticipation of favorable offshore duty-free policies. Furthermore, we opened China's first integrated travel retail complex, the Sanya International Duty-Free Complex, in Sanya in 2014, pioneering the integrated travel retail complex business model for China's duty-free industry. The Sanya International Duty-Free Complex has become a new landmark of tourism in Hainan; it is also the largest standalone integrated travel retail complex in the world by sales area as of 2020, with a sales area of more than 70,000 sq.m. While focusing on duty-free business, it also conducts other businesses such as duty-paid retail, dining, entertainment and leisure, providing travelers with a diversified one-stop shopping and leisure experience. In 2021, revenue generated from the Sanya International Duty-Free Complex[1] amounted to RMB34,811.2 million, ranking first among all shopping complexes in China. In addition, we also started operating cruise duty-free stores in 2018 and became the first duty-free operator in Asia to operate cruise duty-free stores.

In terms of geographical coverage, we believe we have the best duty-free stores in China. We have captured the core offshore duty-free sales channels in Hainan, including Haikou Meilan International Airport and Sanya Phoenix International Airport, the core downtown areas of Haikou and Sanya, as well as the area of Boao Forum for Asia. We have concession rights to operate duty-free stores in major aviation hubs in China and the Asia-Pacific Region, including nine of the top 10 airports in China and, in particular, the top three airports (Beijing Capital International Airport, Shanghai Pudong International Airport and Guangzhou Baiyun International Airport), in terms of international passenger traffic in 2019 prior to the COVID-19 outbreak, as well as the Hong Kong International Airport, the Macau International Airport and other Asia-Pacific international hub airports.

Our global procurement capability is our core competency, which enables us to have the most comprehensive brand portfolio in China's duty-free industry. We have established stable long-term relationships with world-renowned brands and rank among the top tier travel retail operators in the world in terms of brand resources, far ahead of other domestic duty-free operators. Our excellent procurement advantage enables us to provide our customers with a high-quality product portfolio at favorable prices.

We have established the only nationwide duty-free logistics and distribution system in China. We have also formed direct procurement channels with more than 430 merchandise suppliers and over 1,200 brands worldwide. Our merchandise primarily includes mid- to high-end perfume and cosmetics, fashion and accessories (such as watches, jewelry, clothing and accessories), tobacco and liquor, food and miscellaneous goods.

[1] Represented by revenue from CDFG Sanya Downtown Duty-Free Store Co., Ltd. (中免集團三亞市內免稅店有限公司).

We have won various important awards and certificates during the Track Record Period, including "Top 100 Listed Companies in China", "Top 100 Companies in China", "Top 100 High Growth Companies in China Award" and "Top 100 Best Management and Operation in China Award" in 2021 by Warton Economic Institute, "Model Enterprise of Corporate Governance of State-owned Enterprises" in 2021 by SASAC, "Top 100 Main Board Value Award" by Securities Times, "Most Valuable Company of the Year" in 2021 by CHN Fund, "The Best Board of Directors for Investor Relations in Main-Board-Listed Chinese Companies" in 2021 by Securities Times, "Digital Economy Pioneer Award" in 2020 by Securities Daily, "30 Most Influential Listed Companies in 2020" by Caijing Magazine and "Top 500 Most Valuable Brands in China" (ranking first in the travel retail industry) in 2020 by World Brand Lab. Additionally, our store at Hong Kong International Airport was awarded as the "Best Airport Liquor Retailer in 2019" by Drinks International Magazine.

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with all applicable IFRSs which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**").

We have adopted all applicable new and revised IFRSs that are effective during the Track Record Period, including IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases, consistently throughout the Track Record Period. We have not adopted any other new standards or interpretations that are not yet effective during the Track Record Period.

The accounting policies set out in Note 2 of the Accountants' Report have been applied consistently to all periods presented in the Historical Financial Information in the Accountants' Report in Appendix I in this prospectus.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial conditions have been and will continue to be affected by a number of factors, some of which may not be within our control, including, but not limited to:

Government Policies and Regulations

Our business and results of operations are affected by the relevant government policies and regulations in China. The regulatory environment in China and policies and measures adopted by the PRC Government have influenced the development of the duty-free industry, which in turn also affect our business and results of operations.

Specifically, favorable laws and regulations issued by the PRC Government incentivize the development of the duty-free industry in China. In June 2020, the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation issued the Notice of Policies on Duty-free Shopping for Travelers Leaving Hainan, which included a series of measures to further promote duty-free shopping in Hainan by, among others, (i) raising the annual duty-free purchase quota from RMB30,000 to RMB100,000 per person, (ii) revoking the maximum purchase price of RMB8,000 per item, (iii) expanding the categories of duty-free products, and (iv) relaxing the purchasing quantity limit for certain products.

Driven by the resilient demand for duty-free products and favorable policies favoring duty-free shopping in Hainan, the revenue from our offshore stores in Hainan increased by RMB16,712.3 million, or 126.1%, from RMB13,249.6 million in 2019 to RMB29,961.9 million in 2020 and further increased by RMB17,095.8 million, or 57.1%, from RMB29,961.9 million in 2020 to RMB47,057.7 million in 2021. The revenue from our offshore stores in Hainan decreased slightly by RMB1,004.3 million, or 7.7%, from RMB13,106.7 million for the three months ended March 31, 2021 to RMB12,102.4 million for the three months ended March 31, 2022 due to the occurrence of COVID-19 cases in Hainan leading to temporary store closures and decreased sales. Frost & Sullivan estimates that due to favorable policies, the PRC offshore duty-free market in Hainan is expected to continue to grow rapidly from 2023 to 2026 at a CAGR of 32.8%. As government policy significantly raised the annual duty-free purchase quota from RMB30,000 to RMB100,000 per person and relaxed the maximum purchase price of RMB8,000 per item, the average purchase per person in Hainan also increased significantly from approximately RMB3,500 in 2019 to approximately RMB5,800 in 2020 and further to approximately RMB 6,700 in 2021. See "Industry Overview – Overview of the Travel Retail Market in China" for details.

In 2020, the relevant government authorities published favorable tax policies to support certain businesses in the Hainan Free Trade Port. Pursuant to such policies, enterprises which are registered in the Hainan Free Trade Port and have actual operations of businesses in the industries encouraged by the government authorities are entitled to a preferential corporate income tax rate of 15% when certain criteria are met. The aforementioned preferential tax policies are in effect from January 1, 2020 to December 31, 2024. See Note 7(b) in Appendix I to this prospectus for further information. Moreover, pursuant to the relevant policies, all enterprises (excluding those operating in the industries listed in the negative list) which are registered and actually operate in the Hainan Free Trade Port are subject to corporate income tax at a preferential rate of 15% from 2025 to 2035. See Appendix III to this prospectus for details of the corporate income tax policy in China.

In September 2021, we were notified by the relevant government authorities that six of our subsidiaries in Hainan are eligible for the preferential corporate income tax rate of 15% as those subsidiaries primarily conduct business in the duty-free industry which is encouraged by the government authorities. This preferential corporate income tax rate enjoyed by certain of our subsidiaries in Hainan will be in effect until 2035. See Appendix III to this prospectus for details of the corporate income tax policy in China.

There are uncertainties associated with the changes of laws and regulations. Specifically, lowering of the licensing requirements for duty-free business operations, uncertainties relating to duty-free policies and the number of visitors once Hainan becomes a free trade port, and changes in certain taxation or tariffs might also impact our business performance and results of operations. See "Risk Factors – Risks Relating to our Business and Industry – The entry barrier to the duty-free industry in China has been lowered in recent years", "Risk Factors – Risks Relating to our Business and Industry – Changes in the existing duty-free policies and regulations (or the interpretation thereof) could have an adverse impact on our business" and "Risk Factors – Risks Relating to our Business and Industry – Taxation in countries where we operate may change" for details. Furthermore, compliance with any new laws, rules or regulations may significantly increase our operating costs, which may in turn lower our profitability and affect our results of operations.

Consumer Demand and Consumption Patterns

Our results of operations are affected by consumer demand and consumption patterns of travelers, which in turn largely depend on the growth of disposable income in China as well as other factors that may contribute significantly to changes in our sales. The performance of the duty-free industry in China is subject to the general economic conditions in China, the rate of urbanization, the growth of per capita disposable income, and the demand for duty-free products in China. Any economic downturn in China could adversely affect our business, results of operations and financial position. See "Risk Factors – Risks Relating to our Business and Industry – Our business operations have been affected, and may continue to be affected, by the ongoing COVID-19 pandemic," "Business – Impact of the COVID-19 pandemic on our business" and "– Impact of COVID-19" for details on how economic downturns and international events could affect our business.

The disposable income of PRC residents and the growth of the PRC economy directly impact our results of operations. Generally, an increase in disposable income of PRC consumers would lead to greater purchasing power in the market, affecting the sales volume and revenue of our travel retail sales. China has experienced rapid economic growth since the introduction of economic reforms in the late 1970s. According to Frost & Sullivan, from 2017 to 2019, China's real GDP grew from approximately RMB78.7 trillion to RMB89.0 trillion, representing a CAGR of 6.3%, making the PRC one of the fastest growing economies in the world. Disposable income per capita of the PRC residents also increased significantly over the same period, growing at a CAGR of 8.8%. Increases in disposable income have also had a noticeable effect on product choices made by PRC consumers. In line with these trends, sales of our duty-free perfume and cosmetics and our fashion and accessories steadily increased.

Due to the growth of the PRC economy and the rising per capita disposable income for PRC residents, the PRC duty-free market has enjoyed rapid growth in recent years. According to Frost & Sullivan, the PRC duty-free market, measured by sales revenue, increased from RMB29.9 billion in 2017 to RMB50.1 billion in 2019, representing a CAGR of 29.4%. Additionally, assuming the COVID-19 pandemic can gradually be brought under control starting from the first half of 2023, the PRC duty-free market is expected to further increase from RMB132.2 billion in 2023 to RMB332.9 billion in 2026, representing a CAGR of 36.0%. According to the same source, in 2019, PRC residents spent more than RMB700 billion buying duty-free and duty-paid products overseas, which represented approximately 14 times the sales revenue of the PRC duty-free market during that same period. In addition, the PRC Government has promulgated favorable government policies in recent years which has further stimulated the growth of PRC domestic consumption and PRC duty-free shopping. We expect the continuing economic growth in China will translate into an increase in consumer spending and demand for higher-end and luxury products. Accordingly, we expect the economic conditions in the PRC and the level of consumer spending in the PRC to continue to have a significant impact on our business, results of operations and financial position.

Acquisitions and Disposal

During the Track Record Period, we acquired Hainan DF and disposed of CITS Agency. Our growth is driven by both ongoing organic growth as well as strategic acquisitions. During the Track Record Period, we successfully executed an important acquisition, namely the acquisition of a 51% equity interest in Hainan DF in June 2020 for approximately RMB2,065.3 million to increase our footprint in the duty-free business. Additionally, we disposed of CITS Agency in February 2019. Given the substantial assets, liabilities and operations of Hainan DF and CITS Agency, our results of operations for the year ended December 31, 2019 may differ substantially from, and may not be comparable with the years ended December 31, 2020 and 2021. See Note 30 in Appendix I to this prospectus for further information. See "History, Development and Corporate Structure – Major Acquisitions and Disposals" for further details.

During the Track Record Period, we sold 100% of our equity interest in CITS Agency to CTG, our Controlling Shareholder, for a total consideration of RMB1,830.8 million. We disposed of CITS Agency in order to concentrate on the duty-free business and streamline our business structure. See "– Description of Principal Consolidated Statements of Profit or Loss and Other Comprehensive Income Items – Discontinued Operations" for details.

We consolidated Hainan DF to our financial statements starting from February 2019. Since Hainan DF and us are under common control of CTG, our acquisition of Hainan DF has been accounted for as a business combination under common control as if such acquisition had been completed at the date when Hainan DF and us came under the common control of the ultimate holding company, which was in February 2019. During the period from February 2019 to December 31, 2019 and the years ended December 31, 2020 and 2021, the revenue from Hainan DF was RMB2,999.1 million, RMB9,911.4 million and RMB15,962.5 million, respectively. Our revenue from Hainan DF for the three months ended March 31, 2022 was RMB2,396.1 million. In addition, the acquisition of Hainan DF added three additional stores to our retail sales network, further consolidating our leadership in the duty-free industry in China.

We believe the acquisitions have allowed us to achieve higher efficiency by enhancing our overall competitiveness and strengthening our bargaining power in merchandise procurement. We intend to continue to seek acquisition and investment opportunities to expand our operations. However, we may not be able to successfully execute our acquisition strategies, integrate the acquired business, or identify any acquisition target at all, which may have a material adverse effect on our business and profitability. See "Risk Factors – Risks Relating to our Business and Industry – We may be unsuccessful in executing our growth strategy effectively."

Concession Agreements

We typically enter into concession agreements with airport authorities, commuter hubs and other locations to operate our stores. Concessions may be awarded in a public bidding process. We had entered into concession agreements with approximately 90 facility owners as of March 31, 2022.

Concession agreements often cover a number of stores in a single location. The key terms of our concession agreements include the location of our stores and their exterior appearance, permitted use and product categories to be sold, duration, exclusivity, rent and other payables and termination rights. See "Business – Our Retail Network – Concession Agreements" for the details of the key terms of the concession agreements. The rent we pay to airport authorities are typically determined by two methods: (i) fixed rent that could be modified based on stipulated factors such as number of travelers or other factors; or (ii) variable rent with a minimum annual guarantee payment.

When variable rent is stipulated in the agreements, it is usually determined by reference to factors such as gross or net sales or the number of travelers using the airport or other location. Our concession agreements with smaller transportation terminals typically contain fixed rents. We negotiate the rent and payables with airport authorities or other facility owners based upon factors including the number of travelers using the airport or other location, retail space used, location, estimated sales, past results or other metrics.

According to IFRS 16, expenses related to our concession agreements include relevant rental expenses, depreciation of right-of-use assets and the related interest on lease liabilities, which amounted to RMB12,854.1 million, RMB6,217.6 million, RMB310.8 million, RMB969.5 million and RMB593.5 million, in 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. The fluctuation was primarily due to (i) COVID-19 related travel restrictions which caused a decrease in foot traffic at our duty-free stores and a resulting decrease in our variable rental expenses, and (ii) COVID-19 related rent concessions in 2020, 2021 and the three months ended March 31, 2022 which may not continue in the future. We expect that the terms of our concession agreements will continue to affect our business, results of operations and financial position.

Product Mix

We primarily sell duty-free and duty-paid products to our customers. A substantial amount of our revenue and profits are generated from sales of our duty-free and duty-paid products. Revenue from the sales of duty-free and duty-paid products accounted for 99.1%, 99.0%, 98.9%, 98.9% and 99.0% of our revenue for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. As of March 31, 2022, our product portfolio had more than 316,000 SKUs, including perfume and cosmetics products, fashion and accessories, tobacco and liquor and food and miscellaneous goods. We believe that our diversified product portfolio enables us to capitalize on changes in market conditions and consumer demand in a timely manner.

Typically, different products vary in product pricing and revenue growth rate. Each of our product categories of perfume and cosmetics products, fashion and accessories, tobacco and liquor to food and miscellaneous goods has its own unique positioning with different marketing strategies and promotional costs. As a result, our revenue and profitability are largely affected by our product mix. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, revenue from duty-free perfume and cosmetics constituted 61.8%, 34.7%, 34.4%, 36.2% and 33.7% of our total revenue, respectively. See "– Results of Operations" for details on fluctuations of our product mix. While revenue from duty-free tobacco and liquor for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, accounted for 21.8%, 5.2%, 2.7%, 2.6% and 2.6% of our revenue, respectively. The general decrease during the Track Record Period was a result of (i) the impact of COVID-19 related travel restrictions on our port duty-free stores leading to decreased sales of our duty-free tobacco and liquor, and (ii) our sales of tobacco products at a discount as a result of their relatively short shelf life. Additionally, duty-free fashion and accessories for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, accounted for 12.3%, 20.8%, 26.3%, 30.7% and 31.3% of our revenue, respectively. The general increase during the Track Record Period was a result of (i) the development of the offshore duty-free market benefitting from favorable duty-free policies launched in 2020, (ii) the expansion of our Hainan duty-free business and the development of our online business, and (iii) an increase in sales of duty-free fashion and accessories, particularly luxury bags and suitcases, at our Hainan duty-free stores. We have made a continuous effort to adjust our product mix in response to consumers' changing preferences during the Track Record Period. We expect to continue focusing on refining and streamlining our product portfolio to offer an expansive catalog of products to consumers. As such, we believe our product mix will continue to have an impact on our revenue and profitability.

Deployment of Our Digital Strategy

In response to changes in the industry such as the development of online sales platforms and changes in consumption pattern, we actively explore new travel retail formats (such as online platforms, integrated travel retail complexes and other innovative business models) to seek growth opportunities.

The impact of the COVID-19 pandemic has prompted us to expedite the deployment of our online business, accelerate the establishment of multiple online platforms such as "cdf Membership Club," and adopt multiple innovative sales models for our online business. Our online business not only made up for the decline in offline traditional business caused by travel restrictions, but also reduced rental costs, helping us to maintain growth in both revenue and profit in 2020 and 2021, despite the number of international travelers falling sharply. As a part of our digital strategy, we plan to apply a unified image, platform and service model across our online platforms and designate a company to run these online platforms. We believe such integration of our online platforms will provide our customers with a consistent first-class online shopping experience.

Store Openings

New store openings can have a significant impact on our sales, gross profits, depreciation expenses and capital expenditures. Our stores are located in a variety of travel retail settings. As of December 31, 2019, 2020 and 2021, March 31, 2022 and the Latest Practicable Date, we had 199, 195, 193, 193 and 193 stores, respectively. As of the Latest Practicable Date, we operated stores in 100 cities across 28 provinces, municipalities and autonomous regions in Mainland China. As of the same date, we also operated nine duty-free stores overseas, including seven in Hong Kong, Macau and Cambodia and two cruise duty-free stores. We aim to launch several new duty-free stores in Mainland China in 2022.

We conduct regular reviews of the profitability and economic efficiency of each store. For stores with lower performance records, we make a further assessment on whether to implement new strategies to boost performance or to close those under-performing stores. As COVID-19-related travel restrictions were introduced in 2020, we made adjustments to our expansion strategy and adapted our business strategy to focus on our Hainan offshore stores following the favorable government policies. Sales from our Hainan offshore stores increased significantly during the Track Record Period, accounting for 27.6%, 57.0%, 69.5%, 72.3% and 72.1% of our revenue for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. Sales from our port duty-free stores decreased as a result of COVID-19 related travel restrictions, from accounting for 66.3% of our revenue for the year ended December 31, 2019, to accounting for 38.0% of our revenue for the year ended December 31, 2020 and 25.1% of our revenue for the year ended December 31, 2021. For the three months ended March 31, 2021 and 2022, due to the continuing impact of COVID-19 related travel restrictions, sales from our port duty-free stores accounted for 23.1% and 23.2% of our revenue, respectively. See "Business – Our Strategies" and "Future Plans and Use of Proceeds" for further details. We expect that the growth of our stores will continue to impact our sales, profitability and working capital requirements.

Cost of Sales

An important component of our expenses is cost of sales. Cost of sales primarily comprises cost of inventories. Our overall gross profit margin was 51.1%, 38.9% and 32.9% for 2019, 2020 and 2021, respectively. The decrease of our gross profit margin from 2019 to 2020 and 2021 was primarily due to an increase in cost of sales, including an increase in tariffs, consumption tax, and other relevant taxes paid as well as the use of discounts and promotions. Our overall gross profit margin was 39.4% and 34.3% for the three months ended March 31, 2021 and 2022, respectively. Such a decrease in our gross profit margin was primarily due to our use of discounts and promotions during this period in response to decreased passenger foot traffic and temporary store closures arising from the multiple COVID-19 outbreaks in China. See "– Results of Operations" for details. Our performance in the future will continue to depend on our Company's ability to pass increases in prices to our end consumers and our ability to leverage increasingly deep and important relationships with brand owners, transportation authorities and concession facility owners.

Exchange Rate Fluctuations

Our consolidated financial statements presentation and reporting currency is the RMB, which is also our functional currency. However, payments to our suppliers are mainly settled with the US dollar or Hong Kong dollar, resulting in some foreign exchange currency exposure. In particular, during the Track Record Period as our revenue has continued to grow, the corresponding cost of sales has also increased. Our cost of sales in 2019, 2020 and 2021 was RMB23,489.9 million, RMB32,129.3 million and RMB45,381.3 million, respectively. Our cost of sales for the three months ended March 31, 2021 and 2022 was RMB10,980.6 million and RMB11,030.5 million, respectively. As such, exchange rate fluctuations impact our results of operations. Major events and occurrences, domestic, international or economic in nature, can affect foreign exchange rates, and, consequently, our operations. For example, changes in inflation rates, interest rates, government debt, political stability, health crises, or economic events such as trade wars or recessions could lead to currency fluctuations. Most recently, after the outbreak of the COVID-19 pandemic in the United States in 2020, the US dollar depreciated sharply and contributed to our exchange gain of RMB537.0 million in 2020, RMB283.4 million in 2021 and RMB118.4 million for the three months ended March 31, 2022. See "– Quantitative and Qualitative Disclosure about Financial Risk – Currency Risk" and Note 32 of Accountants' Report for further information including a sensitivity analysis.

Seasonality

Our sales performance and results of operations are subject to seasonal fluctuations. We typically record higher revenue in festive seasons around major holidays as people tend to travel abroad and to Hainan during the holiday periods. As a result, our revenue is usually higher during the months from October to February, when people are more likely to travel for the holidays. In anticipation of these peak sales periods, we increase our working capital, procurement and sales staff. Our results of operations would be negatively affected if there is a substantial decrease in sales during these traditional peak selling periods.

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. See Notes 2 and 3 to the Accountants' Report in Appendix I to this prospectus for our significant accounting policies, judgements and estimates that are important for you to understand our financial condition and results of operations.

Our consolidated financial statements have been prepared in conformity with IFRSs and require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We set forth below those accounting policies that we believe involve the most significant estimates and judgements used in preparing our consolidated financial statements.

Revenue and other income

We classify income as revenue when it arises from the sale of goods, the provision of services or the use by others of our assets under leases in the ordinary course of our business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which we expect to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any sales discounts.

Further details of our revenue and other income recognition policies are as follows:

Sale of merchandise

Revenue is recognized when the customer takes possession of and accepts the products. We operate a customer loyalty program where points can be earned by customers which can be used to reduce the cost of future purchases. We allocate a portion of the consideration received to loyalty points based on the estimated relative standalone selling prices. The amount allocated to the loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or expire. The deferred revenue is included in contract liabilities.

Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivables. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

Travel related services

Revenue arising from rendering tourism service, travel agency and other travel related services, is recognized in profit or loss when the services are rendered.

Other service income

Service income is recognized in profit or loss when the services are rendered.

Dividends

Dividend income is recognized when the shareholder's right to receive payment is established.

Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (which is the gross carrying amount net of loss allowance) of the asset (see Note 2(1)(i) to the Accountants' Report in Appendix I to this prospectus).

Government grants

Government grants are recognized when we fulfill the conditions attached to them and they are probable to be received. When government grants are received in the form of monetary assets, they are measured at the amount received or receivable. When the grant is in the form of non-monetary assets, it is measured at fair value. When fair value cannot be measured reliably, a nominal amount is assigned.

Asset-related government grants are recognized as deferred income and are amortized evenly in profit or loss over the useful lives of related assets.

Income-related government grants that are used to compensate subsequent related expenses or losses are recognized as deferred income and recorded in profit or loss when related expenses or losses are incurred. When the grants are used to compensate expenses or losses that were already incurred, they are directly recognized in profit or loss in the period the grants are received.

Goodwill

Goodwill represents the excess of: (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our previously held equity interest in the acquiree; over (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date. When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(l)(ii) to the Accountants' Report in Appendix I to this prospectus for further information).

On disposal of a cash generating unit during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Other property, plant and equipment

Other property, plant and equipment are initially stated in the consolidated statement of financial position at cost if it is probable that they will generate future economic benefits. Cost represents the purchase price of the asset and other costs incurred in bringing the asset into its intended use. Subsequent to their initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and impairment losses (see Note 2(1)(ii) to the Accountants' Report in Appendix I to this prospectus for further information).

The cost of self-constructed items of other property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(x) to the Accountants' Report in Appendix I to this prospectus for further information).

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Buildings	20 to 40 years
Machinery and equipment	Five years
Motor vehicles	Five to eight years
Furniture, and others	Five years
Leasehold improvement	Three to five years, or over the remaining term of lease, whichever is shorter

Lease

At inception of a contract, we assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), we have elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When we enter into a lease in respect of a low-value asset, we decide whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(l)(ii) to the Accountants' Report in Appendix I to this prospectus for further information). Depreciation is calculated to write-off the cost of items using the straight-line method over the respective lease term.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in our estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether we will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, we took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

As a lessor

When we act as a lessor, we determine at lease inception whether each lease is a finance lease or an operation lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lease. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, we allocate the consideration in the contract to each component on a relative standalone selling price basis. The rental income from operating leases is recognized in accordance with the method disclosed in the above paragraph headed "Revenue and other income."

Inventories

Inventories comprise merchandise purchased for resale and are stated at the lower of cost and net realizable value. Cost of merchandise, representing the purchase cost and other costs incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method or the weighted average cost method. Net realizable value of merchandise is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combination, or items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, we control the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if we have the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(i) in the case of current tax assets and liabilities, we intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

(ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates may not be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods are discussed below.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less selling and distribution expenses and related taxes. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect our profit or loss and net asset value.

Impairment of goodwill and other non-current assets

At the end of each reporting period or when there are impairment indications, we review the recoverable amount of goodwill and other non-current assets which involves judgement on the determination of their fair value less costs of disposal and value in use. The fair value less costs of disposal is determined based on a market comparison approach by reference to the recent market transaction price of comparable assets or market observable price, and the value in use is determined by discounting projected cash flow forecasts associated with the assets using risk-adjusted discount rates. Any change in the assumptions underlying these projections and fair values would increase or decrease the recoverable amount of these assets, where applicable.

Depreciation and amortization

Investment properties, and other property, plant and equipment are depreciated or amortized on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. We review the estimated useful lives and residual values annually. The determination of the useful lives and residual values, if any, are based on historical experience with similar assets after taking into account the anticipated changes on how such assets are to be deployed in the future. The depreciation and amortization expense for future periods is adjusted if there are significant changes from previous estimates.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilized. In determining the amount of deferred tax assets to be recognized, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognized at future dates is adjusted if there are significant changes from these estimates.

SELECTED FINANCIAL INFORMATION

The selected financial information set out below has been extracted from our financial information set out in the Accountants' Report in Appendix I to this prospectus.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
			RMB'000		
				(Unaudited)	
Continuing Operations					
Revenue	48,012,590	52,597,807	67,675,515	18,133,529	16,782,286
Cost of sales	(23,489,907)	(32,129,333)	(45,381,289)	(10,980,551)	(11,030,469)
Gross profit	24,522,683	20,468,474	22,294,226	7,152,978	5,751,817
Other income and other net gain	141,596	979,327	786,300	143,963	194,105
Selling and distribution costs	(16,279,893)	(9,741,005)	(5,408,173)	(2,232,946)	(1,872,622)
Administrative expenses	(1,873,440)	(2,025,341)	(2,708,667)	(531,375)	(538,242)
(Impairment loss)/reversal of impairment on trade and other receivables	(26,361)	18,121	(23,317)	(2,658)	246
Profit from operations	6,484,585	9,699,576	14,940,369	4,529,962	3,535,304
Share of net profits of associates	55,043	16,828	165,016	8,118	46,703
Share of net profits/(losses) of joint ventures	3,926	(1,375)	(2,685)	(758)	(684)
Finance costs	(210,616)	(216,675)	(221,855)	(52,412)	(58,400)
Profit before taxation	6,332,938	9,498,354	14,880,845	4,484,910	3,522,923
Income tax	(1,570,316)	(2,388,991)	(2,439,594)	(1,057,285)	(589,251)
Profit from continuing operations	4,762,622	7,109,363	12,441,251	3,427,625	2,933,672
Discontinued operations					
Profit from discontinued operations, net of tax	708,456	–	–	–	–
Profit for the year/period	5,471,078	7,109,363	12,441,251	3,427,625	2,933,672

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
			RMB'000		
				(Unaudited)	
Other comprehensive income for the year/period (after tax)					
Items that will not be reclassified to profit or loss:					
– Remeasurements of defined benefit liability	70	20	70	–	–
Items that may be reclassified subsequently to profit or loss:					
– Share of other comprehensive income of associates	189	(522)	(204)	–	–
– Exchange differences on translation of financial statements of foreign operations	68,889	(448,032)	(277,407)	34,958	(93,806)
	69,148	(448,534)	(277,541)	34,958	(93,806)
Total comprehensive income for the year/period	5,540,226	6,660,829	12,163,710	3,462,583	2,839,866
Profit for the year/period attributable to:					
Equity shareholders of the Company	4,497,573	5,931,348	9,726,557	2,869,366	2,579,787
Non-controlling interests	973,505	1,178,015	2,714,694	558,259	353,885
Profit for the year/period	5,471,078	7,109,363	12,441,251	3,427,625	2,933,672

Consolidated Statements of Financial Position

	As of December 31, 2019	2020	2021	As of March 31, 2022
		RMB'000		
ASSETS				
Non-current assets				
Investment properties	1,385,502	1,281,170	1,196,813	1,171,259
Right-of-use assets	6,632,687	6,316,867	6,183,956	5,967,268
Other property, plant and equipment	2,719,190	3,522,422	5,533,246	6,062,069
Intangible assets	66,639	75,696	116,496	116,707
Goodwill	822,460	822,460	822,460	822,460
Interests in associates	224,860	765,283	968,400	1,015,103
Interests in joint ventures	29,829	25,980	23,294	22,610
Deposits and other receivables	537,067	565,362	582,745	561,043
Deferred tax assets	543,678	1,525,380	1,132,226	1,187,340
	12,961,912	14,900,620	16,559,636	16,925,859
Current assets				
Inventories	8,964,688	14,733,024	19,724,698	20,953,552
Trade and other receivables	1,565,015	1,472,651	1,951,678	2,545,498
Income tax recoverable	94,508	44,288	9,118	8,682
Restricted bank deposits	508,767	54,545	199,657	768,665
Cash and cash equivalents	11,985,340	14,658,688	16,656,542	13,962,570
	23,118,318	30,963,196	38,541,693	38,238,967
Total assets	36,080,230	45,863,816	55,101,329	55,164,826
LIABILITIES				
Non-current liabilities				
Lease liabilities	3,736,935	3,458,759	3,486,524	3,161,825
Defined benefit obligation	2,232	1,920	1,010	1,010
Deferred tax liabilities	96,911	74,391	55,240	52,389
Deferred income	1,121	3,185	3,426	3,551
	3,837,199	3,538,255	3,546,200	3,218,775
Current liabilities				
Trade and other payables	7,268,541	11,985,168	12,066,164	10,785,768
Contract liabilities	451,471	905,708	1,371,639	1,175,748
Interest-bearing borrowings	315,889	556,932	545,433	545,018
Lease liabilities	735,067	926,421	1,545,488	1,785,444
Income tax payable	684,570	2,214,916	1,607,408	1,078,671
Provisions	51,367	–	–	–
	9,506,905	16,589,145	17,136,132	15,370,649
Total liabilities	13,344,104	20,127,400	20,682,332	18,589,424
EQUITY				
Capital and reserves				
Share capital	1,952,476	1,952,476	1,952,476	1,952,476
Reserves	17,928,340	19,941,610	27,318,923	29,802,442
Total equity attributable to:				
Equity shareholders of the Company	19,880,816	21,894,086	29,271,399	31,754,918
Non-controlling interests	2,855,310	3,842,330	5,147,598	4,820,484
Total equity	22,736,126	25,736,416	34,418,997	36,575,402

Summarized Consolidated Statements of Cash Flows

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
			RMB'000		
				(Unaudited)	
Operating cash flows before movement in working capital	7,820,907	10,249,973	12,955,745	4,787,713	3,519,235
Changes in working capital	(2,348,753)	377,069	(1,988,991)	(4,020,705)	(3,576,974)
Tax paid	(1,755,095)	(1,812,647)	(2,637,929)	(687,981)	(1,175,517)
Net cash generated from/(used in) operating activities	3,717,059	8,814,395	8,328,825	79,027	(1,233,256)[1]
Net cash used in investing activities	(631,249)	(3,814,102)	(2,317,534)	(245,059)	(580,487)
Net cash used in financing activities	(2,326,431)	(1,996,256)	(3,817,045)	(76,303)	(862,188)
Net increase/(decrease) in cash and cash equivalents	759,379	3,004,037	2,194,246	(242,335)	(2,675,931)
Cash and cash equivalents at January 1	11,140,564	11,985,340	14,658,688	14,658,688	16,656,542
Effect of foreign exchange rate changes	85,397	(330,689)	(196,392)	(576)	(18,041)
Cash and cash equivalents at December 31/March 31	11,985,340	14,658,688	16,656,542	14,415,777	13,962,570

Note:

(1) For the three months ended March 31, 2022, we had outflows of net cash used in operating activities primarily due to an increase in payments of taxes and fees made in accordance with relevant tax authorities for taxes and fees from the prior year. Additionally, due to multiple outbreaks of COVID-19 in China in early 2022, our sales and net profit decreased. We expect that as the COVID-19 pandemic situation improves and pandemic control measures are eased, sales of our products will increase. Additionally, in order to improve our net operating cash outflows position, we will increase our efforts to reduce our costs of sales and control our expenses.

DESCRIPTION OF PRINCIPAL CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Continuing Operations

Revenue

During the Track Record Period, we generated revenue from (i) duty-free sales, (ii) duty-paid sales, and (iii) others which primarily comprised income from rental of our billboards and gross rental income from our investment properties in Hainan.

The table below sets forth the source of our revenue from our business segments for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* *(Unaudited)*	*% of total*	*RMB'000*	*% of total*
Continuing Operations										
Sales of Merchandise										
Duty-free	46,441,206	96.7	32,361,706	61.5	42,935,607	63.4	12,613,512	69.5	11,369,464	67.7
Duty-paid	1,150,656	2.4	19,707,555	37.5	24,005,704	35.5	5,324,661	29.4	5,244,726	31.3
Subtotal	47,591,862	99.1	52,069,261	99.0	66,941,311	98.9	17,938,173	98.9	16,614,190	99.0
Others[(1)]	420,728	0.9	528,546	1.0	734,204	1.1	195,356	1.1	168,096	1.0
Total	48,012,590	100.0	52,597,807	100.0	67,675,515	100.0	18,133,529	100.0	16,782,286	100.0

Note:

(1) Others primarily include income from rental of our billboards and gross rental income from our investment properties in Hainan.

Our duty-free sales primarily comprise sales made in our traditional port duty-free stores, downtown duty-free stores, and offshore stores. Our duty-free sales focus on retail and wholesale sales of duty-free merchandise ranging from perfume and cosmetics products, fashion and accessories, tobacco and liquor to food and miscellaneous goods. We generally purchase duty-free products from brand owners and then sell them to our consumers through our duty-free channels. Our duty-paid sales are centered on travel retail which includes our offerings at transportation hubs, our integrated travel retail complexes in Hainan, and our online sales.

For the year ended December 31, 2019, our revenue was highly concentrated in our duty-free sales. However, for the years ended December 31, 2020 and 2021, our offshore sales in Hainan and our online sales increased significantly as compared to the years before, leading to an increase in our duty-paid sales. Our revenue from duty-free sales decreased in 2020, primarily due to COVID-19 related travel restrictions causing our traditional offline sales channels to face challenges as foot traffic through transportation hubs decreased. However, we quickly adapted our sales strategies and focused on expanding our integrated travel retail complexes in Hainan and further expanding and developing our online business, leading to a growth in revenue for the years ended December 31, 2020 and 2021 despite the challenging times. For the three months ended March 31, 2022, our revenue from duty-free and duty-paid sales decreased as compared with the three months ended March 31, 2021, primarily due to a resurgence of COVID-19 cases in China leading to travel restrictions and temporary store closures.

By product category

The table below sets forth the source of our revenue from our sales of products for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* *(Unaudited)*	*% of total*	*RMB'000*	*% of total*
Continuing Operations										
Sales of Merchandise										
Duty-free										
Perfume and cosmetics	29,463,402	61.8	18,034,598	34.7	23,082,872	34.4	6,488,860	36.2	5,600,886	33.7
Fashion and accessories	5,832,386	12.3	10,827,709	20.8	17,584,247	26.3	5,509,993	30.7	5,203,844	31.3
Tobacco and liquor	10,356,973	21.8	2,690,850	5.2	1,830,474	2.7	470,902	2.6	430,919	2.6
Food and miscellaneous goods	788,445	1.7	808,549	1.6	438,014	0.7	143,757	0.8	133,815	0.8
Subtotal	46,441,206	97.6	32,361,706	62.3	42,935,607	64.1	12,613,512	70.3	11,369,464	68.4
Duty-paid	1,150,656	2.4	19,707,555(1)	37.7	24,005,704(2)	35.9	5,324,661(3)	29.7	5,244,726(4)	31.6
Total	47,591,862	100.0	52,069,261	100.0	66,941,311	100.0	17,938,173	100.0	16,614,190	100.0

Notes:

(1) Our duty-paid products generally comprise duty-paid perfume and cosmetics and duty-paid others, including duty-paid fashion and accessories, duty-paid tobacco and liquor, duty-paid food and miscellaneous goods. For the year ended December 31, 2020, revenue from sales of duty-paid perfume and cosmetics was RMB18,644.3 million, while revenue from duty-paid others was RMB1,063.2 million, and the accompanying percentage of total revenue from sales of merchandise was 35.7% and 2.0%, respectively. The revenue from duty-paid products only accounted for a small percentage of the overall revenue in 2019 and a breakdown would not be meaningful information.

(2) For the year ended December 31, 2021, revenue from sales of duty-paid perfume and cosmetics was RMB22,157.9 million and the accompanying percentage of total revenue from sales of merchandise was 33.1%.

(3) For the three months ended March 31, 2021, revenue from sales of duty-paid perfume and cosmetics was RMB4,907.0 million and the accompanying percentage of total revenue from sales of merchandise for the same period was 27.4%.

(4) For the three months ended March 31, 2022, revenue from sales of duty-paid perfume and cosmetics was RMB4,820.3 million and the accompanying percentage of total revenue from sales of merchandise for the same period was 29.0%.

Revenue from our duty-free perfume and cosmetics decreased in 2020, primarily due to COVID-19 related travel restrictions making offline sales from our traditional port duty-free stores less viable. Revenue from duty-free perfume and cosmetics increased in 2021 primarily due to (i) the development of the offshore duty-free market benefitting from favorable duty-free policies launched in 2020, particularly an increase in the duty-free shopping quota of travelers, leading to an increase in consumption at our Hainan duty-free stores, and (ii) the expansion of our Hainan duty-free business. Revenue from our duty-free fashion and accessories increased in 2020 and 2021, primarily due to (i) the development of the offshore duty-free market benefitting from favorable duty-free policies launched in 2020, (ii) the expansion of our Hainan duty-free business and the development of our online business, and (iii) an increase in sales of duty-free fashion and accessories, particularly luxury bags and suitcases, at our Hainan duty-free stores. Revenue from our duty-free tobacco and liquor decreased in 2020 and 2021, primarily due to (i) the impact of COVID-19 related travel restrictions on our port duty-free stores leading to decreased sales of our duty-free tobacco and liquor, and (ii) our sales of tobacco products at a discount as a result of their relatively short shelf life. The increase in our duty-paid revenue in 2020 and 2021 was primarily a result of increased sales at our Hainan duty-free stores and integrated travel retail complexes and the development of our online business. Our integrated travel retail complex is a business model with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel. Revenue from our duty-free sales decreased for the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to decreased sales resulting from a resurgence of COVID-19 cases in China leading to travel restrictions and temporary store closures.

Going forward, the performance of our duty-free sales will continue to be affected by the COVID-19 pandemic and its accompanying travel restrictions. If the pandemic continues to affect international travel, foot traffic through our traditional offline sales channels will continue to be lower, resulting in less revenue and growth in our duty-free products sales. If the pandemic situation improves and travel restrictions relax, the proportion of our revenue from our duty-free sales will likely increase while the proportion of our revenue from our duty-paid products category will likely decrease.

By channel

The table below sets forth a breakdown of our revenue by channel for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(Unaudited)			
Continuing Operations										
Port duty-free stores										
Airport	31,008,496	64.6	19,704,980	37.4	16,882,904	24.9	4,126,871	22.7	3,885,618	23.2
Border crossings and others[(1)]	828,790	1.7	295,245	0.6	128,698	0.2	63,602	0.4	2,620	0.0
Subtotal	31,837,286	66.3	20,000,225	38.0	17,011,602	25.1	4,190,473	23.1	3,888,238	23.2
Offshore stores[(2)]	13,249,573	27.6	29,961,897	57.0	47,057,725	69.5	13,106,694	72.3	12,102,392	72.1
Downtown duty-free stores	759,181	1.6	1,026,657	2.0	1,069,137	1.6	335,043	1.8	219,306	1.3
Others[(3)]	2,166,550	4.5	1,609,028	3.0	2,537,051	3.8	501,319	2.8	572,350	3.4
Total	48,012,590	100.0	52,597,807	100.0	67,675,515	100.0	18,133,529	100.0	16,782,286	100.0

Notes:

(1) Border crossings and others include stores at border crossings, railway stations, cross-border bus stations and seaports.

(2) Offshore stores cover all of our stores in Hainan, including port duty-free stores and integrated travel retail complexes in Hainan. Our categories of "port-duty free stores," "downtown duty-free stores" and "others" do not include our stores in Hainan.

(3) Others primarily include revenue from (i) cruise stores, inflight stores, ship-supply stores and duty-paid stores, (ii) gross rental income from our investment properties in Hainan, and (iii) revenue from our wholesale business to external customers.

For the year ended December 31, 2019, our revenue was highly concentrated in our traditional sales channels, primarily in our port duty-free stores. However, for the years ended December 31, 2020 and 2021 and the three months ended March 31, 2022, our offshore sales in Hainan duty-free stores and integrated travel retail complexes and our online sales comprised a large percentage of our revenue for the period, leading to a significant increase in revenue from our offshore stores. Despite setbacks caused by the COVID-19 pandemic in our port duty-free stores, we were able to quickly adapt our sales strategies and focused on expanding our Hainan duty-free business, leading to a growth in revenue for the years ended December 31, 2020 and 2021. The revenue from our offshore stores decreased for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021 primarily due to the occurrence of COVID-19 cases in Hainan leading to temporary store closures and decreased sales.

By geographic location

The table below sets forth the source of our revenue by geographic location for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (*Unaudited*)	*% of total*	*RMB'000*	*% of total*
Continuing Operations										
Mainland China	43,973,194	91.6	49,756,199	94.6	63,574,357	93.9	17,183,809	94.8	15,896,805	94.7
Hong Kong, Macau and overseas	4,039,396	8.4	2,841,608	5.4	4,101,158	6.1	949,720	5.2	885,481	5.3
Total	48,012,590	100.0	52,597,807	100.0	67,675,515	100.0	18,133,529	100.0	16,782,286	100.0

During the Track Record Period, the proportion of our revenue from Mainland China generally continued to increase, due to (i) COVID-19 related travel restrictions making international travel less viable, and (ii) our acquisition of Hainan DF.

Cost of Sales

Our cost of sales primarily consists of cost of inventories which primarily include procurement costs paid to suppliers, tariffs, consumption tax, and other relevant taxes for duty-paid products, net of procurement rebates from certain brand owners.

The table below sets forth a breakdown of our cost of sales for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (*Unaudited*)	*% of total*	*RMB'000*	*% of total*
Continuing Operations										
Cost of inventories from sales of merchandise										
Duty-free	22,649,122	96.4	18,732,830	58.3	27,033,588	59.6	7,516,355	68.5	6,876,674	62.4
Duty-paid	791,994	3.4	13,300,513	41.4	18,264,363	40.2	3,443,501	31.4	4,137,520	37.5
Subtotal	23,441,116	99.8	32,033,343	99.7	45,297,951	99.8	10,959,856	99.9	11,014,194	99.9
Others[(1)]	48,791	0.2	95,990	0.3	83,338	0.2	20,695	0.1	16,275	0.1
Total	23,489,907	100.0	32,129,333	100.0	45,381,289	100.0	10,980,551	100.0	11,030,469	100.0

Note:

(1) Others primarily include costs related to rental of our billboards and our investment properties in Hainan.

For the year ended December 31, 2019, our cost of sales was primarily from our duty-free sales, a reflection of our revenue which was highly concentrated in our duty-free sales. However, for the years ended December 31, 2020 and 2021 and the three months ended March 31, 2022, due to COVID-19 related travel restrictions, our offshore sales in Hainan duty-free stores and integrated travel retail complexes and our online sales comprised a large percentage of our revenue, leading to a significant increase in cost of sales from our duty-paid sales, primarily as a result of increased cost of inventories from tariffs, consumption tax, and other relevant taxes for duty-paid products. As a result, our costs of sales for the years ended December 31, 2020 and 2021 increased significantly. For the three months ended March 31, 2021 and 2022, our cost of sales remained relatively stable.

Gross Profit

Gross profit represents the excess of revenue over cost of sales. The table below sets forth the gross profit of our duty-free sales and duty-paid sales and the gross profit margin by each segment for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*	*RMB'000*	*%*
Continuing Operations										
Sales of merchandise										
Duty-free	23,792,084	51.2	13,628,876	42.1	15,902,019	37.0	5,097,157	40.4	4,492,790	39.5
Duty-paid	358,662	31.2	6,407,042	32.5	5,741,341	23.9	1,881,160	35.3	1,107,206	21.1
Subtotal	24,150,746	50.7	20,035,918	38.5	21,643,360	32.3	6,978,317	38.9	5,599,996	33.7
Others(1)	371,937	88.4	432,556	81.8	650,866	88.6	174,661	89.4	151,821	90.3
Total	**24,522,683**	**51.1**	**20,468,474**	**38.9**	**22,294,226**	**32.9**	**7,152,978**	**39.4**	**5,751,817**	**34.3**

Note:

(1) Others primarily include gross profit from rental of our billboards and our investment properties in Hainan.

The decrease of our gross profit margin for duty-free sales from 2019 to 2020 was primarily due to a decrease of our revenue from our increased use of discounts and promotions for the sale of our products. The increase in our gross profit margin for duty-paid sales from 2019 to 2020 was primarily driven by the increase of our online sales which generally had a higher gross profit margin than duty-paid sales made in our duty-paid stores. Our gross profit margin for our duty-free and duty-paid business decreased from 2020 to 2021, primarily due to our use of discounts and promotions during this period in response to decreased passenger foot traffic and temporary store closures arising from the resurgence of COVID-19 in China. Our gross profit margin for duty-free and duty-paid sales for the three months ended March 31, 2022 decreased as compared with the same period in 2021, primarily due to decreased sales from our traditional retail channels resulting from the resurgence of COVID-19 cases in China leading to travel restrictions and temporary store closures and us offering more discounts and promotions during this period. Due to the nature of the business, such as rental of billboards and investment properties, our gross profit margin from our others category was generally high as the cost of sales mostly comprises fixed costs which were incurred periodically rather than regular costs that are directly correlated with revenue growth.

Other Income and Other Net Gain

Our other income and other net gain primarily consist of interest income from financial assets, foreign exchange gains, government grants and gains from others, partially offset by our losses from the disposal of property, plant and equipment, net exchange loss, and other losses primarily due to the provision for a litigation of contract dispute related to our leased properties.

The table below sets forth a breakdown of our other income and other gains for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
			RMB'000		
				(Unaudited)	
Continuing Operations					
Interest income from financial assets measured at amortized cost	326,562	248,738	226,984	62,216	68,788
Net exchange (losses)/gains(1)	(139,538)	536,990	283,426	57,236	118,361
Government grants(2)	69,163	215,514	277,706	20,238	4,713
Impairment loss on other property, plant and equipment(3)	(166,670)	–	–	–	–
Others	52,079	(21,915)	(1,816)	4,273	2,243
Total	141,596	979,327	786,300	143,963	194,105

Notes:

(1) We recorded an increase in foreign exchange gains in 2020, primarily from a depreciation of the US dollar against the Renminbi.

(2) Government grants primarily were (i) financial subsidies from Hainan, Shanghai, and other local governments to reward our contribution to the local economic growth, (ii) subsidies to reimburse certain operating expenses or losses we incurred. Such government grants were provided to us at the discretion of the relevant government authorities and were one-off in nature. Such government grants were related to income and were recognized in profit or loss upon receipt when there is no unfulfilled conditions or contingencies to these government grants.

(3) In 2019, an impairment loss was made over a construction project relating to the development of our Sanya International Duty-Free Complex resulting from a change of policies in respect of the property development in that region. See Note 13 to the Accountants' Report in Appendix I to this prospectus for more information.

Selling and Distribution Costs

Our selling and distribution costs primarily consist of (i) staff costs for our sales and marketing staff and logistics and warehouse staff, (ii) rental expenses of properties related to sales of merchandise, (iii) licensing fees for duty-free goods, (iv) advertisement and promotion expenses, (v) depreciation and amortization of properties related to sales and marketing activities and the related right-of-use assets of those leased premises and the relevant renovations, (vi) transportation and other logistics expenses, (vii) office and operational expenses, and (viii) other expenses in the form of service fees from sales which includes fees for operating sites and warehouses, delivery fees, losses from sample products, and consumption tax expenses. For the years ended December 31, 2019, 2020 and 2021, our selling and distribution costs from our continuing operations were RMB16,279.9 million, RMB9,741.0 million and RMB5,408.2 million, respectively, which accounted for 33.9%, 18.5% and 8.0% of our revenue for the same periods. For the three months ended March 31, 2021 and 2022, our selling and distribution costs from continuing operations were RMB2,232.9 million and RMB1,872.6 million, respectively, which accounted for 12.3% and 11.2% of our revenue for the same periods. See "– Results of Operations" for details.

The table below sets forth a breakdown of our selling and distribution costs for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
			RMB'000		
				(Unaudited)	
Continuing Operations					
Staff costs	1,469,362	1,345,469	1,680,080	351,259	428,279
Rental expenses[(1)]	12,087,446	5,395,642	(852,945)	771,943	284,872
Licensing fees for duty-free goods[(2)]	819,554	930,266	1,626,078	482,443	430,241
Advertisement and promotion expenses	490,021	242,628	356,888	65,377	65,645
Depreciation and amortization	784,411	879,780	1,062,464	267,753	295,512
Transportation and other logistics expenses	75,115	76,666	122,518	30,709	28,003
Office and operational expenses	412,704	813,343	1,338,626	244,869	318,313
Other expenses[(3)]	141,280	57,211	74,464	18,593	21,757
Total	16,279,893	9,741,005	5,408,173	2,232,946	1,872,622

Notes:

(1) Our rental expenses decreased in 2020 and 2021, resulting from (i) COVID-19 related travel restrictions as many of our rental agreements contain a provision on variable commissions based on sales volume or passenger foot traffic as a component of our rent payments, and (ii) decreased rental expenses from certain of our airport concessions, in which facility owners temporarily reduced our fixed rental provisions for the duration of the COVID-19 pandemic. Our rental expenses for the year ended December 31, 2021 resulted in a credit balance of RMB852.9 million due to certain subsidiaries obtaining unconditional waivers from facility owners in respect of lease expenses of RMB3,134,717,000, relating to previous periods. The impact from the waivers was charged into profit or loss for the corresponding period when they were received in accordance with the requirements of *Amendment to IFRS 16, Covid-19-Related Rent Concessions* and *IFRS 9, Financial Instruments*. See Note 6 in Appendix I to this prospectus for further information. Our rental expenses decreased for the three months ended March 31, 2022 as compared with the same period in 2021, due to (i) decreased rental expenses resulting from COVID-19 related travel restrictions as many of our rental agreements contain a provision on variable commissions based on sales volume or passenger foot traffic as a component of our rent payments and (ii) decreased rental expenses from one of our airport concessions.

(2) Licensing fees for duty-free goods increased in 2021 as compared to 2020 primarily due to our business expansion in Hainan.

(3) Other expenses include service fees from sales, fees for the operating sites and warehouses, delivery fees, losses from sample products and consumption tax expenses.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs for our administrative staff, (ii) depreciation and amortization of the right-of-use assets of our office and administrative buildings and rented offices, (iii) rental expenses of office buildings, (iv) office and operational expenses, (v) bank charges, and (vi) other expenses in the form of costs for certain consumables, advertisement and promotion expenses incurred for administrative activities and other taxes.

The table below sets forth a breakdown of our administrative expenses for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
			RMB'000		
				(Unaudited)	
Continuing Operations					
Staff costs	901,984	998,227	1,448,529	325,111	293,467
Depreciation and amortization	221,662	258,638	291,727	47,158	68,342
Rental expenses	140,636	133,590	82,581	10,594	13,166
Office and operational expenses	263,456	209,334	311,399	35,976	44,984
Bank charges	199,309	223,579	246,033	68,967	49,139
Other expenses[1]	146,393	201,973	328,398	43,569	69,144
Total	1,873,440	2,025,341	2,708,667	531,375	538,242

Note:

(1) Other expenses include expenses in the form of online platform maintenance fees, costs for certain consumables, advertisement and promotion expenses incurred for administrative activities and other taxes.

(Impairment Loss)/Reversal of Impairment on Trade and Other Receivables

Our impairment loss/reversal of impairments primarily include provision for and reversal of impairment losses relating to trade and other receivables.

Share of Net Profits of Associates

Share of net profits of associates represents our net profits from our associate companies under equity method of accounting, which are primarily in the duty-free industry in China.

Share of Net Profits/(Losses) of Joint Ventures

Share of net profits and losses of joint ventures represents our net profits and losses from our joint ventures under equity method of accounting, which are primarily in the duty-free industry in China.

Finance Costs

Our finance costs primarily consist of interest expenses on (i) interest-bearing borrowings, and (ii) lease liabilities. The table below sets forth a breakdown of our finance costs for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
			RMB'000		
				(Unaudited)	
Continuing Operations					
Interest expenses on interest-bearing borrowings	12,996	16,889	18,660	6,533	6,817
Interest expenses on lease liabilities	197,620	199,786	203,195	45,879	51,583
Total	210,616	216,675	221,855	52,412	58,400

Income Tax Expense

For the years ended December 31, 2019, 2020 and 2021, our income tax expense from continuing operations was RMB1,570.3 million, RMB2,389.0 million and RMB2,439.6 million, respectively. For the three months ended March 31, 2021 and 2022, our income tax expense from continuing operations was RMB1,057.3 million and RMB589.3 million, respectively. The increase in our income tax expense in 2020 and 2021 was the result of our operations recovering from the negative effects of the COVID-19 pandemic, decreased rental expenses and increased profits as compared to the prior period. The decrease in our income tax for the three months ended March 31, 2022 as compared to the same period in 2021 was primarily due to (i) a preferential corporate income tax rate of 15% for certain of our subsidiaries in Hainan as those subsidiaries primarily conduct business in the duty-free industry which is encouraged by the government authorities and (ii) decreased sales in the first quarter of 2022 due to a resurgence of COVID-19 cases in China leading to travel restrictions and store closures, particularly in Shanghai and Hainan.

The following table sets forth a breakdown of our income tax for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
			RMB'000		
				(Unaudited)	
Continuing Operations					
Current tax – Hong Kong Profits Tax					
Provision for the year/period	323,862	771,696	918,561	231,405	319,362
Current tax – Mainland China (including Macau) and other countries					
Provision for the year/period	1,390,527	2,569,424	1,128,897	957,041	327,854
Under-provision in respect of prior year	27,975	52,093	18,133	1,309	–
	1,418,502	2,621,517	1,147,030	958,350	327,854

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
			RMB'000		
				(Unaudited)	
Deferred tax					
Origination and reversal of temporary differences	(172,048)	(1,004,222)	183,919	(132,470)	(57,965)
Effect on deferred tax balances at January 1 resulting from a change in tax rate	–	–	190,084	–	–
	(172,048)	(1,004,222)	374,003	(132,470)	(57,965)
Total	1,570,316	2,388,991	2,439,594	1,057,285	589,251

Our effective tax rates for our continuing operations were 24.8%, 25.2%, 16.4%, 23.6% and 16.7% for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. Our effective tax rate in 2020 was higher than 25%, China's statutory tax rate, primarily due to some of our subsidiaries not recognizing deferred tax assets on accumulated tax losses. See Note 2 to the Accountants' Report in Appendix I to this prospectus for further information. In September 2021, we were notified by the relevant government authorities that six of our subsidiaries in Hainan are eligible for the preferential corporate income tax rate of 15% as those subsidiaries primarily conduct business in the duty-free industry which is encouraged by the government authorities. See "– Factors Affecting Our Results of Operations and Financial Condition – Government Policies and Regulations" for details. During the Track Record Period and as of the Latest Practicable Date, we did not have any material dispute or unresolved issues with the relevant tax authorities.

Discontinued Operations

In February 2019, we sold 100% of our equity interest in CITS Agency to CTG, our Controlling Shareholder, for a total consideration of approximately RMB1,830.8 million. See "History, Development and Corporate Structure – Major Acquisitions and Disposals – Disposal of CITS Agency in 2019" for details. Before the disposal, CITS Agency was primarily engaged in the provision of travel services. We disposed of CITS Agency in order to concentrate on the duty-free business and streamline our business structure.

The following table sets forth the results of the Discontinued Operations during the periods indicated.

	From January 1 2019 to date of disposal
	RMB'000
Revenue	602,718
Cost of sales	(527,634)
Other income and other net gain	547
Selling and distribution costs	(56,135)
Administrative expenses	(25,636)
Impairment loss on trade and other receivables	(1)
Finance costs	(235)
Share of net profits of associates	433

	From January 1 2019 to date of disposal
	RMB'000
Loss before taxation	(5,943)
Income tax	(1,816)
Loss after tax	(7,759)
Gain on disposal	905,200
Income tax on gain on disposal of discontinued operations	(188,985)
Profit from discontinued operations for the year/period	708,456
Profit from discontinued operations	
Equity shareholders of the Company	713,055
Non-controlling interests	(4,599)
Profit from discontinued operations	708,456

RESULTS OF OPERATIONS

Three months ended March 31, 2021 compared with the three months ended March 31, 2022

Revenue

Our total revenue decreased by RMB1,351.2 million, or 7.5%, from RMB18,133.5 million for the three months ended March 31, 2021 to RMB16,782.3 million for the three months ended March 31, 2022. The decrease in our revenue for the three months ended March 31, 2022 was primarily due to the resurgence of COVID-19 in multiple regions of China leading to travel restrictions and store closures.

Our revenue from our duty-free sales decreased by RMB1,244.0 million, or 9.9%, from RMB12,613.5 million for the three months ended March 31, 2021 to RMB11,369.5 million for the three months ended March 31, 2022, primarily due to the resurgence of COVID-19 in multiple regions of China leading to travel restrictions and store closures, notably in Hainan. Our revenue from duty-paid sales was relatively stable, decreasing by RMB80.0 million, or 1.5%, from RMB5,324.7 million for the three months ended March 31, 2021 to RMB5,244.7 million for the three months ended March 31, 2022 as our online sales was less affected by the resurgence of COVID-19. Our revenue from others decreased by RMB27.3 million, or 14.0%, from RMB195.4 million for the three months ended March 31, 2021 to RMB168.1 million for the three months ended March 31, 2022 primarily due to a decrease in rental income as certain of our rental space for duty-paid businesses in Hainan was transformed to a commercial space for duty-free business and was no longer utilized for rental purposes.

By product

Duty-free perfume and cosmetics

Revenue from duty-free perfume and cosmetics decreased by RMB888.0 million, or 13.7%, from RMB6,488.9 million for the three months ended March 31, 2021 to RMB5,600.9 million for the three months ended March 31, 2022. The decrease of our revenue from duty-free perfume and cosmetics was primarily due to decreased sales in the first quarter of 2022 from a resurgence of COVID-19 cases in China leading to travel restrictions and store closures.

Duty-free fashion and accessories

Revenue from duty-free fashion and accessories decreased by RMB306.2 million, or 5.6%, from RMB5,510.0 million for the three months ended March 31, 2021 to RMB5,203.8 million for the three months ended March 31, 2022. The decrease of our revenue from duty-free fashion and accessories was primarily due to decreased sales in the first quarter of 2022 from a resurgence of COVID-19 cases in China leading to travel restrictions and store closures.

Duty-free tobacco and liquor

Revenue from duty-free tobacco and liquor decreased by RMB40.0 million, or 8.5%, from RMB470.9 million for the three months ended March 31, 2021 to RMB430.9 million for the three months ended March 31, 2022. The decrease of our revenue from duty-free tobacco and liquor was primarily due to the impact of COVID-19 related travel restrictions on our port duty-free stores leading to decreased sales of our duty-free tobacco and liquor.

Duty-free food and miscellaneous goods

Revenue from duty-free food and miscellaneous goods decreased by RMB10.0 million, or 7.0%, from RMB143.8 million for the three months ended March 31, 2021 to RMB133.8 million for the three months ended March 31, 2022. The decrease was due to a resurgence of COVID-19 cases in China leading to travel restrictions and store closures.

Duty-paid

Revenue from duty-paid sales was relatively stable, decreasing by RMB80.0 million, or 1.5%, from RMB5,324.7 million for the three months ended March 31, 2021 to RMB5,244.7 million for the three months ended March 31, 2022.

By channel

The revenue from our offshore stores decreased by RMB1,004.3 million, or 7.7%, from RMB13,106.7 million for the three months ended March 31, 2021 to RMB12,102.4 million for the three months ended March 31, 2022 primarily due to the occurrence of COVID-19 cases in Hainan leading to temporary store closures and decreased sales. The revenue from our downtown duty-free stores decreased by RMB115.7 million, or 34.5%, from RMB335.0 million for the three months ended March 31, 2021 to RMB219.3 million for the three months ended March 31, 2022 primarily due to a resurgence of COVID-19 in Hong Kong leading to decreased sales at our downtown duty-free stores in Hong Kong. The revenue from our port duty-free stores, decreased by RMB302.3 million, or 7.2%, from RMB4,190.5 million for the three months ended March 31, 2021 to RMB3,888.2 million for the three months ended March 31, 2022 primarily due to continued COVID-19 related travel restrictions impacting international tourism and passenger traffic to our port duty-free stores. Within our port duty-free stores, our airport stores decreased by RMB241.3 million, or 5.8%, from RMB4,126.9 million for the three months ended March 31, 2021 to RMB3,885.6 million for the three months ended March 31, 2022. Within our port duty-free stores, our border crossings and others stores decreased by RMB61.0 million, or 95.9%, from RMB63.6 million for the three months ended March 31, 2021 to RMB2.6 million for the three months ended March 31, 2022 primarily due to the closure of two of our stores. Our revenue from other channels increased by RMB71.1 million, or 14.2%, from RMB501.3 million for the three months ended March 31, 2021 to RMB572.4 million for the three months ended March 31, 2022.

By geographic location

Our revenue from our Mainland China channels decreased by RMB1,287.0 million, or 7.5%, from RMB17,183.8 million for the three months ended March 31, 2021 to RMB15,896.8 million for the three months ended March 31, 2022. The decrease was primarily due to a resurgence of COVID-19 cases in China leading to travel restrictions, store closures and decreased sales, particularly in Shanghai and Hainan. Our revenue from our Hong Kong, Macau and overseas channels decreased by RMB64.2 million, or 6.8%, from RMB949.7 million for the three months ended March 31, 2021 to RMB885.5 million for the three months ended March 31, 2022. The decrease was primarily due to a resurgence of COVID-19 cases in Hong Kong, which impacted passenger foot traffic and decreased sales.

Cost of sales

Our cost of sales was relatively stable, increasing by RMB49.9 million, or 0.5%, from RMB10,980.6 million for the three months ended March 31, 2021 to RMB11,030.5 million for the three months ended March 31, 2022.

Gross profit and gross profit margin

Gross profit decreased by RMB1,401.2 million, or 19.6%, from RMB7,153.0 million for the three months ended March 31, 2021 to RMB5,751.8 million for the three months ended March 31, 2022 primarily due to decreased sales in the first quarter of 2022 due to a resurgence of COVID-19 cases in China leading to travel restrictions and store closures. Our gross profit margin decreased from 39.4% for the three months ended March 31, 2021 to 34.3% for the three months ended March 31, 2022, primarily due to our use of discounts and promotions during this period in response to decreased passenger foot traffic and temporary store closures arising from the resurgence of COVID-19 in China.

Other income and other net gain

Our other income and other net gain increased by RMB50.1 million, or 34.8%, from RMB144.0 million for the three months ended March 31, 2021 to RMB194.1 million for the three months ended March 31, 2022. The change was primarily due to an increase in foreign exchange gains of RMB61.1 million from an appreciation of the US dollar against the Renminbi, partially offset by a decrease in government grants by RMB15.5 million for certain annual government grants that have not yet been received as compared to the same period in 2021.

Selling and distribution costs

Selling and distribution costs decreased by RMB360.3 million, or 16.1%, from RMB2,232.9 million for the three months ended March 31, 2021 to RMB1,872.6 million for the three months ended March 31, 2022. The decrease was primarily due to (i) decreased rental expenses, resulting from COVID-19 related travel restrictions as many of our rental agreements contain a provision on variable commissions based on sales volume or passenger foot traffic as a component of our rent payments and (ii) decreased rental expenses from one of our airport concessions, in which the rent was reduced by RMB250.2 million.

Administrative expenses

Administrative expenses was relatively stable, increasing by RMB6.8 million, or 1.3%, from RMB531.4 million for the three months ended March 31, 2021 to RMB538.2 million for the three months ended March 31, 2022.

(Impairment loss)/reversal of impairment on trade and other receivables

Impairment losses on trade and other receivables were RMB2.7 million for the three months ended March 31, 2021. Reversal of impairment on trade and other receivables was RMB0.2 million for the three months ended March 31, 2022.

Share of net profits of associates

Our share of net profits of associates was RMB8.1 million for the three months ended March 31, 2021. Our share of net profits of associates was RMB46.7 million for the three months ended March 31, 2022. Our associates were mainly engaged in the duty-free business. The increase in the three months ended March 31, 2022 as compared with the same period in 2021 was primarily due to a new associate company we established.

Share of net profits/(losses) of joint ventures

Our share of net losses of joint ventures was RMB0.8 million for the three months ended March 31, 2021. Our share of net losses of joint ventures was RMB0.7 million for the three months ended March 31, 2022. Our joint ventures, mainly engaged in the duty-free business, continued to be affected by the COVID-19 pandemic.

Finance costs

Finance costs increased by RMB6.0 million, or 11.5%, from RMB52.4 million for the three months ended March 31, 2021 to RMB58.4 million for the three months ended March 31, 2022. The increase was primarily the result of an increase in interest expenses on lease liabilities of RMB5.7 million from one of our lease contracts coming into effect at the end of 2021.

Profit before taxation

As a result of the aforesaid factors, our profit before tax from continuing operations decreased by RMB962.0 million, or 21.4%, from RMB4,484.9 million for the three months ended March 31, 2021 to RMB3,522.9 million for the three months ended March 31, 2022.

Income tax

Income tax expense decreased by RMB468.0 million, or 44.3%, from RMB1,057.3 million for the three months ended March 31, 2021 to RMB589.3 million for the three months ended March 31, 2022.

Profit for the period

As a result of the aforesaid factors, our profit for the period decreased by RMB493.9 million, or 14.4%, from RMB3,427.6 million for the three months ended March 31, 2021 to RMB2,933.7 million for the three months ended March 31, 2022.

Year ended December 31, 2021 compared with year ended December 31, 2020

Revenue

Our total revenue increased by RMB15,077.7 million, or 28.7%, from RMB52,597.8 million in 2020 to RMB67,675.5 million in 2021. The increase was primarily due to increased sales from our Hainan duty-free stores and increased online sales. Due to the travel restrictions imposed as a result of COVID-19, the travel retail industry has been faced with many challenges. Due to ongoing travel restrictions and decreased foot traffic through transportation hubs, our offline sales at our traditional sales channels such as airports, border crossings, railway stations, cross-border bus stations and seaports have been severely impacted. However, we were able to quickly adapt our sales strategies and focused on expanding our Hainan duty-free business and further expanding and exploring new travel retail formats such as online platforms and integrated travel retail complexes. We timely grasped the opportunities presented by favorable policies in Hainan with regards to duty-free shopping. As international travel was under strict control, Chinese tourists who traditionally visit duty-free stores overseas and port duty-free stores in PRC may turn to offshore stores in Hainan as an alternative. These strategies have offset the decrease in sales in our traditional offline stores and resulted in an overall increase in our revenue in 2021.

Our revenue from our duty-free sales increased by RMB10,573.9 million, or 32.7%, from RMB32,361.7 million in 2020 to RMB42,935.6 million in 2021, primarily due to growth of our Hainan duty-free business. Our revenue from duty-paid sales increased by RMB4,298.1 million, or 21.8%, from RMB19,707.6 million in 2020 to RMB24,005.7 million in 2021 as a result of the expansion of our offshore business in Hainan and the development of our online business. Our revenue from others increased by RMB205.7 million, or 38.9%, from RMB528.5 million in 2020 to RMB734.2 million in 2021 primarily due to an increase in income from rental of our billboards and increase in rental and service income from our duty-paid commercial space.

By product

Duty-free perfume and cosmetics

Revenue from duty-free perfume and cosmetics increased by RMB5,048.3 million, or 28.0%, from RMB18,034.6 million in 2020 to RMB23,082.9 million in 2021. The increase was primarily due to (i) the development of the offshore duty-free market benefitting from favorable duty-free policies launched in 2020, particularly an increase in the duty-free shopping quota of travelers, leading to an increase in consumption at our Hainan duty-free stores, and (ii) the expansion of our offshore business in Hainan and the development of our online business.

Duty-free fashion and accessories

Revenue from duty-free fashion and accessories increased by RMB6,756.5 million, or 62.4%, from RMB10,827.7 million in 2020 to RMB17,584.2 million in 2021. The increase was primarily due to (i) the development of the offshore duty-free market benefitting from favorable duty-free policies launched in 2020, particularly an increase in the duty-free shopping quota of travelers, leading to an increase in consumption at our Hainan duty free stores, (ii) the expansion of our Hainan duty-free business and the development of our online business, and (iii) an increase in sales of duty-free fashion and accessories, particularly luxury bags and suitcases, at our Hainan duty-free stores.

Duty-free tobacco and liquor

Revenue from duty-free tobacco and liquor decreased by RMB860.4 million, or 32.0%, from RMB2,690.9 million in 2020 to RMB1,830.5 million in 2021. The decrease was primarily due to (i) the impact of COVID-19 related travel restrictions on our port duty-free stores leading to decreased sales of our duty-free tobacco and liquor, and (ii) our sales of tobacco products at a discount as a result of their relatively short expiry period.

Duty-free food and miscellaneous goods

Revenue from duty-free food and miscellaneous goods decreased by RMB370.5 million, or 45.8%, from RMB808.5 million in 2020 to RMB438.0 million in 2021. The decrease was primarily due to a resurgence of COVID-19 cases in China leading to travel restrictions and store closures.

Duty-paid

Revenue from duty-paid sales increased by RMB4,298.1 million, or 21.8% from RMB19,707.6 million in 2020 to RMB24,005.7 million in 2021. The increase was primarily the result of increased sales from our online business.

By channel

Driven by an increasing demand for duty-free products and policies favoring duty-free shopping in Hainan, the revenue from our offshore stores increased by RMB17,095.8 million, or 57.1%, from RMB29,961.9 million in 2020 to RMB47,057.7 million in 2021. The offshore duty-free market benefited from favorable policies, particularly, the annual purchasing quota for each eligible customer was increased from RMB30,000 to RMB100,000 starting from July 2021. The revenue from our downtown duty-free stores increased by RMB42.4 million, or 4.1%, from RMB1,026.7 million in 2020 to RMB1,069.1 million in 2021 primarily due to the opening of a new downtown duty-free store in Hong Kong in August 2020 which led to an increase of revenue. In contrast, due to the impact of COVID-19 related travel restrictions, the revenue from our port duty-free stores, decreased by RMB2,988.6 million, or 14.9%, from RMB20,000.2 million in 2020 to RMB17,011.6 million in 2021. Within our port duty-free stores, our airport stores decreased by RMB2,822.1 million, or 14.3%, from RMB19,705.0 million in 2020 to RMB16,882.9 million in 2021. Within our port duty-free stores, our border crossings and others stores decreased by RMB166.5 million, or 56.4%, from RMB295.2 million in 2020 to RMB128.7 million in 2021. Our revenue from other channels increased by RMB928.1 million, or 57.7%, from RMB1,609.0 million in 2020 to RMB2,537.1 million in 2021.

By geographic location

Our revenue from our Mainland China channels increased by RMB13,818.2 million, or 27.8%, from RMB49,756.2 million in 2020 to RMB63,574.4 million in 2021. The increase was primarily due to (i) the favorable policy incentivizing the development of the Hainan offshore duty-free market, (ii) expansion of our Hainan duty-free business and (iii) further expansion and development of our online business. Our revenue from our Hong Kong, Macau and overseas channels increased by RMB1,259.6 million, or 44.3%, from RMB2,841.6 million in 2020 to RMB4,101.2 million in 2021. The increase in revenue was primarily attributable to recovery from COVID-19 in those areas leading to increased sales and increases from our online sales channels.

Cost of sales

Our cost of sales increased by RMB13,252.0 million, or 41.2%, from RMB32,129.3 million in 2020 to RMB45,381.3 million in 2021. The increase was primarily due to an expansion of our business.

Gross profit and gross profit margin

Gross profit increased by RMB1,825.7 million, or 8.9%, from RMB20,468.5 million in 2020 to RMB22,294.2 million in 2021. Our gross profit margin decreased from 38.9% in 2020 to 32.9% in 2021, primarily due to our use of discounts and promotions during this period in response to decreased passenger foot traffic and temporary store closures arising from the resurgence of COVID-19 in China.

Other income and other net gain

Our other income and other net gain decreased by RMB193.0 million, or 19.7%, from RMB979.3 million in 2020 to RMB786.3 million in 2021. The change was primarily due to (i) a decrease in foreign exchange gains of RMB253.6 million from an appreciation of the US dollar against the Renminbi, and offset by (ii) an increase in government grants by RMB62.2 million for our Company, Hainan DF and Sunrise Shanghai primarily in the form of tax rebates and financial support from the local government.

Selling and distribution costs

Selling and distribution costs decreased by RMB4,332.8 million, or 44.5%, from RMB9,741.0 million in 2020 to RMB5,408.2 million in 2021. The decrease was primarily due to (i) decreased rental expenses, resulting from COVID-19 related travel restrictions as many of our rental agreements contain a provision on variable commissions based on sales volume or passenger foot traffic as a component of our rent payments and (ii) decreased rental expenses from certain of our airport concessions, in which facility owners temporarily reduced our fixed rental provisions for the duration of the COVID-19 pandemic.

Administrative expenses

Administrative expenses increased by RMB683.4 million, or 33.7%, from RMB2,025.3 million in 2020 to RMB2,708.7 million in 2021. The increase was primarily due to an increase in salaries and wages for our administrative employees in line with our business growth and performance.

(Impairment loss)/reversal of impairment on trade and other receivables

Reversal of impairment on trade and other receivables was RMB18.1 million in 2020. Impairment losses on trade and other receivables were RMB23.3 million in losses in 2021.

Share of net profits of associates

Our share of net profits of associates increased by RMB148.2 million, or 882.1% from RMB16.8 million in 2020 to RMB165.0 million in 2021. The increase was due to a new associate company we established.

Share of net profits/(losses) of joint ventures

Our share of net losses of joint ventures increased by RMB1.3 million, or 92.9% from RMB1.4 million in 2020 to RMB2.7 million in 2021. Our joint ventures, mainly engaged in the duty-free business, had a corresponding decrease in net profits as a result of COVID-19 related travel restrictions in 2021.

Finance costs

Finance costs was relatively stable, increasing by RMB5.2 million, or 2.4%, from RMB216.7 million in 2020 to RMB221.9 million in 2021.

Profit before taxation

As a result of the aforesaid factors, our profit before tax from continuing operations increased by RMB5,382.4 million, or 56.7%, from RMB9,498.4 million in 2020 to RMB14,880.8 million in 2021.

Income tax

Income tax expense increased by RMB50.6 million, or 2.1%, from RMB2,389.0 million in 2020 to RMB2,439.6 million in 2021.

Profit for the year

As a result of the aforesaid factors, our profit for the year increased by RMB5,331.9 million, or 75.0%, from RMB7,109.4 million in 2020 to RMB12,441.3 million in 2021.

Year ended December 31, 2020 compared with year ended December 31, 2019

Continuing Operations

Revenue

Our total revenue increased by RMB4,585.2 million, or 9.6%, from RMB48,012.6 million in 2019 to RMB52,597.8 million in 2020. The increase was primarily due to increased sales from our Hainan duty-free stores and increased online sales. Due to the travel restrictions imposed as a result of COVID-19, the travel industry has been faced with many challenges. Due to travel restrictions and decreased foot traffic through transportation hubs, our offline sales at our traditional sales channels such as airports, border crossings, railway stations, cross-border bus stations and seaports have been severely impacted. However, we were able to quickly adapt our sales strategies and focused on expanding our Hainan duty-free business and further expanding and developing our online business. We timely grasped the opportunities presented by favorable policies in Hainan with regards to duty-free shopping. As international travel is currently under strict control, Chinese tourists who traditionally visit duty-free stores overseas and port duty-free stores in PRC may turn to offshore stores in Hainan as an alternative. These strategies have offset the decrease in sales in our traditional offline stores and resulted in an overall increase in our revenue in 2020.

Our revenue from our duty-free sales decreased by RMB14,079.5 million, or 30.3%, from RMB46,441.2 million in 2019 to RMB32,361.7 million in 2020, primarily due to the impact of COVID-19 related travel restrictions on our traditional duty-free channels. Our revenue from duty-paid sales increased by RMB18,556.9 million, or 1,612.7%, from RMB1,150.7

million in 2019 to RMB19,707.6 million in 2020 as a result of the expansion of our Hainan duty-free business and the development of our online business. Our revenue from others increased by RMB107.8 million, or 25.6%, from RMB420.7 million in 2019 to RMB528.5 million in 2020 primarily due to an increase in income from rental of our billboards in Hainan.

By product

Duty-free perfume and cosmetics

Revenue from duty-free perfume and cosmetics decreased by RMB11,428.8 million, or 38.8%, from RMB29,463.4 million in 2019 to RMB18,034.6 million in 2020. Our revenue from duty-free perfume and cosmetics did not grow on the same scale as our other products due to the Notice of Policies on Duty-free Shopping for Travelers Leaving Hainan only slightly relaxing purchase limits on duty-free perfumes and other cosmetics, as compared to other products. Furthermore, the favorable policies in Hainan were not able to fully offset the effects of closures of our port duty-free stores.

Duty-free fashion and accessories

Revenue from duty-free fashion and accessories increased by RMB4,995.3 million, or 85.6%, from RMB5,832.4 million in 2019 to RMB10,827.7 million in 2020. The increase was primarily due to (i) the development of the offshore duty-free market benefitting from favorable duty-free policies launched in 2020, particularly an increase in the duty-free shopping quota of travelers, leading to an increase in consumption at our Hainan duty free stores, (ii) the expansion of our Hainan duty-free business and the development of our online business, and (iii) an increase in sales of duty-free fashion and accessories, particularly luxury bags and suitcases, at our Hainan duty-free stores.

Duty-free tobacco and liquor

Revenue from duty-free tobacco and liquor decreased by RMB7,666.1 million, or 74.0%, from RMB10,357.0 million in 2019 to RMB2,690.9 million in 2020. The decrease was primarily due to (i) the impact of COVID-19 related travel restrictions on our port duty-free stores leading to decreased sales of our duty-free tobacco and liquor, and (ii) our sales of tobacco products at a discount as a result of their relatively short expiry period.

Duty-free food and miscellaneous goods

Revenue from duty-free food and miscellaneous goods increased by RMB20.1 million, or 2.5%, from RMB788.4 million in 2019 to RMB808.5 million in 2020. The increase was generally in line with our overall business expansion.

Duty-paid

Revenue from duty-paid sales increased by RMB18,556.9 million, or 1,612.7% from RMB1,150.7 million in 2019 to RMB19,707.6 million in 2020. The increase was primarily the result of increased sales from our Hainan duty-free stores and integrated travel retail complexes and the development of our online business. Our integrated travel retail complex business is a model with duty-free business at its core and in synergetic development with other businesses such as duty-paid retail, dining, entertainment, leisure and hotel.

By channel

Driven by an increasing demand for duty-free products and policies favoring duty-free shopping in Hainan, the revenue from our offshore stores increased by RMB16,712.3 million, or 126.1%, from RMB13,249.6 million in 2019 to RMB29,961.9 million in 2020. The offshore duty-free market benefited from favorable policies, particularly, the annual purchasing quota for each eligible customer was increased from RMB30,000 to RMB100,000 starting from July 2020. The revenue from our downtown duty-free stores increased by RMB267.5 million, or 35.2%, from RMB759.2 million in 2019 to RMB1,026.7 million in 2020 primarily due to the opening of a new downtown duty-free stores in Hong Kong in August 2019 which led to an increase of revenue. In contrast, due to the impact of COVID-19 related travel restrictions, the revenue from our port duty-free stores, decreased by RMB11,837.1 million, or 37.2%, from RMB31,837.3 million in 2019 to RMB20,000.2 million in 2020. Within our port duty-free stores, our airport stores decreased by RMB11,303.5 million, or 36.5%, from RMB31,008.5 million in 2019 to RMB19,705.0 million in 2020. Within our port duty-free stores, our border crossings and others stores decreased by RMB533.6 million, or 64.4%, from RMB828.8 million in 2019 to RMB295.2 million in 2020. Our revenue from other channels decreased by RMB557.6 million, or 25.7%, from RMB2,166.6 million in 2019 to RMB1,609.0 million in 2020.

By geographic location

Our revenue from our Mainland China channels increased by RMB5,783.0 million, or 13.2%, from RMB43,973.2 million in 2019 to RMB49,756.2 million in 2020. The increase was primarily due to (i) the favorable policy incentivizing the development of the Hainan offshore duty-free market, (ii) expansion of our Hainan duty-free business and (iii) further expansion and development of our online business. Due to COVID-19 related travel restrictions, our revenue from our Hong Kong, Macau and Overseas channels decreased by RMB1,197.8 million, or 29.7%, from RMB4,039.4 million in 2019 to RMB2,841.6 million in 2020. The decrease in revenue was primarily attributable to a decrease in international travel as a result of a series of travel restrictions implemented by the PRC Government and a drop in sales from our duty-free stores at the Hong Kong International Airport as a result of decreased foot traffic from COVID-19 related travel restrictions.

Cost of sales

Our cost of sales increased by RMB8,639.4 million, or 36.8%, from RMB23,489.9 million in 2019 to RMB32,129.3 million in 2020. The increase was primarily due to (i) an increase in cost of inventories due to our business expansion, and (ii) an increase in the tariffs, consumption tax, and other relevant taxes we paid for the duty-paid products as a result of our expansion of our duty-paid business.

Gross profit and gross profit margin

Gross profit decreased by RMB4,054.2 million, or 16.5%, from RMB24,522.7 million in 2019 to RMB20,468.5 million in 2020. Our gross profit margin decreased from 51.1% in 2019 to 38.9% in 2020, primarily due to a decrease in our sales of duty-free products and a significant increase in our sales of duty-paid products, which lowered our overall gross profit margin. Our duty-paid products generally have lower gross profit margins as compared with our duty-free products due to the tariffs, consumption tax, and other relevant taxes paid which increase their respective cost of sales.

Other income and other net gain

Our other income and other net gain increased by RMB837.7 million, or 591.6%, from RMB141.6 million in 2019 to RMB979.3 million in 2020. The change was primarily due to (i) an increase in foreign exchange gains of RMB676.5 million from a depreciation of the US dollar against the Renminbi, and (ii) an increase in government grants by RMB146.4 million for our offshore stores and Sunrise Shanghai, both receiving financial contribution rewards.

Selling and distribution costs

Selling and distribution costs decreased by RMB6,538.9 million, or 40.2%, from RMB16,279.9 million in 2019 to RMB9,741.0 million in 2020. The decrease was primarily due to (i) decreased rental expenses, resulting from COVID-19 related travel restrictions as many of our rental agreements contain a provision on variable commissions based on sales volume or passenger foot traffic as a component of our rent payments, (ii) decreased rental expenses from certain of our airport concessions, in which facility owners temporarily reduced our fixed rental provisions for the duration of the COVID-19 pandemic, and (iii) decreased advertising and promotional expenses due to less advertising and promotional activities in response to the COVID-19 pandemic.

Administrative expenses

Administrative expenses increased by RMB151.9 million, or 8.1%, from RMB1,873.4 million in 2019 to RMB2,025.3 million in 2020. The increase was primarily due to (i) an increase in salaries and wages for our administrative employees in line with our business growth and performance, and (ii) an increase in other taxes. Our increase in other taxes was primarily due to (i) an increase in stamp duties related to our business growth, and (ii) increases in the urban construction tax and education surcharges from the growth of our duty-paid business and accompanying increases in VAT.

(Impairment loss)/reversal of impairment on trade and other receivables

Impairment losses on trade and other receivables were RMB26.4 million in losses in 2019. Reversal of impairment on trade and other receivables was RMB18.1 million in 2020.

Share of net profits of associates

Our share of net profits of associates was RMB55.0 million in 2019. Our share of net profits of associates was RMB16.8 million in 2020. Our associates, mainly engaged in the duty-free business, had a corresponding decrease in net profits as a result of COVID-19 related travel restrictions in 2020.

Share of net profits/(losses) of joint ventures

Our share of net profits of joint ventures was RMB3.9 million in 2019. Our share of net losses of joint ventures was RMB1.4 million in 2020. Our joint ventures, mainly engaged in the duty-free business, had a corresponding decrease in net profits as a result of COVID-19 related travel restrictions in 2020.

Finance costs

Finance costs increased by RMB6.1 million, or 2.9%, from RMB210.6 million in 2019 to RMB216.7 million in 2020. The increase was primarily due to (i) an increase in interest on lease liabilities of RMB2.2 million, and (ii) an increase in interest on borrowings of RMB3.9 million. The increase was generally in line with our overall business expansion.

Profit before taxation

As a result of the aforesaid factors, our profit before tax from continuing operations increased by RMB3,165.5 million, or 50.0%, from RMB6,332.9 million in 2019 to RMB9,498.4 million in 2020.

Income tax

Income tax expense increased by RMB818.7 million, or 52.1%, from RMB1,570.3 million in 2019 to RMB2,389.0 million in 2020.

Profit from continuing operations

As a result of the aforesaid factors, our profit from continuing operations increased by RMB2,346.8 million, or 49.3%, from RMB4,762.6 million in 2019 to RMB7,109.4 million in 2020.

Profit from discontinued operation, net of tax

Our net profit from our discontinued operation was RMB708.5 million from discontinued operation in 2019, which includes loss from operations and net gains from the disposal. We disposed of CITS Agency to CTG in February 2019. See "History, Development and Corporate Structure – Major Acquisitions and Disposals – Disposal of CITS Agency in 2019" for details of the disposal.

Profit for the year

As a result of the aforesaid factors, our profit for the year increased by RMB1,638.3 million, or 29.9%, from RMB5,471.1 million in 2019 to RMB7,109.4 million in 2020.

LIQUIDITY AND CAPITAL RESOURCES

Source of Liquidity and Working Capital

We have historically met our working capital and other capital requirements principally from cash generated from our business operations, related party borrowings and bank borrowings. After the Global Offering, we intend to finance our future capital requirements through the same source of funds, together with the net proceeds we received from the Global Offering and fundraising activities from capital markets. We do not anticipate any material changes to the availability to fund our operations and our capital structure in the future.

Taking account of the net proceeds available to us from the Global Offering, our cash and future operating cash flows and our unutilized banking facilities, the Directors are satisfied, after due and careful inquiry, that we have sufficient working capital to meet our requirements for at least the next 12 months from the date of this prospectus. We currently do not expect any significant changes in the mix and the relative costs of our capital resources.

Cash Flows

The table below sets forth a summary of our consolidated statements of cash flows for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
			RMB'000		
				(Unaudited)	
Operating cash flows before movement in working capital	7,820,907	10,249,973	12,955,745	4,787,713	3,519,235
Changes in working capital	(2,348,753)	377,069	(1,988,991)	(4,020,705)	(3,576,974)
Tax paid	(1,755,095)	(1,812,647)	(2,637,929)	(687,981)	(1,175,517)
Net cash generated from/(used in) operating activities	3,717,059	8,814,395	8,328,825	79,027	(1,233,256)[(1)]
Net cash used in investing activities	(631,249)	(3,814,102)	(2,317,534)	(245,059)	(580,487)
Net cash used in financing activities	(2,326,431)	(1,996,256)	(3,817,045)	(76,303)	(862,188)
Net increase/(decrease) in cash and cash equivalents	759,379	3,004,037	2,194,246	(242,335)	(2,675,931)
Cash and cash equivalents at January 1	11,140,564	11,985,340	14,658,688	14,658,688	16,656,542
Effect of foreign exchanges rate changes	85,937	(330,689)	(196,392)	(576)	(18,041)
Cash and cash equivalents at December 31/March 31	11,985,340	14,658,688	16,656,542	14,415,777	13,962,570

Note:

(1) For the three months ended March 31, 2022, we had outflows of net cash used in operating activities primarily due to an increase in payments of taxes and fees made in accordance with relevant tax authorities for taxes and fees from the prior year. Additionally, due to multiple outbreaks of COVID-19 in China in early 2022, our sales and net profit decreased. We expect that as the COVID-19 pandemic situation improves and pandemic control measures are eased, sales of our products will increase. Additionally, in order to improve our net operating cash outflows position, we will increase our efforts to reduce our costs of sales and control our expenses.

Net cash generated from/used in operating activities

Net cash used in operating activities was RMB1,233.3 million for the three months ended March 31, 2022. Our net cash from operating activities primarily reflected profit before taxation in the amount of RMB3,522.9 million, adjustment of non-cash and non-operating items, movements in working capital and tax paid in the amount of RMB1,175.5 million. Our adjustment of non-cash and non-operating items primarily reflected (i) COVID-19 related rent concessions of RMB281.1 million and (ii) depreciation of right-of-use assets of RMB265.4 million. Our net cash from operating activities primarily reflected (i) an increase of inventories of RMB1,228.9 million, primarily due to our business expansion in Hainan and the resulting stock-up (ii) a decrease in trade and other payables in the amount of RMB1,558.0 million from payments to our suppliers, and (iii) an increase in trade and other receivables of RMB594.3 million primarily due to an increase in VAT recoverable from an increase in the sales of certain duty-paid goods and such duty-paid goods were eligible for tax returns, and an increase of trade receivables from our online business.

Net cash generated from operating activities was RMB8,328.8 million for the year ended December 31, 2021. Our net cash from operating activities primarily reflected profit before tax from continuing operations in the amount of RMB14,880.8 million, adjustment of non-cash and non-operating items, movements in working capital and tax paid in the amount of RMB2,637.9 million. Our adjustment of non-cash and non-operating items primarily reflected (i) depreciation of right-of-use assets of RMB989.7 million, (ii) depreciation of other property, plant and equipment of RMB387.6 million, and (iii) finance costs of RMB221.9 million, partially offset by (i) COVID-19 related rent concession in the amount of RMB3,134.7 million. Our movements in working capital primarily reflected an increase of inventories of RMB4,991.7 million primarily due to our business expansion in Hainan and stock-up on inventory to prepare for peak periods, partially offset by an increase in trade and other payables of RMB3,051.6 million primarily due to increased procurement and stock-up on inventory for our Hainan stores to prepare for peak periods.

Net cash generated from operating activities was RMB8,814.4 million for the year ended December 31, 2020. Our net cash from operating activities primarily reflected profit before taxation in the amount of RMB9,498.4 million, adjustment of non-cash and non-operating items, movements in working capital and tax paid in the amount of RMB1,812.6 million. Our adjustment of non-cash and non-operating items primarily reflected (i) depreciation of right-of-use assets of RMB758.7 million, (ii) depreciation of other property, plant and equipment of RMB358.6 million, and (iii) finance costs of RMB216.7 million, partially offset by (i) exchange gains of RMB537.0 million, and (ii) COVID-19 related rent concession in the amount of RMB86.9 million. Our movements in working capital primarily reflected an increase of inventories of RMB5,768.3 million, primarily due to our business expansion in Hainan and the resulting stock-up, partially offset by an increase in trade and other payables of RMB5,648.6 million primarily due to our procurement of more products and due to delayed rent payments as a result of the negative impact of COVID-19.

Net cash generated from operating activities was RMB3,717.1 million for the year ended December 31, 2019. Our net cash from operating activities primarily reflected profit before taxation in the amount of RMB7,232.2 million, adjustment of non-cash and non-operating items, movements in working capital and tax paid in the amount of RMB1,755.1 million. Our adjustment of non-cash and non-operating items primarily reflected (i) depreciation of right-of-use assets of RMB667.1 million, (ii) depreciation of other property, plant and equipment of RMB345.0 million and (iii) finance costs of RMB210.9 million, partially offset by gains of RMB905.2 million on the disposal of CITS Agency. Our movements in working capital primarily reflected (i) an increase of inventories of RMB2,430.2 million, and (ii) an increase in trade and other receivables of RMB1,553.8 million, partially offset by an increase in trade and other payables of RMB979.5 million.

Net cash used in investing activities

Net cash used in investing activities was RMB580.5 million for the three months ended March 31, 2022, primarily due to payments for the purchases of property, plant and equipment and other non-current assets in that amount.

Net cash used in investing activities was RMB2,317.5 million for the year ended December 31, 2021, primarily due to (i) payments for the purchases of property, plant and equipment and other non-current assets in the amount of RMB2,154.8 million, and (ii) acquisitions of subsidiaries under common control in the amount of RMB126.5 million.

Net cash used in investing activities was RMB3,814.1 million for the year ended December 31, 2020, primarily due to (i) acquisition of Hainan DF (which was under common control) in the amount of RMB2,065.3 million, (ii) payments for the purchases of property, plant and equipment and other non-current assets in the amount of RMB1,233.7 million, and (iii) payments for the investment in an associate in the amount of RMB541.5 million.

Net cash used in investing activities was RMB631.2 million for the year ended December 31, 2019, primarily due to (i) payments for the purchases of property, plant and equipment and other non-current assets in the amount of RMB1,516.2 million, partially offset by (i) acquisition of Hainan DF (which was under common control) in the amount of RMB492.1 million and (ii) disposal of discontinued operations net of cash disposed of in the amount of RMB360.6 million.

Net cash used in financing activities

Net cash used in financing activities was RMB862.2 million for the three months ended March 31, 2022, primarily due to (i) dividends paid to non-controlling shareholders of subsidiaries in the amount of RMB681.2 million and (ii) capital element and interest element of lease rentals paid in the amount of RMB179.1 million.

Net cash used in financing activities was RMB3,817.0 million for the year ended December 31, 2021, primarily due to (i) dividends paid to shareholders of the Company in the amount of RMB1,952.5 million, (ii) dividends paid to non-controlling shareholders of subsidiaries in the amount of RMB1,459.9 million, and (iii) capital element and interest element of lease rentals paid in the amount of RMB418.0 million.

Net cash used in financing activities was RMB1,996.3 million for the year ended December 31, 2020, primarily due to (i) dividends paid to shareholders of the Company in the amount of RMB1,405.8 million, (ii) capital element and interest element of lease rentals paid in the amount of RMB613.4 million, (iii) dividends paid to non-controlling shareholders of subsidiaries in the amount of RMB244.4 million, partially offset by proceeds from new bank loans and other loans in the amount of RMB255.1 million.

Net cash used in financing activities was RMB2,326.4 million for the year ended December 31, 2019, primarily due to (i) dividends paid to shareholders of the Company in the amount of RMB1,073.9 million, (ii) dividends paid to non-controlling shareholders of subsidiaries in the amount of RMB561.9 million and, (iii) capital element and interest element of lease rentals paid in the amount of RMB597.6 million.

NET CURRENT ASSETS/LIABILITIES

The table below sets forth our current assets, current liabilities and net current assets for the periods indicated.

	As of December 31,			As of March 31,	As of June 30,
	2019	2020	2021	2022	2022
			RMB'000		
					Unaudited
Current assets					
Inventories	8,964,688	14,733,024	19,724,698	20,953,552	23,661,627
Trade and other receivables	1,565,015	1,472,651	1,951,678	2,545,498	2,252,721
Income tax recoverable	94,508	44,288	9,118	8,682	3,819
Restricted bank deposits	508,767	54,545	199,657	768,665	638,397
Cash and cash equivalents	11,985,340	14,658,688	16,656,542	13,962,570	11,169,740
	23,118,318	30,963,196	38,541,693	38,238,967	37,726,304
Current liabilities					
Trade and other payables	7,268,541	11,985,168	12,066,164	10,785,768	11,889,420
Contract liabilities	451,471	905,708	1,371,639	1,175,748	1,384,473
Interest-bearing borrowings	315,889	556,932	545,433	545,018	556,911
Lease liabilities	735,067	926,421	1,545,488	1,785,444	860,836
Income tax payable	684,570	2,214,916	1,607,408	1,078,671	825,704
Provisions	51,367	–	–	–	–
	9,506,905	16,589,145	17,136,132	15,370,649	15,517,344
Net current assets	13,611,413	14,374,051	21,405,561	22,868,318	22,208,960

Our net current assets decreased from RMB22,868.3 million as of March 31, 2022 to RMB22,209.0 million as of June 30, 2022, primarily due to (i) a decrease in cash and cash equivalents of RMB2,792.8 million primarily due to decreased sales from a resurgence of COVID-19 cases in China leading to travel restrictions, store closures, disruptions to our logistics and operations in Shanghai and overall decreased consumption and (ii) an increase in trade and other payables of RMB1,103.7 million primarily from an increase in dividends payable, partially offset by an increase in inventories in the amount of RMB2,708.1 million as a result of our business expansion in Hainan and the resulting stock-up.

Our net current assets increased from RMB21,405.6 million as of December 31, 2021 to RMB22,868.3 million as of March 31, 2022, primarily due to (i) decreases in trade and other payables in the amount of RMB1,280.4 million, due to payments to our suppliers, (ii) an increase in inventories in the amount of RMB1,228.9 million, primarily as a result of our business expansion in Hainan and the resulting stock-up, and (iii) increases in trade and other receivables in the amount of RMB593.8 million, primarily due to increases in our duty-paid business and engineering projects leading to an increase in VAT recoverable, and partially offset by decreases in cash and cash equivalents in the amount of RMB2,694.0 million due to decreased sales in the first quarter of 2022 from a resurgence of COVID-19 cases in China leading to travel restrictions and store closures, particularly in Shanghai and Hainan.

Our net current assets increased from RMB14,374.1 million as of December 31, 2020 to RMB21,405.6 million as of December 31, 2021, primarily due to (i) an increase in inventories in the amount of RMB4,991.7 million, primarily as a result of the expansion of our business, and (ii) increases in cash and cash equivalents in the amount of RMB1,997.9 million which was generally in line with our business expansion, partially offset by an increase in lease liabilities in the amount of RMB619.1 million due to accrued rent arising from two of our airport concessions.

Our net current assets increased from RMB13,611.4 million as of December 31, 2019 to RMB14,374.1 million as of December 31, 2020, primarily due to (i) an increase in inventories in the amount of RMB5,768.3 million, primarily as a result of our business expansion in Hainan and the resulting stock-up, (ii) increases in cash and cash equivalents in the amount of RMB2,673.3 million which was generally in line with our business expansion, partially offset by (i) increases in trade and other payables in the amount of RMB4,716.6 million, primarily due to our procurement of more products and due to delayed rent payments as a result of the negative impact of COVID-19, and (ii) an increase in income tax payable in the amount of RMB1,530.3 million which was primarily due to the increase of our profit.

DESCRIPTION OF SELECTED BALANCE SHEET ITEMS

Inventories

Our inventories primarily consist of our trading merchandise, less our write down in inventories.

The table below sets forth our balance of our inventories for the periods indicated.

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
		RMB'000		
Merchandise held for trading	8,964,688	14,733,024	19,724,698	20,953,552

From December 31, 2019 to December 31, 2020, our inventories increased, primarily due to our business expansion in Hainan and the resulting stock-up. From December 31, 2020 to December 31, 2021, our inventories increased, primarily due to our continuing business expansion in Hainan. From December 31, 2021 to March 31, 2022, our inventories increased, primarily due to a resurgence of COVID-19 in China that hindered sales.

As of June 30, 2022, 33.1% of our total inventories as of March 31, 2022 or RMB7,153.5 million, were sold. We do not expect material impairment of inventories for the following reasons: (i) we have a robust inventory management system, see "Business – Inventory Management" for details, (ii) for the years ended December 31, 2019, 2020 and 2021, the write-down of our inventories was RMB230.0 million, RMB908.7 million and RMB498.9 million, which accounted for 2.6%, 6.2% and 2.5% of our total inventories as of the end of each period, respectively. For the three months ended March 31, 2022, the reversal of write-down of our inventories was RMB45.2 million, (iii) during the Track Record Period, the increase of our inventories was primarily due to our business expansion in Hainan and the resulting stock-up and we believe such increase is generally in line with our sales volume, and (iv) the age of the majority of our inventories as of March 31, 2022 was within one year.

The table below sets forth our average inventory turnover days for the periods indicated.

	Year ended December 31, 2019	2020	2021	Three months ended March 31, 2022
Average inventory turnover days(1)	113.3	135.0	138.6	166.0

Note:

(1) Inventory turnover days for each period equals the average of the beginning and ending net inventory for the period divided by the sum of cost of sales of continuing operations and discontinued operations for that period and multiplied by the number of days in that period.

Our average inventory turnover days for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022 was 113.3 days, 135.0 days, 138.6 days and 166.0 days, respectively. The increase in our average inventory turnover days in 2020 was due to COVID-19 related travel restrictions, leading to the temporary closure of ports and many of our duty-free stores. Our online sales strategy has mitigated some of the negative effects of the travel restrictions, however, some categories of products such as tobacco items are less able to adapt to our online sales method due to the regulations against online sales. Additionally, our strategy of expanding our presence in the offshore duty-free market by increasing our inventory has also led to an increase in inventory turnover days. Our average inventory turnover days was stable at 135.0 days and 138.6 days in 2020 and 2021, respectively. Our average inventory turnover days further increased from 138.6 days in 2021 to 166.0 days for the three months ended March 31, 2022 primary due to a resurgence of COVID-19 in China leading to store closures and decreased sales. Excluding the inventory and the cost of sales of CITS Agency, our inventory turnover days would have been 115.8 days in 2019 and 135.0 days in 2020, respectively.

Trade and other receivables

The table below sets forth our trade and other receivables for the periods indicated.

	As of December 31, 2019	2020	2021	As of March 31, 2022
		RMB'000		
Non-current				
Lease and other deposits	537,067	565,362	582,745	561,043
Current				
Trade receivables	307,084	283,554	297,722	117,685
Prepayments for purchases of merchandise	383,186	255,598	286,621	436,943
Prepayments for variable and short-term leases	174,313	317,138	286,339	265,253

	As of December 31,			As of March 31,
	2019	2020	2021	2022
		RMB'000		
Value-added tax recoverable	102,747	236,699	657,631	997,944
Lease and other deposits	137,479	195,086	210,142	244,617
Rebates	402,473	88,342	19,349	334,380
Others	57,733	96,234	193,874	148,676
	1,565,015	1,472,651	1,951,678	2,545,498
Total	2,102,082	2,038,013	2,534,423	3,106,541

Our trade and other receivables decreased from RMB2,102.1 million as of December 31, 2019 to RMB2,038.0 million as of December 31, 2020 primarily due (i) a decrease in rebates from RMB402.5 million as of December 31, 2019 to RMB88.3 million as of December 31, 2020 in relation to procurement rebates primarily due to the timing difference in receiving such procurement rebates, and (ii) a decrease in the prepayments for purchases of merchandise from RMB383.2 million as of December 31, 2019 to RMB255.6 million as of December 31, 2020 as a result of a decrease in the prepaid accounts for our duty-free tobacco and liquor products, partially offset by (i) an increase in prepayments for variable and short-term leases from RMB174.3 million as of December 31, 2019 to RMB317.1 million as of December 31, 2020 due to an increase in security deposit payments for concession agreements in relation to certain airports, and (ii) an increase in VAT recoverable from RMB102.7 million as of December 31, 2019 to RMB236.7 million as of December 31, 2020 due to an increase in the sales of certain duty-paid goods in 2020 and such duty-paid goods were eligible for tax returns.

Our trade and other receivables increased from RMB2,038.0 million as of December 31, 2020 to RMB2,534.4 million as of December 31, 2021 primarily due to (i) an increase in VAT recoverable from RMB236.7 million as of December 31, 2020 to RMB657.6 million as of December 31, 2021 due to an increase in the sales of certain duty-paid goods and such duty-paid goods were eligible for tax returns, and (ii) an increase in prepayments for purchases of merchandise from RMB255.6 million as of December 31, 2020 to RMB286.6 million as of December 31, 2021 primarily due to increased procurement and stock up on inventory to prepare for peak periods.

Our trade and other receivables increased from RMB2,534.4 million as of December 31, 2021 to RMB3,106.5 million as of March 31, 2022 primarily due (i) an increase in VAT recoverable from RMB657.6 million as of December 31, 2021 to RMB997.9 million as of March 31, 2022 from increases in our duty-paid business and engineering projects, (ii) an increase in rebates from RMB19.3 million as of December 31, 2021 to RMB334.4 million as of March 31, 2022 from new sales during this period and the timing difference in receiving such procurement rebates, and (iii) an increase in prepayments for the purchase of merchandise from RMB286.6 million as of December 31, 2021 to RMB436.9 million as of March 31, 2022 as a result of increased procurement and stock up on inventory, partially offset by a decrease in trade receivables from RMB297.7 million as of December 31, 2021 to RMB117.7 million as of March 31, 2022 due to our sales being subject to seasonality with sales increasing towards the end of the year.

As of June 30, 2022, we have subsequently settled RMB114.2 million, or 97.0%, of our outstanding trade receivables as of March 31, 2022.

The table below sets forth our average trade receivables turnover days for the periods indicated.

	Year ended December 31, 2019	2020	2021	Three months ended March 31, 2022
Average trade receivables turnover days[(1)]	5.4	2.1	1.6	1.1

Note:

(1) Trade receivables turnover days for each period equals the average of the beginning and ending net trade receivables for the period divided by the sum of revenue from continuing operations and discontinued operations for that period and multiplied by the number of days in that period.

Our average trade receivables turnover days decreased from 5.4 days in 2019 to 2.1 days in 2020 and further to 1.6 days in 2021. For the year ended December 31, 2021 and for the three months ended March 31, 2022 our average trade receivables turnover days remained relatively stable at 1.6 days and 1.1 days, respectively. The decline in trade receivables turnover days during the Track Record Period is primarily due to (i) the reduction of sales volume of our wholesales business which allows certain customers to purchase on credit and (ii) the disposal of CITS Agency in 2019.

The table below sets forth an aging analysis of our trade receivables, based on the invoice date and net of loss allowance, for the periods indicated.

	As of December 31, 2019	2020	2021	As of March 31, 2022
		RMB'000		
Within one year	305,745	282,256	297,722	117,685
One to two years	1,218	61	–	–
Over two years	121	1,237	–	–
Total	307,084	283,554	297,722	117,685

Trade and other payables

Our trade payables primarily relate to trade payables to suppliers and trade payables to contractors. Our other payables primarily consist of our (i) payables for property constructions, (ii) dividends payables, (iii) employee benefits payables, (iv) licensing fees payables, (v) other taxes payables, (vi) variable and short-term leases and other operating expenses payable, and (vii) others in the form of relevant fees from the operation of our online platforms, costs for the remodeling of our stores, and product related inspection fees.

The table below sets forth our trade and other payables for the periods indicated.

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	RMB'000			
Trade payables	3,299,979	3,954,235	5,263,433	4,119,864
Payables for property constructions	341,320	372,503	616,479	697,654
Dividends payables	53,143	19,469	2,099	2,099
Employee benefits payables	624,981	413,016	411,406	531,396
Licensing fees payables	908,830	1,054,327	1,627,580	2,057,562
Other taxes payables	43,896	402,091	1,487,498	1,034,599
Variable and short-term leases and other operating expenses payable	1,525,154	5,026,130	2,040,948	1,710,585
Others	471,238	743,397	616,721	632,009
Total	7,268,541	11,985,168	12,066,164	10,785,768

Our trade and other payables increased from RMB7,268.5 million as of December 31, 2019 to RMB11,985.2 million as of December 31, 2020. The increase was primarily due to (i) an increase in our trade payables from RMB3,300.0 million as of December 31, 2019 to RMB3,954.2 million as of December 31, 2020 from the growth of our business and our increased procurement of duty-free goods to meet the needs of our consumers, (ii) an increase in our variable and short-term leases and other operating expenses payable from RMB1,525.2 million as of December 31, 2019 to RMB5,026.1 million as of December 31, 2020 from accrued rent payments for our airport stores due to delayed rent payments as a result of the negative impact of COVID-19, in addition to certain rent reductions we had obtained, and (iii) an increase in our other taxes payables from RMB43.9 million as of December 31, 2019 to RMB402.1 million as of December 31, 2020 due to the increases in VAT, consumption tax, tariffs and other relevant taxes for duty-paid products as a result of the expansion of duty-paid business, and (iv) an increase in other payables from RMB471.2 million as of December 31, 2019 to RMB743.4 million as of December 31, 2020 resulting from an increase in our relevant fees for our online platform and an increase in costs for the remodeling of our stores.

Our trade and other payables increased from RMB11,985.2 million as of December 31, 2020 to RMB12,066.2 million as of December 31, 2021. The increase was primarily due to (i) an increase in trade payables from RMB3,954.2 million as of December 31, 2020 to RMB5,263.4 million as of December 31, 2021 primarily due to increased procurement and stock up on inventory for our offshore stores to prepare for peak periods, (ii) an increase in other taxes payable from RMB402.1 million as of December 31, 2020 to RMB1,487.5 million as of December 31, 2021 primarily due to the increases in VAT, consumption tax, tariffs and other relevant taxes for duty-paid products as a result of the expansion of our duty-paid business and (iii) an increase in our licensing fees payable from RMB1,054.3 million as of December 31, 2020 to RMB1,627.6 million as of December 31, 2021 primarily due to our business growth, partially offset by a decrease in our variable and short-term lease and other operating expenses payable from RMB5,026.1 million as of December 31, 2020 to RMB2,040.9 million as of December 31, 2021.

Our trade and other payables decreased from RMB12,066.2 million as of December 31, 2021 to RMB10,785.8 million as of March 31, 2022. The decrease was primarily due to (i) a decrease in our trade payables from RMB5,263.4 million as of December 31, 2021 to RMB4,119.9 million as of March 31, 2022 from payments for procurements we made in 2021 and (ii) a decrease in variable and short-term lease and other operating expenses payable from RMB2,040.9 million as of December 31, 2021 to RMB1,710.6 million as of March 31, 2022 primarily from rent reductions from one of our airport concessions.

As of June 30, 2022, we have subsequently settled RMB3,480.8 million, or 84.5%, of our outstanding trade payables as of March 31, 2022.

The table below sets forth the average trade payables turnover days for the periods indicated.

	Year ended December 31,			Three months ended March 31,
	2019	**2020**	**2021**	**2022**
Average trade payables turnover days[(1)]	46.3	41.3	37.1	38.3

Note:

(1) Trade payables turnover days for each period equals the average of the beginning and ending trade payables for the period divided by the sum of cost of sales of continuing operations and discontinued operations for that period and multiplied the number of days in that period.

Our average trade payables turnover days decreased from 46.3 days in 2019 to 41.3 days in 2020 and further decreased to 37.1 days in 2021. For the year ended December 31, 2021 and the three months ended March 31, 2022, our average trade payables turnover days remained stable at 37.1 days and 38.3 days. Our average turnover days during the Track Record Period slightly fluctuated but was within our normal timeframe for trade payables of 30 to 90 days.

The table below sets forth an aging analysis of our trade payables, based on the invoice date, for the periods indicated.

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
		RMB'000		
Within one year	3,034,709	3,488,933	4,797,110	3,649,863
One to two years	259,812	222,017	14,103	16,131
Two to three years	3,209	239,560	216,517	215,774
Over three years	2,249	3,725	235,703	238,096
Total	3,299,979	3,954,235	5,263,433	4,119,864

Goodwill

Our goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our previously held equity interest in the acquiree over the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date, which was recognized during our acquisition of Sunrise Shanghai. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our goodwill remained unchanged at RMB822.5 million. See Note 15 to the Accountants' Report in Appendix I to this prospectus for further details.

Impairment tests for cash-generating units containing goodwill

The carrying amount of goodwill before impairment allocated to the groups of cash-generating units ("**CGUs**") are as follows:

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
		RMB'000		
Sunrise Shanghai	822,460	822,460	822,460	822,460

We perform an annual impairment test on goodwill at the end of each year during the Track Record Period. For Sunrise Shanghai, the recoverable amount of the cash-generating unit was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five to seven years period. Projections for a period of greater than five years and not more than seven years in general were used on the basis that a longer projection period represents the long-dated nature of the airport lease agreement and is a more appropriate reflection of the future cash flows generated from the airport duty-free stores operation.

The weighted average growth rates in revenue within the forecast period are determined based on the average growth rate achieved in the recent period before the budget year, adjusted for expected market development. The long-term growth rates used over the forecast period, which was 2.40%, 2.60% and 2.30% as of December 31, 2019, 2020 and 2021, respectively, did not exceed the long-term average growth rates in relevant industry reports. The pre-tax discount rates of 17.72%, 17.12% and 17.63% adopted as of December 31, 2019, 2020 and 2021, respectively, reflected the current market assessment of the time value of money and the risks specific to the Sunrise Shanghai's CGU.

We have conducted sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as of December 31, 2019, 2020 and 2021:

	Years ended December 31,		
	2019	**2020**	**2021**
Annual growth rate decreases	19.4%	55.6%	16.2%
Pre-tax discount rate increases	25.5%	164.2%	19.8%

The recoverable amounts determined on the above basis exceeded the carrying amounts of the Sunrise Shanghai's CGU by RMB3,251 million, RMB6,546 million and RMB1,745 million as of December 31, 2019, 2020 and 2021, respectively. Considering the headroom was multiple times of the carrying amounts of the Sunrise Shanghai's CGU at each reporting year end date, our Directors believe that there is no reasonably possible change in key parameters that would cause the carrying amount of the Sunrise Shanghai's CGU to exceed its recoverable amount.

As a result of the above impairment tests, our Directors are of the view that there was no impairment on the goodwill allocated to Sunrise Shanghai as of December 31, 2019, 2020 and 2021. As of March 31, 2022, our Directors considered there were no significant changes in the operation of Sunrise Shanghai and took into consideration of the aforementioned amount of headroom as of December 31, 2021, concluded there was no impairment losses on the related goodwill.

INDEBTEDNESS

Please see the table below for details of the nature of our indebtedness and contingent liabilities which includes (i) bank borrowings, (ii) loans from related parties in the form of loans from non-controlling shareholders and loans from CTG and (iii) lease liabilities.

	As of December 31, 2019	2020	2021	As of March 31, 2022	As of June 30, 2022
			RMB'000		*Unaudited*
Bank borrowings	223,945	210,766	204,714	203,052	214,131
Loans from non-controlling shareholders	91,944	139,568	134,097	133,193	140,653
Loans from CTG	–	206,598	206,622	208,773	202,127
Lease liabilities	4,472,002	4,385,180	5,032,012	4,947,269	2,668,764
Total	4,787,891	4,942,112	5,577,445	5,492,287	3,225,675

Please see the table below for details of the remaining contractual maturities of our indebtedness and contingent liabilities as of June 30, 2022.

	As of June 30, 2022			
	Within one year	After one year but within two years	After two years but within five years	After five years
		RMB'000		
Bank borrowings	214,131	–	–	–
Loans from non-controlling shareholders	140,653	–	–	–
Loans from CTG	202,127	–	–	–
Lease liabilities	860,836	425,446	773,346	609,136
Total	1,417,747	425,446	773,346	609,136

Indebtedness to the Related Parties

During the Track Record Period, none of our borrowings from our related parties contained any material covenants.

Interest-bearing Borrowings

During the Track Record Period and as of the Latest Practicable Date, we did not have any material default on our payment of payables, indebtedness, other financial obligations and/or breaches of finance covenants.

The table below sets out details of our interest-bearing borrowings as of the dates indicated. Our interest-bearing borrowings are unsecured.

	As of December 31,			As of March 31,	As of June 30,
	2019	**2020**	**2021**	**2022**	**2022**
			RMB'000		
					Unaudited
Bank borrowings	223,945	210,766	204,714	203,052	214,131
Loans from non-controlling shareholders	91,944	139,568	134,097	133,193	140,653
Loans from CTG	–	206,598	206,622	208,773	202,127
Total	315,889	556,932	545,433	545,018	556,911

Our interest-bearing borrowings increased significantly from RMB315.9 million as of December 31, 2019 to RMB556.9 million as of December 31, 2020 due to related party loans in relation to the development of our Hainan business. Our interest-bearing borrowings decreased from RMB556.9 million as of December 31, 2020 to RMB545.4 million as of December 31, 2021 and further to RMB545.0 million as of March 31, 2022 due to our repayments. Our interest-bearing borrowings was RMB556.9 million as of June 30, 2022. During the Track Record Period, the interest rate on our bank borrowings ranged from 3.8247% to 4.35% per annum. Our certain subsidiaries have short-term loans with a floating interest rate of three-month HIBOR plus 1.9%, or a fixed rate of 4.35%. As of June 30, 2022, our interest-bearing borrowings balance amounted to RMB556.9 million and our total bank facilities amounted to RMB7,522.0 million, with RMB3,720.7 million unutilized.

Our bank borrowings contain standard terms, conditions and covenants that are customary for commercial bank loans. We also undertake financial covenants that require us to meet certain financial ratio requirements such as net tangible assets, interest coverage ratio and tangible asset coverage ratio in our loan agreements. Our Directors confirm that we had neither material defaults in payment of trade and non-trade payables and loans and borrowings nor any breach of financial covenants during the Track Record Period.

Indebtedness Statement

As of the close of business on June 30, 2022, being the latest practicable date for the purpose of this indebtedness statement, we did not have any bank overdraft, outstanding bank borrowings or loan facilities other than disclosed in this prospectus.

As of June 30, 2022, other than as disclosed in this prospectus, we did not have any other bank borrowings, charges, mortgages, debentures or debt securities issued or outstanding, or authorized or otherwise created but unissued, or other similar indebtedness, hire purchase and finance lease commitments, liabilities under acceptance, acceptance credits, any guarantees or other material contingent liabilities.

Since March 31, 2022 and up to the date of the prospectus, the Directors confirm that there had not been any material adverse change in our indebtedness and contingent liabilities.

Lease Liabilities

The table below sets out details of our lease liabilities as of the dates indicated.

	As of December 31,			As of March 31,	As of June 30,
	2019	**2020**	**2021**	**2022**	**2022**
			RMB'000		
					Unaudited
Current	735,067	926,421	1,545,488	1,785,444	860,836
Non-current	3,736,935	3,458,759	3,486,524	3,161,825	1,807,928
Total	4,472,002	4,385,180	5,032,012	4,947,269	2,668,764

The table below sets out the maturity analysis of our lease liabilities as of the dates indicated.

	As of December 31,			As of March 31,	As of June 30,
	2019	**2020**	**2021**	**2022**	**2022**
			RMB'000		
					Unaudited
Within one year	735,067	926,421	1,545,488	1,785,444	860,836
After one year but within two years	897,724	973,152	965,967	857,832	425,446
After two years but within five years	2,088,375	2,237,200	2,110,883	1,955,557	773,346
After five years	750,836	248,407	409,674	348,436	609,136
Total	4,472,002	4,385,180	5,032,012	4,947,269	2,668,764

During the Track Record Period, we entered into leases primarily for our duty-free and duty-paid store operations. Our lease liabilities decreased from RMB4,472.0 million as of December 31, 2019 to RMB4,385.2 million as of December 31, 2020 from the gradual reduction of our lease liabilities following payments in accordance with our lease contract terms. Our lease liabilities increased from RMB4,385.2 million as of December 31, 2020 to RMB5,032.0 million as of December 31, 2021 primarily due to new rental contracts for downtown duty-free stores in Macau and accrued rental expenses for one of our airport concessions. Our lease liabilities was mostly stable, decreasing slightly from RMB5,032.0 million as of December 31, 2021 to RMB4,947.3 million as of March 31, 2022.

Contract Liabilities

Our contract liabilities primarily consist of our (i) customer loyalty program liabilities, and (ii) advances receipt from customers for sales of merchandise, provision of travel related services, and provision of property management services.

The table below sets out details of our contract liabilities as of the dates indicated.

	As of 31 December			As of March 31,
	2019	2020	2021	2022
		RMB'000		
Customer loyalty program liabilities	315,170	428,758	898,917	921,784
Advances receipt from customers for:				
Sales of merchandise	136,301	470,864	469,048	252,834
Provision of property management services	–	6,086	3,674	1,130
	451,471	905,708	1,371,639	1,175,748

During the Track Record Period, our contract liabilities increased from RMB451.5 million in 2019 to RMB905.7 million as of December 31, 2020 and further increased to RMB1,371.6 million as of December 31, 2021. Our contract liabilities as of March 31, 2022 was RMB1,175.7 million. As of June 30, 2022, RMB956.6 million or 81.4% of our contract liabilities as of March 31, 2022 were subsequently recognized as revenue. The general increase in contract liabilities is correlated to the continuous growth of our business.

RELATED PARTY TRANSACTIONS

We enter into transactions with related parties from time to time. Other than our deposits at CTG Finance and loans from CTG, which were non-trade in nature, our transactions with related parties during the Track Record Period were all of a trade nature. With respect to our deposits at CTG Finance, we have established a long and stable relationship with CTG Finance and it would be conducive for us to maintain the continuity of financial services received by us by continuing our co-operation with CTG Finance. See "Connected Transactions – Non-exempt Continuing Connected Transactions" for further details. With respect to the loans from CTG, our Directors consider that the interest rate charged by CTG was on market terms or better for similar maturity and the loan amount was relatively small with short maturity. As such, maintaining such short-term loan will be conducive to our operations and will not affect our financial independence. See "Relationship with Controlling Shareholder – Independence of our Group from our Controlling Shareholder" for further details. As such, the non-trade deposits at CTG Finance and loans from CTG are not expected to be settled prior to the Listing. The table below sets out our balances with related parties as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
		RMB'000		
Deposits at CTG Finance	5,674,220	7,251,352	5,835,132	6,057,864
Loans from CTG	–	206,598	206,622	208,773
Trade and other receivables				
– Companies controlled by the holding company	4,838	3,062	5,381	5,027
– Associates	79,553	47,129	24,958	17,506
– Joint ventures	2,518	2,275	–	–
Trade and other payables				
– Companies controlled by the holding company	18,622	5,229	8,022	11,500
– Associates	2,134	14,049	5,833	126,829
– Joint ventures	–	2,206	346	501
Contract liabilities				
– Associates	10,935	3,630	4,063	5,703
– Joint ventures	151	991	1,030	991

As of December 31, 2019, 2020, and 2021 and as of March 31, 2022, we deposited RMB5,674.2 million, RMB7,251.4 million, RMB5,835.1 million and RMB6,057.9 million, respectively, at CTG Finance, a related financial institution. Such deposits had normal commercial terms and was conducted in the ordinary course of our business. We do not expect to settle the transaction balance with CTG Finance prior to the Listing. See "Connected Transactions – Non-exempt Continuing Connected Transactions – Financial Services Agreement" for details.

As of March 31, 2022, the balance of our loans from CTG Group was RMB208.8 million. We have entered into a short-term loan agreement with CTG Group on April 3, 2022, pursuant to which CTG Group provided us with a one-year loan at a fixed interest rate of 4.35%. The purpose of the loan was to provide us with capital for construction of our infrastructure projects. No security over our assets has been provided in relation to the loan. See "Connected Transactions – Fully-exempt Continuing Connected Transactions – Loan Agreement with CTG Group" for details.

Our trade and other receivables from related parties mainly arose from our provision of goods and services to such parties during the Track Record Period. Meanwhile, our trade and other payables to related parties represented our obligation to pay for the goods and services we acquired in the ordinary course of our business from related parties as our suppliers.

Our Directors are of the view that all of the related party transactions set out in Note 33 to the Accountants' Report in Appendix I to this prospectus were carried out in the normal course of our business and on terms as agreed between the transacting parties.

CAPITAL EXPENDITURES

Our capital expenditures[(1)] primarily relate to the purchase of buildings, land, machinery, equipment, and investments for the purpose of expanding our operations.

Our capital expenditures were RMB1,024.1 million, RMB3,840.5 million, RMB2,342.8 million and RMB580.5 million, for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. Our capital expenditures in 2020 primarily reflected the construction of Haikou International Duty-Free Complex.

We estimate that our capital expenditures for the year ending December 31, 2022 will be RMB5,903.1 million, which will be primarily used to fund the construction of our new seaport project. We intend to finance such capital expenditures through our own funds and a portion of the proceeds from the Global Offering.

CONTINGENT LIABILITIES AND COMMITMENTS

Hainan DF pledged 51% of the equity interests of Hainan Haimian Guanlan Lake International Shopping Center Co., Ltd. ("**Haimian Guanlan Lake**") to Hainan Bank Co., Ltd. as the guarantee for Haimian Guanlan Lake for its loan contract. The loan contract is due on May 4, 2025.

The Directors confirm that as of the Latest Practicable Date there have been no material changes to our contingent liabilities and commitments.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, except as disclosed in Note 35 to the Accountants' Report set out in Appendix I to this prospectus, we did not enter into any off-balance sheet transactions or arrangements.

Note:

(1) Our capital expenditures during the Track Record Period included payments for the purchase of property, plant and equipment and other non-current assets, acquisition of Hainan DF (which was under common control), acquisition of other subsidiaries (net of cash required), and payments for investment in an associate.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Gross profit margin(1)	51.1%	38.9%	32.9%	39.4%	34.3%
Net profit margin(2)	9.9%	13.5%	18.4%	18.9%	17.5%
Return on equity(3)	26.5%	29.3%	41.4%	N.M.(8)	N.M.(8)
Return on total assets(4)	16.4%	17.4%	24.6%	N.M.(8)	N.M.(8)

	As of December 31,			As of March 31,
	2019	2020	2021	2022
Gearing ratio(5)	21.1%	19.2%	16.2%	15.0%
Current ratio(6)	2.4	1.9	2.2	2.5
Quick ratio(7)	1.5	1.0	1.1	1.1

Notes:

(1) Gross profit margin equals gross profit from our continuing operations divided by revenue from our continuing operations and multiplied by 100%.

(2) Net profit margin equals net profit from our continuing operations divided by revenue from our continuing operations and multiplied by 100%.

(3) Return on equity equals net profit divided by the average of the beginning and ending total equity and multiplied by 100%.

(4) Return on total assets equals net profit divided by the average of the beginning and ending total assets and multiplied by 100%.

(5) Gearing ratio equals total debt (including interest bearing borrowings and lease liabilities) divided by total equity and multiplied by 100%.

(6) Current ratio equals current assets divided by current liabilities.

(7) Quick ratio equals current assets minus inventories divided by current liabilities.

(8) Return on equity and return on total assets ratios for the three months ended March 31, 2021 and 2022 are not meaningful as they are not comparable to annual ratios.

Net Profit Margin

Our net profit margin increased from 9.9% in 2019 to 13.5% in 2020 primarily due to a 49.3% increase in our net profit from our continuing operations while revenue increased by 9.6% for that period. Our net profit margin increased from 13.5% in 2020 to 18.4% in 2021 primarily due to a 75.0% increase in our net profit from continuing operations while revenue increased by 28.7% during that period. Our net profit margin decreased from 18.9% in the three months ended March 31, 2021 to 17.5% in the three months ended March 31, 2022 primarily due to our net profit decreasing by 14.4% during this period while revenue decreased by 7.5%.

Return on equity

Our return on equity increased from 26.5% in 2019 to 29.3% in 2020 primarily due to a 29.9% increase in our net profit while changes in total equity were comparatively less pronounced. Our return on equity increased from 29.3% in 2020 to 41.4% in 2021 due to a 75.0% increase in net profit while changes in total equity were comparatively less pronounced.

Return on total assets

Our return on total assets increased from 16.4% in 2019 to 17.4% in 2020 primarily due to a 29.9% increase in our net profit while changes in total assets was comparatively less pronounced. Our return on total assets increased from 17.4% in 2020 to 24.6% in 2021 primarily due to a 75.0% increase in net profit while changes in total assets were comparatively less pronounced.

Gearing ratio

Our gearing ratio decreased from 21.1% in 2019 to 19.2% in 2020 primarily due to an increase in equity. Our gearing ratio decreased from 19.2% as of December 31, 2020 to 16.2% as of December 31, 2021 primarily due to an increase in equity. Our gearing ratio decreased from 16.2% as of December 31, 2021 to 15.0% as of March 31, 2022 due to an increase in equity while changes in total debt (including interest bearing borrowings and lease liabilities) were comparatively less pronounced.

Current ratio

Our current ratio decreased from 2.4 as of December 31, 2019 to 1.9 as of December 31, 2020 primarily due to an increase in our current liabilities, primarily trade and other payables and income tax payable. Our current ratio increased from 1.9 as of December 31, 2020 to 2.2 as of December 31, 2021 primarily due to an increase in our current assets, primarily inventories, cash and cash equivalents and trade and other receivables. Our current ratio increased from 2.2 as of December 31, 2021 to 2.5 as of March 31, 2022 primarily due to a decrease in our current liabilities, primarily trade and other payables and income tax payable.

Quick ratio

Our quick ratio decreased from 1.5 as of December 31, 2019 to 1.0 as of December 31, 2020 primarily due to an increase in our current liabilities, primarily trade and other payables and income tax payable. Our quick ratio was relatively stable as of December 31, 2020 and 2021 and as of March 31, 2022 at 1.0, 1.1 and 1.1 respectively.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to various types of financial risks in the ordinary course of our business, including liquidity risk, interest rate risk and currency risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner. For more information, see Note 32 to the Accountants' Report set out in Appendix I to this prospectus.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade and receivables. Our exposure to credit risk arising from cash and cash equivalents and restricted deposits is limited because the counterparties are banks and financial institutions with high credit standing assigned by our management, for which the we consider to have low credit risk.

Our trade receivables are primarily resulted from credit card sales and sales through online channels. We have no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when we have significant exposure to individual customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. We do not provide any guarantees which would expose us to credit risk.

Liquidity Risk

Our policy is to regularly monitor our liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

The following are the contractual maturities of our financial liabilities as of December 31, 2019, 2020 and 2021 and as of March 31, 2022, which are based on contractual undiscounted cash flows and the earliest dates we can be required to pay.

	As at 31 December 2019					
	Within 1 year	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**	**Total**	**Financial statement carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	320,358	–	–	–	320,358	315,889
Trade and other payables	7,268,541	–	–	–	7,268,541	7,268,541
Lease liability	926,774	1,064,232	2,493,192	760,826	5,245,024	4,472,002
Total	8,515,673	1,064,232	2,493,192	760,826	12,833,923	12,056,432

	As at 31 December 2020					
	Within 1 year	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**	**Total**	**Financial statement carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	562,159	–	–	–	562,159	556,932
Trade and other payables	11,985,168	–	–	–	11,985,168	11,985,168
Lease liability	1,108,590	1,108,878	2,536,585	256,551	5,010,604	4,385,180
Total	13,655,917	1,108,878	2,536,585	256,551	17,557,931	16,927,280

	As at 31 December 2021					
	Within 1 year	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**	**Total**	**Financial statement carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	549,271	–	–	–	549,271	545,433
Trade and other payables	12,066,164	–	–	–	12,066,164	12,066,164
Lease liability	1,738,084	1,114,510	2,347,026	469,077	5,668,697	5,032,012
Total	14,353,519	1,114,510	2,347,026	469,077	18,284,132	17,643,609

	As at 31 March 2022					
	Within 1 year	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**	**Total**	**Financial statement carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	547,019	–	–	–	547,019	545,018
Trade and other payables	10,785,768	–	–	–	10,785,768	10,785,768
Lease liability	1,967,457	997,526	2,167,073	400,531	5,532,587	4,947,269
Total	13,300,244	997,526	2,167,073	400,531	16,865,374	16,278,055

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

Cash at bank, lease liabilities, and interest-bearing borrowings are the major types of our financial instruments subject to interest rate risk.

Our cash at bank, lease liabilities, interest-bearing borrowings and interest rates as of December 31, 2019, 2020 and 2021 and as of March 31, 2022 are set out as follows:

	As of 31 December			As of 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Variable rate instruments				
Bank loans	(223,945)	(210,766)	(204,714)	(203,052)
Loans from non-controlling shareholders	(36,429)	(33,865)	(32,858)	(32,590)
Total	(260,374)	(244,631)	(237,572)	(235,642)

	As of 31 December			As of 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed rate instruments				
Restricted bank deposits	508,767	54,545	199,657	768,665
Cash at bank	11,979,188	14,655,859	16,654,848	13,960,804
Loans from CTS Finance	–	(206,598)	(206,622)	(208,773)
Loans from non-controlling shareholders	(55,515)	(105,703)	(101,239)	(100,603)
Lease liabilities	(4,472,002)	(4,385,180)	(5,032,012)	(4,947,269)
Total	7,960,438	10,012,923	11,514,632	9,472,824

Sensitivity analyses

As of December 31, 2019, 2020 and 2021 and as of March 31, 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have increase/decrease our profit after tax and retained profits by approximately RMB59,739,000, RMB76,290,000, RMB89,107,000 and RMB71,456,000, respectively.

The sensitivity analysis above indicates that instantaneous change in our profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at end of each year of the Track Record Period and had been applied to remeasure those financial instruments held by us which expose us to fair value interest rate risk at the end of each year of the Track Record Period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by us at the end of each year of the Track Record Period, the impact of our profit after tax (and retained profits) is estimated as an annualized impact on interest expense or income of such a change in interest rate.

Currency Risk

We are exposed to currency risk primarily through sales and purchases which give rise to cash, receivables and payables balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies which give rise to this risk are primarily US$ and HK$.

	As at 31 December 2019		As at 31 December 2020		As at 31 December 2021		As at 31 March 2022	
	RMB'000 US$	*RMB'000 HK$*	*RMB'000 US$*	*RMB'000 HK$*	*RMB'000 US$*	*RMB'000 HK$*	*RMB'000 US$*	*RMB'000 HK$*
Cash at bank	3,750,340	433,209	3,524,901	1,494,123	7,226,957	165,377	4,828,459	1,085,812
Trade receivables	543,062	60,536	7,044	1,004	2,503	23	4,048	5,226
Trade payables	(1,998,480)	(284,586)	(4,246,308)	–	(3,251,043)	(14,894)	(3,051,952)	(14,850)
Interest-bearing borrowings	–	(223,945)	–	(210,400)	–	–	–	–
	2,294,922	(14,786)	(714,363)	1,284,727	3,978,417	150,506	1,780,555	1,076,188

Sensitivity analysis

The following table indicates the instantaneous change in our profit after tax (and retained profits) that would arise if foreign exchange rates to which we have significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax (and retained profits)			
		As of December 31,			As of March 31,
		2019	2020	2021	2022
US$	1%	17,212	(5,358)	29,838	13,354
	(1%)	(17,212)	5,358	(29,838)	(13,354)
HK$	1%	(111)	9,635	1,129	8,071
	(1%)	111	(9,635)	(1,129)	(8,071)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of our entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each year of the Track Record Period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by us which expose us to foreign currency risk at the end of each year of the Track Record Period, including inter-company payables and receivables which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into our presentation currency, which depends on the foreign currencies we are exposed to, and may or may not have an effect on our net assets. The analysis is performed on the same basis during the Track Record Period.

DIVIDEND POLICY

Our Company's dividend policy shall be determined by the Board of Directors based on the business development and performance of our Company and will be subject to the approval of the shareholders' general meeting. Our dividend policy shall maintain consistency and stability. Future profit distributions may be carried out in the form of cash dividends or stock dividends or by interim cash profit distribution. In the case that both cash dividends and stock dividends are satisfied, cash dividends shall prevail.

On the basis of the consolidated financial statements of our Company and subject to the relevant PRC laws, other than under certain special circumstances, our annual cash dividends shall not be less than 5% of the annual distributable profit for that year. Our Company's accumulated profit distributed in cash in any three consecutive years shall not be less than 30% of the annual distributable profit realized in the same three years. The abovementioned special circumstances include: (i) we do not have sufficient distributable profit and therefore we are unable to pay dividends; (ii) our external auditors deliver a qualified auditor's report; (iii) our debt-to-asset ratio at the end of a year is higher than 70%; or (iv) the occurrence of significant investments or capital expenditure events, including but not limit to, any investment or future investment in the next 12 months, asset acquisition, procurement of equipment and machinery, repayment of debts, redemption of bonds, and the expenditure of which exceeds 10% of the total assets based on the audited financial statements from the latest financial year.

Subject to the satisfaction of conditions for cash dividend distribution provided in the PRC Company Law, our Company shall pay a dividend once each fiscal year. Our Board of Directors may propose to pay an interim profit distribution depending on the profitability and capital reserve of our Company. In addition, the Board of Directors may put forward a stock dividend distribution proposal in addition to a cash dividends after considering factors such as our Company's share capital scale and shareholders' best interests.

In accordance with our dividend policy, for the years ended December 31, 2019, 2020 and 2021, our dividend rate, which was calculated by dividing the dividend declared by distributable profit for the same year and multiplied by 100%, was 30.4%, 31.8% and 30.3%, respectively. The dividends paid during this period were higher than our stipulated 5% annual dividend payout rate from our dividend policy. For the year ended December 31, 2019, we declared and subsequently paid out dividends in the amount of RMB1,405.8 million. For the year ended December 31, 2020, we declared and subsequently paid out dividends in the amount of RMB1,952.5 million. Since 2021 and up to the Latest Practicable Date, we have declared dividends in the amount of RMB2,928.7 million for the year ended 31 December 2021, which has since been subsequently paid out from our own funds. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future.

DISTRIBUTABLE RESERVES

As of March 31, 2022, we had retained profits of RMB4,600.0 million which was available for distribution to the Shareholders.

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised, an Offer Price of HK$154.50 per Offer Share (which is the mid-point of the Offer Price range) and the full payment of the discretionary incentive fee, if any, we expect to incur approximately RMB290.8 million of listing expenses (including (i) underwriting-related expenses, including but not limited to commissions, fees, SFC transaction levy, FRC transaction levy and Hong Kong Stock Exchange trading fee, amounted to approximately RMB205.6 million, and (ii) fees and expenses of legal advisors and accountants amounted to approximately RMB62.9 million and other fees and expenses relating to the Global Offering, including but not limited to the listing application fees, amounted to approximately RMB22.3 million), accounting for approximately 2.1% of the gross proceeds from the Global Offering. Approximately RMB15.5 million of our listing expenses is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately RMB275.3 million is expected to be deducted from equity upon Listing. Listing expenses directly attributable to the issue of shares will be deducted from equity. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For more information, see "Unaudited Pro Forma Financial Information" in Appendix IIB to this prospectus.

PROPERTY INTERESTS AND PROPERTY VALUATION

JLL, an independent valuer, valued our certain property interests as of May 31, 2022. The text of the valuation report, valuation summary and valuation certificates is set out in Appendix IV to this prospectus.

The table below sets forth the reconciliation of aggregate amounts of our property interests from our consolidated financial statements as of March 31, 2022 to the valuation of selective property interests as of May 31, 2022.

	Amount
	RMB'000
Net book value as of March 31, 2022	
– Building, land of rights and construction in progress	6,316,339
Movement from March 31, 2022 to May 31, 2022	
Add: additions during the period	319,410
Less: depreciation and amortization during the period	14,064
Net book value as of May 31, 2022	6,621,685
Valuation surplus	1,962,315
Valuation as of May 31, 2022 as sets out in Appendix IV to this prospectus	8,584,000

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Impact of COVID-19

As a result of COVID-19, governments have imposed travel restrictions and travel advisories, leading to a decrease in overseas travel and less foot traffic through airports and other transport hubs. According to data released by the National Bureau of Statistics, the volume of tourists for overseas travel decreased in 2020 and 2021. The number of international tourists was about 128.0 million in 2021, a decrease of about 2.8% as compared to the year before. Even though the COVID-19 pandemic was gradually brought under control in China, as international travel to and from China has not yet recovered, our stores (with the exception of our offshore stores in Hainan) continue to face challenges.

In July 2021, multiple cities in China reported new locally transmitted Delta strain of the COVID-19 cases and surges in infection levels. Given the rising new variant of COVID-19 cases around the world, especially the uncertainties brought by new variant of the COVID-19 cases in China and around the world, the resumption of international travel to and from China and the recovery of port duty-free sales may be delayed. In March, April and May of 2022, due to a resurgence of COVID-19 in China, further travel restrictions and pandemic control measures were implemented. However, Frost & Sullivan advised that given the overall demand for duty-free products, the offshore and online sales of duty-free products will remain strong after the COVID-19 pandemic situation is brought under control. Thus, we expect that, while the COVID-19 pandemic will continue to affect our port duty-free sales in the foreseeable future, the impact will be offset by the growth in other duty-free sales channels. Accordingly, while the emergence of the new variant of the COVID-19 cases has affected and may continue to affect our short-term growth rate, we do not expect the new COVID-19 cases to have a material adverse effect on our long-term overall business and financial performance.

During this challenging period, we have adapted and adjusted our business development strategies, vigorously expanded our business in the Hainan markets and our online business, and have strictly controlled our costs and expenses in order to minimize the impact of COVID-19 on our operations. As a result of our quick actions and ability to adapt, our business has continued to improve despite these challenging times. Our revenue increased by 9.6% from RMB48,012.6 million for the year ended December 31, 2019 to RMB52,597.8 million for the year ended December 31, 2020, and our gross profit decreased by RMB4,054.2 million, or 16.5%, from RMB24,522.7 million in 2019 to RMB20,468.5 million in 2020, for the same periods. The decrease in our gross profit was primarily due to a decrease in our sales of duty-free products and a significant increase in our sales of duty-paid products, which lowered our overall gross profit margin. Our revenue further increased by 28.7% from RMB52,597.8 million for the year ended December 31, 2020 to RMB67,675.5 million for the year ended December 31, 2021, and our gross profit increased by RMB1,825.7 million, or 8.9%, from RMB20,468.5 million in 2020 to RMB22,294.2 million in 2021, for the same periods. See "– Results of Operations" for details.

Once the travel industry began feeling the effects of COVID-19, we quickly shifted our focus to our online sales channels, and through research and quick formulation of online sales strategies, such as an online membership system and other measures, we were able to mitigate some of the effects. In a short period of time, our innovative commercial retail model was realized and quickly implemented. We were able to effectively transform and upgrade our online business. In 2020, we brainstormed and developed new business formats such as CDF membership purchases, enriching our product categories and increasing marketing efforts for our online sales channels.

The sales of our offline stores (excluding our Hainan duty-free business) have been severely affected by the international travel restrictions as a result of the COVID-19 pandemic. With the international travel restrictions remaining in place, we expect that the sales of our offline stores (excluding our Hainan duty-free business) will continue to be negatively affected in the foreseeable future. However, the decrease in the sales of our offline stores have been offset by the increase in the sales of our offshore stores. Driven by the increasing demand for duty-free products and favorable policies favoring duty-free shopping in Hainan, the revenue from our offshore stores increased by RMB16,712.3 million, or 126.1%, from RMB13,249.6 million in 2019 to RMB29,961.9 million in 2020, and further increased by RMB17,095.8 million or 57.1% from RMB29,961.9 million in 2020 to RMB47,057.7 million in 2021. At the same time, the implementation of our digital strategy also became a primary contributor of our revenue from duty-paid sales, increasing by RMB18,556.9 million, or 1,612.7%, from RMB1,150.7 million in 2019 to RMB19,707.6 million in 2020, and further increased by RMB4,298.1 million, or 21.8% to RMB24,005.7 million in 2021. These strategies have offset the decrease in sales in our traditional offline stores and resulted in an overall increase in our revenue of RMB4,585.2 million, or 9.6%, from RMB48,012.6 million in 2019 to RMB52,597.8 million in 2020 and further increase by RMB15,077.7 million, or 28.7% to RMB67,675.5 million in 2021.

In March, April and May of 2022, due to a large increase of COVID-19 cases in China, especially an unexpected outbreak in Shanghai, further travel restrictions and pandemic control measures were implemented. The pandemic situation in China in early 2022 was more severe as compared to 2021 and 2020 due to clusters in multiple regions simultaneously and as such increased pandemic control measures, including strengthened travel restrictions, were introduced. The pandemic control measures periodically and temporarily impacted our operations and logistics as certain of our stores had to close operations for a short period, such as our operations in Shanghai and our offshore stores in Hainan. Additionally, our order fulfillment was delayed despite customers still being able to order and purchase our merchandise online. Our business and operating results have experienced a material adverse impact as compared to the same period in 2021. While our revenue was negatively impacted and order fulfillment was delayed due to the pandemic control measures leading to store closures and decreased consumer demand, we implemented mitigating measures such as the use of discounts to encourage consumers to shop through our online sales platforms. However, while we were able to receive orders during that time, we were not able to fulfil them and recognize the revenue promptly until pandemic control measures were relaxed and orders were fulfilled. As such the recent COVID-19 outbreaks and the corresponding pandemic control measures have materially and adversely impacted our operations and logistics, revenue and overall gross profit margins. During this time, we have increased our promotional and marketing efforts, increased our use of discounts, worked at maintaining and further developing our relationships with existing brands and business partners and other measures to mitigate and lessen the disruptions to our business. By early June 2022, we were able to resume most of our operations that were disrupted and resume order fulfillment. Furthermore, the disruptions caused by the pandemic control measures were mostly concentrated around our Shanghai operations in March, April and May 2022. For the first two months of 2022, prior to the resurgence of COVID-19 and ensuing pandemic control measures, our revenue and net profit increased as compared to the same period in 2021. In June 2022 as our operations in Shanghai gradually resumed and the travel retail market began its recovery, our revenue for June 2022 increased as compared to same period in 2021. However, as a result of the general disruptions to our business from the resurgence of COVID-19 and ensuing pandemic control measures, our total revenue decreased by RMB7,875.2 million, or 22.2%, from RMB35,526.0 million for the six months ended June 30, 2021 to RMB27,650.8 million for the six months ended June 30, 2022 and our net profit decreased by RMB1,985.0 million, or 30.4%, from RMB6,536.7 million for the six months ended June 30, 2021 to RMB4,551.7 million for the six months ended June 30, 2022.

In June 2022, certain of our subsidiaries received unconditional rent concession from the relevant facility owners in respect of the lease expenses relating to the previous period with total amount of RMB869.0 million. Such amount was recognized in profit or loss when the rent concession was received in June 2022.

Furthermore, in early August 2022, an increase of COVID-19 cases in Hainan was reported. As a result, increased pandemic control measures were implemented. Due to the outbreak and temporary pandemic control measures, certain of our stores in Hainan had to close operations temporarily, including our Sanya International Duty-free Complex, which may have a temporary adverse effect on our business and results of operations.

The occurrence of COVID-19 outbreaks and any corresponding pandemic control measures imposed have and will directly impact our results of operations. Additionally, our results of operations are affected by consumer demand and consumption patterns of travelers, which in turn largely depend on the growth of disposable income in China and the general economic conditions in China. Any new pandemic control measures or any economic downturn in China could adversely affect our business, results of operations and financial position. In the long term, after the COVID-19 pandemic is brought under control and international travel to and from China resumes, we expect the traditional travel retail sales channel will gradually recover and may drive the further growth of our business.

No Material Adverse Change

Multiple cities in China reported the new Omicron strain of COVID-19 during early 2022 and resulting pandemic control measures were implemented. Based on our unaudited condensed consolidated financial information as of and for the six months ended June 30, 2022, our revenue, gross profit and operating profit for the six months ended June 30, 2022 was lower than the same period in 2021 as a result of store closures, disruptions to our logistics and operations in Shanghai, our use of discounts as promotions and overall decreased consumption. As such, if (i) the abovementioned or similar outbreaks and pandemic control measures are still in place, and/or (ii) domestic travel and the travel retail industry is affected by the aforementioned continued or similar outbreaks and pandemic control measures, and/or (iii) our business does not experience a significant rebound in the second half of the year, our profit for the year ending December 31, 2022 may be lower than our profit for the year ended December 31, 2021. Please see "– Impact of COVID-19" in this section for more information.

Our Directors confirm that, other than disclosed in the paragraphs headed "– Impact of COVID-19" in this section, there had been no material adverse change in our financial or trading position or prospects since March 31, 2022, being the date of our latest audited financial statements, and up to the date of this prospectus, and there had been no event since March 31, 2022 and up to the date of this prospectus that would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

Six months ended June 30, 2022 compared with six months ended June 30, 2021

We are a public company listed on the Shanghai Stock Exchange and we have disclosed unaudited key financial information as of and for the six months ended June 30, 2022 pursuant to the relevant PRC securities laws and regulations. We have included our unaudited interim financial report prepared in accordance with IAS 34 as of and for the six months ended June 30, 2022 in "Appendix IIA" to this prospectus. Our unaudited condensed consolidated financial statements have been reviewed by our reporting accountants KPMG in accordance with Hong Kong Standards on Review Engagements 2410. We have established an audit committee in compliance with the Corporate Governance Code. The members of the Board, including those of the audit committee, have received and reviewed an extract of the unaudited interim financial information of the Group for the six months ended June 30, 2022, as set out in Appendix IIA to this Prospectus. We are not in breach of our Articles of Association or laws and regulations of the PRC or other regulatory requirements regarding our obligation to publish and distribute interim reports and interim results announcements in accordance with the requirements under Rule 13.48(1) and Rule 13.49(6) of the Hong Kong Listing Rules, respectively. Pursuant to the Note to Rule 13.48(1) and the Note to Rule 13.49(6) of the Hong Kong Listing Rules respectively, we do not intend to publish a separate interim report or a separate interim results announcement in respect of the six months ended June 30, 2022 under the aforementioned Rules. See "Appendix IIA – Unaudited Interim Financial Information" for details. The following is a discussion of fluctuations of selected line items.

Revenue

Our total revenue decreased by RMB7,875.2 million, or 22.2%, from RMB35,526.0 million for the six months ended June 30, 2021 to RMB27,650.8 million for the six months ended June 30, 2022. The decrease was primarily due to the resurgence of COVID-19 in multiple regions of China and ensuing pandemic control measures leading to travel restrictions, store closures, disruptions to our logistics and operations in Shanghai and overall decreased consumption. As a result of the pandemic control measures, certain of our stores had to close for a short period, such as our stores in Shanghai and our offshore stores in Hainan. Our store closures temporarily impacted our operations, logistics and order delivery and fulfilment, primarily our operations in Shanghai. Our order delivery and fulfilment gradually resumed and by early June 2022, we were able to resume most of our operations that were disrupted. As our operations in Shanghai gradually resumed and the travel retail market began its recovery, our revenue for June 2022 increased as compared to same period in 2021.

Cost of sales

Our cost of sales decreased by RMB3,632.3 million, or 16.5%, from RMB22,065.3 million for the six months ended June 30, 2021 to RMB18,433.0 million for the six months ended June 30, 2022. The decrease was primarily due to decreased sales during this period from the resurgence of COVID-19 in multiple regions of China and ensuing pandemic control measures leading to travel restrictions, store closures, disruptions to our logistics and operations in Shanghai and overall decreased consumption.

Gross profit and gross profit margin

Our gross profit decreased by RMB4,242.9 million, or 31.5%, from RMB13,460.7 million for the six months ended June 30, 2021 to gross profit of RMB9,217.8 million for the six months ended June 30, 2022 primarily due to the resurgence of COVID-19 in multiple regions of China and ensuing pandemic control measures leading to travel restrictions, store closures, disruptions to our logistics and operations in Shanghai, our use of discounts and promotions and overall decreased consumption. Our gross profit margin decreased from 37.9% for the six months ended June 30, 2021 to 33.3% for the six months ended June 30, 2022, primarily due to our use of discounts and promotions during this period in response to decreased passenger foot traffic and temporary store closures arising from the resurgence of COVID-19 in China and ensuing pandemic control measures.

Other income and other net loss/gain

For the six months ended June 30, 2021 we recorded other income and other net gain of RMB446.4 million. For the six months ended June 30, 2022 we recorded other income and other net loss of RMB334.2 million. The change was primarily due to foreign exchange losses from an appreciation of the US dollar against the Renminbi.

Selling and distribution costs

Selling and distribution costs decreased by RMB1,731.3 million, or 41.3%, from RMB4,191.4 million for the six months ended June 30, 2021 to RMB2,460.1 million for the six months ended June 30, 2022. The decrease was primarily due to (i) decreased rental expenses resulting from COVID-19 related travel restrictions as many of our rental agreements contain a provision on variable commissions based on sales volume or passenger foot traffic as a component of our rent payments and (ii) decreased rental expenses from certain of our airport concessions.

Income tax

Income tax expense decreased by RMB1,232.3 million, or 61.2%, from RMB2,014.8 million for the six months ended June 30, 2021 to RMB782.5 million for the six months ended June 30, 2022. The decrease was primarily due to (i) decreased sales during this period due to a resurgence of COVID-19 cases in China and ensuing pandemic control measures leading to travel restrictions and store closures (particularly in Shanghai and Hainan), disruptions to our logistics and operations in Shanghai and overall decreased consumption and (ii) a preferential corporate income tax rate of 15% for certain of our subsidiaries in Hainan as those subsidiaries primarily conduct business in the duty-free industry which is encouraged by the government authorities.

Profit for the period

Our profit for the period decreased by RMB1,985.0 million, or 30.4%, from RMB6,536.7 million for the six months ended June 30, 2021 to RMB4,551.7 million for the six months ended June 30, 2022.

Trade and other receivables

Our trade and other receivables increased from RMB2,534.4 million as of December 31, 2021 to RMB2,813.3 million as of June 30, 2022 primarily due to (i) an increase in prepayments for the purchase of merchandise from RMB286.6 million as of December 31, 2021 to RMB431.2 million as of June 30, 2022 as a result of increased procurement and stock up on inventory, (ii) an increase in other receivables from RMB213.2 million as of December 31, 2021 to RMB325.4 million as of June 30, 2022 from rent reductions and payments for facilities and utilities paid on behalf of sublessees, and (iii) an increase in trade receivables from RMB297.7 million as of December 31, 2021 to RMB344.2 million as of June 30, 2022 due to an increase in our trade receivables from our online business.

Gearing ratio

Our gearing ratio decreased from 16.2% as of December 31, 2021 to 9.0% as of June 30, 2022 due to an increase in equity while total debt (including interest bearing borrowings and lease liabilities) decreased.

Business Review and Outlook

We are a pioneer of China's duty-free industry. Since our establishment in 1984, we have been continuously promoting the development of China's duty-free industry. We have developed China's travel retail business with duty-free as our core strength and seek to increase our global presence. We are the only retail operator in China covering all duty-free sales channels (which include port stores, offshore stores, downtown stores, cruise stores, inflight stores and ship-supply stores). In terms of geographical coverage, we believe we have the best duty-free stores in China. We have captured the core offshore duty-free sales channels in Hainan, including Haikou Meilan International Airport and Sanya Phoenix International Airport, the core downtown areas of Haikou and Sanya, as well as the area of Boao Forum for Asia. We have established the only nationwide duty-free logistics and distribution system in China. We have also formed direct procurement channels with more than 430 merchandise suppliers and over 1,200 brands worldwide. Our merchandise primarily includes mid- to high-end perfume and cosmetics, fashion and accessories (such as watches, jewelry, clothing and accessories), tobacco and liquor, food and miscellaneous goods.

For the years ended December 31, 2019, 2020 and 2021, our revenue was RMB48,012.6 million, RMB52,597.8 million and RMB67,675.5 million, respectively, and our net profit was RMB5,471.1 million, RMB7,109.4 million and RMB12,441.3 million, respectively. From 2019 to 2021, our revenue grew at a CAGR of 18.7% and our net profit grew at a CAGR of 50.8%. In March, April and May 2022, the COVID-19 pandemic situation in China was more severe as compared to 2021 and 2020 due to clusters in multiple regions simultaneously. As a result, increased pandemic control measures, including strengthened travel restrictions, were introduced. Our business and operations faced disruptions and our total revenue decreased by RMB7,875.2 million, or 22.2%, from RMB35,526.0 million for the six months ended June 30, 2021 to RMB27,650.8 million for the six months ended June 30, 2022. Our net profit for the period decreased by RMB1,985.0 million, or 30.4%, from RMB6,536.7 million for the six months ended June 30, 2021 to RMB4,551.7 million for the six months ended June 30, 2022. In June 2022 as pandemic control measures were eased, our operations in Shanghai gradually resumed and the travel retail market began its recovery. Our revenue for June 2022 increased as compared to same period in 2021. Our online platforms remained a popular destination for our customers and saw the number of orders increasing by more than 80% in the second quarter of 2022 as compared to the same period last year, partially offsetting the impact of the decrease in passenger traffic as well as the temporary store closures. We expect that, while the COVID-19 pandemic will continue to affect our port duty-free sales in the foreseeable future, the impact will be limited given the resilience in other duty-free sales channels and duty-paid sales channels. Accordingly, while the emergence of the new variant of the COVID-19 cases has affected and may continue to affect our short-term growth rate, we do not expect the new COVID-19 cases to have a material adverse effect on our long-term overall business and financial performance.

Moving forward, we plan to focus on the following key strategies for our business:

- Continue to consolidate our competitive edge in existing business and maintain industry leadership through (i) vigorously developing our offshore business to take full advantage of the favorable offshore duty-free policies in Hainan and (ii) focusing on traditional domestic channels to reinforce our omni-channel retail network.

- Actively expand new businesses and explore more profit growth opportunities through (i) further developing integrated travel retail complexes with duty-free business as the core to accelerate expansion into other parts of the industry, (ii) forestall in opening of downtown duty-free stores to expand the emerging channel market space and (iii) continue expanding overseas business channels and further increase global competency.

- Reinforce our competitive advantages in upstream brand suppliers and domestic and overseas channels through capital operation

- Further strengthen our core capabilities to provide driving force for continuous development.

- Attract and retain top-notch strategic talents to preserve corporate human resources.

However, given the uncertainties associated with the COVID-19 pandemic, while overseas expansion remains our long-term objective, we have exercised more caution in our overseas expansions. We will focus on expansion of duty-free stores domestically (especially in Hainan) as well as continuing to accelerate our digital strategy in the immediate future, while closely monitoring the circumstances and seeking to speed up our expansion plans overseas as soon as circumstances permit. See “Business – Our Strategies” and “Future Plans and Use of Proceeds” for further details.

FUTURE PLANS

See "Business – Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering which we will receive, after deducting the underwriting commissions, the discretionary incentive fees (assuming full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering payable by us, will be:

- approximately HK$14,424.7 million, assuming an Offer Price of HK$143.50 (being the Minimum Offer Price);
- approximately HK$15,538.0 million, assuming an Offer Price of HK$154.50 (being the mid-point of the Offer Price Range); or
- approximately HK$16,651.3 million, assuming an Offer Price of HK$165.50 (being the Maximum Offer Price).

We currently intend to use the net proceeds assuming an Offer Price of HK$154.50 (being the mid-point of the Offer Price Range) from the Global Offering as follows:

- approximately 48.8%, or HK$7,579.2 million, will be used to reinforce our domestic channels[(1)], among which,

  (i) approximately 3.0%, or HK$465.8 million, will be used to invest in approximately eight duty-free stores in key airports. More specifically, the proceeds will be used to (a) develop new stores in key airports, especially in relation to their renovation, procurement and operations, and (b) renew the concession rights to operate the airport stores that are nearing the end of their concession periods, especially in relation to the bids to secure the concession rights to operate the stores, store renovation, procurement and store operations;

Note:

(1) The proposed stores and their related investments and product procurements vary substantially according to their size, type and location:

- *Port duty-free stores (other than airport duty-free stores) and duty-paid stores:* Most of our port duty-free stores and duty-paid stores tend to be small and do not require substantial investments. We estimate the average investment and product procurement to be around RMB5 million per store for the port duty-free stores and around RMB25 million per store for the duty-paid stores.
- *Airport duty-free stores:* The airport duty-free stores are typically larger than our other duty-free stores and we estimate the average investment and product procurement to be around RMB50 million per store for the airport duty-free stores.
- *Downtown duty-free stores:* The investments for downtown duty-free stores tend to be higher due to their downtown locations and we estimate the average investment and product procurement to be approximately RMB250 million per store for the downtown duty-free stores.
- *Integrated travel retail complexes:* The two integrated travel retail complexes require the most investments due to their large size and increased procurements. We estimate that over RMB6.0 billion will be invested in the integrated travel retail complexes.

(ii) approximately 0.7%, or HK$116.5 million, will be used to invest in approximately 20 other duty-free port stores, including port stores in border crossings, railway stations, cross-border bus stations and seaports. More specifically, the proceeds will be used to (a) develop new port stores, especially in relation to their renovation, procurement and operations, and (b) renew the concession rights to operate the port stores that are nearing the end of their concession periods, especially in relation to the bids to secure the concession rights to operate the stores, store renovation, procurement and store operations;

(iii) approximately 3.7%, or HK$582.3 million, will be used to invest in approximately 20 duty-paid travel retail projects, including duty-paid stores in airports and other key transportation hubs; and

(iv) approximately 41.3%, or HK$6,414.6 million, will be used to invest in downtown duty-free stores, including:

(a) approximately 7.5%, or HK$1,164.6 million, will be used for in the renovation, procurement and operations of approximately 11 downtown duty-free stores;

(b) approximately 26.3%, or HK$4,085.5 million, will be used to expand the Haikou International Duty-Free Complex which includes additional shopping facilities and a hotel. Specifically, 7.6%, or HK$1,174.1 million, will be used to develop additional shopping facilities and a hotel. The Haikou International Duty-Free Complex is currently under construction and is expected to commence operation in September 2022. The construction work on the expansion project, with an estimated total GFA of 695,000 sq.m, has commenced in December 2021 and the completion date is expected to be 2026. The remaining 18.7%, or HK$2,911.4 million, will be used for the renovation, procurement and operations; and

(c) approximately 7.5%, or HK$1,164.6 million, will be used to further expand the Sanya International Duty-Free Complex. Specifically, 3.7%, or HK$582.3 million, will be applied to develop duty-free and duty-paid shopping facilities as well as a hotel that will form an extension of the Sanya International Duty-Free Complex. The duty-free shopping facilities have been under construction since March 2021 and are expected to commence operation in 2023 with an estimated GFA of 76,500 sq.m. Construction of the duty-paid shopping facilities is expected to commence in September 2022 and the operation is expected to commence in 2027 with an estimated GFA of 370,000 sq.m. The hotel will have an estimated GFA of 96,000 sq.m and construction work has commenced in December 2021 and the completion date is expected to be 2026. The remaining 3.7%, or HK$582.3 million, will be used for the renovation, procurement and operations.

- approximately 22.5%, or HK$3,493.7 million, will be used for expanding overseas channels, among which,

  (i) approximately 8.2%, or HK$1,281.0 million, will be used to open approximately six downtown stores overseas. Seizing opportunities in the development of the Guangdong-Hong Kong-Macau Greater Bay Area, we seek to further boost our network of downtown stores in Hong Kong and Macau. We will also take advantage of the Belt and Road Initiative and look for opportunities to open downtown stores overseas in areas such as large transportation hubs and city centers, especially in popular tourist destinations in Asia. The locations identified thus far include Japan, Sri Lanka and Laos;

  (ii) approximately 4.5%, or HK$698.7 million, will be used to expand our port stores overseas. We will seek to secure the concession rights and to operate several more duty-free stores in airports in Asia. We place emphasis on international hubs that see many transiting passengers every day as well as gateway hubs of countries with frequent Chinese tourists. The locations identified thus far include Singapore Changi Airport, Phnom Penh International Airport, Siem Reap International Airport and Sihanoukville International Airport. The proceeds will also be used to renew our concession rights to operate in Hong Kong International Airport and Macau International Airport;

  (iii) approximately 2.2%, or HK$349.4 million, will be used to expand our stores on approximately six more cruise ships. According to Frost & Sullivan, China's cruise ship market is still in the early stage of its development and there is significant room for its future growth once the COVID-19 pandemic is brought under control. Leveraging our extensive know-how in China's duty-free market, we seek to open new stores on cruise ships to capture the growth potential of this emerging market, especially the new cruise ships targeting Chinese travelers after they are launched; and

  (iv) approximately 7.5%, or HK$1,164.6 million, will be used to selectively pursue acquisitions of two to three travel retail operators overseas. We focus on popular tourist destinations with frequent Chinese tourists and seek opportunities to acquire duty-free operators located there. As of the Latest Practicable Date, we had not entered into any binding commitment or intent letter, whether oral or written, for any business or asset acquisitions;

  The specific means of investment in (i)-(iv) above will include but not limited to through the capital increase of China Duty Free International Limited.

- approximately 13.5%, or HK$2,096.2 million, will be used to improve supply chain efficiency, among which,

  (i) approximately 6.7%, or HK$1,048.1 million, will be used to invest in developing our logistics centers. Specifically, the proceeds will be applied to develop the logistics center in Qianhai, Shenzhen and Haitang Bay, Sanya. We believe the logistics centers in Shenzhen and Sanya will help us increase our operational efficiency and lower our operating costs;

(ii) approximately 1.5%, or HK$232.9 million, will be used to upgrade our existing supply chain, including:

(a) approximately 1.1%, or HK$174.7 million, will be used to upgrade our domestic logistics centers; and

(b) approximately 0.4%, or HK$58.2 million, will be used to recruiting and training our supply chain personnel;

(iii) approximately 5.2%, or HK$815.2 million, will be used to consolidate our upstream procurement systems, including:

(a) approximately 3.4%, or HK$524.0 million, will be used to acquire or invest in upstream brands. We target high-value consumables brands related to travel retail channels such as cosmetics, fashion and accessories, health supplements, electronics, souvenirs, local specialties and China-chic for potential cooperation and investment opportunities. Through direct cooperation with upstream brands or investment, mergers and acquisitions, we seek to expand upstream along the supply chain to strengthen our bargaining power and influence on the entire duty-free supply chain. As of the Latest Practicable Date, we had not entered into any binding commitment or intent letter, whether oral or written, for any business or asset acquisitions; and

(b) approximately 1.5%, or HK$232.9 million, will be used to optimize our overseas merchandise procurement portfolio, including: (i) securing popular items from our suppliers; (ii) improving our access to merchandise that is in short supply and limited-edition merchandise; (iii) jointly developing merchandise tailored to different localities and co-branded products with our suppliers; and (iv) establishing strategic relationship with more suppliers; and

(c) approximately 0.4%, or HK$58.2 million, will be used to recruit and train our professional procurement personnel. We plan to hire 20 procurement agents and three senior procurement agents in 2022 and another 10 procurement agents and two senior procurement agents in 2023. Our hiring will target those with at least three years (five years for senior procurement agents) of industry experience, having overseas study or working experience and holding at least a bachelor degree majoring in international trade, luxury management, marketing, enterprise management or other similar studies from a reputable domestic or foreign university;

The specific means of investment in (i) and (iii) above will include but not limited to through the capital increase of China Duty Free International Limited.

- approximately 1.5%, or HK$232.9 million, will be used to upgrade our information technology system, including:

  (i) approximately 1.1%, or HK$174.7 million will be used for upgrading the information technology system to further implement our information management and digital strategy through integrating our online and offline business platforms, developing a smart merchandise procurement and management system and refining our centralized CRM system; and

  (ii) approximately 0.4%, or HK$58.2 million will be used for recruiting and training our information technology personnel;

- approximately 3.7%, or HK$582.3 million, will be used for marketing and further improve our customer loyalty program, among which,

  (i) approximately 2.2%, or HK$349.4 million, will be used for marketing, including:

    (a) approximately 1.9%, or HK$291.2 million, will be used for advertising and promoting our brands; and

    (b) approximately 0.4%, or HK$58.2 million, will be used for recruiting and strengthening our marketing team. We plan to hire five marketing managers and one senior marketing manager in 2022 and another five marketing managers and one senior marketing manager in 2023. Our hiring of marketing managers will target those with five to ten years of working experience and some travel retail experience, holding at least a bachelor degree, familiar with online marketing, able to perform under pressure and to go on frequent business travels, possessing excellent communication skills and presentation skills and having experience with large marketing projects and media placements. Our hiring of senior marketing managers will target those with at least three years working in marketing, client relationship or other similar experience, with astute observation and logic skills, good at solving problems, possessing some data analytic skills and having strong execution capability; and

  (ii) approximately 1.5%, or HK$232.9 million, will be used for developing our membership system by attracting new customers to join our customer loyalty program and to improve the membership benefits for our existing members; and

- approximately 10.0%, or HK$1,553.8 million, will be used for working capital and other general corporate purposes, including but not limited to through the capital increase of China Duty Free International Limited.

In the event that the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$17,883.6 million, assuming an Offer Price of HK$154.50 per H Share, the mid-point of the indicative Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$1,280.3 million, as the case may be. In the event that the Offer Price is fixed at a higher or a lower level compared to the mid-point of the Offer Price range stated in this prospectus, the application of the proceeds will be changed in the following order: (i) the amount of net proceeds used for working capital and other general corporate purposes will be further adjusted, provided that the percentage of the net proceeds to be used for working capital and other general corporate purposes will remain at 10.0% of the net proceeds of the Global Offering; and (ii) the amount of proceeds used to develop additional shopping facilities and a hotel at the Haikou International Duty-Free Complex will be adjusted accordingly.

Pending the deployment of the net proceeds from the Global Offering as described above, our Company will deposit such net proceeds as short-term interest-bearing deposits with licensed banks or authorized financial institutions (as defined under Securities and Futures Ordinance and/or applicable laws and regulations in relevant jurisdictions). We will make an announcement if there are any material change to the above proposed use of proceeds or if any amount of the proceeds will be used for a general corporate purpose.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited

UBS AG Hong Kong Branch

CCB International Capital Limited

CLSA Limited

Haitong International Securities Company Limited

ABCI Securities Company Limited

BOCI Asia Limited

BOCOM International Securities Limited

CMB International Capital Limited

China Securities (International) Corporate Finance Company Limited

DBS Asia Capital Limited

Guotai Junan Securities (Hong Kong) Limited

ICBC International Securities Limited

China Galaxy International Securities (Hong Kong) Co., Limited

Soochow Securities International Brokerage Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The Company expects the International Offering to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 5,138,200 Hong Kong Offer Shares and the International Offering of initially 97,623,700 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the **Green** Application Form and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option), on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the **Green** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion, shall have the right by giving a written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into force:

  (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, strikes, labor disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, civil commotion, calamity, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any of its member) (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

(iv) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions (declared by the relevant competent authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any competent governmental authority in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of comprehensive sanctions under any sanctions laws or regulations in, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;

(vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions;

(viii) other than with the prior written consent of the Joint Sponsors and the Joint Representatives (such consent not to be unreasonably withheld or delayed), the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, the Application Form, the offering circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Hong Kong Listing Rules or upon any requirement or request of the Hong Kong Stock Exchange and/or the SFC;

(ix) any demand by creditors for repayment of indebtedness or an order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

(x) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of the Group or any Director; or

(xi) any contravention by any member of the Group or any Director of any applicable laws and regulations, including the Hong Kong Listing Rules, the Shanghai Stock Exchange Listing Rules, the PRC Company Law and the Special Regulations, any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Hong Kong Listing Rules or any other applicable laws and regulations; or

(xii) any Director or any member of the senior management of the Company is being removed from his or her office;

(xiii) any Director, Supervisor or member of senior management of the Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking a directorship of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director, Supervisor or member of senior management of the Company in his or her capacity as such or any member of the Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

(1) has or will or is likely to have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholder's equity, profit, losses, earnings, results of operations, performance, position or condition, financial, operational or otherwise, of the Group as a whole;

(2) has or will have or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications for or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;

(3) makes or will make or is likely to make it inadvisable or impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offer Related Documents (as defined below); or

(4) has or will or is likely to have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Representatives that:

(i) any statement of material facts contained in this prospectus, the Application Form, the Formal Notice and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto (the "**Offer Related Documents**") but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents;

(iii) there is a material breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(iv) there is an event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(v) there is any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, performance, position or condition, financial, operational or otherwise, of the Group as a whole;

(vi) there is a moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in the A Shares on the Shanghai Stock Exchange or notice of the withdrawal or cancellation or proposed withdrawal or cancelation of the listing of the A Shares on the Shanghai Stock Exchange;

(vii) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(viii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

(ix) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; and

(x) a majority of the orders placed or confirmed in the bookbuilding process (with reference to the total subscription amount under the International Offering), or a majority of the investment commitments made by the cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including the Over-allotment Option); or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholder

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholder has undertaken to the Stock Exchange and the Company that, except pursuant to the Global Offering (including the Over-allotment Option), it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months from the expiry of the First Six-Month Period, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholder has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

(i) when it pledges or charges any securities of the Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07 of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

(ii) when it receives indications, either verbal or written, from the pledgee or chargee of any securities of the Company that any of the pledged or charged securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by the Controlling Shareholder and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings by Our Company Pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, save for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the "**First Six-Month Period**"), the Company has undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters and such consent not to be unreasonably withheld or delayed) and unless in compliance with the Listing Rules (and only after the consent of any relevant PRC Authority (if required) has been obtained):

(i) offer, allot, issue, sell, accept subscription for, contract or agree to allot, issue or sell, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in any H Shares or other equity securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any H Shares or other equity securities of the Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company); or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of H Shares or other equity securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other equity securities of the Company will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or contracts to or announces, or publicly discloses, any intention to, enter into any such transactions, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the H Shares or other equity securities of the Company.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any H Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any H Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "Structure of the Global Offering – The International Offering."

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 15,414,200 H Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See "Structure of the Global Offering – Over-allotment Option."

Commissions and Expenses

The Underwriters will receive an underwriting commission of 1.15% of the aggregate offer price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee of up to 0.35% of the aggregate offer price of all the Offer Shares to be issued by the Company under the Global Offering (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an indicative offer price of HK$154.50 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$273.9 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$374.6 million (assuming an indicative offer price of HK$154.50 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and assuming the Over-allotment Option is exercised in full) and will be paid by the Company.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, loan financing, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of members of the Group and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering." Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, loan financing and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of the Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the H Shares on the Main Board of the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus.

102,761,900 Offer Shares will initially be made available under the Global Offering comprising:

- the Hong Kong Public Offering of initially 5,138,200 Offer Shares (subject to reallocation) in Hong Kong as described in "– The Hong Kong Public Offering" below; and

- the International Offering of initially 97,623,700 Offer Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the subsection headed "– The International Offering" below.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 5.0% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 5.71% of the enlarged issued share capital the Company immediately following the completion of the Global Offering.

References in this prospectus to applications, **Green** Application Form, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 5,138,200 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.25% of the enlarged issued share capital the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "– Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 2,569,100 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 of the Listing Rules to the effect as further described below.

5,138,200 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 5% of the Offer Shares initially available for subscription under the Global Offering. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 7,707,200 Offer Shares (in the case of (a)), 10,276,200 Offer Shares (in the case of (b)) and 20,552,400 Offer Shares (in the case of (c)), representing approximately 7.5%, 10% and 20% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

In addition, the Joint Representatives may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL-91-18. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, and provided that the Offer Price would be set at HK$143.50 (low-end of the Offer Price range), up to 5,138,200 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to up to 10,276,400 Offer Shares, representing approximately 10% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

If the Hong Kong Public Offering is not fully subscribed, the Joint Sponsors and the Joint Representatives may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as they deem appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Sponsors and the Joint Representatives.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price in addition to the brokerage, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$16,716.80 for one board lot of 100 Offer Shares. If the Offer Price, as finally determined in the manner described in "– Pricing and Allocation" below, is less than the maximum Offer Price, appropriate refund payments (including the brokerage, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 97,623,700 Offer Shares offered by the Company (subject to reallocation and the Over-allotment Option), representing approximately 95% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 4.75% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the subsection headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares and/or hold or sell its H Shares after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Sponsors and the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "– The Hong Kong Public Offering – Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Representatives (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 15,414,200 H Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.74% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time, and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (c) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (e) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in clauses (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the H Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the H Shares;

- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Saturday, September 17, 2022, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part, using H Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be determined on the Price Determination Date, which is expected to be on or about Thursday, August 18, 2022 and, in any event, no later than Tuesday, August 23, 2022, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$165.50 per Offer Share and is expected to be not less than HK$143.50 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price plus brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$16,716.80 for one board lot of 100 Offer Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus**.

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the prior consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Company and the Stock Exchange at **www.ctgdutyfree.com.cn** and **www.hkexnews.hk**, respectively, notices of the reduction. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares – D. Publication of Results."

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued (including any H Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

- the Offer Price having been agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company;

- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company on or before Tuesday, August 23, 2022, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Company and the Stock Exchange at **www.ctgdutyfree.com.cn** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares – F. Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Thursday, August 25, 2022, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, August 25, 2022, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, August 25, 2022.

The H Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares will be 1880.

NOTICE TO INVESTORS
FULLY ELECTRONIC APPLICATION PROCESS

The Hong Kong Public Offering is being conducted in a fully electronic manner and no printed copies of this prospectus or application forms for use by the public will be provided by the Company in accordance with the Listing Rules.

This prospectus is available at the website of Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section, and the Company's website at **www.ctgdutyfree.com.cn**. If you require a printed copy of this prospectus, you may download and print from the website addresses above. If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. No physical channels to accept any application for the Hong Kong Offer Shares by the public will be provided by the Company in accordance with the Listing Rules.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

To apply for Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Sponsors, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not legal or natural person of the PRC.

If an application is made by a person under a power of attorney, the Company, the Joint Sponsors and the Joint Representatives, as the Company's agents, may accept it at the Company's or their discretion, and on any conditions the Company or they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of the Shares and/or a substantial shareholder of any of the Company's subsidiaries;
- you are a Director, Supervisor or chief executive of the Company and/or a director or chief executive officer of any of its subsidiaries;
- you are a close associate (as defined in the Listing Rules) of any of the above persons;
- you are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus, you:

- undertake to execute all relevant documents and instruct and authorize the Company, the Joint Sponsors and/or the Joint Representatives (or their agents or nominees), as the Company's agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Articles of Association, the Companies (WUMP) Ordinance and PRC Company Law and the Special Regulations;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- agree that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- agree to disclose to the Company, the H Share Registrar, the receiving banks and the Relevant Persons any personal data which the Company or any of them may require about you and the person(s) for whose benefit you have made the application;

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;

- represent, warrant and undertake that you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- warrant that the information you have provided is true and accurate;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

- authorize (i) the Company to place your name(s) or the name of HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association and (ii) the Company and/or the Company's agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund check(s) in person;

- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

- understand that the Company, the Directors, the Joint Sponsors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
100	16,716.80	2,500	417,919.98	14,000	2,340,351.89	600,000	100,300,795.05
200	33,433.60	3,000	501,503.98	16,000	2,674,687.87	700,000	117,017,594.23
300	50,150.39	3,500	585,087.97	18,000	3,009,023.85	800,000	133,734,393.40
400	66,867.20	4,000	668,671.96	20,000	3,343,359.84	900,000	150,451,192.58
500	83,583.99	4,500	752,255.97	40,000	6,686,719.67	1,000,000	167,167,991.75
600	100,300.80	5,000	835,839.96	60,000	10,030,079.51	1,500,000	250,751,987.63
700	117,017.59	6,000	1,003,007.95	80,000	13,373,439.34	2,000,000	334,335,983.50
800	133,734.39	7,000	1,170,175.95	100,000	16,716,799.18	2,569,100[(1)]	429,471,287.60
900	150,451.19	8,000	1,337,343.94	200,000	33,433,598.35		
1,000	167,168.00	9,000	1,504,511.93	300,000	50,150,397.53		
1,500	250,751.98	10,000	1,671,679.92	400,000	66,867,196.70		
2,000	334,335.99	12,000	2,006,015.90	500,000	83,583,995.88		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in "– Who Can Apply" above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Monday, August 15, 2022 until 11:30 a.m. on Thursday, August 18, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, August 18, 2022, the last day for applications, or such later time as described in "– C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "China Tourism Group Duty Free Corporation Limited" **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support sustainability.

6. Applying Through CCASS EIPO Service

General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants though HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Sponsors, the Joint Representatives and the H Share Registrar.

Applying through CCASS EIPO Service

Where you have applied through CCASS EIPO service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;

- confirm that you understand that the Company, the Directors, the Joint Sponsors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

- agree that neither the Company nor any of the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to the Company, the H Share Registrar, the receiving banks and the Relevant Persons any personal data which the Company or they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company's agreeing that the Company will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Articles of Association, the Companies (WUMP) Ordinance and PRC Company Law and the Special Regulations; and

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders; and

- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[3]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, August 15, 2022	**–**	**9:00 a.m. to 8:30 p.m.**
Tuesday, August 16, 2022	**–**	**8:00 a.m. to 8:30 p.m.**
Wednesday, August 17, 2022	**–**	**8:00 a.m. to 8:30 p.m.**
Thursday, August 18, 2022	**–**	**8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, August 15, 2022 until 12:00 noon on Thursday, August 18, 2022 (24 hours daily, except on Thursday, August 18, 2022, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, August 18, 2022, the last day for applications, or such later time as described in "– C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

3 *Note:* The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the H Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or the Company's agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;

- maintaining or updating the Register of Members;

- verifying identities of the holders of the H Shares;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to holders of the H Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the H Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The application for the Hong Kong Offer Shares by **CCASS EIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Directors, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS EIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, August 18, 2022, the last day for applications, or such later time as described in "– C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$165.50 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK$16,716.80.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 100 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section "– A. Applications for Hong Kong Offer Shares – 4. Minimum Application Amount and Permitted Numbers".

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy and the FRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the FRC, respectively).

For further details on the Offer Price, see "Structure of the Global Offering – Pricing and Allocation."

C. EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, August 18, 2022. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, August 18, 2022 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected Timetable," an announcement will be made on the Company's website at **www.ctgdutyfree.com.cn** and the website of Stock Exchange at **www.hkexnews.hk**.

D. PUBLICATION OF RESULTS

The Company expects to announce the pricing of the Offer Shares on Wednesday, August 24, 2022 on its website at **www.ctgdutyfree.com.cn** and the website of Stock Exchange at **www.hkexnews.hk**.

The Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Wednesday, August 24, 2022 on its website at **www.ctgdutyfree.com.cn** and the website of Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the Company's website and the website of Stock Exchange at **www.ctgdutyfree.com.cn** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Wednesday, August 24, 2022;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Wednesday, August 24, 2022 to 12:00 midnight on Tuesday, August 30, 2022; and

- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Wednesday, August 24, 2022 to Monday, August 29, 2022 on a business day (excluding Saturday, Sunday and public holidays).

If the Company accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or

- if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

If the Company or its agents exercise discretion to reject your application:

The Company, the Joint Sponsors, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- you apply for more than 2,569,100 Hong Kong Offer Shares, being 50% of the 5,138,200 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- the Company, the Joint Sponsors or the Joint Representatives believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in "Structure of the Global Offering – Conditions of the Global Offering" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Wednesday, August 24, 2022.

G. DESPATCH/COLLECTION OF SHARE CERTIFICATES/E-REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

The Company will not issue any temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or before Wednesday, August 24, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, August 25, 2022, provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms at or before that time. Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

- ***If you apply through White Form eIPO service:***
  - If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, August 24, 2022, or any other place or date notified by the Company.
  - If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, August 24, 2022 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

- ***If you apply through CCASS EIPO service:***

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, August 24, 2022 or on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "– Publication of Results" above on Wednesday, August 24, 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, August 24, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, August 24, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, August 24, 2022.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-81, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA TOURISM GROUP DUTY FREE CORPORATION LIMITED (中國旅遊集團中免股份有限公司) AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of China Tourism Group Duty Free Corporation Limited (中國旅遊集團中免股份有限公司, the "Company") (formerly known as China International Travel Service Corporation Limited 中國國旅股份有限公司) and its subsidiaries (together, the "Group") set out on pages I-4 to I-81, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and 31 March 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-81 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 15 August 2022 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2019, 2020 and 2021 and 31 March 2022, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statements for the three months ended 31 March 2021 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 29(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

15 August 2022

Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Expressed in RMB)

		Years ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Continuing operations						
Revenue	*4*	48,012,590	52,597,807	67,675,515	18,133,529	16,782,286
Cost of sales		(23,489,907)	(32,129,333)	(45,381,289)	(10,980,551)	(11,030,469)
Gross profit		24,522,683	20,468,474	22,294,226	7,152,978	5,751,817
Other income and other net gain	*5*	141,596	979,327	786,300	143,963	194,105
Selling and distribution costs		(16,279,893)	(9,741,005)	(5,408,173)	(2,232,946)	(1,872,622)
Administrative expenses		(1,873,440)	(2,025,341)	(2,708,667)	(531,375)	(538,242)
(Impairment loss)/reversal of impairment on trade and other receivables		(26,361)	18,121	(23,317)	(2,658)	246
Profit from operations		6,484,585	9,699,576	14,940,369	4,529,962	3,535,304
Share of net profits of associates		55,043	16,828	165,016	8,118	46,703
Share of net profits/(losses) of joint ventures		3,926	(1,375)	(2,685)	(758)	(684)
Finance costs	*6(a)*	(210,616)	(216,675)	(221,855)	(52,412)	(58,400)
Profit before taxation	*6*	6,332,938	9,498,354	14,880,845	4,484,910	3,522,923
Income tax	*7*	(1,570,316)	(2,388,991)	(2,439,594)	(1,057,285)	(589,251)
Profit from continuing operations		4,762,622	7,109,363	12,441,251	3,427,625	2,933,672
Discontinued operations						
Profit from discontinued operations, net of tax	*31*	708,456	–	–	–	–
Profit for the year/period		5,471,078	7,109,363	12,441,251	3,427,625	2,933,672

	Note	Years ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Three months ended 31 March 2021 RMB'000 (unaudited)	2022 RMB'000
Other comprehensive income for the year/period (after tax)						
Items that will not be reclassified to profit or loss:						
– Remeasurements of defined benefit liability		70	20	70	–	–
Items that may be reclassified subsequently to profit or loss:						
– Share of other comprehensive income of associates		189	(522)	(204)	–	–
– Exchange differences on translation of financial statements of foreign operations		68,889	(448,032)	(277,407)	34,958	(93,806)
		69,148	(448,534)	(277,541)	34,958	(93,806)
Total comprehensive income for the year/period		5,540,226	6,660,829	12,163,710	3,462,583	2,839,866
Profit for the year/period attributable to:						
Equity shareholders of the Company		4,497,573	5,931,348	9,726,557	2,869,366	2,579,787
Non-controlling interests		973,505	1,178,015	2,714,694	558,259	353,885
Profit for the year/period		5,471,078	7,109,363	12,441,251	3,427,625	2,933,672
Total comprehensive income for the year/period attributable to:						
Equity shareholders of the Company		4,565,470	5,484,358	9,449,057	2,903,784	2,483,519
Non-controlling interests		974,756	1,176,471	2,714,653	558,799	356,347
Total comprehensive income for the year/period		5,540,226	6,660,829	12,163,710	3,462,583	2,839,866
Earnings per share						
Basic and diluted (RMB)	*10*	2.3035	3.0379	4.9817	1.4696	1.3213
Earnings per share-continuing operations						
Basic and diluted (RMB)	*10*	1.9383	3.0379	4.9817	1.4696	1.3213

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 December 2021 RMB'000	As at 31 March 2022 RMB'000
Non-current assets					
Investment properties	*11*	1,385,502	1,281,170	1,196,813	1,171,259
Right-of-use assets	*12*	6,632,687	6,316,867	6,183,956	5,967,268
Other property, plant and equipment	*13*	2,719,190	3,522,422	5,533,246	6,062,069
Intangible assets	*14*	66,639	75,696	116,496	116,707
Goodwill	*15*	822,460	822,460	822,460	822,460
Interests in associates	*17*	224,860	765,283	968,400	1,015,103
Interests in joint ventures	*18*	29,829	25,980	23,294	22,610
Deposits and other receivables	*20*	537,067	565,362	582,745	561,043
Deferred tax assets	*27(b)*	543,678	1,525,380	1,132,226	1,187,340
		12,961,912	14,900,620	16,559,636	16,925,859
Current assets					
Inventories	*19*	8,964,688	14,733,024	19,724,698	20,953,552
Trade and other receivables	*20*	1,565,015	1,472,651	1,951,678	2,545,498
Income tax recoverable	*27(a)*	94,508	44,288	9,118	8,682
Restricted bank deposits	*21*	508,767	54,545	199,657	768,665
Cash and cash equivalents	*22*	11,985,340	14,658,688	16,656,542	13,962,570
		23,118,318	30,963,196	38,541,693	38,238,967
Current liabilities					
Trade and other payables	*23*	7,268,541	11,985,168	12,066,164	10,785,768
Contract liabilities	*24*	451,471	905,708	1,371,639	1,175,748
Interest-bearing borrowings	*25*	315,889	556,932	545,433	545,018
Lease liabilities	*26*	735,067	926,421	1,545,488	1,785,444
Income tax payable	*27(a)*	684,570	2,214,916	1,607,408	1,078,671
Provisions	*28*	51,367	–	–	–
		9,506,905	16,589,145	17,136,132	15,370,649
Net current assets		13,611,413	14,374,051	21,405,561	22,868,318
Total assets less current liabilities		26,573,325	29,274,671	37,965,197	39,794,177
Non-current liabilities					
Lease liabilities	*26*	3,736,935	3,458,759	3,486,524	3,161,825
Defined benefit obligation		2,232	1,920	1,010	1,010
Deferred tax liabilities	*27(b)*	96,911	74,391	55,240	52,389
Deferred income		1,121	3,185	3,426	3,551
		3,837,199	3,538,255	3,546,200	3,218,775
NET ASSETS		22,736,126	25,736,416	34,418,997	36,575,402
CAPITAL AND RESERVES	*29*				
Share capital		1,952,476	1,952,476	1,952,476	1,952,476
Reserves		17,928,340	19,941,610	27,318,923	29,802,442
Total equity attributable to equity shareholders of the Company		19,880,816	21,894,086	29,271,399	31,754,918
Non-controlling interests		2,855,310	3,842,330	5,147,598	4,820,484
TOTAL EQUITY		22,736,126	25,736,416	34,418,997	36,575,402

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY
(Expressed in RMB)

	Note	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 December 2021 RMB'000	As at 31 March 2022 RMB'000
Non-current assets					
Right-of-use assets		–	22,060	30,623	27,451
Other property, plant and equipment		21,291	54,731	66,178	64,629
Intangible assets		2,799	10,925	46,670	45,354
Investments in subsidiaries	*16*	6,756,351	6,756,351	7,268,964	7,268,964
Interests in associates		–	541,506	725,837	770,861
Other receivables	*20*	970,000	1,980,000	2,555,000	3,260,000
Deferred tax assets		2,024	19,754	49,462	44,518
		7,752,465	9,385,327	10,742,734	11,481,777
Current assets					
Other receivables	*20*	4,041,940	4,743,984	4,706,616	4,742,274
Income tax recoverable		819	–	–	–
Cash and cash equivalents		5,745,720	7,296,581	5,947,871	6,325,443
		9,788,479	12,040,565	10,654,487	11,067,717
Current liabilities					
Other payables	*23*	5,923,317	10,889,688	9,679,977	10,772,344
Interest-bearing borrowings		–	206,598	206,622	208,773
Lease liabilities		–	4,939	12,568	10,762
		5,923,317	11,101,225	9,899,167	10,991,879
Net current assets		3,865,162	939,340	755,320	75,838
Total assets less current liabilities		11,617,627	10,324,667	11,498,054	11,557,615
Non-current liabilities					
Lease liabilities		–	14,134	14,744	14,094
Deferred income		65	172	188	188
		65	14,306	14,932	14,282
NET ASSETS		11,617,562	10,310,361	11,483,122	11,543,333
CAPITAL AND RESERVES	*29*				
Share capital		1,952,476	1,952,476	1,952,476	1,952,476
Reserves		9,665,086	8,357,885	9,530,646	9,590,857
TOTAL EQUITY		11,617,562	10,310,361	11,483,122	11,543,333

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

		Attributable to equity shareholders of the Company								
	Note	**Share capital** *RMB'000* *(Note 29(c))*	**Capital reserve** *RMB'000* *(Note 29(d)(i))*	**Statuary reserve** *RMB'000* *(Note 29(d)(ii))*	**Exchange reserve** *RMB'000* *(Note 29(d)(iii))*	**Other reserves** *RMB'000* *(Note 29(d)(iv))*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2019		1,952,476	3,851,298	772,211	32,775	(8,775)	9,562,788	16,162,773	2,339,517	18,502,290
Changes in equity for 2019:										
Profit for the year		–	–	–	–	–	4,497,573	4,497,573	973,505	5,471,078
Other comprehensive income		–	–	–	67,638	259	–	67,897	1,251	69,148
Total comprehensive income		–	–	–	67,638	259	4,497,573	4,565,470	974,756	5,540,226
Acquisition of Hainan Duty Free Co., Ltd. ("Hainan DF") under common control	*30(a)*	–	195,491	–	–	–	–	195,491	305,529	501,020
Disposal of discontinued operations	*31*	–	–	–	22,962	8,806	(8,912)	22,856	(208,652)	(185,796)
Capital contributions by non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	17,470	17,470
Additional contributions by other shareholders of associates		–	8,088	–	–	–	–	8,088	–	8,088
Dividends declared and paid in respect of the previous year	*29(b)*	–	–	–	–	–	(1,073,862)	(1,073,862)	–	(1,073,862)
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	(573,310)	(573,310)
Appropriation to statutory reserve		–	–	278,775	–	–	(278,775)	–	–	–
		–	203,579	278,775	22,962	8,806	(1,361,549)	(847,427)	(458,963)	(1,306,390)
Balance at 31 December 2019		1,952,476	4,054,877	1,050,986	123,375	290	12,698,812	19,880,816	2,855,310	22,736,126

	Note	Share capital RMB'000 (Note 29(c))	Capital reserve RMB'000 (Note 29(d)(i))	Statuary reserve RMB'000 (Note 29(d)(ii))	Exchange reserve RMB'000 (Note 29(d)(iii))	Other reserves RMB'000 (Note 29(d)(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company								
Balance at 1 January 2020		1,952,476	4,054,877	1,050,986	123,375	290	12,698,812	19,880,816	2,855,310	22,736,126
Changes in equity for 2020:										
Profit for the year		–	–	–	–	–	5,931,348	5,931,348	1,178,015	7,109,363
Other comprehensive income		–	–	–	(446,488)	(502)	–	(446,990)	(1,544)	(448,534)
Total comprehensive income		–	–	–	(446,488)	(502)	5,931,348	5,484,358	1,176,471	6,660,829
Acquisition of Hainan DF under common control	30(a)	–	(2,065,306)	–	–	–	–	(2,065,306)	–	(2,065,306)
Disposal of subsidiaries		–	–	–	–	–	–	–	(19,050)	(19,050)
Capital contributions by non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	39,200	39,200
Dividends declared and paid in respect of the previous year	29(b)	–	–	–	–	–	(1,405,782)	(1,405,782)	–	(1,405,782)
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	(209,601)	(209,601)
		–	(2,065,306)	–	–	–	(1,405,782)	(3,471,088)	(189,451)	(3,660,539)
Balance at 31 December 2020		1,952,476	1,989,571	1,050,986	(323,113)	(212)	17,224,378	21,894,086	3,842,330	25,736,416

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000 (Note 29(c))	Capital reserve RMB'000 (Note 29(d)(i))	Statuary reserve RMB'000 (Note 29(d)(ii))	Exchange reserve RMB'000 (Note 29(d)(iii))	Other reserves RMB'000 (Note 29(d)(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021		1,952,476	1,989,571	1,050,986	(323,113)	(212)	17,224,378	21,894,086	3,842,330	25,736,416
Changes in equity for 2020:										
Profit for the year		–	–	–	–	–	9,726,557	9,726,557	2,714,694	12,441,251
Other comprehensive income		–	–	–	(277,367)	(133)	–	(277,500)	(41)	(277,541)
Total comprehensive income		–	–	–	(277,367)	(133)	9,726,557	9,449,057	2,714,653	12,163,710
Acquisition of China CTG Asset Operating Co., Ltd. ("CTG Asset Co") under common control	30(b)	–	(126,482)	–	–	–	–	(126,482)	–	(126,482)
Capital contributions by shareholders of the Company		–	7,214	–	–	–	–	7,214	–	7,214
Disposal of subsidiaries		–	–	–	–	–	–	–	(18,773)	(18,773)
Capital contributions by non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	51,450	51,450
Dividends declared and paid in respect of the previous year	29(b)	–	–	–	–	–	(1,952,476)	(1,952,476)	–	(1,952,476)
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	(1,442,062)	(1,442,062)
		–	(119,268)	–	–	–	(1,952,476)	(2,071,744)	(1,409,385)	(3,481,129)
Balance at 31 December 2021		1,952,476	1,870,303	1,050,986	(600,480)	(345)	24,998,459	29,271,399	5,147,598	34,418,997

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
		Share capital *RMB'000* *(Note 29(c))*	Capital reserve *RMB'000* *(Note 29(d)(i))*	Statuary reserve *RMB'000* *(Note 29(d)(ii))*	Exchange reserve *RMB'000* *(Note 29(d)(iii))*	Other reserves *RMB'000* *(Note 29(d)(iv))*	Retained profits *RMB'000*	Total *RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)										
Balance at 1 January 2021		1,952,476	1,989,571	1,050,986	(323,113)	(212)	17,224,378	21,894,086	3,842,330	25,736,416
Changes in equity for the three months ended 31 March 2021:										
Profit for the period		–	–	–	–	–	2,869,366	2,869,366	558,259	3,427,625
Other comprehensive income		–	–	–	34,418	–	–	34,418	540	34,958
Total comprehensive income		–	–	–	34,418	–	2,869,366	2,903,784	558,799	3,462,583
Balance at 31 March 2021		1,952,476	1,989,571	1,050,986	(288,695)	(212)	20,093,744	24,797,870	4,401,129	29,198,999

	Note	Attributable to equity shareholders of the Company								
		Share capital *RMB'000* *(Note 29(c))*	**Capital reserve** *RMB'000* *(Note 29(d)(i))*	**Statuary reserve** *RMB'000* *(Note 29(d)(ii))*	**Exchange reserve** *RMB'000* *(Note 29(d)(iii))*	**Other reserves** *RMB'000* *(Note 29(d)(iv))*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2022		1,952,476	1,870,303	1,050,986	(600,480)	(345)	24,998,459	29,271,399	5,147,598	34,418,997
Changes in equity for the three months ended 31 March 2022:										
Profit for the period		–	–	–	–	–	2,579,787	2,579,787	353,885	2,933,672
Other comprehensive income		–	–	–	(96,268)	–	–	(96,268)	2,462	(93,806)
Total comprehensive income		–	–	–	(96,268)	–	2,579,787	2,483,519	356,347	2,839,866
Disposal of subsidiaries		–	–	–	–	–	–	–	(2,217)	(2,217)
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	(681,244)	(681,244)
		–	–	–	–	–	–	–	(683,461)	(683,461)
Balance at 31 March 2022		1,952,476	1,870,303	1,050,986	(696,748)	(345)	27,578,246	31,754,918	4,820,484	36,575,402

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Years ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Three months ended 31 March 2021 RMB'000 (unaudited)	2022 RMB'000
Operating activities						
Profit before taxation						
– from continuing operations		6,332,938	9,498,354	14,880,845	4,484,910	3,522,923
– from discontinued operations		899,257	–	–	–	–
		7,232,195	9,498,354	14,880,845	4,484,910	3,522,923
Adjustments for:						
Depreciation of investment properties	*11*	12,236	42,817	40,207	10,297	9,382
Depreciation of right-of-use assets	*12*	667,115	758,712	989,697	201,168	265,436
Depreciation of other property, plant and equipment	*13*	345,038	358,598	387,567	99,612	104,378
Amortisation of intangible assets	*14*	11,879	14,126	16,873	3,834	4,992
Impairment of other property, plant and equipment	*13*	166,670	–	–	–	–
Finance costs		210,851	216,675	221,855	52,412	58,400
Share of profits and losses of associates and joint ventures, net		(59,401)	(15,453)	(162,331)	(7,360)	(46,019)
Gains on disposal of discontinued operations	*31*	(905,200)	–	–	–	–
Losses/(gains) on disposal of other property, plant and equipment, net		971	405	(825)	76	(821)
Other investment gains		(684)	(411)	–	–	–
COVID-19-related rent concessions	*6(c)*	–	(86,860)	(3,134,717)	–	(281,075)
Exchange losses/(gains), net	*5*	139,237	(536,990)	(283,426)	(57,236)	(118,361)
Changes in working capital:						
Increase in inventories		(2,430,156)	(5,768,336)	(4,991,674)	(3,728,134)	(1,228,854)
(Increase)/decrease in trade and other receivables		(1,553,794)	42,559	(514,884)	(47,050)	(594,256)
Increase/(decrease) in trade and other payables		979,511	5,648,609	3,051,636	(335,094)	(1,557,973)
Increase/(decrease) in contract liabilities		655,686	454,237	465,931	89,573	(195,891)
Cash generated from/(used in) operations		5,472,154	10,627,042	10,966,754	767,008	(57,739)
Tax paid	*27(a)*	(1,755,095)	(1,812,647)	(2,637,929)	(687,981)	(1,175,517)
Net cash generated from/(used in) operating activities		3,717,059	8,814,395	8,328,825	79,027	(1,233,256)

	Note	Years ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Three months ended 31 March 2021 RMB'000 (unaudited)	2022 RMB'000
Investing activities						
Payments for the purchase of property, plant and equipment and other non-current assets		(1,516,172)	(1,233,722)	(2,154,847)	(259,291)	(580,519)
Proceeds from disposal of property, plant and equipment and other non-current assets		701	337	1,652	222	32
Acquisition of subsidiaries under common control	*30*	492,064	(2,065,306)	(126,482)	–	–
Disposal of discontinued operations, net of cash disposed of	*31*	360,605	–	–	–	–
Payments for investment in associates	*17*	–	(541,506)	(61,500)	–	–
Dividends received from associates and joint ventures		25,909	18,362	23,643	14,010	–
Payments for purchase of financial assets at fair value through profit and loss		(500,000)	(1,000,000)	–	–	–
Proceeds from disposal of financial assets at fair value through profit and loss		500,000	1,000,000	–	–	–
Investment income received from financial assets at fair value through profit and loss		5,644	7,733	–	–	–
Net cash used in investing activities		(631,249)	(3,814,102)	(2,317,534)	(245,059)	(580,487)
Financing activities						
Capital contributions from non-controlling shareholders of subsidiaries		18,450	39,200	51,450	–	–
Capital distributions to non-controlling shareholders on liquidation of subsidiaries		(980)	(19,050)	(18,773)	–	–
Proceeds from new bank loans and other loans	*22(b)*	12,597	255,116	–	–	–
Repayment of bank loans and other loans	*22(b)*	(60,375)	–	–	–	–
Dividends paid to shareholders of the Company	*29(b)*	(1,073,862)	(1,405,782)	(1,952,476)	–	–
Dividends paid to non-controlling shareholders of subsidiaries		(561,926)	(244,426)	(1,459,932)	(17,870)	(681,244)
Interests paid	*22(b)*	(15,081)	(8,166)	(18,455)	(4,202)	(1,850)
Capital element of lease rentals paid	*22(b)*	(399,995)	(413,660)	(352,134)	(37,059)	(152,073)

	Note	Years ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Three months ended 31 March 2021 RMB'000 (unaudited)	2022 RMB'000
Interest element of lease rentals paid	*22(b)*	(197,620)	(199,786)	(65,888)	(17,142)	(27,021)
Change in deposits from associates through cash pooling arrangement	*22(b)*	(47,831)	358	–	–	–
Others		192	(60)	(837)	(30)	–
Net cash used in financing activities		(2,326,431)	(1,996,256)	(3,817,045)	(76,303)	(862,188)
Net increase/(decrease) in cash and cash equivalents		759,379	3,004,037	2,194,246	(242,335)	(2,675,931)
Cash and cash equivalents at 1 January	*22(a)*	11,140,564	11,985,340	14,658,688	14,658,688	16,656,542
Effect of foreign exchange rates changes		85,397	(330,689)	(196,392)	(576)	(18,041)
Cash and cash equivalents at 31 December/31 March	*22(a)*	11,985,340	14,658,688	16,656,542	14,415,777	13,962,570

Notes to the Historical Financial Information

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

China Tourism Group Duty Free Corporation Limited (中國旅遊集團中免股份有限公司) (formerly known as China International Travel Service Corporation Limited, 原中國國旅股份有限公司) (the "Company") was a joint stock company incorporated in the People's Republic of China (the "PRC") with limited liabilities on 28 March 2008. The Company's A shares have been listed on the main board of the Shanghai Stock Exchange (stock code: 601888) since October 2009. The Company is immediately controlled by China Tourism Group Co., Ltd. (中國旅遊集團有限公司) ("CTG"), and is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the "Central SASAC").

The Company and its subsidiaries (together, "the Group") are principally engaged in the sales of merchandise and the provision of related services through its travel retail business. Details of the principal subsidiaries of the Group are set out in Note 16.

In December 2018, the Company entered into an agreement to dispose of its 100% equity interest in China International Travel Services Agency Limited ("CITS Agency") to CTG for a total consideration of RMB1,830,846,000. The disposal of CITS Agency was subject to the approval from the Company's shareholders other than CTG which was obtained in January 2019. As at 31 December 2018, given the remaining shareholdings of the Company were scattered, the outcome of the vote from the shareholders other than CTG was not certain. Accordingly, the directors of the Company considered that such disposal was completed after the approval from the shareholders in January 2019. For the purpose of the Historical Financial Information, the financial performance of CITS Agency prior to its disposal was presented as a single amount in the consolidated statements of profit or loss and other comprehensive income as if the operations had been discontinued from the beginning of the Track Record Period. The directors of the Company also adopted the choice in not presenting the disposal of CITS Agency separately as discontinued operations in the consolidated cash flow statements for the year ended 31 December 2019. Further details of the disposal of CITS Agency are set out in Note 31.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs that are effective for the accounting period commencing from 1 January 2022, including IFRS 9, *Financial Instruments*, IFRS 15, *Revenue from contracts with customers* and IFRS 16, *Leases*, consistently throughout the Track Record Period. The Group has not adopted any new standards or interpretations that are not yet effective during the Track Record Period. The new and revised accounting standards and interpretations issued but not yet effective or adopted are set out in Note 37.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The functional currency of the Company is RMB, which is the same as the presentation currency of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for other investments in debt and equity securities that are stated at their fair value (see Note 2(g)).

(b) Use of judgements and estimates

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Business combination

Business combination is accounted for under the acquisition method except for business combination under common control.

Business combination arising from transfer of interests in entities that are under the control of the controlling shareholder that controls the Group is accounted for as if the acquisition had occurred at the beginning of the Track Record Period or, if later, at the date that common control was established. The assets acquired and liabilities assumed are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's perspective. The components of equity of the acquired entities are added to the same components within the Group's equity and any difference between the net assets acquired and the consideration paid is recognised directly in equity.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)(ii)), unless the investment is classified as held for sale.

(e) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recognised at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. The Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised as other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see Note 2(l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)).

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(l)(ii)).

On disposal of a cash generating unit during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVTPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 32(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(v)(vi)).

– fair value through other comprehensive income ("FVOCI")-recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as FVTPL or FVOCI, are recognised in profit or loss as other income.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are initially measured at cost, which is the fair value of the consideration given to acquire them, including transaction costs. Subsequently, all investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using the straight-line method, after taking into account the estimated residual value, over the estimated useful lives. The estimated useful lives of investment properties range from 20 to 50 years.

Transfers to, or from, investment properties are made when, and only when, there is evidence of a change in use or the investment property is sold.

(i) Other property, plant and equipment

Other property, plant and equipment are initially stated in the consolidated statement of financial position at cost if it is probable that they will generate future economic benefits. Cost represents the purchase price of the asset and other costs incurred in bringing the asset into its intended use. Subsequent to their initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and impairment losses (see Note 2(l)(ii)).

The cost of self-constructed items of other property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(x)).

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Buildings	20 – 40 years
Machinery and equipment	5 years
Motor vehicles	5 – 8 years
Furniture and others	5 years
Leasehold improvements	3 – 5 years, or over the remaining term of lease, whichever is shorter

(j) Intangible assets (other than goodwill)

Intangible assets represent software and similar licenses with finite useful life that are acquired by the Group. These intangible assets are stated at cost less accumulated amortisation and impairment losses (see Note 2(l)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives.

The useful lives of software are 2 to 10 years, which are determined based on their technological obsolescence. The useful lives of licenses are 15 years, which are determined based on the terms of expiry of the legal rights in relation to CITS Agency which was disposed of in 2019.

(k) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(l)(ii)). Depreciation is calculated to write-off the cost of items using the straight-line method over the respective lease term.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16, *Leases*. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operation lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lease. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(v)(ii).

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables); and

– lease receivables.

Other financial assets measured at fair value, including equity and debt securities measured at FVTPL and equity investments designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of fixed-rate financial assets, and trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– investment properties measured at cost;

– right-of-use assets;

– other property, plant and equipment;

– intangible assets;

– goodwill;

– investments in associates and joint ventures; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(m) Inventories

Inventories comprise merchandise purchased for resale and are stated at the lower of cost and net realisable value. Cost of merchandise, representing the purchase cost and other costs incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method or the weighted-average cost method. Net realisable value of merchandise is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(l)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(l)(i).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(n)).

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(x)).

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit plans

In addition to the statutory defined contribution retirement plans, the Group also provides additional defined benefits to certain retired employees.

In accordance with the projected unit credit method, the Group measures the obligations under defined benefit plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discount obligations under the defined benefit plans to determine the present value of the defined benefit liability.

The Group attributes benefit obligations under a defined benefit plan to periods of service provided by respective employees. Service cost and interest expense on the defined benefit liability are charged to profit or loss or recognised as part of the cost of assets, and remeasurements of defined benefit liability are recognised in other comprehensive income.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combination, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(i) in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

(ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any sales discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of merchandise

Revenue is recognised when the customer takes possession of and accepts the products. The Group operates a customer loyalty program where points can be earned by customers which can be used to reduce the cost of future purchases. The Group allocates a portion of the consideration received to loyalty points based on the estimated relative stand-alone selling prices. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when loyalty points are redeemed or expire. The deferred revenue is included in contract liabilities.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivables. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Travel related services

Revenue arising from rendering tourism service, travel agency, other travel related services, is recognised in profit or loss when the services are rendered.

(iv) Other service income

Service income is recognised in profit or loss when the services are rendered.

(v) Dividends

Dividend income is recognised when the shareholder's right to receive payment is established.

(vi) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(l)(i)).

(vii) Government grants

Government grants are recognised when the Group fulfils the conditions attached to them and they are probable to be received. When government grants are received in the form of monetary assets, they are measured at the amount received or receivable. When the grant is in the form of non-monetary assets, it is measured at fair value. When fair value cannot be measured reliably, a nominal amount is assigned.

Asset-related government grant is recognised as deferred income and is amortised evenly in profit or loss over the useful lives of related assets.

Income-related government grant that is used to compensate subsequent related expenses or losses of the Group is recognised as deferred income and recorded in profit or loss when related expenses or losses are incurred. When the grant is used to compensate expenses or losses that were already incurred, they are directly recognised in profit or loss in the period the grant is received.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of profit or loss and other comprehensive income, which comprises:

(i) the post-tax profit or loss of the discontinued operation; and

(ii) the post-tax gain or loss recognised on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may not be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods are discussed below.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less selling and distribution expenses and related taxes. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-downs and affect the Group's profit or loss and net asset value.

(b) Impairment of goodwill and other non-current assets

At the end of each reporting period or when there are impairment indications, the Group reviews the recoverable amount of goodwill and other non-current assets which involves judgement on the determination of their fair value less costs of disposal and value in use. The fair value less costs of disposal is determined based on market comparison approach by reference to recent market transaction price of comparable assets or market observable price, and the value in use is determined by discounting projected cash flow forecasts associated with the assets using risk-adjusted discount rates. Any change in the assumptions underlying these projections and fair values would increase or decrease the recoverable amount these assets, where applicable.

(c) Depreciation and amortisation

Investment properties, and other property, plant and equipment are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values annually. The determination of the useful lives and residual values, if any, are based on historical experience with similar assets after taking into account the anticipated changes on how such assets are to be deployed in the future. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

(e) Customer loyalty program

The transaction price allocated to the points earned by the members of the Group's customer loyalty program is estimated based on the stand-alone selling price of the points awarded. The stand-alone selling price of the points awarded is estimated relating to the redemption value of the points and the expected redemption rate. The expected redemption rate was estimated considering historical redemption pattern, current industry and economic trends and other relevant factors. Any change in estimate could have a effect on the balance of contract liabilities for customer loyalty program and the results of operations.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

During the Track Record Period, the Group generates revenue primarily from the sales of merchandise and provision of related services through its travel retail business. Other sources of revenue include rental income from lease of investment properties. Further details regarding the Group's principal activities are disclosed in Note 4(b). Disaggregation of revenue from contracts with customers by major services lines is as follows:

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Continuing operations					
Revenue from contracts with customers within the scope of IFRS 15					
Sales of merchandise					
– duty-free	46,441,206	32,361,706	42,935,607	12,613,512	11,369,464
– duty-paid	1,150,656	19,707,555	24,005,704	5,324,661	5,244,726
Provision of related services	243,029	332,248	442,596	118,662	102,539
	47,834,891	52,401,509	67,383,907	18,056,835	16,716,729
Revenue from other sources					
Rental income from investment properties	177,699	196,298	291,608	76,694	65,557
	48,012,590	52,597,807	67,675,515	18,133,529	16,782,286

The Group's customer base is diversified. During the Track Record Period, no revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer.

During the Track Record Period, the Group had revenue from contracts with customers recognised over time of RMB18,529,000, RMB64,449,000, RMB137,879,000, RMB40,631,000 and RMB29,138,000 for the years ended 31 December 2019, 2020, 2021 and three months ended 31 March 2021 and 2022, respectively. All revenue from sales of merchandise and the remaining service income were recognised at point in time.

For those revenue from contracts with customers recognised over time, revenue is recognised at the amount to which it has the right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date, thus management applied practical expedient under IFRS 15 and are not disclosing the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied or partially satisfied as of the end of the reporting period.

(b) Segment reporting

For management purposes, the Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. No operating segments have been aggregated to form the following reportable segments. A summary of details of the operating segments is as follows:

- ***Travel retail ("Retail")***

  The Group currently offers a comprehensive series of duty-free and duty-paid merchandise to customers in the Mainland China, Hong Kong, Macau, Cambodia, etc, through its travel retail business. This segment engages sales of duty-free and duty-paid merchandise and income from provision of related services.

- ***Investment and development of integrated travel retail complex ("Property")***

This segment engages in development of integrated travel retail complex and property letting.

- ***Travel services***

This segment engages in the provision of travel related services, including tourism services, travel agency, travel documents handling, and other travel-related services. This segment was disposed of in January 2019, and was classified as discontinued operations for the year ended 31 December 2019. Relevant financial information of this segment is disclosed in Note 31.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and intangible assets and current assets. Segment liabilities includes all trade and other payables, and lease liabilities attributable to the activities of the individual segments and interest-bearing borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit/loss arising from the activities of the Group's joint ventures and associates.

Financial information of the Group's reportable segments in the continuing operations for the Track Record Period is set out below.

	Year ended 31 December 2019				
	Retail	**Property**	**Subtotal**	**Corporate and elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue from external customers	47,834,899	177,691	48,012,590	–	48,012,590
Inter-segment revenue	–	370,520	370,520	(370,520)	–
Reportable segment revenue	47,834,899	548,211	48,383,110	(370,520)	48,012,590
Share of net profits of joint ventures and associates	118,367	–	118,367	(59,398)	58,969
Write-down of inventories	(230,015)	–	(230,015)	–	(230,015)
Impairment of other property, plant and equipment	–	(166,670)	(166,670)	–	(166,670)
Impairment loss on trade and other receivables	(26,361)	–	(26,361)	–	(26,361)
Depreciation and amortisation	(908,458)	(124,069)	(1,032,527)	(1,058)	(1,033,585)
Reportable segment profit/(loss) before taxation	6,481,742	(124,464)	6,357,278	(24,340)	6,332,938
Income tax	(1,514,051)	(47,110)	(1,561,161)	(9,155)	(1,570,316)
Reportable segment net profit/(loss)	4,967,691	(171,574)	4,796,117	(33,495)	4,762,622
Reportable segment assets	32,365,258	5,550,418	37,915,676	(1,835,446)	36,080,230
Reportable segment liabilities	16,634,170	3,108,490	19,742,660	(6,398,556)	13,344,104

	Year ended 31 December 2020				
	Retail	Property	Subtotal	Corporate and elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue from external customers	52,401,277	196,253	52,597,530	277	52,597,807
Inter-segment revenue	–	366,196	366,196	(366,196)	–
Reportable segment revenue	52,401,277	562,449	52,963,726	(365,919)	52,597,807
Share of net profits of joint ventures and associates	81,342	–	81,342	(65,889)	15,453
Write-down of inventories	(908,716)	–	(908,716)	–	(908,716)
Reversal of impairment on trade and other receivables	18,121	–	18,121	–	18,121
Depreciation and amortisation	(1,028,484)	(143,220)	(1,171,704)	(2,549)	(1,174,253)
Reportable segment profit before taxation	9,398,873	120,744	9,519,617	(21,263)	9,498,354
Income tax	(2,369,872)	(46,064)	(2,415,936)	26,945	(2,388,991)
Reportable segment net profit	7,029,001	74,680	7,103,681	5,682	7,109,363
Reportable segment assets	43,967,180	6,617,381	50,584,561	(4,720,745)	45,863,816
Reportable segment liabilities	23,910,381	4,154,231	28,064,612	(7,937,212)	20,127,400

	Year ended 31 December 2021				
	Retail	Property	Subtotal	Corporate and elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue from external customers	67,385,914	289,601	67,675,515	–	67,675,515
Inter-segment revenue	–	372,675	372,675	(372,675)	–
Reportable segment revenue	67,385,914	662,276	68,048,190	(372,675)	67,675,515
Share of net profits of joint ventures and associates	231,388	–	231,388	(69,057)	162,331
Write-down of inventories	(498,930)	–	(498,930)	–	(498,930)
Impairment on trade and other receivables	(3,408)	(19,909)	(23,317)	–	(23,317)
Depreciation and amortisation	(1,280,339)	(133,963)	(1,414,302)	(20,042)	(1,434,344)
Reportable segment profit before taxation	14,760,502	151,290	14,911,792	(30,947)	14,880,845
Income tax	(2,381,141)	(61,285)	(2,442,426)	2,832	(2,439,594)
Reportable segment net profit	12,379,361	90,005	12,469,366	(28,115)	12,441,251
Reportable segment assets	54,126,653	8,363,328	62,489,981	(7,388,652)	55,101,329
Reportable segment liabilities	26,609,312	5,369,473	31,978,785	(11,296,453)	20,682,332

	Three months ended 31 March 2021 (unaudited)				
	Retail	**Property**	**Subtotal**	**Corporate and elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue from external customers	18,056,835	76,694	18,133,529	–	18,133,529
Inter-segment revenue	–	90,055	90,055	(90,055)	–
Reportable segment revenue	18,056,835	166,749	18,223,584	(90,055)	18,133,529
Share of net profits of joint ventures and associates	23,834	–	23,834	(16,474)	7,360
Reversal of write-down of inventories	60,917	–	60,917	–	60,917
Impairment on trade and other receivables	(2,658)	–	(2,658)	–	(2,658)
Depreciation and amortisation	(275,563)	(35,023)	(310,586)	(4,325)	(314,911)
Reportable segment profit before taxation	4,413,305	77,618	4,490,923	(6,013)	4,484,910
Income tax	(1,046,479)	(13,429)	(1,059,908)	2,623	(1,057,285)
Reportable segment net profit	3,366,826	64,189	3,431,015	(3,390)	3,427,625

	Three months ended 31 March 2022				
	Retail	**Property**	**Subtotal**	**Corporate and elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue from external customers	16,717,058	65,228	16,782,286	–	16,782,286
Inter-segment revenue	–	115,865	115,865	(115,865)	–
Reportable segment revenue	16,717,058	181,093	16,898,151	(115,865)	16,782,286
Share of net profits of joint ventures and associates	63,739	–	63,739	(17,720)	46,019
Reversal of write-down of inventories	45,243	–	45,243	–	45,243
Reversal of impairment loss on trade and other receivables	246	–	246	–	246
Depreciation and amortisation	(348,452)	(30,094)	(378,546)	(5,642)	(384,188)
Reportable segment profit before taxation	3,489,075	62,864	3,551,939	(29,016)	3,522,923
Income tax	(571,185)	(20,721)	(591,906)	2,655	(589,251)
Reportable segment net profit	2,917,890	42,143	2,960,033	(26,361)	2,933,672
Reportable segment assets	57,634,164	9,258,401	66,892,565	(11,727,739)	55,164,826
Reportable segment liabilities	28,036,409	6,222,404	34,258,813	(15,669,389)	18,589,424

(ii) Geographic information

The following tables set out information about the geographical locations of the Group's revenue. The analyses of geographical locations are based on the locations at which the services are provided or the goods are delivered.

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Continuing operations					
Mainland China	43,973,194	49,756,199	63,574,357	17,183,809	15,896,805
Hong Kong, Macau and overseas	4,039,396	2,841,608	4,101,158	949,720	885,481
	48,012,590	52,597,807	67,675,515	18,133,529	16,782,286

5 OTHER INCOME AND OTHER NET GAIN

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Continuing operations					
Interest income from financial assets measured at amortised cost	326,562	248,738	226,984	62,216	68,788
Net exchange (losses)/gains	(139,538)	536,990	283,426	57,236	118,361
Government grants	69,163	215,514	277,706	20,238	4,713
Impairment loss on other property, plant and equipment *(Note 13)*	(166,670)	–	–	–	–
Others	52,079	(21,915)	(1,816)	4,273	2,243
	141,596	979,327	786,300	143,963	194,105

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Continuing operations					
Interest expenses on interest-bearing borrowings	12,996	16,889	18,660	6,533	6,817
Interest expenses on lease liabilities	197,620	199,786	203,195	45,879	51,583
	210,616	216,675	221,855	52,412	58,400

(b) Staff costs

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Continuing operations					
Salaries, wages and other benefits	2,215,695	2,232,301	2,899,324	623,744	649,434
Contributions to defined contribution retirement plans	155,650	111,395	229,285	52,627	72,312
	2,371,345	2,343,696	3,128,609	676,371	721,746

The Group participates in pension schemes organised by the PRC government for all the employees in the PRC (excluding Hong Kong and Macau), whereby the Group is required to pay annual contributions based on the statutory percentage of the average salary level in the cities where the Group's employees are employed. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post retirement benefits of employees other than the contributions described above.

The Group has arranged for its Hong Kong employees to join a Mandatory Provident Fund (the "MPF scheme"). Under the rules of the MPF scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss as they become payable. The only obligation of the Group with respect to the MPF scheme is to make the required contributions under the scheme.

(c) Other items

	Years ended 31 December 2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	Three months ended 31 March 2021 *RMB'000* *(unaudited)*	2022 *RMB'000*
Continuing operations					
Cost of inventories *(Note 19(b))*	23,441,116	32,033,343	45,297,951	10,959,856	11,014,194
Depreciation and amortisation of:					
– Investment properties	12,185	42,817	40,207	10,297	9,382
– Right-of-use assets	667,115	758,712	989,697	201,168	265,436
– Other property, plant and equipment	343,148	358,598	387,567	99,612	104,378
– Intangible assets	11,137	14,126	16,873	3,834	4,992
	1,033,585	1,174,253	1,434,344	314,911	384,188
Lease expenses not included in the measurement of lease liabilities:					
– Variable and short-term leases *(i)*	12,227,732	5,615,858	2,364,352	782,537	579,113
– COVID-19-related rent concessions from lessors *(ii)*	–	(86,860)	(3,134,717)	–	(281,075)
	12,227,732	5,528,998	(770,365)	782,537	298,038
Licensing fees for duty-free operation	819,554	930,266	1,626,078	482,443	430,241
Auditors' remuneration:					
– Audit services	4,600	4,482	4,482	–	–

(i) Variable lease payments that do not depend on an index or rate and short-term leases that have a lease term of 12 months or less are not included in the measurement of the lease liabilities and hence are charged to profit or loss in the accounting period in which they are incurred in accordance with IFRS 16, *Leases*.

(ii) During the year ended 31 December 2021 and the three months ended 31 March 2022, certain subsidiaries obtained unconditional waivers from the facility owners in respect of the lease expenses of RMB3,134,717,000 and RMB281,075,000, respectively, relating to the previous periods. The impact from the waivers was charged into profit or loss for the corresponding period when they were received.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represent:

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Continuing operations					
Current tax – Hong Kong Profits Tax					
Provision for the year/period	323,862	771,696	918,561	231,405	319,362
Current tax – Mainland China (including Macau) and other countries					
Provision for the year/period	1,390,527	2,569,424	1,128,897	957,041	327,854
Under-provision in respect of prior year	27,975	52,093	18,133	1,309	–
	1,418,502	2,621,517	1,147,030	958,350	327,854
Deferred tax					
Origination and reversal of temporary differences *(Note 27(b))*	(172,048)	(1,004,222)	183,919	(132,470)	(57,965)
Effect on deferred tax balances at 1 January resulting from a change in tax rate *(Note 27(b))*	–	–	190,084	–	–
	(172,048)	(1,004,222)	374,003	(132,470)	(57,965)
	1,570,316	2,388,991	2,439,594	1,057,285	589,251

(b) Reconciliation between tax expenses and accounting profits at applicable tax rates:

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Continuing operations					
Profit before taxation	6,332,938	9,498,354	14,880,845	4,484,910	3,522,923
Notional tax on profit before taxation, calculated at PRC income tax rate of 25% *(i)*	1,583,235	2,374,588	3,720,211	1,121,228	880,731
Different tax rates of subsidiaries operating in other jurisdictions and statutory tax concessions *(ii) (iii) (iv)*	(161,677)	(394,209)	(1,086,353)	(181,875)	(299,788)
Effect on current tax of previous year resulting from a change in tax rate *(iv)*	–	–	(604,710)	–	–
Effect on deferred tax balances at 1 January resulting from a change in tax rate *(iv)* *(Note 27(b))*	–	–	190,084	–	–
Under-provision in respect of prior year	27,975	52,093	18,133	1,309	–
Non-taxable income	(52,120)	(3,544)	(40,675)	(1,840)	(18,606)
Non-deductible expenses	23,994	14,995	9,620	6,918	2,882
Utilisation of previously unrecognised tax losses	(2,569)	(21,770)	(32,699)	–	(5,834)
Utilisation of previously unrecognised temporary differences	(20,519)	(4,999)	(9,597)	(739)	(62,079)
Tax losses and temporary differences not recognised as deferred tax assets	171,997	362,210	275,580	112,284	91,945
Others	–	9,627	–	–	–
	1,570,316	2,388,991	2,439,594	1,057,285	589,251

(i) The Company and the subsidiaries of the Group established in the PRC (excluding Hong Kong and Macau) are subject to the PRC Corporate Income Tax at 25% during the Track Record Period.

(ii) The subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% and the subsidiaries of the Group incorporated in Macau are subject to Macau Profits Tax rate of 12% during the Track Record Period. The subsidiary of the Group incorporated in Cambodia is subject to income tax rate of 20% during the Track Record Period.

Among the subsidiaries incorporated in Hong Kong, China Duty Free International Limited is eligible for 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government in 2021 or 2020.

(iii) Pursuant to the relevant regulations in respect of the Notice on the Implementation of Inclusive Tax Concessions for Small and Micro Enterprises (Cai Shui [2019] No. 13) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, for the portion of annual taxable income which does not exceed RMB1,000,000, the annual taxable income shall be deducted to 25% and the income tax shall be calculated at the rate of 20%; for the portion of annual taxable income from RMB1,000,000 to RMB3,000,000 (inclusive), the taxable income shall be deducted by 50% and the income tax shall be calculated at the rate of 20%. The above-mentioned Small and Micro Enterprises refer to those enterprises that are engaged in industries not restricted or prohibited by the state and meet certain conditions, including annual taxable income not exceeding RMB3,000,000, number of employees not exceeding 300, and total assets not exceeding RMB50,000,000, and etc. Certain of PRC subsidiaries of the Group enjoyed this preferential income tax treatment during the years ended 31 December 2019, 2020 and 2021.

In 2021, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Implementation of Preferential Income Tax for Small and Micro Enterprises and Individual Entrepreneurs (Cai Shui [2021] No. 12), which provides a 50% reduction in corporate income tax for small and micro enterprises with annual taxable income not exceeding RMB1,000,000, on top of the preferential policies stipulated in Article 2 of Cai Shui [2019] No. 13 for the period from 1 January 2021 to 31 December 2022.

(iv) According to No. 31 Caishui 2020 "Notice on Preferential Policies for Enterprise Income Tax in Hainan Free Trade Port" ("Hainan FTP") published by Ministry of Finance and State Administration of Taxation effective on 23 June 2020, a qualified encouraged industrial enterprise registered in the Hainan FTP of the PRC is subject to a preferential corporate income tax rate of 15% from 1 January 2020 to 31 December 2024. In addition, a qualified industrial enterprise registered in the Hainan FTP of the PRC will further enjoy a preferential corporate income tax rate of 15% for the calendar years from 2025 to 2035.

The provision for current income tax in the year of 2020 of the Group's six subsidiaries in the Hainan FTP was calculated based on the corporate income tax rate of 25%. In September 2021, these subsidiaries received notices from the relevant government authorities that they are eligible for the abovementioned preferential corporate income tax rate of 15% as being determined as primarily engaged in the government encouraged duty-free business in China, and the differences between the tax paid by these subsidiaries for the year 2020 calculated based on the corporate income tax rate of 25% and the preferential corporate income tax rate of 15% will be refunded accordingly. The effect of the tax refunds as a result of the change in applicable tax rates were charged to profit or loss for the year ended 31 December 2021.

8 DIRECTORS' EMOLUMENTS

Details of the emoluments of the directors of the Company during the Track Record Period are as followings:

	Year ended 31 December 2019				
	Directors' fee	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman:					
Mr. Peng Hui	–	2,630	4,408	52	7,090
Mr. Li Gang (resigned on 30 August 2019)	–	–	–	–	–
Executive directors:					
Mr. Chen Guoqiang (appointed on 18 September 2019)	–	1,340	–	15	1,355
Mr. Xue Jun (appointed on 18 September 2019)	–	1,336	–	15	1,351
Mr. Chen Xianjun (resigned on 25 November 2019)	–	–	–	–	–
Independent non-executive directors:					
Mr. Zhang Rungang	116	–	–	–	116
Mr. Wang Bin	112	–	–	–	112
Ms. Liu Yan	112	–	–	–	112
	340	5,306	4,408	82	10,136

	Year ended 31 December 2020				
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman:					
Mr. Peng Hui	–	2,632	4,149	4	6,785
Executive directors:					
Mr. Chen Guoqiang	–	2,378	4,547	39	6,964
Mr. Xue Jun (resigned on 1 September 2020)	–	1,212	2,860	4	4,076
Ms. Zhang Yin (appointed on 18 February 2020 and resigned on 23 September 2020)	–	–	–	–	–
Independent non-executive directors:					
Mr. Zhang Rungang	201	–	–	–	201
Mr. Wang Bin	201	–	–	–	201
Ms. Liu Yan	201	–	–	–	201
	603	6,222	11,556	47	18,428

	Year ended 31 December 2021				
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman:					
Mr. Peng Hui	–	1,577	6,339	53	7,969
Executive directors:					
Mr. Chen Guoqiang	–	2,338	5,565	53	7,956
Mr. Wang Xuan (appointed on 18 May 2021)	–	1,918	5,007	53	6,978
Independent non-executive directors:					
Mr. Zhang Rungang	237	–	–	–	237
Mr. Wang Bin	237	–	–	–	237
Ms. Liu Yan	237	–	–	–	237
	711	5,833	16,911	159	23,614

	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	Three months ended 31 March 2021 (Unaudited)				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman:					
Mr. Peng Hui	–	728	6,339	13	7,080
Executive directors:					
Mr. Chen Guoqiang	–	642	5,565	13	6,220
Independent non-executive directors:					
Mr. Zhang Rungang	55	–	–	–	55
Mr. Wang Bin	55	–	–	–	55
Ms. Liu Yan	55	–	–	–	55
	165	1,370	11,904	26	13,465

	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	Three months ended 31 March 2022				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman:					
Mr. Peng Hui	–	2,013	3,271	14	5,298
Executive directors:					
Mr. Chen Guoqiang	–	686	2,800	14	3,500
Mr. Wang Xuan	–	579	2,485	14	3,078
Independent non-executive directors:					
Mr. Zhang Rungang	48	–	–	–	48
Mr. Wang Bin	48	–	–	–	48
Ms. Liu Yan	48	–	–	–	48
	144	3,278	8,556	42	12,020

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, 2, Nil, Nil, 2 and 3 are directors for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals during the Track Record Period are as followings:

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other emoluments	15,736	21,329	17,965	1,990	983
Discretionary bonuses	6,650	27,021	38,789	16,827	4,230
Retirement scheme contributions	–	110	221	27	27
	22,386	48,460	56,975	18,844	5,240

The emoluments of the remaining 3, 5, 5, 3, 2 individuals for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively, who are amongst the five highest paid individuals of the Group are within the following bands:

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	Number of individuals	**Number of individuals**	**Number of individuals**	**Number of individuals** *(unaudited)*	**Number of individuals**
HK$3,000,001 to HK$4,000,000	–	–	–	–	2
HK$7,000,001 to HK$8,000,000	–	–	–	3	–
HK$8,000,001 to HK$9,000,000	3	2	–	–	–
HK$11,000,001 to HK$12,000,000	–	–	2	–	–
HK$12,000,001 to HK$13,000,000	–	3	–	–	–
HK$15,000,001 to HK$16,000,000	–	–	3	–	–
	3	5	5	3	2

10 EARNINGS PER SHARE

Basic earnings per share during the Track Record Period were calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the Track Record Period. There were no dilutive potential ordinary shares during the Track Record Period.

The calculations of basic and diluted earnings per share are based on:

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
Profit attributable to equity shareholders of the Company for the year/period (in RMB'000)					
– Continuing operations	3,784,518	5,931,348	9,726,557	2,869,366	2,579,787
– Discontinued operations	713,055	–	–	–	–
	4,497,573	5,931,348	9,726,557	2,869,366	2,579,787
Weighted average number of ordinary shares (in '000)	1,952,476	1,952,476	1,952,476	1,952,476	1,952,476
Basic and diluted earnings per share (in RMB)					
– Continuing operations	1.9383	3.0379	4.9817	1.4696	1.3213
– Discontinued operations	0.3652	–	–	–	–
	2.3035	3.0379	4.9817	1.4696	1.3213

11 INVESTMENT PROPERTIES

	Years ended 31 December 2019	2020	2021	Three months ended 31 March 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	289,670	1,477,529	1,400,678	1,328,332
Additions	–	–	11,332	–
Transfer from/(to) right-of-use assets and other property, plant and equipment	1,219,510	(52,051)	(83,054)	(24,671)
Disposal of discontinued operations *(Note 31)*	(31,816)	–	–	–
Decrease during the year/period	–	(24,800)	–	–
Disposals	–	–	(624)	–
Exchange differences	165	–	–	–
At 31 December/31 March	1,477,529	1,400,678	1,328,332	1,303,661
Accumulated amortisation:				
At 1 January	(69,633)	(92,027)	(119,508)	(131,519)
Charge for the year/period	(12,236)	(42,817)	(40,207)	(9,382)
Transfer (from)/to right-of-use assets and other property, plant and equipment	(23,984)	15,336	27,786	8,499
Disposal of discontinued operations *(Note 31)*	13,826	–	–	–
Disposals	–	–	410	–
At 31 December/31 March	(92,027)	(119,508)	(131,519)	(132,402)
Carrying amount at 31 December/ 31 March	1,385,502	1,281,170	1,196,813	1,171,259

(a) Amounts recognised in the consolidated statements of profit or loss and other comprehensive income for investment properties

	Years ended 31 December 2019	2020	2021	Three months ended 31 March 2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Rental income from operating leases	177,699	196,298	291,608	76,694	65,557

(b) Leasing income

The Group leases out investment properties under operating leases which typically run for an initial period of 1 to 3 years. The Group's total future minimum lease receivable under non-cancellable operating leases are as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	174,248	176,433	106,599	85,859
After 1 year but within 5 years	326,904	184,668	93,798	81,825
After 5 years	16,666	10,065	5,482	4,557
	517,818	371,166	205,879	172,241

(c) Fair value hierarchy

As set out in Note 2(h), the Group has applied the cost model for its investment properties.

An independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, has been engaged to measure the fair value of the investment properties during the Track Record Period. The valuation included the fair value of the buildings, and the associated leasehold land use rights classified as investment properties. As at 31 December 2019, 2020 and 2021 and 31 March 2022, the fair values of the investment properties are RMB3,054,033,000, RMB2,943,032,000, RMB3,153,300,000, and RMB3,188,000,000 respectively.

Fair values are categorised into the three-level fair value hierarchy as disclosed in Note 32(e). The fair value measurement for investment properties has been categorised as Level 3 fair value based on the inputs to the valuation technique used.

The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and capitalised at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The yield is estimated according to the market evidence, valuer's experience and knowledge of market conditions.

Description	**Valuation techniques**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Property units located in Mainland China	Income approach	Market rent	The higher the unit rent per square meter, the higher the fair value.
		Market yield	The higher the yield, the lower the fair value. The ranges of adopted yield are from 6.0% to 6.5%, 6.0% to 6.5%, 6.0% to 6.5% and 6.0% to 6.5% as at 31 December 2019, 2020 and 2021 and 31 March 2022 respectively.

12 RIGHT-OF-USE ASSETS

	Ownership interests in leasehold land for own use	Buildings	Motor vehicles, furniture, and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2019	2,105,477	4,318,384	5,345	6,429,206
Acquisition through business combination *(Note 30(a))*	–	8,656	–	8,656
Additions	670,526	907,385	1,876	1,579,787
Transfer to investment properties	(218,914)	–	–	(218,914)
Exchange differences	–	5,892	91	5,983
At 31 December 2019	2,557,089	5,240,317	7,312	7,804,718
Additions	26,883	430,296	2,331	459,510
Termination of leases	–	–	(5,233)	(5,233)
Transfer from investment properties	13,362	–	–	13,362
Exchange differences	–	(22,783)	(109)	(22,892)
At 31 December 2020	2,597,334	5,647,830	4,301	8,249,465
Additions	–	930,808	6,373	937,181
Disposals	–	(35,590)	(23)	(35,613)
Modification	–	(21,181)	–	(21,181)
Transfer from investment properties	21,321	–	–	21,321
Exchange differences	–	(16,576)	(47)	(16,623)
At 31 December 2021	2,618,655	6,505,291	10,604	9,134,550
Additions	–	65,295	–	65,295
Disposals	–	(179,374)	(157)	(179,531)
Modification	–	(2,882)	–	(2,882)
Transfer from investment properties	6,333	–	–	6,333
Exchange differences	–	(7,557)	(10)	(7,567)
At 31 March 2022	2,624,988	6,380,773	10,437	9,016,198
Accumulated depreciation:				
At 1 January 2019	(161,617)	(351,857)	(1,992)	(515,466)
Charge for the year	(64,458)	(613,233)	(1,980)	(679,671)
Transfer to investment properties	24,165	–	–	24,165
Exchange differences	–	(1,058)	(1)	(1,059)
At 31 December 2019	(201,910)	(966,148)	(3,973)	(1,172,031)
Charge for the year	(62,377)	(705,684)	(2,339)	(770,400)
Written back on termination	–	–	5,233	5,233
Transfer from investment properties	(2,232)	–	–	(2,232)
Exchange differences	–	6,806	26	6,832
At 31 December 2020	(266,519)	(1,665,026)	(1,053)	(1,932,598)
Charge for the year	(63,182)	(960,519)	(2,227)	(1,025,928)
Written back on disposals	–	11,210	17	11,227
Transfer from investment properties	(4,131)	–	–	(4,131)
Exchange differences	–	828	8	836
At 31 December 2021	(333,832)	(2,613,507)	(3,255)	(2,950,594)
Charge for the period	(15,938)	(257,089)	(647)	(273,674)
Written back on disposals	–	175,361	67	175,428
Transfer from investment properties	(1,270)	–	–	(1,270)
Exchange differences	–	1,176	4	1,180
At 31 March 2022	(351,040)	(2,694,059)	(3,831)	(3,048,930)
Carrying amount:				
At 31 December 2019	2,355,179	4,274,169	3,339	6,632,687
At 31 December 2020	2,330,815	3,982,804	3,248	6,316,867
At 31 December 2021	2,284,823	3,891,784	7,349	6,183,956
At 31 March 2022	2,273,948	3,686,714	6,606	5,967,268

(a) The analyses of the carrying amounts of the Group's right-of-use assets by class of underlying assets are as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in "Right-of-use assets":				
– Ownership interests in leasehold land for own use	2,355,179	2,330,815	2,284,823	2,273,948
– Buildings	4,274,169	3,982,804	3,891,784	3,686,714
– Motor vehicles, furniture, and others	3,339	3,248	7,349	6,606
	6,632,687	6,316,867	6,183,956	5,967,268
Included in "Investment properties":				
– Ownership interests in leasehold land held for lease	249,197	230,902	206,905	200,282
	6,881,884	6,547,769	6,390,861	6,167,550

(b) The analyses of expense items in relation to leases recognised in profit or loss are as follows:

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation charges of right-of-use assets by class of underlying assets:					
– Ownership interests in leasehold land for own use	51,902	50,689	26,951	15,785	7,700
– Buildings	613,233	705,684	960,519	185,086	257,089
– Motor vehicles, furniture, and others	1,980	2,339	2,227	297	647
– Ownership interests in leasehold land held for lease	1,693	7,165	6,808	1,702	1,560
	668,808	765,877	996,505	202,870	266,996
Interest expenses on lease liabilities *(Note 6(a))*	197,620	199,786	203,195	45,879	51,583
Variable lease payments not included in the measurement of lease liabilities *(Note 6(c))*	12,227,732	5,615,858	2,364,352	782,537	579,113
COVID-19-related rent concessions from lessors *(Note 6(c))*	–	(86,860)	(3,134,717)	–	(281,075)

(c) Ownership interests in leasehold land for own use

The Group has obtained land use rights in the Mainland China where certain retail complexes are located. The land use rights are typically granted for 30-50 years, on the expiry of which the land reverts back to the PRC state. The payment for leasing the land is normally made in full at the start of the land use right period.

(d) Other properties leased for own use

The Group mainly leases various retail stores, offices, delivery pick-up points and warehouses. Rental contracts are typically entered into for fixed periods of 3 to 10 years for retail stores and 2 to 5 years for offices and warehouses.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Some property leases contain variable payment terms that are linked to factors such as sales generated from a store or the number of passengers and etc. Variable lease payments that depend on such factors are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in certain property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

13 OTHER PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Furniture and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2019	2,294,259	10,068	182,488	251,766	491,555	833,129	4,063,265
Acquisition through business combination *(Note 30(a))*	42,375	347	3,721	22,132	171,827	6,197	246,599
Additions	1,171	9,595	15,274	24,449	36,518	1,104,672	1,191,679
Disposals	–	(705)	(10,835)	(16,868)	–	–	(28,408)
Transfer within other property, plant and equipment	77,563	157	–	263	294,430	(372,413)	–
Transfer from/(to) investment properties	617	–	–	–	–	(1,001,213)	(1,000,596)
Disposal of discontinued operations *(Note 31)*	(340,292)	(1,702)	(60,870)	(91,852)	(37,491)	–	(532,207)
Exchange differences	132	11	146	443	1,712	–	2,444
At 31 December 2019	2,075,825	17,771	129,924	190,333	958,551	570,372	3,942,776
Additions	–	5,921	5,611	27,463	32,420	1,076,304	1,147,719
Disposals	–	(400)	(5,738)	(6,041)	–	–	(12,179)
Transfer within other property, plant and equipment	7,155	–	–	–	239,676	(246,831)	–
Transfer from investment properties	38,689	–	–	–	–	–	38,689
Exchange differences	–	(33)	(398)	(1,753)	(9,908)	–	(12,092)
At 31 December 2020	2,121,669	23,259	129,399	210,002	1,220,739	1,399,845	5,104,913
Additions	–	2,824	3,548	32,962	156,602	2,199,258	2,395,194
Disposals	(1,250)	(772)	(3,545)	(8,315)	(26,026)	–	(39,908)
Transfer within other property, plant and equipment	330,295	–	–	–	211,599	(541,894)	–
Transfer from investment properties	61,733	–	–	–	–	–	61,733
Exchange differences	–	(20)	(155)	(821)	(8,676)	(597)	(10,269)
At 31 December 2021	2,512,447	25,291	129,247	233,828	1,554,238	3,056,612	7,511,663
Additions	–	593	622	3,470	4,001	616,967	625,653
Disposals	–	–	(617)	(372)	–	–	(989)
Transfer within other property, plant and equipment	–	–	–	615	3,969	(4,584)	–
Transfer from investment properties	18,338	–	–	–	–	–	18,338
Exchange differences	–	(7)	(37)	(250)	(1,578)	(1,509)	(3,381)
At 31 March 2022	2,530,785	25,877	129,215	237,291	1,560,630	3,667,486	8,151,284

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture and others *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation:							
At 1 January 2019	(508,175)	(7,754)	(128,720)	(164,507)	(165,329)	–	(974,485)
Charge for the year	(133,855)	(1,047)	(20,465)	(20,832)	(168,938)	–	(345,137)
Acquisition through business combination *(Note 30(a))*	(538)	(254)	(1,298)	(12,687)	–	–	(14,777)
Written back on disposals	–	480	10,063	14,956	–	–	25,499
Transfer from investment properties	(181)	–	–	–	–	–	(181)
Disposal of discontinued operations *(Note 31)*	126,529	1,029	54,761	62,125	8,074	–	252,518
Exchange differences	–	(6)	(171)	(176)	–	–	(353)
At 31 December 2019	(516,220)	(7,552)	(85,830)	(121,121)	(326,193)	–	(1,056,916)
Charge for the year	(124,951)	(2,619)	(12,900)	(21,982)	(196,185)	–	(358,637)
Written back on disposals	–	380	5,467	5,545	–	–	11,392
Transfer from investment properties	(13,104)	–	–	–	–	–	(13,104)
Exchange differences	–	21	281	1,142	–	–	1,444
At 31 December 2020	(654,275)	(9,770)	(92,982)	(136,416)	(522,378)	–	(1,415,821)
Charge for the year	(116,082)	(3,767)	(10,198)	(21,764)	(235,929)	–	(387,740)
Written back on disposals	858	473	2,806	6,583	4,075	–	14,795
Transfer from investment properties	(23,655)	–	–	–	–	–	(23,655)
Exchange differences	–	10	119	545	–	–	674
At 31 December 2021	(793,154)	(13,054)	(100,255)	(151,052)	(754,232)	–	(1,811,747)
Charge for the period	(31,221)	(1,229)	(1,825)	(5,802)	(64,338)	–	(104,415)
Written back on disposals	–	–	586	119	–	–	705
Transfer from investment properties	(7,229)	–	–	–	–	–	(7,229)
Exchange differences	–	3	31	107	–	–	141
At 31 March 2022	(831,604)	(14,280)	(101,463)	(156,628)	(818,570)	–	(1,922,545)
Impairment losses:							
At 1 January 2019	–	–	–	–	–	–	–
Impairment loss *(ii)*	–	–	–	–	–	(166,670)	(166,670)
At 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022	–	–	–	–	–	(166,670)	(166,670)
Carrying amount:							
At 31 December 2019	1,559,605	10,219	44,094	69,212	632,358	403,702	2,719,190
At 31 December 2020	1,467,394	13,489	36,417	73,586	698,361	1,233,175	3,522,422
At 31 December 2021	1,719,293	12,237	28,992	82,776	800,006	2,889,942	5,533,246
At 31 March 2022	1,699,181	11,597	27,752	80,663	742,060	3,500,816	6,062,069

(i) The Group is in the process of obtaining ownership certificates for buildings with an aggregate carrying amount of RMB179,463,000, RMB98,979,000, RMB419,348,000 and RMB414,856,000 at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings and the aforesaid matter will not have any significant impact on the Group's financial position as at the end of each reporting period.

(ii) At 31 December 2019, an impairment loss of RMB166,670,000 was made over a construction project relating to phase I site 2 development of Sanya International Duty-Free Complex resulted from the change of the policies in respect of the property development in that region.

(iii) The analyses of the Group's non-current assets, including investment properties, right-of-use assets, other property, plant and equipment, are presented below based on the physical location of the assets.

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China	10,274,246	10,732,069	11,911,401	12,231,433
Hong Kong, Macau and overseas	463,133	388,390	1,002,614	969,163
	10,737,379	11,120,459	12,914,015	13,200,596

14 INTANGIBLE ASSETS

Intangible assets of the Group represent software and similar licenses with finite lives.

	Years ended 31 December			Three months ended 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	193,546	126,438	149,420	201,762
Acquisitions through business combinations *(Note 30)*	14,025	–	–	–
Additions	43,937	23,359	59,164	5,219
Disposals	(155)	–	(6,647)	–
Disposal of discontinued operations *(Note 31)*	(124,605)	–	–	–
Exchange differences	(310)	(377)	(175)	(50)
At 31 December/31 March	126,438	149,420	201,762	206,931
Accumulated amortisation:				
At 1 January	(125,281)	(59,799)	(73,724)	(85,266)
Charge for the year/period	(11,879)	(14,126)	(16,873)	(4,992)
Acquisitions through business combinations *(Note 30)*	(10,383)	–	–	–
Disposals	41	–	5,222	–
Disposal of discontinued operations *(Note 31)*	87,741	–	–	–
Exchange differences	(38)	201	109	34
At 31 December/31 March	(59,799)	(73,724)	(85,266)	(90,224)
Carrying amount:				
At 31 December/31 March	66,639	75,696	116,496	116,707

The amortisation of intangible assets is included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income.

15 GOODWILL

	RMB'000
Cost:	
At 1 January 2019	824,591
Disposal of discontinued operations	(2,131)
At 31 December 2019, 2020, and 2021 and 31 March 2022	822,460
Accumulated impairment:	
At 1 January 2019	(2,131)
Disposal of discontinued operations *(Note 31)*	2,131
At 31 December 2019, 2020, and 2021 and 31 March 2022	–
Carrying amount:	
At 31 December 2019, 2020, and 2021 and 31 March 2022	822,460

Impairment tests for cash-generating units containing goodwill

The carrying amount of goodwill before impairment allocated to the groups of cash-generating units are as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Sunrise Shanghai	822,460	822,460	822,460	822,460

The Group performs annual impairment test on goodwill at the end of the reporting year. For Sunrise Shanghai, the recoverable amount of the cash-generating unit was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five to seven years period. Projections for a period of greater than five years and not more than seven years in general were used on the basis that a longer projection period represents the long-dated nature of the airport lease agreement and is a more appropriate reflection of the future cash flows generated from the airport duty-free stores operation.

The weighted average growth rates in revenue within the forecast period are determined based on the average growth rate achieved in the recent period before the budget year, adjusted for expected market development. The long-term growth rates used over the forecast period, which are 2.40%, 2.60% and 2.30% as at 31 December 2019, 2020 and 2021, respectively, do not exceed the long-term average growth rates in relevant industry reports. The pre-tax discount rates of 17.72%, 17.12% and 17.63% adopted as at 31 December 2019, 2020 and 2021 reflected the current market assessment of the time value of money and the risks specific to the Sunrise Shanghai CGU.

The recoverable amounts determined on the above basis exceeded the carrying amounts of the Sunrise Shanghai CGU by RMB3,251,000,000, RMB6,546,000,000 and RMB1,745,000,000 as of 31 December 2019, 2020 and 2021, respectively. Considering the headroom was multiple times of the carrying amounts of the Sunrise Shanghai CGU at each reporting year end date, the directors of the Company believe that there is no reasonably possible change in key parameters that would cause the carrying amount of the Sunrise Shanghai CGU to exceed its recoverable amount.

As a result of the above impairment tests, the directors are of the view that there was no impairment on the goodwill allocated to Sunrise Shanghai as at 31 December 2019, 2020 and 2021. As of 31 March 2022, the directors of the Company consider there are no significant changes to Sunrise Shanghai's operations, and given the amount of headroom as at 31 December 2021 mentioned above, the directors of the Company consider that there is no impairment losses on the related goodwill.

16 INVESTMENTS IN SUBSIDIARIES

As at the date of report, particulars of the Company's principal subsidiaries are as follows:

Name of company	Place and date of establishment/ incorporation	Particulars of issued/paid-in capital ('000)	The Group's effective interest Direct	Indirect	Principal activities
China Duty Free Group Co., Ltd. ("CDFG") 中國免稅品(集團)有限責任公司 *(v) (vi)*	The PRC 8 February 1985	RMB4,250,000	100%	–	Travel retail business
China Duty Free International Limited 中免國際有限公司 *(iii)*	Hong Kong 21 November 1996	HK$42,750	–	100%	Travel retail business
Sunrise Shanghai (v)	The PRC 23 June 1999	US$1,020	–	51%	Travel retail business
Sunrise Duty Free (China) Co., Ltd. ("Sunrise China") 日上免稅行(中國)有限公司 *(v)*	The PRC 28 November 2005	US$6,260	–	51%	Travel retail business
CDFG (Guangzhou Xinmian) Duty Free Co., Ltd. 廣州新免免稅品有限公司 *(v) (vi)*	The PRC 4 January 2008	RMB220,600	–	100%	Travel retail business
CDFG Sanya Downtown Duty Free Store Co., Ltd. 中免集團三亞市內免稅店有限公司 *(v) (vi)*	The PRC 4 June 2009	RMB1,850,550	–	100%	Travel retail business
CDF Investment Development Co., Ltd. 中免投資發展有限公司 (v) (vi)	The PRC 4 May 2010	RMB3,000,000	100%	–	Investment and development of integrated travel retail complex
CDF (Sanya) Investment Development Co., Ltd. 中免 (三亞) 投資發展有限公司 *(v) (vi)*	The PRC 4 August 2011	RMB387,755	–	100%	Investment and development of integrated travel retail complex
Hainan Duty Free Co., Ltd. ("Hainan DF") 海南省免稅品有限公司 *(iv) (vi)*	The PRC 31 October 2011	RMB200,000	–	51%	Travel retail business
CDF (Sanya) Haitang Bay Investment Development Co., Ltd. 中免 (三亞) 海棠灣投資發展有限公司 *(v) (vi)*	The PRC 31 July 2014	RMB240,000	–	100%	Investment and development of integrated travel retail complex
CDF-Lagardere Company Limited 中免-拉格代爾有限公司 (iii)	Hong Kong 16 January 2017	HK$130,000	–	80%	Travel retail business
CDFG Beijing Capital Airport Duty Free Co., Ltd. 中免集團北京首都機場免稅品有限公司 *(v) (vi)*	The PRC 25 December 2017	RMB200,000/ RMB65,000	–	51%	Travel retail business
China Duty Free Group (Hainan) Operation Headquarter Co., Ltd. 中免集團 (海南) 運營總部有限公司 *(v) (vi)*	The PRC 29 May 2018	RMB2,500,000	–	100%	Travel retail business

(i) The above table lists out the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the Track Record Period or formed a substantial portion of the net assets of the Group.

(ii) All companies comprising the Group have adopted 31 December as their financial year end date. The financial statements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries/regions in which they were incorporated and/or established.

(iii) China Duty Free International Limited and CDF-Lagardere Company Limited are established in Hong Kong. The statutory financial statements of these two entities for the years ended 31 December 2019 and 2020 were audited by KPMG. As of the date of this report, the statutory audit of these entities for the year ended 31 December 2021 has not been completed.

(iv) Hainan DF was acquired through business combination under common control in 2020. The financial information of this entity was included in the Historical Financial Information from the date when this entity and the Company became under common control under CTG in January 2019. The statutory financial statements of Hainan DF for the year ended 31 December 2019 have been audited by Ernst & Young Huaming LLP and the statutory financial statements for the years ended 31 December 2020 and 2021 have been audited by KPMG Huazhen LLP.

(v) Sunrise Shanghai and Sunrise China are Sino-foreign joint ventures established in the PRC. All the other entities are domestic enterprises established in the PRC. The statutory financial statements of the Company, Sunrise Shanghai, Sunrise China and the remaining entities listed above for the years ended 31 December 2019, 2020 and 2021 have been audited by KPMG Huazhen LLP.

(vi) The official names of these entities are in Chinese. The English translations are included for identification purpose only.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary with material non-controlling interests to the Group. The summarised financial information presented below is the amount after the adjustment of fair value impact from business combination and uniform accounting policy but before any inter-company elimination.

Summarised financial information of Sunrise China

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	349,060	955,503	449,409	433,646
Current assets	1,945,982	1,676,461	1,226,268	1,441,910
Non-current liabilities	27,494	89,570	48,452	35,920
Current liabilities	1,143,977	2,973,765	673,324	892,387
Net assets/(liabilities)	1,123,571	(431,371)	953,901	947,249
Carrying amount of non-controlling interests	550,550	(211,372)	467,411	464,152

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Revenue	7,477,132	3,202,231	1,906,790	492,857	262,892
Profit/(loss) after taxation and total comprehensive income	275,049	(1,554,942)	1,385,272	(163,959)	(6,652)
Profit/(loss) attributable to non-controlling interests	134,774	(761,922)	678,783	(80,340)	(3,259)
Cash flows (used in)/generated from operating activities	(283,636)	1,888	81,508	3,273	200,774
Cash flows generated from/(used in) investing activities	234,018	(187,929)	7,910	42,223	(211,390)
Cash flows used in financing activities	(11,505)	(11,545)	(37,274)	(9,604)	(17,912)

Summarised financial information of Sunrise Shanghai

	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 31 March 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	989,238	922,327	838,284	801,763
Current assets	3,510,636	7,055,824	6,631,273	4,723,967
Non-current liabilities	175,827	155,451	108,812	103,555
Current liabilities	1,777,181	2,833,039	3,155,768	2,388,891
Net assets	2,546,866	4,989,661	4,204,977	3,033,284
Carrying amount of non-controlling interests	1,247,964	2,444,934	2,060,439	1,486,309

	Years ended 31 December 2019	Years ended 31 December 2020	Years ended 31 December 2021	Three months ended 31 March 2021	Three months ended 31 March 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	15,148,540	13,729,587	12,490,727	2,953,951	2,949,353
Profit after taxation and total comprehensive income	879,622	2,442,796	1,354,385	654,874	203,600
Profit attributable to non-controlling interests	431,015	1,196,970	663,649	320,888	99,764
Dividends paid to non-controlling interests	302,773	–	1,048,144	–	673,894
Cash flows generated from/(used in) operating activities	491,992	4,027,648	1,094,082	(66,410)	(1,095,874)
Cash flows generated from/(used in) investing activities	511,341	(4,071,399)	1,798,915	956,112	2,135,279
Cash flows used in financing activities	(596,015)	(22,772)	(2,166,450)	(54,518)	(1,312,016)

Summarised financial information of Hainan DF

	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 31 March 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	246,098	244,185	250,875	260,037
Current assets	1,659,150	6,261,060	4,860,278	4,904,710
Non-current liabilities	3,220	50	11,863	21,887
Current liabilities	1,130,570	4,372,468	1,463,667	1,255,789
Net assets	771,458	2,132,727	3,635,623	3,887,071
Carrying amount of non-controlling interests	451,537	1,249,588	1,959,736	2,101,871

	From the date under common control of CTG to 31 December	Years ended 31 December		Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	2,999,140	9,911,439	15,962,498	3,677,692	2,396,082
Profit after taxation and total comprehensive income	319,437	1,544,313	1,845,896	555,660	251,448
Profit attributable to non-controlling interests	195,008	887,743	1,053,148	318,427	142,135
Dividends paid to non-controlling interests	49,000	89,692	343,000	–	–
Cash flows generated from/(used in) operating activities	198,140	557,048	40,674	(169,651)	(12,814)
Cash flows (used in)/generated from investing activities	(17,931)	(98,725)	(131,176)	(10,049)	21,018
Cash flows used in financing activities	(92,192)	(216,197)	(374,068)	(11,133)	(4,628)

17 INTERESTS IN ASSOCIATES

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	301,360	841,783	1,044,900	1,091,603
Impairment loss	(76,500)	(76,500)	(76,500)	(76,500)
	224,860	765,283	968,400	1,015,103

Aggregate information of the associates that are not individually material:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated statements of financial position	224,860	765,283	968,400	1,015,103
Aggregate amount of the Group's share of the associates				
Profit for the year/period	55,476	16,828	165,016	46,703
Other comprehensive income	189	(522)	(204)	–
Total comprehensive income	55,665	16,306	164,812	46,703

18 INTERESTS IN JOINT VENTURES

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	29,829	25,980	23,294	22,610

Aggregate information of the joint ventures that are not individually material:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial joint ventures in the consolidated statements of financial position	29,829	25,980	23,294	22,610
Aggregate amount of the Group's share of the joint ventures				
Profit/(loss) and total comprehensive income for the year/period	3,926	(1,375)	(2,685)	(684)

19 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Merchandise held for trading	8,964,688	14,733,024	19,724,698	20,953,552

(b) The analyses of the amounts of inventories recognised as expenses and included in profit or loss are as follows:

	Years ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Carrying amount of inventories sold	23,211,101	31,124,627	44,799,021	11,020,773	11,059,437
Write-down/(reversal of write-down) of inventories	230,015	908,716	498,930	(60,917)	(45,243)
	23,441,116	32,033,343	45,297,951	10,959,856	11,014,194

20 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Lease and other deposits	537,067	565,362	582,745	561,043
Current				
Trade receivables	307,084	283,554	297,722	117,685
Prepayments for purchases of merchandise	383,186	255,598	286,621	436,943
Prepayments for variable and short-term leases	174,313	317,138	286,339	265,253
Value-added tax recoverable	102,747	236,699	657,631	997,944
Lease and other deposits	137,479	195,086	210,142	244,617
Others	460,206	184,576	213,223	483,056
	1,565,015	1,472,651	1,951,678	2,545,498
	2,102,082	2,038,013	2,534,423	3,106,541

Except for lease and other deposits classified as non-current assets, all of the remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analyses

The ageing analyses of trade receivables, based on the invoice date and net of loss allowance, are as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	305,745	282,256	297,722	117,685
1 to 2 years	1,218	61	–	–
Over 2 years	121	1,237	–	–
	307,084	283,554	297,722	117,685

Details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 32(a).

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Loans due from subsidiaries	970,000	1,980,000	2,555,000	3,260,000
Current				
Loans due from subsidiaries	245,000	260,000	635,000	610,000
Amounts due from subsidiaries	3,759,973	4,458,699	4,008,880	4,071,102
Value-added tax recoverable	–	7,150	4,228	808
Others	36,967	18,135	58,508	60,364
	4,041,940	4,743,984	4,706,616	4,742,274
	5,011,940	6,723,984	7,261,616	8,002,274

As at 31 December 2019, 2020 and 2021 and 31 March 2022, certain subsidiaries borrowed loans from the Company, carrying interest at 4.75%, 4.275%, 4.275% and 4.275% per annum, respectively.

21 RESTRICTED BANK DEPOSITS

As at 31 December 2019, 2020, 2021 and 31 March 2022, the restricted bank deposits mainly represented deposits relating to certain subsidiaries' duty-free business stipulated by certain authority to be held in specified bank accounts with restricted usage.

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	6,311,120	7,407,336	10,821,410	7,904,706
Deposits at CTG Finance Company Limited (formerly known as China National Travel Service (HK) Finance Company Limited) ("CTG Finance"), a related financial institution	5,674,220	7,251,352	5,835,132	6,057,864
Cash and cash equivalents included in the consolidated statements of financial position and the consolidated cash flow statements	11,985,340	14,658,688	16,656,542	13,962,570

(b) Reconciliations of liabilities arising from financing activities

The tables below detail the changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest-bearing borrowings *RMB'000* *(Note 25)*	**Lease liabilities** *RMB'000* *(Note 26)*	**Deposit from associates** *RMB'000*	**Total** *RMB'000*
At 1 January 2019	366,230	3,950,018	60,470	4,376,718
Changes from financing cash flows:				
Proceeds from new bank loans and other loans	12,597	–	–	12,597
Repayment of bank loans and other loans	(60,375)	–	–	(60,375)
Interests paid	(14,603)	–	(478)	(15,081)
Capital element of lease rentals paid	–	(399,995)	–	(399,995)
Interest element of lease rentals paid	–	(197,620)	–	(197,620)
Change of deposits from associates	–	–	(47,831)	(47,831)
Total changes from financing cash flows	(62,381)	(597,615)	(48,309)	(708,305)
Exchange adjustments	8,912	4,062	–	12,974
Other changes:				
Capitalisation of new leases	–	909,261	–	909,261
Interest expenses	12,753	197,620	478	210,851
Acquisition through business combination *(Note 30(a))*	50,375	8,656	–	59,031
Disposal of discontinued operations *(Note 31)*	(60,000)	–	(10,505)	(70,505)
	3,128	1,115,537	(10,027)	1,108,638
At 31 December 2019	315,889	4,472,002	2,134	4,790,025

	Interest-bearing borrowings	Lease liabilities	Deposit from associates	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 25)	*(Note 26)*		
At 1 January 2020	315,889	4,472,002	2,134	4,790,025
Changes from financing cash flows:				
Proceeds from new bank loans and other loans	255,116	–	–	255,116
Interests paid	(8,136)	–	(30)	(8,166)
Capital element of lease rentals paid	–	(413,660)	–	(413,660)
Interest element of lease rentals paid	–	(199,786)	–	(199,786)
Change of deposits from associates	–	–	358	358
Total changes from financing cash flows	246,980	(613,446)	328	(366,138)
Exchange adjustments	(22,796)	(18,929)	–	(41,725)
Other changes:				
Capitalisation of new leases	–	432,627	–	432,627
COVID-19-related rent concessions from lessors	–	(86,860)	–	(86,860)
Interest expenses *(Note 6(a))*	16,859	199,786	30	216,675
	16,859	545,553	30	562,442
At 31 December 2020	556,932	4,385,180	2,492	4,944,604

	Interest-bearing borrowings	Lease liabilities	Deposit from associates	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 25)	*(Note 26)*		
At 1 January 2021	556,932	4,385,180	2,492	4,944,604
Changes from financing cash flows:				
Interests paid	(18,407)	–	(48)	(18,455)
Capital element of lease rentals paid	–	(352,134)	–	(352,134)
Interest element of lease rentals paid	–	(65,888)	–	(65,888)
Total changes from financing cash flows	(18,407)	(418,022)	(48)	(436,477)
Exchange adjustments	(11,704)	(14,193)	–	(25,897)
Other changes:				
Capitalisation of new leases	–	937,181	–	937,181
Adjustment from lease disposal	–	(23,339)	–	(23,339)
Adjustment from lease modification	–	(21,181)	–	(21,181)
COVID-19-related rent concessions from lessors	–	(16,809)	–	(16,809)
Interest expenses *(Note 6(a))*	18,612	203,195	48	221,855
	18,612	1,079,047	48	1,097,707
At 31 December 2021	545,433	5,032,012	2,492	5,579,937

	Interest-bearing borrowings *RMB'000* *(Note 25)*	Lease liabilities *RMB'000* *(Note 26)*	Deposit from associates *RMB'000*	Total *RMB'000*
At 1 January 2022	545,433	5,032,012	2,492	5,579,937
Changes from financing cash flows:				
Interests paid	(1,835)	–	(15)	(1,850)
Capital element of lease rentals paid	–	(152,073)	–	(152,073)
Interest element of lease rentals paid	–	(27,021)	–	(27,021)
Change of deposits from associates	–	–	–	–
Total changes from financing cash flows	(1,835)	(179,094)	(15)	(180,944)
Exchange adjustments	(5,382)	(5,972)	–	(11,354)
Other changes:				
Capitalisation of new leases	–	65,295	–	65,295
Adjustment from lease disposal	–	(2,945)	–	(2,945)
Adjustment from lease modification	–	(2,882)	–	(2,882)
COVID-19-related rent concessions from lessors	–	(10,728)	–	(10,728)
Interest expenses *(Note 6(a))*	6,802	51,583	15	58,400
Total other changes	6,802	100,323	15	107,140
At 31 March 2022	545,018	4,947,269	2,492	5,494,779

(c) Total cash outflow for leases

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Within operating cash flows	12,167,115	2,126,438	2,184,018	813,976	614,753
Within investing cash flows	670,526	26,883	–	–	–
Within financing cash flows	597,615	613,446	418,022	54,201	179,094
	13,435,256	2,766,767	2,602,040	868,177	793,847

These amounts relate to the following:

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Lease rentals paid	12,764,730	2,739,884	2,602,040	868,177	793,847
Payments for land use right	670,526	26,883	–	–	–
	13,435,256	2,766,767	2,602,040	868,177	793,847

23 TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	3,299,979	3,954,235	5,263,433	4,119,864
Payables for property constructions	341,320	372,503	616,479	697,654
Dividends payable	53,143	19,469	2,099	2,099
Employee benefits payable	624,981	413,016	411,406	531,396
Licensing fees payable	908,830	1,054,327	1,627,580	2,057,562
Other taxes payable	43,896	402,091	1,487,498	1,034,599
Variable and short-term lease and other operating expenses payable	1,525,154	5,026,130	2,040,948	1,710,585
Others	471,238	743,397	616,721	632,009
	7,268,541	11,985,168	12,066,164	10,785,768

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

(a) Ageing analyses

At 31 December 2019, 2020 and 2021 and 31 March 2022, the ageing analyses of trade payables, based on the invoice date, are as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3,034,709	3,488,933	4,797,110	3,649,863
1 to 2 years	259,812	222,017	14,103	16,131
2 to 3 years	3,209	239,560	216,517	215,774
Over 3 years	2,249	3,725	235,703	238,096
	3,299,979	3,954,235	5,263,433	4,119,864

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to subsidiaries	5,907,402	10,871,174	9,648,003	10,730,321
Employee benefits payables	6,305	6,208	1,889	2,454
Others	9,610	12,306	30,085	39,569
	5,923,317	10,889,688	9,679,977	10,772,344

24 CONTRACT LIABILITIES

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer loyalty program liabilities *(i)*	315,170	428,758	898,917	921,784
Advances receipt from customers for: *(ii)*				
– Sales of merchandise	136,301	470,864	469,048	252,834
– Provision of property management services	–	6,086	3,674	1,130
	451,471	905,708	1,371,639	1,175,748

(i) The Group operates several customer loyalty programs to customers when points can be earned by customers and to be used to reduce the cost of future purchases. The contract liabilities in respect of unredeemed customer loyalty points will be recognised as revenue when the points are redeemed by those customers or expire, which is expected to occur before the end of the following three years based on the expiry terms of the loyalty points.

(ii) The amounts of considerations received in advance as prepayments by customers are short term as the respective revenue is expected to be recognised within a few days when the goods or services are accepted by customers.

25 INTEREST-BEARING BORROWINGS

The Group's short-term bank borrowings are analysed as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings *(i)*	223,945	210,766	204,714	203,052
Loans from non-controlling shareholders *(ii)*	91,944	139,568	134,097	133,193
Loans from CTG *(iii)*	–	206,598	206,622	208,773
	315,889	556,932	545,433	545,018

(i) As at 31 December 2019, 2020, and 2021 and 31 March 2022, CDF-Lagardere Company Limited has drawn down bank loans bearing interest at three-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.9% per annum.

(ii) As at 31 December 2019 and 2020, certain subsidiaries of the Group have borrowed loans from the non-controlling shareholders, carrying floating interest at three-month HIBOR plus 1.7% per annum and fixed interest at 2.69% per annum. As at 31 December 2021 and 31 March 2022, such loans carried interest at three-month HIBOR plus 1.7% per annum and fixed interest at 0.73% per annum.

(iii) As at 31 December 2020, 2021 and 31 March 2022, the Company has borrowed shareholder loans from CTG carrying interest at 4.35% per annum.

26 LEASE LIABILITIES

The following tables show the remaining contractual maturities of the Group's lease liabilities at 31 December 2019, 2020 and 2021 and 31 March 2022.

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	735,067	926,421	1,545,488	1,785,444
After 1 year but within 2 years	897,724	973,152	965,967	857,832
After 2 years but within 5 years	2,088,375	2,237,200	2,110,883	1,955,557
After 5 years	750,836	248,407	409,674	348,436
	3,736,935	3,458,759	3,486,524	3,161,825
	4,472,002	4,385,180	5,032,012	4,947,269

27 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represent:

	Years ended 31 December			Three months ended 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January	429,806	590,062	2,170,628	1,598,290
Acquisitions through business combinations *(Note 30)*	4,195	–	–	–
Disposal of discontinued operations *(Note 31)*	(22,009)	–	–	–
Under-provision in respect of prior year/period	27,975	52,093	18,133	–
Provision for current taxation for the year/period	1,905,190	3,341,120	2,047,458	647,216
Payments during the year/period	(1,755,095)	(1,812,647)	(2,637,929)	(1,175,517)
As at 31 December/31 March	590,062	2,170,628	1,598,290	1,069,989
Representing:				
– Income tax recoverable	(94,508)	(44,288)	(9,118)	(8,682)
– Income tax payable	684,570	2,214,916	1,607,408	1,078,671
	590,062	2,170,628	1,598,290	1,069,989

(b) Deferred tax assets and liabilities recognised

(i) Movements of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements throughout the Track Record Period are as follows:

	Unused tax losses	Unrealised profits for inter-company transactions	Fair value adjustments arising from acquisition of a subsidiary	Customer loyalty program	Depreciation charges of right-of-use assets	Accruals and other temporary differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	1,169	178,800	(122,270)	38,654	27,498	157,699	281,550
Credited/(charged) to profit or loss *(Note 7(a))*	6,651	92,726	23,665	29,347	39,781	(20,122)	172,048
Acquisition through business combination *(Note 30(a))*	–	6,905	–	–	–	6,469	13,374
Disposal of discontinued operations *(Note 31)*	(98)	(70)	2,198	–	–	(22,235)	(20,205)
At 31 December 2019	7,722	278,361	(96,407)	68,001	67,279	121,811	446,767
Credited/(charged) to profit or loss *(Note 7(a))*	770,058	210,315	22,487	(19,384)	(53,774)	74,520	1,004,222
At 31 December 2020	777,780	488,676	(73,920)	48,617	13,505	196,331	1,450,989
Effect on deferred tax balances at 1 January resulting from a change in tax rate *(Note 7(b))*	–	(178,488)	–	–	–	(11,596)	(190,084)
(Charged)/credited to profit or loss *(Note 7(a))*	(478,112)	88,446	19,926	118,121	6,517	61,183	(183,919)
At 31 December 2021	299,668	398,634	(53,994)	166,738	20,022	245,918	1,076,986
(Charged)/credited to profit or loss *(Note 7(a))*	(2,562)	57,765	2,238	18,939	5,712	(24,127)	57,965
At 31 March 2022	297,106	456,399	(51,756)	185,677	25,734	221,791	1,134,951

(ii) Reconciliations to the consolidated statements of financial position

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	543,678	1,525,380	1,132,226	1,187,340
Deferred tax liabilities	(96,911)	(74,391)	(55,240)	(52,389)
	446,767	1,450,989	1,076,986	1,134,951

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of the items below as it is not probable that future taxable profits against which these items can be utilised will be available in the relevant tax jurisdictions and entities.

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deductible temporary differences	228,858	904,589	1,447,061	1,775,858
Tax losses	989,838	1,532,403	1,172,579	1,279,846
	1,218,696	2,436,992	2,619,640	3,055,704

Exclude the tax losses of the entities which do not expire, the tax losses of its subsidiaries established in the Mainland China can be carried forward up to five years from the year in which the losses originated, and will expire in the following years:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2020	39,027	–	–	–
2021	70,339	65,304	–	–
2022	98,804	94,331	80,074	77,440
2023	25,818	27,064	7,853	6,584
2024	265,727	586,438	191,146	186,677
2025	–	389,455	325,807	199,353
2026	–	–	197,888	234,895
	–	–	–	172,870
	499,715	1,162,592	802,768	877,819

28 PROVISIONS

Provisions as at 31 December 2019 were related to disputes for certain lease arrangements. The Group made the provisions, based on the best estimates about the final outcome and expected cost after consulting with external legal consultants. The final outcome for these disputes were in favour of the Group and the provisions were written-back when the Group received the final outcome and results of these disputes.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Track Record Period are set out below:

	Share capital *RMB'000* *(Note 29(c))*	Capital reserve *RMB'000* *(Note 29(d)(i))*	Statutory reserve *RMB'000* *(Note 29(d)(ii))*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2019	1,952,476	4,056,125	771,034	3,136,097	9,915,732
Changes in equity:					
Profit and total comprehensive income for the year	–	–	–	2,775,692	2,775,692
Appropriation to statutory reserve	–	–	277,569	(277,569)	–
Dividends declared and paid in respect of the previous year *(Note 29(b))*	–	–	–	(1,073,862)	(1,073,862)
At 31 December 2019	1,952,476	4,056,125	1,048,603	4,560,358	11,617,562
Changes in equity:					
Profit and total comprehensive income for the year	–	–	–	98,581	98,581
Dividends declared and paid in respect of the previous year *(Note 29(b))*	–	–	–	(1,405,782)	(1,405,782)
At 31 December 2020	1,952,476	4,056,125	1,048,603	3,253,157	10,310,361
Changes in equity:					
Profit and total comprehensive income for the year	–	–	–	3,239,107	3,239,107
Acquisition of a subsidiary under common control	–	(113,870)	–	–	(113,870)
Dividends declared and paid in respect of the previous year *(Note 29(b))*	–	–	–	(1,952,476)	(1,952,476)
At 31 December 2021	1,952,476	3,942,255	1,048,603	4,539,788	11,483,122
Changes in equity:					
Profit and total comprehensive income for the period	–	–	–	60,211	60,211
At 31 March 2022	1,952,476	3,942,255	1,048,603	4,599,999	11,543,333

(b) Dividends

Dividends declared and paid to the equity shareholders of the Company during the Track Record Period are as follows:

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Final dividend in respect of the previous year, declared and paid in the following year	1,073,862	1,405,782	1,952,476	–	–
Dividend per ordinary share (RMB)	0.55	0.72	1.00	–	–

(c) Share capital

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Number of shares registered, issued and fully paid (at par value of RMB1 each)	1,952,476	1,952,476	1,952,476	1,952,476

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve represents (i) the net proceeds received in excess of the total amount of the par value of the Company's shares, (ii) the difference between the consideration and the net assets acquired in business combination under common control, and (iii) the difference between contributions made by non-controlling interests and the share of the net assets in subsidiaries of the Group.

(ii) Statutory reserve

Pursuant to the Company's Articles of Association, the Company is required to transfer 10% of net profit (after offsetting prior year losses) determined in accordance with the accounting rules and regulations of the PRC to the statutory reserve until such reserve reaches 50% of the registered capital of the Company. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the Company and is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 2(w).

(iv) Other reserves

Other reserves mainly represent the remeasurements of net defined benefit liabilities and the share of other comprehensive income of associates.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

30 BUSINESS COMBINATIONS

(a) Acquisition of Hainan DF

Hainan DF is principally engaged in the sales of duty-free products. In January 2019, CTG acquired 51% equity interests in Hainan DF and Hainan DF became a subsidiary of CTG. In May 2020, the Group entered into a share purchase agreement with CTG to acquire 51% equity interests of Hainan DF for a cash consideration of RMB2,065,306,000. Hainan DF became a subsidiary of the Company upon the completion of the acquisition.

Since the Company and Hainan DF are under common control of CTG, the Group's acquisition of Hainan DF has been accounted for as a business combination under common control as if such acquisition had been completed at the date when the Company and Hainan DF came under the common control of the controlling shareholder. The assets and liabilities of Hainan DF were included using the existing book values from the controlling shareholder's perspective. No adjustments were made to reflect fair values, or recognise any new assets or liabilities as a result of such acquisition. The results and cash flows of Hainan DF were included since the date when Hainan DF and the Company came under the common control of the ultimate holding company.

The carrying amount of the assets and liabilities of Hainan DF recognised by CTG on the date of the acquisition is set out as follows:

	As at the date under control of CTG
	RMB'000
Right-of-use assets	8,656
Other property, plant and equipment	231,822
Intangible assets	3,642
Deferred tax assets	13,374
Inventories	592,706
Trade and other receivables	78,776
Cash and cash equivalents	492,064
Interest-bearing borrowings	(50,375)
Trade and other payables	(855,768)
Contract liabilities	(1,026)
Income tax payables	(4,195)
Lease liabilities	(8,656)
Net assets	501,020
Less: Non-controlling interest	(305,529)
Net assets acquired	195,491

The difference between the carrying amount of net assets of Hainan DF acquired when the Company and Hainan DF came under common control of CTG and the consideration paid by the Group was debited against the capital reserve.

The Group incurred acquisition-related costs of RMB2,040,000 relating to external legal fees and due diligence costs. The legal fees and due diligence costs were charged to profit or loss as incurred and had been included in administrative expenses.

(b) Acquisition of CTG Asset Co

CTG Asset Co is principally engaged in the sales of duty-free products. Before the acquisition, CTG Asset Co was a wholly owned subsidiary of CTG. In December 2021, the Group entered into an agreement with CTG to acquire 100% equity interests of CTG Asset Co for a cash consideration of RMB126,482,000. CTG Asset Co became a subsidiary of the Company upon the completion of the acquisition in December 2021. As at the date of acquisition, the carrying amount of the net assets of CTG Asset Co was RMB12,612,000.

Since the Company and CTG Asset Co are under common control of CTG, the Group's acquisition of CTG Asset Co has been accounted for as a business combination under common control as if such acquisition had been completed at the date when the Company and CTG Asset Co came under the common control of the controlling shareholder. The assets and liabilities of CTG Asset Co were included using the existing book values from the controlling shareholder's perspective. No adjustments were made to reflect fair values, or recognise any new assets or liabilities as a result of such acquisition. The results and cash flows of CTG Asset Co were included since the beginning of the Track Record Period. The consideration paid by the Group on the date of acquisition was debited against the capital reserve.

31 DISCONTINUED OPERATIONS

In January 2019, the Group disposed 100% equity interest in CITS Agency to CTG for a cash consideration of RMB1,830,846,000. CITS Agency was primarily engaged in the provision of travel services, which constituted a separate reporting segment of the Group for the year ended 31 December 2019. The financial results of CITS Agency were presented in the Historical Financial Information as discontinued operations for the year ended 31 December 2019.

(a) Effect of disposal on the financial position of the Group

	As at the date of disposal *RMB'000*
Investment properties	17,990
Other property, plant and equipment	279,689
Intangible assets	36,864
Interests in associates	89,106
Other financial assets	260
Deferred tax assets	20,205
Inventories	1,308
Trade and other receivables	1,551,273
Income tax recoverable	67
Restricted bank deposits	98,658
Cash and cash equivalents	1,470,241
Interest-bearing borrowings	(60,000)
Trade and other payables	(1,239,124)
Contract liabilities	(1,067,477)
Income tax payable	(22,076)
Defined benefit obligation	(39,304)
Deferred income	(690)
Net assets	1,136,990
Less: Non-controlling interests	(235,465)
Net assets attributable to shareholders of the Company	901,525
Add: Gain on disposal	905,200
Other effect	24,121
Cash consideration received	1,830,846
Less: Cash and cash equivalents disposed of	(1,470,241)
Net cash inflow included in cash flows generated from investing activities in the consolidated cash flow statements	360,605

(b) Results of discontinued operations

	From 1 January to the date of disposal in 2019 *RMB'000*
Revenue	602,718
Cost of sales	(527,634)
Other income and other net gain	547
Selling and distribution costs	(56,135)
Administrative expenses	(25,636)
Impairment loss on trade and other receivables	(1)
Finance costs	(235)
Share of net profits of associates	433
Loss before taxation	(5,943)
Income tax	(1,816)
Loss after tax	(7,759)
Gain on disposal	905,200
Income tax on gain on disposal of discontinued operations	(188,985)
Profit from discontinued operations for the year/period	708,456
Profit from discontinued operations	
Equity shareholders of the Company	713,055
Non-controlling interests	(4,599)
Profit from discontinued operations	708,456

(c) Cash flow generated from discontinued operations

	From 1 January to the date of disposal in 2019 *RMB'000*
Net cash used in operating activities	(110,982)
Net cash generated from investing activities	544,608
Net cash used in financing activities	(10,234)
Net foreign exchange differences	(1,766)
Net cash flows for the period	421,626

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and restricted bank deposits is limited because the counterparties are banks and financial institutions with high credit standing assigned by the management of the Group, for which the Group considers to have low credit risk.

The Group's trade receivables are primarily resulted from credit card sales and sales through online sales channels. The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Group does not provide any other guarantees which would expose the Group to credit risk.

The following table provides information about the Group's exposure to credit risk for trade receivables at 31 December 2019, 2020 and 2021 and 31 March 2022:

	As at 31 December 2019		
	Gross carrying amount	**Loss allowance**	**Percentage**
	RMB'000	*RMB'000*	*%*
Within 1 year	306,428	(683)	0.2%
1 to 2 years	2,193	(975)	44.5%
Over 2 years	17,874	(17,753)	99.3%
	326,495	(19,411)	

	As at 31 December 2020		
	Gross carrying amount	**Loss allowance**	**Percentage**
	RMB'000	*RMB'000*	*%*
Within 1 year	282,685	(429)	0.2%
1 to 2 years	147	(86)	58.5%
Over 2 years	14,536	(13,299)	91.5%
	297,368	(13,814)	

	As at 31 December 2021		
	Gross carrying amount	**Loss allowance**	**Percentage**
	RMB'000	*RMB'000*	*%*
Within 1 year	297,766	(44)	0.0%
1 to 2 years	–	–	0.0%
Over 2 years	10,176	(10,176)	100.0%
	307,942	(10,220)	

	As at 31 March 2022		
	Gross carrying amount	Loss allowance	Percentage
	RMB'000	*RMB'000*	*%*
Within 1 year	117,721	(36)	0.0%
1 to 2 years	–	–	0.0%
Over 2 years	10,176	(10,176)	100.0%
	127,897	(10,212)	

Expected loss rates are based on actual loss experience over the recent past two years. These rates are adjusted to reflect difference between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the Track Record Period is as follows:

	Years ended 31 December			Three months ended 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	78,784	19,411	13,814	10,220
Acquisitions through business combinations *(Note 30)*	4,298	–	–	–
Disposal of discontinued operations *(Note 31)*	(72,581)	–	–	–
Loss allowance recognised/ (reversed) during the year/period	9,177	(5,597)	(162)	(8)
Write-off during the year/period	–	–	(3,432)	–
Exchange differences	(267)	–	–	–
At 31 December/31 March	19,411	13,814	10,220	10,212

Movement in the loss allowance account in respect of other receivables during the Track Record Period is as follows:

	Years ended 31 December			Three months ended 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	105,478	37,777	24,855	47,925
Disposal of discontinued operations *(Note 31)*	(85,029)	–	–	–
Loss allowance recognised/ (reversed) during the year/period	17,185	(12,524)	23,479	(238)
Write-off during the year/period	–	–	(232)	–
Exchange differences	143	(398)	(177)	(75)
At 31 December/31 March	37,777	24,855	47,925	47,612

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following are the contractual maturities of the Group's financial liabilities as at 31 December 2019, 2020 and 2021 and 31 March 2022, which are based on contractual undiscounted cash flows and the earliest dates the Group can be required to pay.

	As at 31 December 2019					
	Within 1 year	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**	**Total**	**Financial statement carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	320,358	–	–	–	320,358	315,889
Trade and other payables	7,268,541	–	–	–	7,268,541	7,268,541
Lease liabilities	926,774	1,064,232	2,493,192	760,826	5,245,024	4,472,002
	8,515,673	1,064,232	2,493,192	760,826	12,833,923	12,056,432

	As at 31 December 2020					
	Within 1 year	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**	**Total**	**Financial statement carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	562,159	–	–	–	562,159	556,932
Trade and other payables	11,985,168	–	–	–	11,985,168	11,985,168
Lease liabilities	1,108,590	1,108,878	2,536,585	256,551	5,010,604	4,385,180
	13,655,917	1,108,878	2,536,585	256,551	17,557,931	16,927,280

	As at 31 December 2021					
	Within 1 year	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**	**Total**	**Financial statement carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	549,271	–	–	–	549,271	545,433
Trade and other payables	12,066,164	–	–	–	12,066,164	12,066,164
Lease liabilities	1,738,084	1,114,510	2,347,026	469,077	5,668,697	5,032,012
	14,353,519	1,114,510	2,347,026	469,077	18,284,132	17,643,609

	As at 31 March 2022					
	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years	Total	Financial statement carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	547,019	–	–	–	547,019	545,018
Trade and other payables	10,785,768	–	–	–	10,785,768	10,785,768
Lease liabilities	1,967,457	997,526	2,167,073	400,531	5,532,587	4,947,269
	13,300,244	997,526	2,167,073	400,531	16,865,374	16,278,055

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cash at bank, lease liabilities, and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk.

The Group's cash at bank, lease liabilities, interest-bearing borrowings and interest rates as at 31 December 2019, 2020 and 2021 and 31 March 2022 are set out as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Variable rate instruments:				
Bank loans	(223,945)	(210,766)	(204,714)	(203,052)
Loans from non-controlling shareholders	(36,429)	(33,865)	(32,858)	(32,590)
	(260,374)	(244,631)	(237,572)	(235,642)
Fixed rate instruments:				
Restricted bank deposits	508,767	54,545	199,657	768,665
Cash at bank	11,979,188	14,655,859	16,654,848	13,960,804
Loans from CTG	–	(206,598)	(206,622)	(208,773)
Loans from non-controlling shareholders	(55,515)	(105,703)	(101,239)	(100,603)
Lease liabilities	(4,472,002)	(4,385,180)	(5,032,012)	(4,947,269)
	7,960,438	10,012,923	11,514,632	9,472,824

Sensitivity analyses

As at 31 December 2019, 2020 and 2021 and 31 March 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have increase/decrease the Group's profit after tax and retained profits by approximately RMB59,739,000, RMB76,290,000, RMB89,107,000, RMB71,456,000 respectively.

The sensitivity analysis above indicates that instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of each of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact of the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rate.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to cash, receivables and payables balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currency gives rise to this risk is primarily relating to United States Dollar ("US$") and Hong Kong Dollar ("HK$").

			As at 31 December				**As at 31 March**	
	2019	**2019**	**2020**	**2020**	**2021**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	US$	*HK$*	*US$*	*HK$*	*US$*	*HK$*	*US$*	*HK$*
Cash at bank	3,750,340	433,209	3,524,901	1,494,123	7,226,957	165,377	4,828,459	1,085,812
Trade receivables	543,062	60,536	7,044	1,004	2,503	23	4,048	5,226
Trade payables	(1,998,480)	(284,586)	(4,246,308)	–	(3,251,043)	(14,894)	(3,051,952)	(14,850)
Interest-bearing borrowings	–	(223,945)	–	(210,400)	–	–	–	–
Net exposure	2,294,922	(14,786)	(714,363)	1,284,727	3,978,417	150,506	1,780,555	1,076,188

Sensitivity analyses

The following tables indicate the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

		Effect on profit after tax (and retained profits)			
	Increase/ (decrease) in foreign exchange rates	**As at 31 December**			**As at 31 March**
		2019	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	1%	17,212	(5,358)	29,838	13,354
	(1%)	(17,212)	5,358	(29,838)	(13,354)
HK$	1%	(111)	9,635	1,129	8,071
	(1%)	111	(9,635)	(1,129)	(8,071)

Results of the analyses as presented in the above tables represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of each reporting period for presentation purposes.

The sensitivity analyses assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analyses exclude differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency, which depends on the foreign currencies the Group is exposed to, may or may not have an effect on the Group's net assets. The analyses are performed on the same basis during the Track Record Period.

(e) Fair values measurement

Fair value hierarchy

Fair values are categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

(i) Financial assets measured at fair value

The Group did not hold any financial instruments measured at fair value as at 31 December 2019, 2020, 2021 and 31 March 2022.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019, 2020 and 2021 and 31 March 2022.

33 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period:

Names of related parties	**Relationship**
CTG	Holding company
Shanghai Ocean Shipping Supply Co., Ltd. 上海外輪供應有限公司	Joint venture
CDFG Nanjing Airport Entry Duty Free Goods Co., Ltd. 中免集團南京機場進境免稅品有限公司	Joint venture
CDF Sunrise Internet Technology Co., Ltd. 中免日上互聯科技有限公司	Associate
CDFG (Shenzhen Luohu) Duty Free Merchandise Co., Ltd. 深圳市羅湖中免免稅品有限責任公司	Associate
Dalian Free Trade Zone CDF Friendship Shipping Service Co., Ltd. 大連保稅區中免友誼航運服務有限公司	Associate
Dalian CDF Friendship Overseas Supply Duty Free Co., Ltd. 大連中免友誼外供免稅品有限公司	Associate
CDFG (Guangzhou Southern Airlines) Duty Free Merchandise Co., Ltd. 廣州南航中免免稅品有限公司	Associate
CDFG (Hainan HAI) Duty Free Merchandise Co., Ltd. 海南海航中免免稅品有限公司	Associate
Shanghai Eastern Airlines CDF Duty-Free Goods Co., Ltd. 上海東航中免免稅品有限公司	Associate
CDFG (Xi'an Xianyang International Airport) Duty Free Merchandise Co., Ltd. 西安咸陽國際機場免稅品有限公司	Associate
CTG Finance Company Limited 中旅集團財務有限公司 (formerly known as China National Travel Service (HK) Finance Company Limited 港中旅財務有限公司) ("CTG Finance")	Associate
CDFG (Shenzhen) Duty Free Goods Co., Ltd. 深圳市中免免稅品有限責任公司	Associate

Names of related parties	Relationship
CDFG (Zhuhai) Duty Free Merchandise Co., Ltd. 珠海市中免免税品有限責任公司	Associate
CDFG (Shenzhen Dongmian) Duty Free Merchandise Co., Ltd. 深圳市東免免税品有限公司	Associate
Hainan Duty Free&Mission Hills International Shopping Center Co., Ltd. 海南海免觀瀾湖國際購物中心有限公司	Associate
CDFG (Shenzhen Zhaoshang) Duty Free Merchandise Co., Ltd. 深圳市中免招商免税品有限公司	Associate
Beijing Tianma Tourist Automobile Co., Ltd. 北京天馬旅遊汽車有限公司	Company controlled by the holding company
CITS Property Management Co., Ltd. 國旅物業管理有限公司	Company controlled by the holding company
China International Travel Service Limited 中國國際旅行社總社有限公司 (ii)	Company controlled by the holding company
CITS International M.I.C.E. Co., Ltd. 國旅國際會議展覽有限公司 (ii)	Company controlled by the holding company
China Travel Service (Hong Kong) Co., Ltd. 中國國旅(香港)旅行社有限公司 (ii)	Company controlled by the holding company
China International Travel Service (Hainan) Co., Ltd. 中國國旅(海南)國際旅行社有限公司 (ii)	Company controlled by the holding company
China Tourism Group Investment and Asset Management Co., Ltd. 中國旅遊集團投資和資產管理有限公司	Company controlled by the holding company
CITS Hainan M.I.C.E. Co., Ltd. 中旅國際會議展覽(海南)有限公司	Company controlled by the holding company
China Tourism Group Financial Holding (Shenzhen) Co., Ltd. 中旅金融控股(深圳)有限公司	Company controlled by the holding company
Sansha Nanhai Dream Cruises Co., Ltd. 三沙南海夢之旅郵輪有限公司	Associate of the holding company
Wuhan Yangtze River Cruise Co., Ltd. 武漢揚子江遊船有限公司	Associate of the holding company

(i) The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

(ii) During the Track Record Period, CITS Agency and its subsidiaries were disposed by the Group as disclosed in Note 31. Upon completion of the disposal, these entities become the related parties of the Group.

(b) Transactions with related parties during the Track Record Period

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of merchandise income from					
– Associates of the holding company	–	–	7	7	–
– Associates	783,625	336,979	246,482	64,491	18,361
– Joint ventures	89,579	29,572	13,227	3,660	1,806
Travel-related income from (i)					
– Companies controlled by the holding company	903	–	46	–	–
Service fees paid/payable					
– Companies controlled by the holding company	51,005	50,333	93,369	9,250	21,915
– Associates	–	8,592	529,514	3,784	147,176
– Joint ventures	–	26	392	67	185

	Years ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Rental expenses paid/payable					
– Companies controlled by the holding company	10,714	8,528	7,332	821	–
Rental income from					
– Companies controlled by the holding company	116	116	116	29	1,113
Interest income from CTG Finance	185,440	158,390	167,000	50,233	43,080
Loan borrowed from CTG	–	200,000	–	–	–
Interest expenses paid to					
– Associates	478	30	48	12	15
Disposal of discontinued operations to CTG	1,830,846	–	–	–	–
Acquisition of Hainan DF from CTG	–	2,065,306	–	–	–
Acquisition of a subsidiary from CTG	–	–	126,482	–	–
Acquisition of an associate, CTG Finance	–	541,506	–	–	–

(i) During the Track Record Period, CITS Agency and its subsidiaries were disposed by the Group as disclosed in Note 31. These transactions did not continue after the disposal.

(ii) The Group acquired 20% equity interests of CTG Finance in 2020, which strengthens its credit risk management over the significant deposit balance with CTG Finance, and also is conducive to obtaining relatively favourable financing support in due course.

(c) Balances with related parties

The Group's balances with related parties as at the end of each reporting period are as follows:

	At 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits at CTG Finance	5,674,220	7,251,352	5,835,132	6,057,864
Loans from CTG	–	206,598	206,622	208,773
Trade and other receivables				
– Companies controlled by the holding company	4,838	3,062	5,381	5,027
– Associates	79,553	47,129	24,958	17,506
– Joint ventures	2,518	2,275	–	–

	At 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables				
– Companies controlled by the holding company	18,622	5,229	8,022	11,500
– Associates	2,134	14,049	5,833	126,829
– Joint ventures	–	2,206	346	501
Contract liabilities				
– Associates	10,935	3,630	4,063	5,703
– Joint ventures	151	991	1,030	991

The directors of the Company are of the opinion that the above transactions were conducted on normal commercial terms and in the ordinary course of business of the Group. These balances will be settled in accordance with the contractual terms. Deposits at CTG Finance are carrying interests which are not unfavourable compared to market terms and are subjected to the Group's treasury and liquidity management policy. The deposits at CTG Finance are included in cash and cash equivalents during the Track Record Period.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and other key management personal of the Group is as follows:

	Years ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short-term employee benefits	15,680	18,095	16,383	4,587	6,450
Discretionary bonuses	31,949	30,828	34,379	33,053	19,107
	47,629	48,923	50,762	37,640	25,557

Total remuneration is included in "staff costs" in Note 6(b).

34 COMMITMENTS

The Group had the following capital commitments at the end of each of the Track Record Period:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for purchase of property, plant and equipment	1,075,000	1,023,000	2,599,000	2,369,000

35 SUBSEQUENT EVENTS

(a) Impact of the COVID-19 pandemic

In April and May of 2022, due to a large increase of COVID-19 cases in China, especially an unexpected outbreak in Shanghai, further travel restrictions and pandemic control measures, were implemented. The pandemic control measures periodically and temporarily impacted the Group's operation and logistics as certain stores had to close operations for a short period. By early June 2022, the Group was able to resume most of the operation that were disrupted.

The Group is closely paying attention to the development of COVID-19 pandemic and so as to adopt positive measures to overcome any challenges arising, and is continuously evaluating any potential impact of the pandemic that may have on the financial position and operating performance of the Group.

(b) Final dividend for the year ended 31 December 2021

On 23 April 2022, the directors of the Company proposed a final dividend of RMB1.50 per ordinary share to the shareholders for the year ended 31 December 2021 with total amount of approximately RMB2,928,713,000. The proposed final dividend was approved by the shareholders at the annual general meeting on 17 May 2022.

(c) COVID-19-related rent concessions from lessors

In June 2022, certain subsidiaries of the Group obtained unconditional waivers from the facility owners in respect of the lease expenses relating to previous period with total amount of approximately RMB869,000,000. Such amounts were recognised in profit or loss when the waivers were received in June 2022.

36 IMMEDIATE AND ULTIMATE CONTROLLING SHAREHOLDER

At 31 March 2022, the directors consider that the Company's immediate controlling shareholder to be CTG, a limited liability company established in the Mainland China. CTG does not produce financial statement available for public use. The Company is ultimately controlled by State-owned Assets Supervision and Administration Commission of the State Council.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2023

Up to the date of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2023 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1, *Presentation of financial statements, Classification of liabilities as current or non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to IAS 8, *Definition of accounting estimate*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 March 2022.

The information set out below is the unaudited interim financial information of the Group for the six months ended 30 June 2022 and does not form part of the Accountants' Report from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for information purpose only.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA TOURISM GROUP DUTY FREE CORPORATION LIMITED (中國旅遊集團中免股份有限公司)

Introduction

We have reviewed the accompanying interim financial information set out on pages IIA-3 to IIA-22 which comprises the condensed consolidated statement of financial position of China Tourism Group Duty Free Corporation Limited (中國旅遊集團中免股份有限公司, the "Company") (formerly known as China International Travel Service Corporation Limited 中國國旅股份有限公司) and its subsidiaries (together, the "Group") as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes (the "Condensed Consolidated Interim Financial Information"). The directors are responsible for the preparation and presentation of the Condensed Consolidated Interim Financial Information in accordance with International Accounting Standard 34, *"Interim Financial Reporting"* ("IAS 34"), issued by the International Accounting Standards Board.

Our responsibility is to form a conclusion, based on our review, on the Condensed Consolidated Interim Financial Information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Condensed Consolidated Interim Financial Information as at 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

15 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022 – UNAUDITED

(Expressed in RMB)

	Note	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Revenue	4	27,650,753	35,526,010
Cost of sales		(18,432,962)	(22,065,263)
Gross profit		9,217,791	13,460,747
Other income and other net (loss)/gain	5	(334,165)	446,390
Selling and distribution costs		(2,460,137)	(4,191,381)
Administrative expenses		(1,072,029)	(1,088,026)
Reversal of impairment/(impairment loss) on trade and other receivables		7,577	(3,125)
Profit from operations		5,359,037	8,624,605
Share of net profits of associates		90,202	35,209
Share of net losses of joint ventures		(3,986)	(1,786)
Finance costs	6(a)	(111,068)	(106,513)
Profit before taxation	6	5,334,185	8,551,515
Income tax	7	(782,475)	(2,014,828)
Profit for the period		4,551,710	6,536,687
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		109	(92)
Exchange differences on translation of financial statements of overseas subsidiaries		546,189	(87,898)
		546,298	(87,990)
Total comprehensive income for the period		5,098,008	6,448,697
Profit for the period attributable to:			
Equity shareholders of the Company		3,972,252	5,395,310
Non-controlling interests		579,458	1,141,377
Profit for the period		4,551,710	6,536,687
Total comprehensive income attributable to:			
Equity shareholders of the Company		4,515,659	5,307,454
Non-controlling interests		582,349	1,141,243
Total comprehensive income for the period		5,098,008	6,448,697
Earnings per share			
Basic and Diluted (RMB)	8	2.0345	2.7633

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022 – UNAUDITED

(Expressed in RMB)

	Note	**At 30 June 2022** *RMB'000*	**At 31 December 2021** *RMB'000*
Non-current assets			
Investment properties	*9*	1,156,621	1,196,813
Right-of-use assets	*10*	4,082,084	6,183,956
Other property, plant and equipment	*11*	6,640,643	5,533,246
Intangible assets		127,013	116,496
Goodwill		822,460	822,460
Interests in associates		999,520	968,400
Interests in joint ventures		19,308	23,294
Deposits and other receivables	*13*	560,591	582,745
Deferred tax assets	*18*	1,149,401	1,132,226
		15,557,641	16,559,636
Current assets			
Inventories	*12*	23,661,627	19,724,698
Trade and other receivables	*13*	2,252,721	1,951,678
Income tax recoverable		3,819	9,118
Restricted bank deposits		638,397	199,657
Cash and cash equivalents	*14*	11,169,740	16,656,542
		37,726,304	38,541,693
Current liabilities			
Trade and other payables	*15*	11,889,420	12,066,164
Contract liabilities	*16*	1,384,473	1,371,639
Interest-bearing borrowings		556,911	545,433
Lease liabilities	*17*	860,836	1,545,488
Income tax payable		825,704	1,607,408
		15,517,344	17,136,132
Net current assets		22,208,960	21,405,561
Total assets less current liabilities		37,766,601	37,965,197
Non-current liabilities			
Lease liabilities	*17*	1,807,928	3,486,524
Defined benefit obligation		1,010	1,010
Deferred tax liabilities	*18*	64,559	55,240
Deferred income		3,755	3,426
		1,877,252	3,546,200
NET ASSETS		35,889,349	34,418,997
CAPITAL AND RESERVES	*19*		
Share capital		1,952,476	1,952,476
Reserves		28,905,869	27,318,923
Total equity attributable to equity shareholders of the Company		30,858,345	29,271,399
Non-controlling interests		5,031,004	5,147,598
TOTAL EQUITY		35,889,349	34,418,997

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022 – UNAUDITED
(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Capital reserve *RMB'000*	Statuary reserve *RMB'000*	Exchange reserve *RMB'000*	Other reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2022	1,952,476	1,870,303	1,050,986	(600,480)	(345)	24,998,459	29,271,399	5,147,598	34,418,997
Changes in equity for the six months ended 30 June 2022:									
Profit for the period	–	–	–	–	–	3,972,252	3,972,252	579,458	4,551,710
Other comprehensive income	–	–	–	543,298	109	–	543,407	2,891	546,298
Total comprehensive income	–	–	–	543,298	109	3,972,252	4,515,659	582,349	5,098,008
Dividends declared in respect of the previous year *(Note 19)*	–	–	–	–	–	(2,928,713)	(2,928,713)	–	(2,928,713)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	(698,943)	(698,943)
	–	–	–	–	–	(2,928,713)	(2,928,713)	(698,943)	(3,627,656)
Balance at 30 June 2022	1,952,476	1,870,303	1,050,986	(57,182)	(236)	26,041,998	30,858,345	5,031,004	35,889,349

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Capital reserve *RMB'000*	Statuary reserve *RMB'000*	Exchange reserve *RMB'000*	Other reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2021	1,952,476	1,989,571	1,050,986	(323,113)	(212)	17,224,378	21,894,086	3,842,330	25,736,416
Changes in equity for the six months ended 30 June 2021:									
Profit for the period	–	–	–	–	–	5,395,310	5,395,310	1,141,377	6,536,687
Other comprehensive income	–	–	–	(87,764)	(92)	–	(87,856)	(134)	(87,990)
Total comprehensive income	–	–	–	(87,764)	(92)	5,395,310	5,307,454	1,141,243	6,448,697
Capital contributions by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	2,450	2,450
Dividends declared and paid in respect of the previous year	–	–	–	–	–	(1,952,476)	(1,952,476)	–	(1,952,476)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	(348,625)	(348,625)
	–	–	–	–	–	(1,952,476)	(1,952,476)	(346,175)	(2,298,651)
Balance at 30 June 2021	1,952,476	1,989,571	1,050,986	(410,877)	(304)	20,667,212	25,249,064	4,637,398	29,886,462

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022 – UNAUDITED

(Expressed in RMB)

	Note	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Operating activities			
Profit before taxation		5,334,185	8,551,515
Adjustments for:			
Depreciation of investment properties		18,748	19,979
Depreciation of right-of-use assets		528,964	444,947
Depreciation of other property, plant and equipment		209,466	179,931
Amortisation of intangible assets		10,321	7,726
Finance costs	6(a)	111,068	106,513
Share of profits and losses of associates and joint ventures, net		(86,216)	(33,423)
Gain on disposal of property, plant and equipment, net		(1,739)	(933)
COVID-19-related rent concessions	6(c)	(1,172,396)	–
Exchange losses/(gains), net	5	472,274	(124,831)
Changes in working capital:			
Increase in inventories		(3,936,929)	(4,262,260)
Increase in trade and other receivables		(306,342)	(655,898)
Decrease in trade and other payables		(3,063,139)	(957,878)
Increase/(decrease) in contract liabilities		12,834	(7,281)
Cash (used in)/generated from operations		(1,868,901)	3,268,107
Tax paid		(1,566,736)	(2,517,300)
Net cash (used in)/generated from operating activities		(3,435,637)	750,807
Investing activities			
Payments for the purchase of property, plant and equipment and other non-current assets		(1,266,478)	(526,644)
Proceeds from disposal of property, plant and equipment and other non-current assets		62	2,092
Payments for investment in an associate		–	(61,500)
Dividends received from associates and joint ventures		59,082	16,810
Net cash used in investing activities		(1,207,334)	(569,242)
Financing activities			
Capital contributions from non-controlling shareholders of subsidiaries		–	2,450
Dividends paid to shareholders of the Company		–	(1,952,476)
Dividends paid to non-controlling shareholders of subsidiaries		(698,943)	(362,208)
Interests paid		(2,675)	(11,480)
Capital element of lease rentals paid		(169,675)	(144,020)
Interest element of lease rentals paid		(67,405)	(23,088)
Change in deposits from associates through cash pooling arrangement		(509)	(685)
Others		–	(526)
Net cash used in financing activities		(939,207)	(2,492,033)
Net decrease in cash and cash equivalents		(5,582,178)	(2,310,468)
Cash and cash equivalents at 1 January		16,656,542	14,658,688
Effect of foreign exchanges rates changes		95,376	(64,535)
Cash and cash equivalents at 30 June	14	11,169,740	12,283,685

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB, unless otherwise indicated)

1 GENERAL INFORMATION

China Tourism Group Duty Free Corporation Limited (中國旅遊集團中免股份有限公司) (formerly known as China International Travel Service Corporation Limited (中國國旅股份有限公司)) (the "Company") was a joint stock company incorporated in the People's Republic of China (the "PRC") with limited liabilities on 28 March 2008. The Company's A shares have been listed on the main board of the Shanghai Stock Exchange (stock code: 601888) since October 2009. The Company is immediately controlled by China Tourism Group Co., Ltd. (中國旅遊集團有限公司) ("CTG"), and is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the "Central SASAC").

The Company and its subsidiaries (together, "the Group") are principally engaged in the sales of merchandise and the provision of related services through its travel retail business.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB").

The condensed consolidated interim financial information has been prepared in accordance with the same accounting policies adopted in the historical financial information for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 (the "Historical Financial Information") as disclosed in Appendix I to the prospectus dated 15 August 2022 (the "Prospectus") issued by the Company, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This condensed consolidated interim financial information contains consolidated financial statements and selected explanatory notes. The selected notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the latest annual consolidated financial statements as at and for the year ended 31 December 2021. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

In December 2021, the Group entered into an agreement with CTG to acquire 100% equity interests of China CTG Asset Operating Co., Ltd. ("CTG Asset Co") at a cash consideration of RMB126,482,000. CTG Asset Co is principally engaged in the sales of duty-free products. Since the Company and CTG Asset Co are under common control of CTG, the Group's acquisition of CTG Asset Co has been accounted for as a business combination under common control as if such acquisition had been completed at the date when the Company and CTG Asset Co came under the common control of the controlling shareholder. The assets and liabilities of CTG Asset Co were included using the existing book values from the controlling shareholder's perspective. No adjustments were made to reflect fair values, or recognise any new assets or liabilities as a result of such acquisition. The consolidated financial statements of the Group for the six months ended 30 June 2021 were restated to include the results and cash flows of CTG Asset Co accordingly.

3 SIGNIFICANT ACCOUNTING POLICES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the condensed consolidated interim financial information.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

During the period, the Group generates revenue primarily from the sales of merchandise and provision of related services through its travel retail business. Other sources of revenue include rental income from lease of investment properties. Further details regarding the Group's principal activities are disclosed in Note 4(b). Disaggregation of revenue from contracts with customers by major services lines is as follows:

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sales of merchandise		
– duty-free	16,198,319	24,552,913
– duty-paid	11,153,523	10,565,825
Provision of related services	218,221	250,258
	27,570,063	35,368,996
Revenue from other sources		
Rental income from investment properties	80,690	157,014
	27,650,753	35,526,010

The Group's customer base is diversified. During the period, no revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer.

(b) Segment reporting

For management purposes, the Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- ***Travel retail ("Retail")***

  The Group currently offers a comprehensive series of duty-free and duty-paid merchandise to customers in the Mainland China, Hong Kong, Macau, Cambodia, etc, through its travel retail business. This segment engages sales of duty-free and duty-paid merchandise and income from provision of related services.

- ***Investment and development of integrated travel retail complex ("Property")***

  This segment engages in development of integrated travel retail complex and property letting.

Financial information of the Group's reportable segments for the period is set out below.

	For the six months ended 30 June 2022				
	Retail	**Property**	**Subtotal**	**Corporate and elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	27,572,963	77,790	27,650,753	–	27,650,753
Inter-segment revenue	–	194,582	194,582	(194,582)	–
Reportable segment revenue	27,572,963	272,372	27,845,335	(194,582)	27,650,753
Share of profits and losses of associates and joint ventures, net	120,610	–	120,610	(34,394)	86,216
Write-down of inventories	(178,710)	–	(178,710)	–	(178,710)
Reversal of impairment on trade and other receivables	7,577	–	7,577	–	7,577
Depreciation and amortisation	(690,650)	(60,199)	(750,849)	(16,650)	(767,499)
Reportable segment profit before taxation	5,330,557	57,658	5,388,215	(54,030)	5,334,185
Income tax	(755,649)	(33,708)	(789,357)	6,882	(782,475)
Reportable segment net profit	4,574,908	23,950	4,598,858	(47,148)	4,551,710

	For the six months ended 30 June 2021				
	Retail	**Property**	**Subtotal**	**Corporate and elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	35,369,018	156,992	35,526,010	–	35,526,010
Inter-segment revenue	–	183,689	183,689	(183,689)	–
Reportable segment revenue	35,369,018	340,681	35,709,699	(183,689)	35,526,010
Share of profits and losses of associates and joint ventures, net	55,658	–	55,658	(22,235)	33,423
Write-down of inventories	(157,472)	–	(157,472)	–	(157,472)
Impairment loss on trade and other receivables	(3,125)	–	(3,125)	–	(3,125)
Depreciation and amortisation	(577,764)	(66,254)	(644,018)	(8,565)	(652,583)
Reportable segment profit before taxation	8,460,035	121,339	8,581,374	(29,859)	8,551,515
Income tax	(1,991,247)	(30,113)	(2,021,360)	6,532	(2,014,828)
Reportable segment net profit	6,468,788	91,226	6,560,014	(23,327)	6,536,687

(i) Geographic information

The following tables set out information about the geographical locations of the Group's revenue. The analyses of geographical locations are based on the locations at which the services are provided or the goods are delivered.

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Mainland China	25,763,790	33,629,357
Hong Kong, Macau and overseas	1,886,963	1,896,653
	27,650,753	35,526,010

5 OTHER INCOME AND OTHER NET (LOSS)/GAIN

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Interest income from financial assets measured at amortised cost	124,557	105,873
Net exchange (losses)/gains	(472,274)	124,831
Government grants	11,848	208,139
Others	1,704	7,547
	(334,165)	446,390

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Interest expenses on interest-bearing borrowings	6,874	7,079
Interest expenses on lease liabilities	104,194	99,434
	111,068	106,513

(b) Staff costs

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Salaries, wages and other benefits	1,219,856	1,223,180
Contributions to defined contribution retirement plans	136,283	114,304
	1,356,139	1,337,484

(c) Other items

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Cost of inventories *(Note 12(b))*	18,391,609	22,019,738
Depreciation and amortisation of:		
– Investment properties	18,748	19,979
– Right-of-use assets	528,964	444,947
– Other property, plant and equipment	209,466	179,931
– Intangible assets	10,321	7,726
	767,499	652,583
Lease expenses not included in the measurement of lease liabilities:		
– Variable leases and short-term leases *(i)*	820,870	1,397,710
– COVID-19-related rent concessions from lessors *(ii)*	(1,172,396)	–
	(351,526)	1,397,710
Licensing fees for duty-free operation	606,937	926,483

(i) Variable lease payments that do not depend on an index or rate and short-term leases that have a lease term of 12 months or less are not included in the measurement of the lease liabilities and hence are charged to profit or loss in the accounting period in which they are incurred in accordance with IFRS 16, *Leases*.

(ii) During the six months ended 30 June 2022, certain subsidiaries obtained unconditional waivers from the landlords in respect of the lease expenses of RMB1,172,396,000 relating to the previous periods. The impact from the waivers was charged into profit or loss for the corresponding period when they were received.

7 INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the condensed consolidated statements of profit or loss and other comprehensive income represent:

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Current tax – Hong Kong Profits Tax	1,868	429,678
Current tax – Mainland China and other jurisdictions	788,463	1,753,861
Deferred tax – Origination and reversal of temporary differences	(7,856)	(168,711)
	782,475	2,014,828

(b) Reconciliation between tax expenses and accounting profits at applicable tax rates:

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Profit before taxation	5,334,185	8,551,515
National tax on profit before taxation, calculated at PRC income tax rate of 25% *(i)*	1,333,546	2,137,879
Different tax rates of subsidiaries operating in other jurisdictions and statutory tax concessions *(ii) (iii) (iv)*	(386,439)	(230,276)
(Over)/under-provision in respect of prior year	(4,676)	18,384
Non-taxable income	(21,554)	(8,356)
Non-deductible expenses	6,125	1,663
Utilisation of previously unrecognised tax losses	(7,753)	(17,890)
Utilisation of previously unrecognised temporary differences	(256,234)	(161)
Tax losses and temporary differences not recognised as deferred tax assets	119,460	113,585
	782,475	2,014,828

Notes:

(i) The Company and the subsidiaries of the Group established in the PRC (excluding Hong Kong and Macau) are subject to the PRC Corporate Income Tax rate of 25% during the period.

(ii) The subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% and the subsidiaries of the Group incorporated in Macau are subject to Macau Profits Tax rate of 12% during the period. The subsidiary of the Group incorporated in Cambodia is subject to income tax rate of 20% during the period.

Among the subsidiaries incorporated in Hong Kong, China Duty Free International Limited is eligible for 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government in 2021 or 2020.

(iii) Pursuant to the relevant regulations in respect of the Notice on the Implementation of Inclusive Tax Concessions for Small and Micro Enterprises (Cai Shui [2019] No. 13) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, for the portion of annual taxable income which does not exceed RMB1,000,000, the annual taxable income shall be deducted to 25% and the income tax shall be calculated at the rate of 20%; for the portion of annual taxable income from RMB1,000,000 to RMB3,000,000 (inclusive), the taxable income shall be deducted by 50% and the income tax shall be calculated at the rate of 20%. The above-mentioned Small and Micro Enterprises refer to those enterprises that are engaged in industries not restricted or prohibited by the state and meet the conditions, including annual taxable income not exceeding RMB3,000,000, number of employees not exceeding 300, and total assets not exceeding RMB50,000,000, and etc. Certain of PRC subsidiaries of the Group enjoy this preferential income tax treatment during the period.

In 2021, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Implementation of Preferential Income Tax for Small and Micro Enterprises and Individual Entrepreneurs (Cai Shui [2021] No. 12), which provides a 50% reduction in corporate income tax for small and micro enterprises with annual taxable income not exceeding RMB1,000,000, on top of the preferential policies stipulated in Article 2 of Cai Shui [2019] No. 13 for the period from 1 January 2021 to 31 December 2022.

(iv) According to No. 31 Caishui 2020 "Notice on Preferential Policies for Enterprise Income Tax in Hainan Free Trade Port" ("Hainan FTP") published by Ministry of Finance and State Administration of Taxation effective on 23 June 2020, a qualified encouraged industrial enterprise registered in the Hainan FTP of the PRC is subject to a preferential corporate income tax rate of 15% from 1 January 2020 to 31 December 2024. In addition, a qualified industrial enterprise registered in the Hainan FTP of the PRC will further enjoy a preferential corporate income tax rate of 15% for the calendar years from 2025 to 2035.

The provision for current income tax for the six months ended 30 June 2021 of the Group's six subsidiaries in the Hainan FTP was calculated based on the corporate income tax rate of 25%. In September 2021, these subsidiaries received notices from the relevant government authorities that they are eligible for the abovementioned preferential corporate income tax rate of 15% as being determined as primarily engaged in the government encouraged duty-free business in China, and the differences between the tax paid by these subsidiaries for the year 2020 calculated based on the corporate income tax rate of 25% and the preferential corporate income tax rate of 15% will be refunded accordingly. The effect of the tax refunds as a result of the change in applicable tax rates were charged to profit or loss for the year ended 31 December 2021.

8 EARNINGS PER SHARE

Basic earnings per share during the period were calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. There were no dilutive potential ordinary shares during the period.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2022	**2021**
Profit attributable to equity shareholders of the Company for the period (in RMB'000)	3,972,252	5,395,310
Weighted average number of ordinary shares (in '000)	1,952,476	1,952,476
Basic and diluted earnings per share (in RMB)	2.0345	2.7633

9 INVESTMENT PROPERTIES

	Amount
	RMB'000
Cost:	
At 1 January 2022	1,328,332
Transfer to right-of-use assets and other property, plant and equipment	(33,215)
At 30 June 2022	1,295,117
Accumulated amortisation:	
At 1 January 2022	(131,519)
Charge for the period	(18,748)
Transfer to right-of-use assets and other property, plant and equipment	11,771
At 30 June 2022	(138,496)
Carrying amount:	
At 30 June 2022	1,156,621
At 1 January 2022	1,196,813

The Group has applied the cost model for its investment properties.

10 RIGHT-OF-USE ASSETS

	Ownership interests in leasehold land for own use *RMB'000*	Buildings *RMB'000*	Motor vehicles, furniture, and others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2022	2,618,655	6,505,291	10,604	9,134,550
Additions	–	285,776	–	285,776
Disposals	–	(259,286)	(186)	(259,472)
Modification *(Note 17)*	–	(1,877,970)	–	(1,877,970)
Transfer from investment properties	8,527	–	–	8,527
Exchange differences	–	40,662	127	40,789
At 30 June 2022	2,627,182	4,694,473	10,545	7,332,200
Accumulated depreciation:				
At 1 January 2022	(333,832)	(2,613,507)	(3,255)	(2,950,594)
Charge for the period	(31,876)	(512,256)	(1,308)	(545,440)
Written back on disposals	–	255,383	96	255,479
Transfer from investment properties	(1,766)	–	–	(1,766)
Exchange differences	–	(7,749)	(46)	(7,795)
At 30 June 2022	(367,474)	(2,878,129)	(4,513)	(3,250,116)
Carrying amount:				
At 30 June 2022	2,259,708	1,816,344	6,032	4,082,084
At 1 January 2022	2,284,823	3,891,784	7,349	6,183,956

(a) Ownership interests in leasehold land for own use

The land use rights are typically granted for 30-50 years, on the expiry of which the land reverts back to the PRC state. The payment for leasing the land is normally made in full at the start of the land use right period.

(b) Other properties leased for own use

The Group mainly leases various retail stores, offices, delivery pick-up points and warehouses. Rental contracts are typically entered into for fixed periods of 3 to 10 years for retail stores and 2 to 5 years for offices and warehouses.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Some property leases contain variable payment terms that are linked to factors such as sales generated from a store or the number of travellers using the airport or other location. Variable lease payments that depend on such factors are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(c) The analyses of expense items in relation to leases recognised in profit or loss are as follows:

	Six months ended 30 June 2022	2021
	RMB'000	*RMB'000*
Depreciation charges of right-of-use assets by class of underlying assets:		
– Ownership interests in leasehold land for own use	15,400	20,756
– Buildings	512,256	423,367
– Motor vehicles, furniture, and others	1,308	824
– Ownership interests in leasehold land held for lease	3,119	3,400
	532,083	448,347
Interest expenses on lease liabilities *(Note 6(a))*	104,194	99,434
Variable lease payments not included in the measurement of lease liabilities *(Note 6(c))*	820,870	1,397,710
COVID-19-related rent concessions from lessors *(Note 6(c))*	(1,172,396)	–

11 OTHER PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Furniture and others	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2022	2,512,447	25,291	129,247	233,828	1,554,238	3,056,612	7,511,663
Additions	–	1,212	4,261	8,917	8,360	1,271,360	1,294,110
Disposals	–	(413)	(1,169)	(4,368)	–	–	(5,950)
Transfer within other property, plant and equipment	–	–	–	615	42,410	(43,025)	–
Transfer from investment properties	24,688	–	–	–	–	–	24,688
Exchange differences	–	41	281	1,571	8,547	–	10,440
At 30 June 2022	2,537,135	26,131	132,620	240,563	1,613,555	4,284,947	8,834,951
Accumulated depreciation:							
At 1 January 2022	(793,154)	(13,054)	(100,255)	(151,052)	(754,232)	–	(1,811,747)
Charge for the period	(61,452)	(2,400)	(3,723)	(11,649)	(130,329)	–	(209,553)
Written back on disposals	–	283	1,110	3,666	–	–	5,059
Transfer from investment properties	(10,005)	–	–	–	–	–	(10,005)
Exchange differences	–	(20)	(243)	(1,129)	–	–	(1,392)
At 30 June 2022	(864,611)	(15,191)	(103,111)	(160,164)	(884,561)	–	(2,027,638)
Impairment losses:							
At 1 January 2022 and 30 June 2022	–	–	–	–	–	(166,670)	(166,670)
Carrying amount:							
At 30 June 2022	1,672,524	10,940	29,509	80,399	728,994	4,118,277	6,640,643
At 1 January 2022	1,719,293	12,237	28,992	82,776	800,006	2,889,942	5,533,246

The Group is in the process of obtaining ownership certificates for buildings with an aggregate carrying amount of RMB403,020,000 at 30 June 2022 (31 December 2021: RMB419,348,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings and the aforesaid matter will not have any significant impact on the Group's financial position as at the end of each reporting period.

12 INVENTORIES

(a) Inventories in the condensed consolidated statements of financial position comprise:

	At 30 June 2022 *RMB'000*	**At 31 December 2021** *RMB'000*
Merchandise held for trading	23,661,627	19,724,698

(b) The analyses of the amounts of inventories recognised as expenses and included in profit or loss are as follows:

	Six months ended 30 June	
	2022 *RMB'000*	**2021** *RMB'000*
Carrying amount of inventories sold	18,212,899	21,862,266
Write down of inventories	178,710	157,472
	18,391,609	22,019,738

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2022 *RMB'000*	**At 31 December 2021** *RMB'000*
Non-current		
Deposits and other receivables	560,591	582,745
Current		
Trade receivables	344,220	297,722
Prepayments for purchases of merchandise	431,201	286,621
Prepayments for variable and short-term leases	275,200	286,339
Value-added tax recoverable	625,795	657,631
Lease and other deposits	250,859	210,142
Others	325,446	213,223
	2,252,721	1,951,678
	2,813,312	2,534,423

Except for lease and other deposits classified as non-current assets, all of the remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analyses

The ageing analyses of trade receivables, based on the invoice date and net of loss allowance, are as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 1 year	344,220	297,722

14 CASH AND CASH EQUIVALENTS

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Cash at bank and on hand	6,619,500	10,821,410
Deposit at CTG Finance Company Limited (formerly known as China National Travel Service (HK) Finance Company Limited) ("CTG Finance"), a related financial institution	4,550,240	5,835,132
Cash and cash equivalents included in the condensed consolidated statements of financial position and the condensed consolidated cash flow statements	11,169,740	16,656,542

15 TRADE AND OTHER PAYABLES

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Trade payables	3,523,505	5,263,433
Payables for property constructions	758,256	616,479
Dividends payable	2,928,713	2,099
Employee benefits payable	566,250	411,406
Licensing fees payable	606,972	1,627,580
Other taxes payable	1,411,935	1,487,498
Variable lease and other operating expenses payable	1,512,690	2,040,948
Others	581,099	616,721
	11,889,420	12,066,164

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

(a) Ageing analyses

At 30 June 2022 and 31 December 2021, the ageing analyses of trade payables, based on the invoice date, are as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 1 year	3,044,302	4,797,110
1 to 2 years	21,894	14,103
2 to 3 years	215,831	216,517
Over 3 years	241,478	235,703
	3,523,505	5,263,433

16 CONTRACT LIABILITIES

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Customer loyalty program points liabilities *(i)*	978,761	898,917
Advances receipt from customers for *(ii)*		
– Sales of merchandise	405,375	469,048
– Provision of property management services	337	3,674
	1,384,473	1,371,639

(i) The Group operates several customer loyalty programs to customers when points can be earned by customers and to be used to reduce the cost of future purchases. The contract liabilities in respect of unredeemed customer loyalty points will be recognised as revenue when the points are redeemed by those customers or expire, which is expected to occur before the end of the following three years based on the expiry terms of the loyalty points.

(ii) The amounts of considerations received in advance as prepayments by customers are short term as the respective revenue is expected to be recognised within a few days when the goods or services are delivered to customers.

17 LEASE LIABILITIES

The following tables show the remaining contractual maturities of the Group's lease liabilities at 30 June 2022 and 31 December 2021.

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 1 year	860,836	1,545,488
After 1 year but within 2 years	425,446	965,967
After 2 years but within 5 years	773,346	2,110,883
After 5 years	609,136	409,674
	1,807,928	3,486,524
	2,668,764	5,032,012

Note: During the six months ended 30 June 2022, certain subsidiaries reached agreement with the landlords to reduce the annual guaranteed payments originally set in the relevant lease agreements for the remaining lease period. Accordingly, the relevant lease liabilities of these leases were remeasured based on the estimated future lease payments accordingly, and a corresponding adjustment was made to the carrying amount of the right of use assets. No gain or loss was recognised in profit or loss for such lease modification.

18 DEFERRED TAX

(i) Movements of each component of deferred tax assets and liabilities

The component of deferred tax assets/(liabilities) recognised in the condensed consolidated statements of financial position and the movements throughout the period are as follows:

	Unused tax losses	Unrealised profits for inter-company transactions	Fair value adjustments arising from acquisition of a subsidiary	Customer loyalty program	Depreciation charges of right-of-use assets	Accruals and other temporary differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	299,668	398,634	(53,994)	166,738	20,022	245,918	1,076,986
Credited to profit or loss *(Note 7(a))*	48,948	(91,666)	2,238	19,188	3,368	25,780	7,856
At 30 June 2022	348,616	306,968	(51,756)	185,926	23,390	271,698	1,084,842

(ii) Reconciliations to the condensed consolidated statement of financial position

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
Deferred tax assets	1,149,401	1,132,226
Deferred tax liabilities	(64,559)	(55,240)
	1,084,842	1,076,986

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends declared and paid to the equity shareholders of the Company for the six months ended 30 June 2022 and 2021 are as follows:

	Six months ended 30 June 2022	2021
Final dividend in respect of the previous year, declared and paid in the following year	2,928,713	1,952,476
Dividend per ordinary share (RMB)	1.50	1.00

(b) Share capital

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
Number of shares registered, issued and fully paid (at RMB1 par share)	1,952,476	1,952,476

20 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Names and relationships of the related parties that had material transactions with the Group during the period:

Names of related parties	**Relationship**
CTG	Holding company
Shanghai Ocean Shipping Supply Co., Ltd. 上海外輪供應有限公司	Joint venture
CDFG Nanjing Airport Entry Duty Free Goods Co., Ltd. 中免集團南京機場進境免税品有限公司	Joint venture
CDF Sunrise Internet Technology Co., Ltd. 中免日上互聯科技有限公司	Associate
CDFG (Shenzhen Luohu) Duty Free Merchandise Co., Ltd. 深圳市羅湖中免免税品有限責任公司	Associate
Dalian Free Trade Zone CDF Friendship Shipping Service Co., Ltd. 大連保税區中免友誼航運服務有限公司	Associate
Dalian CDF Friendship Oversea Supply Duty Free Co., Ltd. 大連中免友誼外供免税品有限公司	Associate
CDFG (Guangzhou Southern Airlines) Duty Free Merchandise Co., Ltd. 廣州南航中免免税品有限公司	Associate
CDFG (Hainan HAI) Duty Free Merchandise Co., Ltd. 海南海航中免免税品有限公司	Associate
Shanghai Eastern Airlines CDF Duty Free Goods Co., Ltd. 上海東航中免免税品有限公司	Associate
CDFG (Xi'an Xianyang International Airport) Duty Free Merchandise Co., Ltd. 西安咸陽國際機場免税品有限公司	Associate
CTG Finance Company Limited 中旅集團財務有限公司 (formerly known as China National Travel Service (HK) Finance Company Limited 港中旅財務有限公司) ("CTG Finance")	Associate
CDFG (Shenzhen) Duty Free Goods Co., Ltd. 深圳市中免免税品有限責任公司	Associate
CDFG (Zhuhai) Duty Free Merchandise Co., Ltd. 珠海市中免免税品有限責任公司	Associate
CDFG (Shenzhen Dongmian) Duty Free Merchandise Co., Ltd. 深圳市東免免税品有限公司	Associate
Hainan Duty Free Guanlan Lake International Shopping Center Co., Ltd. 海南海免觀瀾湖國際購物中心有限公司	Associate
CDFG (Shenzhen Zhaoshang) Duty Free Merchandise Co., Ltd. 深圳市中免招商免税品有限公司	Associate
Beijing Tianma Tourist Automobile Co., Ltd. 北京天馬旅遊汽車有限公司	Company controlled by the holding company
CITS Property Management (Beijing) Co., Ltd. 中旅物業管理(北京)有限公司 (formerly known as CITS Property Management Co., Ltd. 國旅物業管理有限公司)	Company controlled by the holding company
China International Travel Services Limited 中國國際旅行社總社有限公司	Company controlled by the holding company
CITS International M.I.C.E. Co., Ltd. 國旅國際會議展覽有限公司	Company controlled by the holding company
China Tourism Group Investment and Asset Management Co., Ltd. 中國旅遊集團投資和資產管理有限公司	Company controlled by the holding company
Sansha Nanhai Dream Cruises Co., Ltd. 三沙南海夢之旅郵輪有限公司	Associate of the holding company

Note: The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

(b) Transactions with related parties during the period

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Sales of merchandise income from		
– Associates	76,370	118,805
– Joint ventures	2,599	8,558
Service fees paid to		
– Companies controlled by the holding company	43,345	30,642
– Associates	365,473	68,591
– Joint ventures	284	144
Rental expenses paid to		
– Companies controlled by the holding company	2,790	1,711
Rental income from		
– Companies controlled by the holding company	1,932	58
Interest income from CTG Finance	84,375	77,339
Interest expenses paid to		
– Associates	29	24

(c) Balances with related parties

The Group's balances with related parties as at the end of each reporting period are as follows:

	At 30 June 2022	**At 31 December 2021**
	RMB'000	*RMB'000*
Deposits at CTG Finance	4,550,240	5,835,132
Loans from CTG	202,127	206,622
Trade and other receivables		
– Companies controlled by the holding company	6,547	5,381
– Associates	78,593	24,958
Trade and other payables		
– Companies controlled by the holding company	7,963	8,022
– Associates	24,056	5,833
– Joint ventures	291	346
Contract liabilities		
– Associates	5,426	4,063
– Joint ventures	1,334	1,030

The directors of the Company are of the opinion that the above transactions were conducted on normal commercial terms and in the ordinary course of business of the Group. These balances will be settled in accordance with the contractual terms. Deposits at CTG Finance are carrying interests which are not unfavourable compared to market terms and are subjected to the Group's treasury and liquidity management policy. The deposits at CTG Finance are included in cash and cash equivalents during the period.

The information set forth below does not form part of the Accountants' Report received from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity shareholders of the Company as at 31 March 2022 as if the Global Offering had taken place on 31 March 2022.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 March 2022 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 31 March 2022(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB(3)*	*HK$(4)*
Based on an Offer Price of HK$143.50 per H Share	30,819,731	12,386,467	43,206,198	21.02	24.48
Based on an Offer Price of HK$165.50 per H Share	30,819,731	14,298,511	45,118,242	21.95	25.57

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at 31 March 2022 is arrived after (i) deducting intangible assets of RMB116,707,000 and goodwill of RMB822,460,000, and (ii) adjusting the share of intangible assets attributable to non-controlling interests of RMB3,980,000 from the consolidated total equity attributable to the equity shareholders of the Company as of 31 March 2022 of RMB31,754,918,000, which is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 102,761,900 H Shares to be issued pursuant to the Global Offering and the indicative Offer Prices of HK$143.50 per H Share and HK$165.50 per H Share, being the low end and high end of Offer Price range, after deduction of the estimated underwriting fees and other related expenses payable by the Group and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds of the Global Offering have been converted to Renminbi at the exchange rate of HK$1.0000 to RMB0.8587 prevailing on 5 August 2022. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 2,055,237,444 Shares, being the number of shares expected to be in issue and outstanding following the completion of the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share amounts in RMB are converted to Hong Kong dollar with the exchange rate of RMB0.8587 to HK$1.0000 prevailing on 5 August 2022. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2022 including but not limited to the dividend declared on 18 May 2022. Had such dividend being declared on 31 March 2022, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company as of 31 March 2022 would have been decreased by approximately RMB2,928,713,000, and the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share would have been decreased by approximately RMB1.42 (HK$1.66), which is calculated based on 2,055,237,444 Shares, being the number of shares expected to be in issue and outstanding following the completion of the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA TOURISM GROUP DUTY FREE CORPORATION LIMITED (中國旅遊集團中免股份有限公司)

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Tourism Group Duty Free Corporation Limited (中國旅遊集團中免股份有限公司 the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 March 2022 and related notes as set out in Part A of Appendix IIB to the prospectus dated 15 August 2022 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IIB to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the H shares of the Company (the "Global Offering") on the Group's financial position as at 31 March 2022 as if the Global Offering had taken place at 31 March 2022. As part of this process, information about the Group's financial position as at 31 March 2022 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 March 2022 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

15 August 2022

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, all of which are subject to change and may have retrospective effect.

This discussion does not address any aspects of the PRC or Hong Kong taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

A. The PRC Taxation

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "IIT Law"), which was latest amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was latest amended on December 18, 2018, dividends distributed by PRC enterprises are subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Notice of SAT on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of the Document Guo Shui Fa [1993] No. 045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the amount which is over withheld will be refunded. For the individual holders of H shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or otherwise, the non-foreign invested enterprise is required to withhold the tax at a rate of 20%.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (the "EIT Law") effective as at December 29, 2018 and the Implementation Provisions for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) amended and came into effect on April 23, 2019, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. The withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》國税函[2008]897號) which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to the dividends of 2008 and onwards. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (Guo Shui Han [2009] No. 394) (《國家税務總局關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆》國税函[2009]394號) which was issued by the SAT on July 24, 2009 and effective on the same date, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) signed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. Pursuant to the Fourth Protocol of the SAT to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《國家税務總局關於<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第四議定書》) effective as at December 29, 2015, the abovementioned provisions are not applicable to any arrangement which is primarily made for the purpose of obtaining the above taxation benefits. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Investors who are not PRC residents and reside in countries which have entered into avoidance of double taxation treaties with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC has entered into arrangements for the avoidance of double taxation with a number of countries and regions including but not limited to Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the PRC tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the PRC tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (hereinafter referred to as "Notice 36"), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT.

According to these regulations, if the holder is a nonresident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a nonresident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, in view of no clear regulations, whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares, there is still uncertainty in the interpretation and application of the above provisions.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "Local Additional Tax"), which shall usually equal to 12% of the VAT payable (if any).

Income tax

Individual Investors

According to the IIT Law and its implementation provisions, gains realised on the sale of equity interests in PRC resident enterprises are subject to the income tax at a rate of 20%.

Pursuant to the Circular of the MOF and SAT on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended IIT Law and its implementation provisions.

However, on December 31, 2009, the MOF, SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題 的通知》財稅[2009]167號), which provides that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for certain shares which are subject to sales limitations as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2010] No. 70) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》財稅[2010]70號). As at the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the transfer of shares of PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, in practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the transfer of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place. Such income tax for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》) effective on October 1, 1998 and amended on January 8, 2011, the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例實施細則》) effective on October 1, 1988, and the Stamp Tax Law of the PRC (《中華人民共和國印花稅法》) issued on June 10, 2021 and effective on July 1, 2022, PRC stamp duty only applies to documents executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC. Upon the Stamp Tax Law of the PRC coming into effect on July 1, 2022, the Provisional Regulations of the PRC on Stamp Duty shall be abolished simultaneously.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in the PRC under the PRC laws.

B. Hong Kong Taxation

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

2. PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

Enterprise Income Tax

As stipulated under the EIT Law, enterprises and other organizations which generate income within the PRC are enterprise income tax payers and subject to enterprise income tax at the rate of 25%. The CPC Central Committee and the State Council has promulgated the Master Plan for the Construction of Hainan Free Trade Port (《海南自由貿易港建設總體方案》) on June 1, 2020, pursuant to which encouraged industrial enterprises which are registered and actually operate in the Hainan Free Trade Port are allowed to pay their enterprise income tax at a reduced rate of 15% from the issuance of such plan to the year of 2025. According to the aforementioned plan, all enterprises (excluding those operating in the industries listed in the negative list) which are registered and actually operate in the Hainan Free Trade Port are allowed to pay their enterprise income tax at a reduced rate of 15% from the year of 2025 to 2035.

According to the Notice on the Preferential Income Tax Policy for Enterprises in the Hainan Free Trade Port (《關於海南自由貿易港企業所得稅優惠政策的通知》) which is jointly issued by MOF and SAT on June 23, 2020 and implemented from January 1, 2020 to December 31, 2024, for encouraged industrial enterprises which are registered and have actual operations of businesses in the Hainan Free Trade Port, their enterprise income tax will be levied at a reduced rate of 15%, with the purpose of supporting the construction of the Hainan Free Trade Port.

VAT

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993, and latest amended on November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the MOF on December 25, 1993 and latest amended on October 28, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax. The tax rate for taxpayers engaging in sale of services shall be 6% and the tax rate for taxpayers engaging in sale of goods shall be 17%, unless otherwise stipulated. With the VAT reforms in the PRC, the rate of VAT has been changed several times.

Pursuant to the Implementation Rules of Pilot Reform for Transition from Business Tax to VAT (《營業稅改徵增值稅試點實施辦法》) which was issued and became effective together with the above notice, unless otherwise provided in the implementation rules, taxpayers incurring taxable activities are generally subject to a 6% VAT. The Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and SAT on April 4, 2018 and became effective as of May 1, 2018 adjusted the applicative rate of VAT, and the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (Announcement [2019] No. 14 of the MOF, SAT and General Administration of Customs), promulgated by MOF, SAT and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

3. TAXATION OF THE COMPANY IN HONG KONG

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) ("**IRO**") is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of a group entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for the qualifying group entity.

As our Group carries on certain trade and business in Hong Kong, our Group may be subject to the profits tax regime under the IRO.

4. FOREIGN EXCHANGE

On January 29, 1996, the State Council promulgated the new Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to SAFE's approval, while capital account items still are. The Foreign Exchange Control Regulations was subsequently amended on January 14, 1997 and August 1, 2008. The latest amended Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international payments and transfers under the current account items.

On June 20, 1996, PBOC promulgated the Provision on the Settlement and Sale of and Payment in Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), issued by PBOC on July 21, 2005, from the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of foreign currencies such as U.S. dollar against Renminbi in the interbank foreign exchange market after the closing of the market on each working day, which will be used as the central parity for the transactions of such foreign currency against Renminbi exchange rate on the following working day.

Starting from January 4, 2006, PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, PBOC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade System to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD of the current day, which shall be finally decided on the weighted average of the prices of all market makers after excluding the highest and lowest quotations, and announce it at 9:15 a.m. on each working day. On August 11, 2015, PBOC announced to improve the central parity quotations of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On August 5, 2008, the State Council promulgated the revised Foreign Exchange Control Regulations (the "Revised Foreign Exchange Control Regulations"), which has made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations has improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations has enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the Sate may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

According to relevant PRC laws, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment for their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as the Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which canceled the approval requirement by the SAFE and its branches for the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On December 26, 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within 15 working days from the date of the end of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing maybe remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

On February 13, 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13), which came into effect on June 1, 2015. The Notice cancels the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

According to the Notice of the SAFE on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 May 2022 of the selected property interests held by the Group.

JLL
仲量聯行

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15 August 2022

The Board of Directors
China Tourism Group Duty Free Corporation Limited
8/F, Building A
No. A2 Dongzhimenwai Xiaojie
Dongcheng District
Beijing
PRC

Dear Sirs,

In accordance with your instructions to value the selected property interests held by **China Tourism Group Duty Free Corporation Limited** (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the selected property interests as at 31 May 2022 (the "**valuation date**").

For the purpose of this report, we classified these properties as the property interests relating to "property activities" which mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments.

Furthermore, we have adopted the below guidance on what constitutes a property interest:

(a) one or more units in the same building or complex;

(b) one or more properties located at the same address or lot number;

(c) one or more properties comprising an integrated facility;

(d) one or more properties, structures or facilities comprising a property development project (even if there are different phases);

(e) one or more properties held for investment within one complex;

(f) one or more properties, structures or facilities located contiguously to each other or located on adjoining lots and used for the same or similar operational/business purposes; or

(g) a project or phases of development presented to the public as one whole project or forming a single operating entity.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interest in Group I which is held for investment by the Group by the income approach by taking into account the net rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

In valuing the property interests in Group II which are currently under development, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sale evidence as available in the market and have taken into account the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

We have valued the property interest in Group III which is held for future development by the Group by the comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

For the purpose of our valuation, property developments under development are those for which the Construction Works Commencement Permits have been issued while the Construction Work Completion and Inspection Certificate/Tables have not been issued; and property developments for future development are those the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates have been obtained.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisers – Haiwen & Partners, concerning the validity of the property interests in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in May 2021 by Ms. Gloria Wang, who is a China Certified Real Estate Appraiser, and Ms. Corrina Li, both of them have more than 10 years' experience in the property valuation in the PRC. We have also arranged virtual inspections of the properties in April 2022 and June 2022 with the assistance of the Company's employees in the location of each property, so that we could understand the conditions of the properties as at the valuation date.

All monetary figures stated in this report are in Renminbi (RMB).

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in these particular market sectors remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of the properties under frequent review.

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS(GP)
Senior Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 28 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I:	Property held for investment by the Group in the PRC
Group II:	Property held under development by the Group in the PRC
Group III:	Property held for future development by the Group in the PRC
"–":	Not Available or Not Applicable

No.	**Property**	**Market value in existing state as at the valuation date** *RMB* **Group I:**	**Market value in existing state as at the valuation date** *RMB* **Group II:**	**Market value in existing state as at the valuation date** *RMB* **Group III:**	**The total market value in existing state as at the valuation date** *RMB*
1.	Project Haikou International Duty-Free Complex located at the western side of Binhai Avenue and the eastern side of Xingangjing 6th Road Xiuying District Haikou City Hainan Province The PRC (海口國際免稅城項目)	–	5,017,000,000	822,000,000	**5,839,000,000**
2.	Phase II of Sanya International Duty-Free Complex located at the northwestern side of Haitang North Road Haitang District Sanya City Hainan Province The PRC (三亞國際免稅城二期)	1,307,000,000	–	–	**1,307,000,000**
3	Project Plot 2 of Phase I of Sanya International Duty-Free Complex located at Zone A8 Haitang North Road Haitang District Sanya City Hainan Province The PRC (三亞國際免稅城一期二號地項目)	–	1,438,000,000	–	**1,438,000,000**
	Total:	**1,307,000,000**	**6,455,000,000**	**822,000,000**	**8,584,000,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	Project Haikou International Duty-Free Complex located at the western side of Binhai Avenue and the eastern side of Xingangjing 6th Road Xiuying District Haikou City Hainan Province The PRC (海口國際免稅城項目)	The property, named Project Haikou International Duty-Free Complex, occupies 6 parcels of land with a total site area of approximately 323,515.06 sq.m. which will be developed into a development complex with duty-free commercial, common retail, residential, office, hotel and apartment components. It is located at the eastern side of the new seaport on the west coast of Haikou City. The locality is well served by public transportation network and supporting facilities. The property comprises two parts ("**Part A**" and "**Part B**"): Part A of the property occupies 4 parcels of land (plot nos. 1, 2, 3 and 5) with a total site area of approximately 164,935.78 sq.m. and will be developed into a duty-free commercial, residential, retail, office and apartment complex. As at the valuation date, it was under construction and scheduled to be completed in December 2024. Part A has a total planned gross floor area ("**GFA**") of approximately 579,222.14 sq.m. As advised by the Group, the total construction cost (excluding land cost) of Part A is estimated to be approximately RMB6,938,072,000, of which approximately RMB3,050,304,000 had been incurred up to the valuation date. Part B of the property comprises 2 parcels of land (plot nos. 4 and 6) with a total site area of approximately 158,579.28 sq.m. which were bare land for future development as at the valuation date. The plot ratio accountable GFA of Part B is approximately 292,965.95 sq.m. Details of the planned GFA of the property are set out in note 6. The land use rights of Part A of the property have been granted for terms of 40 years and 70 years expiring on 25 February 2059 for commercial use and 25 February 2089 for residential use respectively. The land use rights of Part B of the property have been granted for terms of 40 years expiring on 25 February 2059 for commercial use and hotel use.	As at the valuation date, Part A of the property was under construction and Part B of the property was bare land.	5,839,000,000

Notes:

1. Pursuant to 6 State-owned Land Use Rights Grant Contracts dated 2 January 2019 – Hai Kou Shi Guo Rang (He) Zi Di Nos. 12 to 17, the land use rights of 6 parcels of land with a total site area of approximately 323,515.06 sq.m. were contracted to be granted to CDF (Haikou) Investment Development Co., Ltd. (中免(海口)投資發展有限公司, "**CDF Haikou Investment**", a wholly-owned subsidiary of the Company) for terms of 40 years for commercial use and hotel use and 70 years for residential use from the land delivery date. The individual plot ratio of the 6 parcels of land is 2.5, 2.5, 2.8, 2.8, 2.26 and 1.7. The total land consideration was RMB1,559,250,000. As advised by the Company, the land consideration had been fully paid.

2. Pursuant to 6 Real Estate Title Certificates – Qiong (2020) Hai Kou Shi Bu Dong Chan Quan Di Nos. 0167891, 0167893, 0167898, 0167903, 0167905 and 0167906, the land use rights of the aforesaid 6 land parcels with a total site area of approximately 323,515.06 sq.m. have been granted to CDF Haikou Investment for terms expiring on 25 February 2059 for commercial use and hotel use and 25 February 2089 for residential use.

3. Pursuant to 3 Construction Work Planning Permits – Jian Zi Di Nos. 460100201900363, 460100202000157 and 460100202000210 in favour of CDF Haikou Investment, portion of Part A of the property (the construction on plot nos. 2, 3 and 5) with a total planned GFA of approximately 457,229.83 sq.m. has been approved for construction. As advised by the Group, the Construction Work Planning Permit of the remaining portion of Part A (construction on plot no. 1) with a planned GFA of approximately 121,922.31 sq.m. is in the process of application.

4. Pursuant to 4 Construction Work Commencement Permits – Nos. 4601002020011900501, 460100202009160101, 460100202009160201 and 460100202204270101 in favour of CDF Haikou Investment, permissions by the relevant local authority were given to commence the construction of Part A of the property with a total planned GFA of approximately 582,303.81 sq.m.

5. Pursuant to an updated Construction Work Planning Permit and 3 Confirmation Notices of Construction Project Design Plan Change dated 9 March 2021, 29 April 2021 and 30 November 2021 issued by the Bureau of Natural Resources and Planning of Haikou City, the total planned GFA of Part A of the property had been adjusted to 579,222.14 sq.m.

6. According to the information provided by the Group, the planned GFA/plot ratio accountable GFA of the property are set out as below:

Part	**Usage**	**Planned GFA** *(sq.m.)*
Part A (under construction)	Residential	79,645.84
	Duty-free commercial/Retail	169,190.92
	Apartment	38,553.72
	Office	84,577.29
	Ancillary (including 3,622 car parking spaces)	207,254.37
	Total:	**579,222.14**

		Plot ratio accountable GFA *(sq.m.)*
Part B (for future development)	Duty-free commercial/Retail	233,450.24
	Hotel	59,515.71
	Total:	**292,965.95**

7. The market value of Part A of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market would be RMB9,780,800,000. The market value of Part B of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market would be RMB7,607,900,000.

8. Our valuation has been made on the following basis and analysis:

   a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB17,000 to RMB19,100 per sq.m. for residential units, RMB30,000 to RMB50,000 per sq.m. for retail units on the first floor, RMB20,000 to RMB23,800 per sq.m. for office, RMB20,000 to RMB26,000 per sq.m. for apartment and RMB100,000 to RMB200,000 per space for car parking space. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed unit rate for the property; and

   b. we have also made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation values of these comparable land sites range from RMB2,410 to RMB3,000 per sq.m for residential use and RMB2,420 to RMB3,300 per sq.m. for commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed accommodation value for the property.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the Group has legally obtained the land use rights of land parcels of the property mentioned in notes 1 and 2, and it is entitled to legally transfer, lease, mortgage or otherwise dispose of the land parcels of the property; and

   b. the Group has obtained the construction work planning permits and construction work commencement permits in respect of Part A of the property as required by the PRC laws in accordance with its construction progress.

10. A summary of major certificates/approvals is shown as follows:

a.	Real Estate Title Certificate (for land)	Yes
b.	Construction Work Planning Permit	Portion (Part A)
c.	Construction Work Commencement Permit	Yes (Part A)
d.	Pre-sale Permit	N/A
e.	Construction Work Completion and Inspection Certificate/Table/Report	N/A

11. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Planned GFA/ Plot ratio accountable GFA** *(sq.m.)*	**Market value in existing state as at the valuation date** *(RMB)*
Group II – held under development by the Group	579,222.14	5,017,000,000
Group III – held for future development by the Group	292,965.95	822,000,000
Total:		**5,839,000,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	Phase II of Sanya International Duty-Free Complex located at the northwestern side of Haitang North Road Haitang District Sanya City Hainan Province The PRC (三亞國際免稅城二期)	The property, known as Phase II of Sanya International Duty-Free Complex, is erected on an artificial island located at Haitang Bay in Sanya City. Haitang Bay is an area of famous tourist attraction. The island that the property sits on is connected to Phase I of Sanya International Duty-Free Complex through a landscape bridge. There are duty-free shops, commercial buildings and premium hotels in the vicinity of the property. The property comprises 16 two-storey or three-storey retail buildings with a total above-ground gross floor area ("**GFA**") of approximately 31,372.96 sq.m. and a basement level with an underground GFA of approximately 28,958.66 sq.m. which were completed in 2019. As advised by the Group, the property has a total gross lettable area ("**GLA**") of approximately 24,831.44 sq.m. The land use rights of the property have been granted for a term expiring on 19 August 2055 for commercial use.	As at the valuation date, portions of the retail units of the property with a total GLA of approximately 19,142.94 sq.m. were leased to various tenants for retail use, while the remaining portions were vacant. The basement level of the property was used as ancillary facilities for car parking, management office and storage purposes.	1,307,000,000

Notes:

1. Pursuant to a Real Estate Title Certificate (for land) – Qiong (2021) San Ya Shi Bu Dong Chan Quan Di No. 0002283, the land use rights of the property with a site area of approximately 45,695.01 sq.m. have been granted to CDF (Sanya) Haitang Bay Investment Development Co., Ltd. (中免(三亞)海棠灣投資發展有限公司, a wholly-owned subsidiary of the Company) for a term expiring on 19 August 2055 for commercial use.

2. Pursuant to 16 Real Estate Title Certificates – Qiong (2021) San Ya Shi Bu Dong Chan Quan Di Nos. 0010851 to 0010853, 0010926, 0010929, 0010934, 0010936, 0011211 to 0011217, 0011464 and 0011465, 16 retail buildings of the property with a total GFA of approximately 31,372.96 sq.m. are owned by CDF (Sanya) Haitang Bay Investment Development Co., Ltd.

3. As advised by the Group, the basement level of the property with an underground GFA of approximately 28,958.66 sq.m. was used as ancillary facilities for car parking, management office and storage purposes.

4. Pursuant to various Tenancy Agreements, various retail units of the property with a total GLA of approximately 19,142.94 sq.m. were leased to various tenants for retail use with the expiry dates between 31 August 2022 and 17 May 2031. The total annual fixed rent receivable as at the valuation date was approximately RMB72,331,000, exclusive of management fee, water and electricity charges.

5. Our valuation has been made on the following basis and analysis:

   a. in undertaking our valuation, we have considered the actual rents in the existing tenancy agreements and also compared with similar properties located in the same business circle and/or nearby within reasonable walking distance. We adopted market rent when calculating (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;

   b. the daily unit rents of the comparable retail units on the first floor range from RMB20 to RMB27 per sq.m. per day on GLA, appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent; and

   c. based on our research on commercial market in the surrounding area of the property, the stabilized market yield ranged from 5.0% to 6.5% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% as the capitalization rate in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the Group has legally obtained the building ownership rights of the buildings of the property mentioned in note 2 and the relevant land use rights, and it is entitled to legally transfer, lease, mortgage or otherwise dispose of the buildings of the property.

7. For the purpose of this report, the property is classified into the group as "Group I – Property held for investment by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
3.	Project Plot 2 of Phase I of Sanya International Duty-Free Complex located at Zone A8 Haitang North Road Haitang District Sanya City Hainan Province The PRC (三亞國際免稅城一期二號地項目)	The property, known as Project Plot 2 of Phase I of Sanya International Duty-Free Complex, is located at the northeast coast of Haitang Bay in Sanya City. Haitang Bay is an area of famous tourist attraction. There are commercial buildings and premium hotels in the vicinity of the property. The property comprises a parcel of land with a site area of approximately 108,799.48 sq.m. and two buildings under construction erected thereon. The buildings are a 3-storey (above ground) commercial building and a 32-storey (above ground) hotel building with a total planned gross floor area ("**GFA**") of approximately 217,713.38 sq.m. which are scheduled to be completed in 2026. As advised by the Group, the total construction cost (excluding land cost) of the property is estimated to be approximately RMB2,887,791,000, of which approximately RMB405,022,000 had been incurred as at the valuation date. Details of the planned GFA of the property are set out in note 3. The land use rights of the property have been granted for a term of 40 years expiring on 9 February 2052 for commercial service (tourism) use.	As at the valuation date, the property was under construction.	1,438,000,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Qiong (2021) San Ya Shi Bu Dong Chan Quan Di No. 0004374, the land use rights of a parcel of land with a site area of approximately 108,799.48 sq.m. have been granted to CDF (Hainan) Investment Development Co., Ltd. (中免(海南)投資發展有限公司, "**CDF Hainan Investment**", a wholly-owned subsidiary of the Company) for a term expiring on 9 February 2052 for commercial service (tourism) use.

2. Pursuant to an opinion in letter in lieu of permits regarding Project Plot 2 of Phase I of Sanya International Duty-Free Complex dated 30 August 2021 issued by Sanya Modern Service Industry Park Management Committee, CDF Hainan Investment was approved to start preliminary construction work of the property, and could apply for relevant construction work planning permit and construction work commencement permit for the property. As advised by the Group, the Construction Work Commencement Permit is in the process of application.

3. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 465205202220003 and 465205202220005 in favour of CDF Hainan Investment, the property with a total planned GFA of approximately 217,713.38 sq.m. has been approved for construction. Details of the planned GFA of the property are set out as below:

Building	Part	Number of Storey	Planned GFA *(sq.m.)*
Commercial building	Above ground	3	40,914.00
	Underground	1	37,029.00
	Sub-total:		**77,943.00**
Hotel building	Above ground	32	99,036.51
	Underground	2	40,733.87
	Sub-total:		**139,770.38**
	Grand total:		**217,713.38**

4. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market would be RMB5,450,000,000.

5. Our valuation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB50,000 to RMB57,000 per sq.m. for commercial units on the first floor and RMB35,000 to RMB47,000 for premium service apartment. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed unit rate for the property; and

   b. We have also made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation values of these comparable land sites range from RMB9,600 to RMB10,420 per sq.m. for commercial (hotel) use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed accommodation value for the property.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the Group has legally obtained the land use rights of land parcel of the property, and it is entitled to legally transfer, lease, mortgage or otherwise dispose of the land parcel of the property; and

   b. the Group has obtained the construction work planning permit and opinion in letter in lieu of permit issued by the competent regulatory authorities in respect of the property as required by the PRC laws in accordance with its construction progress.

7. A summary of major certificates/approvals is shown as follows:

a.	Real Estate Title Certificate (for land only)	Yes
b.	Construction Work Planning Permit	Yes
c.	Construction Work Commencement Permit	Applying
d.	Pre-sale Permit	N/A
e.	Construction Work Completion and Inspection Certificate/Table/Report	N/A

8. For the purpose of this report, the property is classified into the group as "Group II – Property held under development by the Group in the PRC" according to the purpose for which it is held.

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to the Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III – Taxation and Foreign Exchange" to this prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal legal and regulatory provisions applicable to the Company. This summary is not intended to include all the data which may be important to potential investors. For discussion of laws and regulations which are relevant to our own business, see "Regulatory Overview" in this prospectus.

PRC LAWS AND REGULATIONS

A. The PRC Legal System

The PRC legal system is based on the PRC Constitution (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which PRC Government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the People's Republic of China ("Legislation Law"), the National People's Congress ("NPC") and its Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amends parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and centrally-administered and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the People's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the provinces or autonomous regions concerned. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, PBOC, NAO and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules and regulations within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court; issues related to the application of laws in a prosecution process of the procuratorates should be interpreted by the Supreme People's Procuratorate; and issues related to laws other than those mentioned above should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

B. The PRC Judicial System

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil division, criminal division and economic division, and may set up certain people's tribunals based on the status of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions, such as the intellectual property division, if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Procuratorate is authorized to supervise the judgment and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgment and ruling of a people's court at lower levels which have been legally effective. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels.

Judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or a people's court at the next higher level discovers an error in a final and binding judgment or ruling which has come into effect in any people's court at a lower level, or the presiding judge of a people's court discovers an error in a final and binding judgment or ruling which has come into effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "PRC Civil Procedure Law") adopted on April 9, 1991 and amended on October 28, 2007, August 31, 2012, June 27, 2017 and December 24, 2021 respectively prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the regulations of hierarchical jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality or a foreign enterprise or organization is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, foreign-invested enterprise or organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment against such party.

A party seeking to enforce a judgment or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. Likewise, if the PRC has entered into either a treaty relating to judicial enforcement with the relevant foreign country or a relevant international convention, a foreign judgment or ruling may also be recognized and enforced in accordance with the PRC enforcement procedures by a PRC court based on equitable principles unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles or national sovereignty, security, social and public interests of the PRC.

C. The PRC Company Law, the Special Regulations and the Mandatory Provisions

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The newly revised PRC Company Law has been implemented since October 26, 2018.

The Special Regulations of the State Council on the Overseas Offering and the Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations") were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations include provisions in respect of the overseas share offering and listing of joint stock limited companies.

The Mandatory Provisions jointly promulgated by the former Securities Commission of the State Council and the former State Restructuring Commission on August 27, 1994 prescribe that the provisions should be incorporated in the articles of association of joint stock limited companies to be listed an overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association of the Company. References to a "company" made in this Appendix are to a joint stock limited company established under the PRC Company Law with H Shares to be issued.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

General

A joint stock limited company ("company") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of two but no more than 200 promoters, and at least half of the promoters must be residents within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company shall not be offered to others unless the registered capital has been fully paid up. For companies incorporated by subscription, the registered capital is the total paid-up capital as registered with the relevant registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. A promoter who offers shares to the public must publish a prospectus and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies, and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a report thereon. The promoters shall convene an inauguration meeting within 30 days following the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days after the subscription monies for the shares issued have been fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A company's promoters shall be liable for:

(i) the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated;

(ii) the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and

(iii) the compensation of any damages suffered by the company in the course of its incorporation as a result of the promoters' default.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of laws or administrative regulations on valuation without any over-valuation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of CSRC to offer its shares to overseas public. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be in registered form, denominated in Renminbi and subscribed for in foreign currencies. Shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are classified as H Shares, and those shares issued to investors within the PRC, other than these regions mentioned above, are known as domestic shares. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of H Shares, to retain not more than 15% of the aggregate number of overseas listed foreign shares proposed to be issued in addition to the number of underwritten shares. The issuance of reserved shares is considered as part of the issuance.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

(i) the name and domicile of shareholder;

(ii) the number of shares held by each shareholder;

(iii) the serial numbers of shares held by each shareholder; and

(iv) the date on which each shareholder acquired the shares.

Increase in Share Capital

Where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares upon the approval by CSRC, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the new share issue of the company has been paid up, the change must be registered with the relevant administration bureau for industry and commerce and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the incorporation of a company.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) The company shall prepare a balance sheet and an inventory of assets;

(ii) The reduction of registered capital must be approved by shareholders at general meeting;

(iii) The company shall notify its creditors of the reduction in share capital within 10 days and publish a related announcement in newspapers within 30 days of the resolution approving the reduction being passed;

(iv) The creditors of the company may within the statutory time limit require the company to repay its debts or provide guarantees for covering the debts; and

(v) The company must apply to the relevant administration bureau for industry and commerce for registration of the change and reduction in registered capital.

Repurchase of Shares

A company may not repurchase its own shares other than for one of the following purposes:

(i) reduction of its registered capital;

(ii) merger with another company which holds its shares;

(iii) use of its shares for carrying out an employee stock ownership plan or equity incentive;

(iv) request from shareholders who object to a resolution of a shareholders' general meeting on merger or division of the company to acquire their shares by the company;

(v) use of shares for conversion of convertible corporate bonds issued by a listed company; and

(vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

A resolution of a shareholders' general meeting is required for a share buyback by a company under either of the circumstances stipulated in item (i), item (ii) above; for a company's share buyback under any of the circumstances stipulated in item (iii), item (v), item (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

After a company purchases its own shares pursuant to the first section of this article, the shares acquired under the circumstance stipulated in item (i) hereof shall be deregistered within ten days from the date of acquisition of shares; the shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either item (ii), item (iv); and the shares held in total by a company after a share buyback under any of the circumstances stipulated in item (iii), item (v), item (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law of the People's Republic of China. If the share buyback is made under any of the circumstances stipulated in item (iii), item (v) or item (vi) of the first section of this article, centralized trading shall be adopted publicly.

A company shall not accept its own shares as the subject matter of pledge.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. A shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the benchmark date for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides that changes due to share transfer should not be made to shareholder registry within 30 days before a shareholders' general meeting or within 5 days before the benchmark date for the purpose of determining entitlements to dividend distributions.

Shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights:

(i) to receive a return on assets, participate in significant decision-making and select management personnel;

(ii) to petition the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board of directors that has not been convened in compliance with the laws or the articles of association or whose voting has been conducted in an invalid manner, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;

(iii) to transfer the shares of the shareholders according to the relevant laws and regulations and the articles of association;

(iv) to attend or appoint a proxy to attend shareholders' general meetings;

(v) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or inquiries in respect of the company's operations;

(vi) to receive dividends in respect of the number of shares held;

(vii) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(viii) any other shareholders' rights provided for in the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to decide on the company's operational objectives and investment plans;

(ii) to elect and dismiss the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(iii) to review and approve the reports of the board of directors;

(iv) to review and approve the reports of the supervisory board;

(v) to review and approve the company's annual financial budgets and final accounts;

(vi) to review and approve the company's profit distribution proposals and loss recovery proposals;

(vii) to decide on any increase or reduction of the company's registered capital;

(viii) to decide on the issue of corporate bonds;

(ix) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(x) to amend the company's articles of association; and

(xi) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the laws or less than two thirds of the number specified in the articles of association;

(ii) the outstanding losses of the company amounted to one-third of the company's total paid in share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting is convened;

(iv) the board deems necessary;

(v) the supervisory board so proposes; or

(vi) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over such meeting in a timely manner. If the supervisory board fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over such meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

In accordance with the Mandatory Provisions, a shareholder who intends to attend the meeting shall deliver his written reply regarding his attendance of the meeting to the company 20 days before the date of the meeting. The board of directors shall notify other shareholders within two days of receiving such proposal and table it for review by the general meeting. Provisional proposals shall relate to specific subjects and matters for resolution within the authority of the general meeting. A shareholders' general meeting shall not make any resolution in respect of any matters not set out in the above two types of notices. Holders of bearer share certificates who wish to attend a shareholders' general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting, although the Special Regulations and the Mandatory Provisions provide that a company's general meeting may be convened when written replies to the notice of that meeting from shareholders holding shares representing no less than 50% of the voting rights in the company have been received 20 days before the proposed date. If that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by announcement of the matters to be considered at the meeting and the date and venue of the meeting, and the general meeting may be held by the company thereafter.

Pursuant to the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairman and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Pursuant to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H shares are deemed to be shareholders of different classes.

Board of Directors

A company shall have a board of directors which shall consist of 5 to 19 members. Members of the board of directors may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. The original director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate proposal for the company's annual financial budgets and final accounts;

(v) to formulate the company's profit distribution proposals and loss recovery proposals;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(viii) to decide on the setup of the company's internal management organs;

(ix) to appoint or dismiss the company's general manager and decide on his/her remuneration and, based on the general manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(x) to formulate the company's basic management system; and

(xi) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization that his/her representative has. At the same time, the board of directors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the meeting minutes.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

(i) a person who is unable or has limited ability to undertake any civil liabilities;

(ii) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and

(v) a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

In addition, the Mandatory Provisions further stipulates other circumstances that a person is disqualified from acting as a director of a company, including: (1) a person was placed on file for investigation by judicial authorities due to violation of criminal law and the case is pending; (2) a person cannot be acted as the a leader of the company according to laws and administrative regulations; (3) non-natural persons; and (4) a person has been ruled as violations of the provisions of relevant securities laws and regulations by the competent authority, involving fraud or dishonesty, and it does not exceed five years from the date of the ruling.

Pursuant to the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Board of Supervisors

A company shall have a board of supervisors composed of not less than three members. The supervisory board consists of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be determined in the articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third. Representatives of the company's staff at the board of supervisors shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors.

Pursuant to the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), the chairman of the supervisory board shall be elected by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over supervisory board meetings. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. The original supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or shareholders' resolutions;

(iii) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and

(vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

A company shall have a general manager who shall be appointed or removed by the board of directors. The general manager, who reports to the board of directors, may exercise his/her powers:

(i) to manage the production, operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(ii) to arrange for the implementation of the company's annual operation plans and investment proposals;

(iii) to formulate proposals for the establishment of the company's internal management organs;

(iv) to formulate the fundamental management system of the company;

(v) to formulate the company's specific rules and regulations;

(vi) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(vii) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(viii) to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the general manager's powers shall also be complied with. The general manager shall be present at meetings of the board of directors. However, the general manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

Pursuant to the PRC Company Law, senior management refers to the general manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors, general managers, deputy managers and senior management are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and shall be obliged to be faithful and diligent in their discharge of duties.

Directors, supervisors, managers and management personnel are prohibited from accepting bribes or other unlawful income and from misappropriating the company's property. Directors and senior management are prohibited from:

(i) misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by the company's property in violation of the articles of association or without the approval of the general meeting or the board of directors;

(iv) entering into contracts or transactions with the company in violation of the articles of association or without the approval of the general meeting or the board of directors;

(v) abusing their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without the approval of the general meeting;

(vi) receiving commissions paid by a third party for transactions conducted with the company;

(vii) unauthorized divulgence of confidential information of the company; and

(viii) other acts in violation of their duties of loyalty to the company.

Income generated by directors or the senior management in violation of the aforementioned stipulations shall be returned to the company.

A director, supervisor or senior management who contravenes any laws, regulations or the company's articles of association in the performance of his/her corporate duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer inquiries from shareholders. Directors and senior management shall furnish all true facts and information to the supervisory board or, if a limited liability company has no supervisory board, supervisors, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes any laws, regulations or the company's articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares for at least 180 consecutive days may request in writing the board of supervisors to institute litigation at a people's court on his/their behalf. Where the supervisory board violates the laws, administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing the board of directors to institute litigation at a people's court on his/their behalf. If the board of supervisors or the board of directors refuses to institute litigation after receiving such written request from the shareholder(s), or fails to institute litigation within 30 days from the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damages to the company's interests, such shareholder(s) shall have the right to institute litigation directly at a people's court in their own names for the company's benefits. For other parties who infringe the lawful interests of the company resulting in losses to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedures described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association resulting in the infringement of shareholders' interests, shareholder(s) may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, general managers and other senior management shall have duties of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in compliance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings must publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the accumulated amount of such fund has reached 50% or above of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for its losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in proportion to the shareholdings as provided in the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of its own shares.

The premium over the nominal value of the shares of the company on issue and other income as required by the competent governmental department to be credited to the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined at a shareholders' general meeting or by the board of directors in accordance with the articles of association. The accounting firm shall be allowed to make representations when the general meeting or the board of directors conducts a vote on the dismissal of the accounting firm on their respective meetings. The company shall provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the newly engaged accounting firm without any refusal, withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the conclusion of the annual general meeting and end at the conclusion of the next annual general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses have been made good and allocations have been made to the statutory common reserve fund. The Special Regulations require that any payment of dividends or otherwise by a company to holders of H Shares shall be denominated and declared in Renminbi and paid in foreign currencies. Under the Mandatory Provisions, a company shall make payments in foreign currencies to shareholders through receiving agents.

Amendments to the Articles of Association

Pursuant to the PRC Company Law, the resolution of a shareholders' general meeting regarding any amendments to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the articles of association. The amendments to the articles of association involving the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorized by the State Council, while the amendments involving matters of company registration must be registered with the relevant authority in accordance with the laws.

Dissolution and Liquidation

A company shall be dissolved for any of the following reasons:

(i) the term of its operation provided in the articles of association has expired or other events of dissolution provided in the articles of association have occurred;

(ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of item (i) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights held by shareholders attending a shareholders' general meeting.

Where the company is dissolved in the event of items (i), (ii), (iv) or (v) above, it shall establish a liquidation committee within 15 days from the date on which the event of dissolution occurs. The liquidation committee shall be composed of directors or any other persons determined at a shareholders' general meeting. If a liquidation committee has not been established within the prescribed period, the company's creditors may file an application with a people's court, requesting that the court appoint relevant personnel to form a liquidation committee in order to conduct the liquidation. The people's court shall accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise the following powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with any outstanding business related to the liquidation;

(iv) to pay any overdue tax together with any tax arisen in the course of liquidation;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days from its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days from the receipt of the notification or within 45 days from the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to the creditor's rights he has claimed and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, as well as settlement of outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration ruled by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to a shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property. Members of the liquidation committee are liable to indemnify the company or its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt according to the laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC, and the listing must be arranged in accordance with the procedures specified by the State Council. Pursuant to the Special Regulations, a company may issue shares to overseas investors and list its shares overseas upon approval from CSRC. Subject to approval of the company's plans to issue overseas-listed foreign shares and domestic shares by CSRC, the board of directors of the company may make arrangements to implement respective plans for issuance of such foreign shares and domestic shares within fifteen (15) months from the date of approval by CSRC.

At the same time, according to the Special Regulations, if the company's shares determined by the company's issuance plan are not fully issued, new shares shall not be issued other than the issuance plan. If the company needs to adjust the issuance plan, the shareholders' general meeting shall make a resolution which shall be submitted to the securities commission of the State Council for examination and approval after being approved by the company examination and approval department authorized by the State Council.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court, if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of a replacement certificate(s).

A separate procedure regarding the loss of share certificates and H Share certificates of the overseas-listed foreign shareholders of the PRC is provided in the Mandatory Provisions and is also set out in the articles of association.

Merger and Division

A merger agreement shall be signed for merging companies and the involved companies shall prepare respective balance sheets and inventories of assets. The companies shall, within 10 days from the date of passing the resolution approving the merger, notify their respective creditors and publicly announce the merger within 30 days. A creditor may, within 30 days from the receipt of the notification or 45 days from the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided correspondingly and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all of its creditors within 10 days from the date of passing such resolution and make an announcement in newspapers within 30 days. Unless an agreement in writing is reached with creditors in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies.

Changes in the registration as a result of a company's merger or division must be registered with the relevant administration authority for market regulation (if required).

In accordance with the laws, cancellation of a company shall be registered when the company is dissolved, and incorporation of a company shall be registered when the new company is incorporated.

D. The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating domestic or overseas public offerings of securities by PRC companies, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the aforementioned departments and reformed CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) to govern the application and approval procedures for public offerings of equity securities, the trading of equity securities, takeovers of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information, investigation, penalties and resolution of disputes with respect to a listed company.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations primarily govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and the disclosure of information of joint stock limited companies owning domestic listed foreign shares.

The Securities Law of the PRC (《中華人民共和國證券法》) (the "PRC Securities Law") took effect on July 1, 1999 and was revised as at August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. It is the first national securities law in the PRC that comprehensively regulates activities in the PRC securities market. The PRC Securities Law is divided into 14 chapters and 226 articles, governing, among other matters, the issue and trading of securities, takeovers of listed companies, stock exchanges, securities companies and the responsibilities of the State Council's securities regulatory authorities. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the rules and regulations promulgated by the State Council and CSRC.

E. Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. The PRC Arbitration Law is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve the disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement has lapsed.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Hong Kong Listing Rules, also in contracts between the company and each director or supervisor. Such requirements state that whenever a dispute or claim arises from any rights or obligations stipulated in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of overseas listed foreign shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Centre ("HKIAC"). Disputes in respect of the definition of a shareholder and in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the PRC Arbitration Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the award, the other party to the award may apply to a people's court for its enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including the breach of legal procedures in the composition of the arbitration committee, or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission).

Any party seeking to enforce an arbitral award of a foreign affairs arbitration organization of the PRC against another party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the relevant case for enforcement of the award. Likewise, an arbitral award made by a foreign arbitration body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international conventions concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only recognize and enforce foreign arbitral awards based on the principle reciprocity; and (ii) the New York Convention will only apply to disputes deemed under the PRC laws to be arising from contractual or non-contractual mercantile legal relations.

A consensus has been reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Pursuant to this arrangement, awards made by arbitral authorities of the Mainland recognized by Hong Kong arbitration rules can be enforced in Hong Kong, and awards made by Hong Kong arbitral authority are also enforceable in the PRC. Where a court of the Mainland finds that enforcement in the Mainland of the awards made by the Hong Kong arbitral authority will violate public interests of the Mainland, the execution of such award may be ignored.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are subject to the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Establishment of a Company

Under Hong Kong company law, a company with share capital shall be incorporated at the Companies Registry in Hong Kong and the company will acquire an independent corporate existence upon its incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain provisions that restrict a member's right to transfer shares, while a public company's articles of association is not required to contain such provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription. The amended PRC Company Law which came into effect on March 1, 2014 has removed the provision on minimum registered capital of joint stock companies, except that the laws, administrative regulations and the State Council's decisions have separate requirements on paid-in registered capital and the minimum registered capital of joint stock companies, in which cases the company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirements for a Hong Kong company.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law provides that any increase in our registered capital must be approved by a shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than the assets prohibited from being used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets transfer procedures must be carried out to ensure that there is no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our domestic shares, which are denominated and subscribed for in Renminbi, may only be subscribed for and traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed foreign shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for and traded by investors from Hong Kong, Macau or Taiwan or any countries and territories outside the PRC, or qualified domestic institutional investors. However, eligible institutional investors and individual investors may participate in the trading of Hong Kong Stock Connect and Shanghai Stock Connect (or Shenzhen Stock Connect) through participating in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares of a joint stock limited liability company held by its directors, supervisors and senior management transferred annually during their terms of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company can neither be transferred within one year from the listing date of the shares nor within half a year after such person has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no restrictions in relation to the shareholdings and transfers of shares under Hong Kong law except for the six-month lockup period on the company's issue of shares and the 12-month lockup period on controlling shareholders' disposal of shares under the Hong Kong Listing Rules.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own shares or those of its holding companies. Nevertheless, the Mandatory Provisions contain specific restrictions on a company and its subsidiaries on providing such financial assistance, which are similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law has no specific provisions relating to the variation of class rights. However, the PRC Company Law states that the State Council may promulgate separate regulations relating to other classes of shares. The Mandatory Provisions contain explanatory provisions stating the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, the summary of which is set out in Appendix VI – "Summary of Articles of Association" to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied unless (i) with the approval by a special resolution of the holders of the relevant class of shares at a separate meeting, (ii) with the consent in writing of the holders representing at least 75% of the total voting rights in the class in question, or (iii) in the event where there are provisions in the articles of association relating to the variation of those rights, in which cases the related provisions shall be followed. We have incorporated the provisions regarding the protection of rights of class shareholders into the Articles of Association in accordance with the Listing Rules and the Mandatory Provisions. Holders of domestic shares and overseas listed foreign shares are considered as shareholders of different classes as provided in the Articles of Association. However, the special procedure for voting by class shareholders shall not apply under the following circumstances: (i) with the approval by a special resolution at a general meeting, the Company issues domestic shares and overseas listed foreign shares at an interval of 12 months, either separately or concurrently, and the respective numbers of domestic shares and overseas listed foreign shares proposed to be issued do not exceed 20% of their respective numbers of the issued and outstanding domestic shares and overseas listed foreign shares; (ii) the Company completes the issue of domestic shares and overseas listed foreign shares within 15 months from the date of approval pursuant to the plan approved upon its establishment by the securities commission under the State Council.

Directors, Senior Management and Supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on interested contracts and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of the board of supervisors. There is no mandatory requirement for the establishment of the board of supervisors by a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor is obliged, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to act in due care, diligence and skill that a reasonably prudent person would do so in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their obligations and cause damages to a company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their obligations and cause damages to company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either appoint a receiver or manager over the property or business of the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law stipulates that if the company's operation and management are seriously distressed and continuous existing will cause significant losses to shareholders' interests and cannot be resolved through other channels, shareholders holding more than 10% of the company's shareholders' voting rights may request the People's Court to dissolve the company. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting and an extraordinary shareholders meeting must be given not less than 20 days and 15 days before the meeting, respectively. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must send their writing replies to the company at least 20 days before the date of the meeting. Instead of Rules 20 to 22 of the Special Regulations, the relevant provisions in the PRC Company Law shall generally apply to the requirements in respect of the notice period for the convening of general meetings, shareholders' rights to propose resolutions and the procedures of convening general meetings by joint stock limited companies which are incorporated within the PRC and listed overseas as approved by the Official Reply of the State Council regarding the Adjustment on the Provisions Applicable to Matters Including the Notice Period for the Convening of General Meetings by Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》). For a company incorporated in Hong Kong, the minimum period of notice is 21 days in the case of an annual general meeting and 14 days in other cases.

Quorum for Shareholders' General Meetings

Under Hong Kong company law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

Voting

Under Hong Kong company law, an ordinary resolution is passed by more than half of the votes and a special resolution is passed by no less than 75% of such votes. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP. The lower of the after-tax profits of a specific fiscal year stated in the statements prepared based on the above-mentioned principles shall prevail in the allocation of such profits. The company shall publish its financial reports twice in each accounting year. An interim financial report shall be published within 60 days after the end of the first six months of each accounting year, while an annual financial report shall be published within 120 days after the end of each accounting year.

The Special Regulations require that there should not be any contradiction between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of shareholders dividend and other payables distributed in respect to the overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members under Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change the form of a joint stock limited company has to be approved in the shareholders' general meeting by shareholders.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation of actions to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation of actions is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of such limitation of actions.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law, directors, supervisors and senior management should be loyal and diligent. Under the Mandatory Provisions, directors, supervisors and senior management are not permitted, without the knowledge and approval of the shareholders' general meeting, to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, changes as a result of share transfers shall not be made to the register of members within 20 days before the date of a shareholders' general meeting or within five days before the base date set for the purpose of distribution of dividends except that the laws have separate requirements on the changes in the registers of members of listed companies, in which case the companies shall follow such provisions.

HONG KONG LISTING RULES

The Listing Rules provide additional requirements which apply to the Company as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to the Company.

Compliance Adviser

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance adviser acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after the listing date. The compliance adviser should provide professional advice on continuous compliance with the Hong Kong Listing Rules and all other applicable laws and regulations in Hong Kong, and to act, in addition to the Company's two authorized representatives, as an additional channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Hong Kong Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company.

Accountants' Report

The accountants' report must normally be drawn up in conformity with: (a) Hong Kong Financial Reporting Standards; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Process Agent

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H Shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$125 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage.

Independent Non-executive Directors and Supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the articles of association of the company, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules provided that approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association has been obtained for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The director must also state the consequences (if any) of any purchases which will arise under either or both of the Hong Kong Takeovers Code and/or any similar PRC law of which directors are aware. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Supervisors

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the supervisors in securities of the company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration and evaluation committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions and the Listing Rules.

Documents Available on Display and for Inspection

A PRC issuer shall publish on the Stock Exchange's website and the issuer's own website the following:

- a report showing the state of the issued share capital of the PRC issuer;
- the PRC issuer's latest audited financial statements and the directors', auditors' and supervisors' reports thereon;
- special resolutions of the PRC issuer;
- reports showing the number and nominal value of securities repurchased by the PRC issuer since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between domestic shares and foreign shares (and, if applicable, H shares)); and
- a copy of the latest annual return filed with the Administration for Industry and Commerce or other competent PRC authority.

A PRC issuer shall make available copies of the following at a place in Hong Kong:

- a complete duplicate register of shareholders (for inspection by the public and shareholders free of charge, and for copying by shareholders at reasonable charges); and
- the minutes of meetings of shareholders (for inspection by shareholders free of charge, and for copying by shareholders at reasonable charges).

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares to be held, before payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management and it (acting both for the company and for each director, supervisor, manager and other senior management) agrees with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Legal Compliance

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and Directors, Senior Management and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- an undertaking by the director or senior management to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Hong Kong Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;

- an undertaking by the director or senior management to it acting as agent for each shareholder to observe and comply with his obligations to the Shareholders as stipulated in the articles of association; and

- an arbitration clause which provides that whenever any differences or claims arise from the contract, the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between the company and its directors or senior management and between a holder of H shares and a director or senior management, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of the HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

English Translation

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H shares are required to be in English, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

OTHER LEGAL AND REGULATORY PROVISIONS

Upon the listing on the Hong Kong Stock Exchange, the provisions of the SFO, the Hong Kong Takeovers Code and such other relevant ordinances and regulations will apply to a PRC issuer.

SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Any person wishing to have detailed advice on PRC laws or the laws of any jurisdiction is recommended to seek independent legal advice.

According to the Company Law of the People's Republic of China (hereinafter referred to as the "**Company Law**"), the Securities Law of the People's Republic of China (hereinafter referred to as the "**Securities Law**"), Law of the People's Republic of China on the State-Owned Assets of Enterprises, the Code of Corporate Governance for Listed Companies, the Guidelines for Articles of Association of Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Constitution of the Communist Party of China, the Regulations of the Chinese Communist Party of China on the Work of Primary Organizations of State-owned Enterprises (for Trial Implementation), the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (hereinafter referred to as the "**Special Regulations**"), the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (hereinafter referred to as the "**Mandatory Provisions**"), the Circular Regarding Opinions on the Supplements and Amendments of Articles of Association of Companies to be Listed in Hong Kong (hereinafter referred to as the "**Circular Regarding Opinions on the Amendments**"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Hong Kong Listing Rules**") and other applicable laws and regulations, the Articles of Association have been adopted by the Company's shareholders in a general meeting and will become effective from the day the Company's H Shares are listed on the Hong Kong Stock Exchange.

A summary of the principal provision of the Articles of Association of the Company is set out below to provide an overview for investors. As this is only a summary, it does not contain all of the information that may be important to potential investors.

SHARES

Issue of Shares

The stocks of the Company shall take the form of shares. The Company shall have ordinary shares at all times. Subject to approval from the competent approving authority of the State Council, the Company may create other classes of shares when necessary. The shareholders of different classes of shares of the Company shall enjoy the same rights for distribution by way of dividends or otherwise.

Shares of the Company shall be issued on the principles of transparency, fairness and equality and shall rank pari passu in all respects with the shares of the same class. Each shares of the same class shall be issued under the same conditions and at the same price in each issuance, and the same price shall be paid for each shares subscribed for by any entity or individual.

The shares issued by the Company shall have a par value of RMB1 each.

Subject to approval by the securities regulatory authority of the State Council, the Company may issue shares to domestic and overseas investors. For a plan of the Company for issuance of domestic shares and overseas listed foreign shares approved by the securities regulatory authority of the State Council, the Board of the Company may make arrangement to issue domestic shares and overseas listed foreign shares respectively. For a plan of the Company for issuing domestic shares and overseas listed foreign shares respectively pursuant to the provisions in the preceding paragraph, the Company may issue H-shares and domestic shares respectively within 15 months from the approval date of the securities regulatory authority of the State Council or in the valid period of the approval document.

Where the Company issues domestic shares and overseas listed foreign shares respectively within the total number of shares determined in the issuance plan, it shall float them in full in one issue respectively. If special circumstances prevent this from being realized, it may issue them in installments with the approval of the securities regulatory authority of the State Council.

Increase and Reduction of Shares

Based on its operating and development needs, the Company may, pursuant to the laws, administrative regulations and the Articles of Association and upon the adoption of respective resolutions by the general meeting, increase its capital in the following ways:

(I) public offering of shares;

(II) non-public offering of shares;

(III) placing new shares to its existing shareholders;

(IV) distributing new shares to its existing shareholders;

(V) conversion of capital reserve into share capital;

(VI) any other means which are stipulated by laws and administrative regulations and approved by the relevant regulatory authority.

After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of the Articles of Association and the rules of the stock exchange in the place where the Company's shares are listed, the issuance thereof should be made in accordance with the procedures set out in the relevant PRC laws, administrative regulations and the rules of the stock exchange in the place where the Company's shares are listed.

The Company may reduce its registered capital. Such reduction shall be made in accordance with the procedures set out in the Company Law, other relevant requirements and the Articles of Association.

Repurchase of Shares

The Company may not acquire its shares, except under one of the following circumstances:

(I) reducing its registered capital;

(II) merging with another company which holds shares of the Company;

(III) issuing shares under employee share ownership scheme or as share incentive;

(IV) acquiring the shares upon request by shareholders who vote against any resolution adopted at the general meeting on the merger or demerger of the Company;

(V) satisfying the conversion of those corporate bonds convertible into shares issued by the Company with shares;

(VI) safeguarding corporate value and the interests of the shareholders as the Company deems necessary;

(VII) any other circumstances permitted by the laws, administrative regulations, departmental rules, normative documents and rules of the stock exchange in the place where the Company's shares are listed.

If the Company acquires its own shares under the circumstance as set out in paragraph (III), (V) or (VI), it shall be conducted through open centralized trading and shall comply with relevant provisions of laws and regulations and rules of the CSRC and the stock exchange in the place where the Company's shares are listed.

In accordance with the Articles of Associations, the shares acquired by the Company under the circumstance as set out in the above paragraph (I) shall be cancelled within ten days from the date of acquisition. The shares acquired by the Company under the circumstance as set out in the above paragraph (II) and (IV) shall be transferred or cancelled within six months. For the shares acquired by the Company under the circumstance as set out in the above paragraph (III), (V) and (VI), the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company and the shares so acquired shall be transferred or cancelled within three years. Where the Company cancels its shares for reasons of repurchase of the shares, it shall apply for registration of change of registered capital to the original company registration authority. The total par value of the cancelled shares shall be verified and reduced from the registered capital of the Company.

The Company may repurchase its shares in one of the following ways:

(I) making a pro rata general offer of repurchase to all its shareholders;

(II) repurchasing shares through public trading on a stock exchange;

(III) repurchasing by an off-market agreement outside a stock exchange;

(IV) any other circumstances permitted by the national laws, administrative regulations and relevant competent authorities.

When the Company repurchases its shares outside stock exchange in form of agreement, it shall obtain prior approval of the general meeting according to the provisions of the Articles of Association. With the prior approval of the general meeting in a same way, the Company may cancel or modify a contract concluded in the above way, or give up any right in the contract. The share repurchase contract in the preceding paragraph includes without limitation an agreement in which the Company agrees to assume the obligations of repurchased shares and acquire the rights of the repurchased shares. The Company may not transfer the share repurchase contract or any rights prescribed in the contract.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its outstanding shares:

(I) where the Company repurchases shares at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose;

(II) where the Company repurchases its shares at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

(1) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;

(2) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate amount of premiums received by the Company on the issue of the shares repurchased nor shall it exceed the book value of the Company's premium account (or capital reserve account) (including the premiums from the fresh issue) at the time of the repurchase;

(III) the Company shall make the following payments out of the Company's distributable profits:

(1) payment for the acquisition of the right to repurchase its shares;

(2) payment for variation of any contract for the repurchase of its shares;

(3) payment for the release of its obligations under any contract for the repurchase of shares.

The repurchase of H Shares of the Company shall comply with the Hong Kong Listing Rules and other relevant regulatory requirements of the place where H Shares are listed.

Financial Assistance for Purchase of Company's Shares

The Company or its subsidiaries (including affiliates of the Company) shall not at any time by way of gift, advance, guarantee, compensation or loans to provide any financial assistance to a person who is acquiring or is proposing to acquire shares in the Company. The aforementioned person shall include the person who has direct or indirect obligations in the purchase of shares of the Company.

The Company or its subsidiaries shall not, at any time, provide any form of financial assistance to the aforesaid obligor for the purposes of reducing or discharging their obligations.

The following actions shall not be regarded as actions prohibited under the foregoing provisions:

(I) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interests of the Company, and the principal purpose of which is not for the purchase of shares in the Company, or the giving of the financial assistance is an incidental part of a master plan of the Company;

(II) the lawful distribution of the Company's assets as dividend;

(III) the distribution of dividends in the form of shares;

(IV) a reduction of registered capital, a repurchase of shares of the Company or reorganisation of the shareholding structure of the Company in accordance with the Articles of Association;

(V) the provision of loans by the Company within its scope of business and in the ordinary course of its business, where the provision of loans falls within part of the scope of business of the Company (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits); and

(VI) contributions made by the Company to the employee share ownership scheme (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits).

Transfer and Pledge of Shares

Save as otherwise specified by laws, administrative regulations, departmental rules, normative documents and the rules of the stock exchange in the place where the Company's shares are listed, the shares of the Company may be transferred freely without any lien being attached.

The Company shall not accept any pledge of its shares.

Promoter shares of the Company shall not be transferred within one year from the date of incorporation of the Company. Shares already issued by the Company before public offering shall not be transferred within one year from the date on which the shares of the Company are listed and traded on the stock exchange.

The directors, supervisors and senior management of the Company shall declare to the Company their shareholding in the Company and any related changes. Any changes in their shareholding during their term of office shall be promptly reported to the Company and announced by the Company on the website of the stock exchange in the place where the Company's shares are listed, and the shares transferred each year shall not exceed 25% of the total number of shares they held in the Company; the shares they held in the Company shall not be transferred within one year from the date on which the shares of the Company are listed and traded. Any of the aforesaid persons shall not transfer the shares of the Company held by him/her within half a year from his/her termination of the office.

If the directors, supervisors, senior management of the Company and shareholders holding more than 5% of the Company's shares sell the shares or other equity securities of the Company they held within six months after the purchase, or purchase again within six months after sale, the proceeds thereon shall be owned by the Company and the Board of Directors of the Company will recover the proceeds and disclose the relevant situation in a timely manner. However, a securities company holds more than 5% of the shares after purchasing the remaining shares upon public offering due to underwriting, and other circumstances stipulated by the China Securities Regulatory Commission are excluded.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Shareholders

The Company shall make a register of shareholders based on the vouchers provided by securities registries. The register of shareholders shall be the sufficient evidence for the shareholders' shareholding in the Company. The shareholders enjoy rights and fulfill obligations as per the class and proportion of the shares held by them; the same class of shares represent the same rights and the same obligations.

When the Company convenes a shareholders' general meeting, distributes dividends, undergoes liquidation and engages in other activities requiring confirmation of shareholders' identities, the Board of Directors or the convener of the shareholders' general meeting shall decide the equity registration date. Shareholders whose names appear on the register at the close of trading on the equity registration date shall be the shareholders enjoying relevant rights and interests.

The holders of the shares of the Company shall be entitled to the following rights:

(I) to receive distribution of dividends and other forms of benefits in proportion to the number of shares held;

(II) to request, convene, hold, attend or appoint a shareholder proxy to attend the shareholders' general meeting and exercise voting rights at such meeting according to the laws;

(III) to supervise and manage the operations of our Company, and to submit proposals and inquiries;

(IV) to transfer, make a gift or charge of the shares held in accordance with the laws, administrative regulations, departmental rules, normative documents, rules of the stock exchange in the place where the Company's shares are listed and the Articles of Association;

(V) to obtain relevant information in accordance with the Articles of Association, including:

1. to receive the Articles of Association, subject to the payment of relevant costs;

2. the right to inspect and copy, subject to payment of a reasonable charge:

   (1) all or any part of the register of shareholders;

   (2) personal particulars of each of the directors, supervisors, manager and other senior management of the Company, including:

      (a) present and former name and alias;

      (b) principal address (domicile);

      (c) nationality;

      (d) full-time and all other part-time positions and duties;

      (e) identification documents and their numbers.

(3) the status of the Company's share capital;

(4) the latest audited financial statements and the reports of the Board of Directors, the auditors and the supervisors of the Company;

(5) counterfoils of the bonds of the Company;

(6) financial and accounting reports;

(7) resolutions made at the shareholders' general meeting, meetings of the Board of Directors and Board of Supervisors;

(8) reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of shares repurchased by the Company since the last accounting year and the aggregate amount incurred by the Company for this purpose (by domestic shares and foreign shares);

(9) minutes of shareholders' general meetings (for inspection by shareholders only);

(10) a copy of the latest annual report filed with the PRC authority for market regulation or other competent authorities.

(VI) to participate in the distribution of the remaining assets of the Company according to the proportion of shares held upon the Company's termination or liquidation;

(VII) to require the Company to acquire the shares from shareholders voting against any resolutions adopted at the shareholders' general meeting concerning the merger and division of the Company;

(VIII) other rights conferred by the laws, administrative regulations, departmental rules, normative documents, rules of the stock exchange in the place where the Company's shares are listed and the Articles of Association.

The holders of shares of the Company shall have the following obligations:

(I) to observe the laws, administrative regulations, departmental rules, normative documents, rules of the stock exchange in the place where the Company's shares are listed and the Articles of Association;

(II) to pay capital contribution as per the shares subscribed for and the method of subscription;

(III) not to withdraw shares unless in the circumstances stipulated by laws and regulations;

(IV) not to abuse shareholder's right to harm the interests of the Company or other shareholders; not to abuse the Company's position as an independent legal person or shareholder's limited liability protection to harm the interests of the creditors of the Company;

(V) to fulfill other obligations stipulated by the laws, administrative regulations, departmental rules, normative documents, rules of the stock exchange in the place where the Company's shares are listed and the Articles of Association.

If any shareholder of the Company abuses his/her shareholder's right, thereby causing any loss to the Company or other shareholders, the said shareholder shall be liable for compensation according to law. If any shareholder of the Company abuses the Company's position as an independent legal person or shareholder's limited liability protection for the purpose of evading repayment of debts, thereby seriously damaging the interests of the creditors of the Company, the said shareholder shall bear joint liabilities for the Company's debts.

Shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

General Provisions for General Meetings

The general meeting shall be the authority of power of the Company and shall exercise the following functions and powers according to law:

(I) To decide the business operation guideline and investment plan for the Company;

(II) To elect and change directors and supervisors who are not employees' representatives, and resolve on the remunerations of directors and supervisors;

(III) To examine and approve reports of the Board;

(IV) To examine and approve reports of the Supervisory Committee;

(V) To examine and approve the annual financial budgets and final accounting plans of the Company;

(VI) To examine and approve the Company's profit distribution policy, profit distribution plan and loss recovery plan;

(VII) To resolve on increase or decrease of the registered capital of the Company;

(VIII) To resolve on issuance of bonds of the Company or other securities and the listing;

(IX) To resolve on the merger, division, dissolution, liquidation, filing for bankruptcy, restructuring or other or transformation of the Company;

(X) To amend the Articles of Association;

(XI) To resolve on the appointment or dismissal of the accounting firms by the Company;

(XII) To examine and approve the guarantees specified in Article 64 of the Articles of Association;

(XIII) To consider the Company's purchase or disposal of major assets within one year with the amount exceeding 30% of the latest audited total assets of the Company;

(XIV) To examine and approve matters relating to the changes in the use of proceeds;

(XV) To consider equity incentive scheme and employee share ownership scheme;

(XVI) To determine the acquisition of the shares of the Company under the circumstances as required in (i), (ii) of Article 27 of the Articles of Association;

(XVII) To consider transactions with related parties (excluding external guarantees) of amount (including debts and expenses assumed) more than RMB 30 million and accounted for more than 5% of the absolute value of the Company's latest audited net assets;

(XVIII) To consider other matters which are required by laws, administrative regulations, departmental rules, rules of the stock exchange where the Company's shares are listed or the Articles of Association to be approved at a general meeting.

The functions and powers of the general meeting mentioned above shall not be delegated to the Board or any other body or individual.

General meetings are classified into annual general meetings and extraordinary general meetings. The annual general meeting shall be held once every year within six months after the end of the previous financial year.

In any of the following circumstances, the Company shall convene an extraordinary general meeting within two months from the date upon which the circumstance occurs:

(I) The number of Directors falls short of the quorum stipulated in the Company Law or is less than two thirds of the number specified in the Articles of Association;

(II) The unrecovered losses of the Company amount to one third of the total amount of its paid-up share capital;

(III) If shareholder(s) severally or jointly holding 10% or above of the Company's shares request(s) in writing the convening of an extraordinary general meeting;

(IV) The Board considers it necessary;

(V) The Supervisory Committee proposes to convene such meeting;

(VI) Other circumstances stipulated by laws, administrative regulations, departmental rules, rules of the stock exchange where the Company's shares are listed or the Articles of Association.

Convening of General Meetings

Independent Directors (i.e. Independent non-executive director) shall be entitled to propose to the Board to convene an extraordinary general meeting. Regarding the proposal of the independent Directors to convene an extraordinary general meeting, the Board shall, pursuant to the laws, administrative regulations, rules of the stock exchange where the Company's shares are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. If the Board does not agree to hold the extraordinary general meeting, it shall give the reasons and publish an announcement.

The Supervisory Committee shall be entitled to propose to the Board to convene an extraordinary general meeting, and shall put forward its proposal to the Board in writing. The Board shall, pursuant to laws, administrative regulations, rules of the stock exchange where the Company's shares are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it will serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of the Supervisory Committee shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, it shall be deemed to be unable to perform or fail to perform the duty of convening the extraordinary general meeting, and the Supervisory Committee may convene and preside over the meeting by itself.

Shareholder(s) severally or jointly holding 10% or above shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting or a class shareholder meeting, and shall put forward such request to the Board in writing, stating the topics to be discussed at the meeting. The Board shall, pursuant to laws, administrative regulations, rules of the stock exchange where the Company's shares are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or the class shareholder meeting or not within 10 days after receipt of the written proposal. If the Board agrees to convene the extraordinary general meeting or the class shareholder meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or the class shareholder meeting, or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or above shares shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting or a class shareholder meeting, and shall put forward such request to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene the extraordinary general meeting or the class shareholder meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original request set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the case of failure to issue the notice for the general meeting or the class shareholder meeting within the term stipulated, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting or the class shareholder meeting. The shareholder(s) severally or jointly holding 10% or above shares of the Company for 90 consecutive days or above may convene and preside over such meeting by itself/themselves.

Proposals and Notices of General Meetings

The contents of the proposals shall fall within the functions and powers of the general meeting, shall have clear discussion topics and specific matters to be resolved, and shall comply with relevant requirements of laws, administrative regulations, the listing rules of the place where shares of the Company are listed and the Articles of Association.

Where the Company convenes a general meeting, the Board, the Supervisory Committee and the shareholder(s) severally or jointly holding 3% or above shares of the Company may make proposals to the Company.

Shareholder(s) severally or jointly holding 3% or above shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. If the qualification of the proposing shareholder is verified and the proposal meets the relevant requirements of the Company Law, the convener shall submit it to the general meeting for shareholders' consideration, and serve a supplementary notice of general meeting within 2 days after receipt of a proposal, and announce the contents of the proposal on the agenda.

Save as specified in the preceding paragraph, the convener shall not change the proposal set out in the notice of general meeting or add any new proposal after the said notice announcement is served.

Prior to the general meeting of shareholders, the qualified shareholder submitting the provisional proposal shall hold not less than 3% of the Shares of the Company during the time the proposal submitted to the announcement of the resolution of the meeting, and shall provide the convener with the certificate of holding more than 3% of the Shares of the Company.

Proposals which are not specified in the notice of the general meeting or which do not comply with the requirements specified above shall not be voted and resolved at the general meeting and become resolutions.

When the Company convenes the annual general meeting, it shall notify each shareholder in writing of the date and venue of the meeting and the matters to be considered twenty days prior to the meeting; for an extraordinary general meeting, it shall notify each shareholder in writing of the same fifteen days prior to the meeting.

A notice of a general meeting shall meet the following requirements:

(I) the notice is in a written form;

(II) it specifies the time, place and period of the meeting;

(III) it describes the matters and proposals submitted to the meeting for consideration;

(IV) it provides shareholders with the information and explanations that are needed for the shareholders to make wise decisions on the matters to be discussed; this principle includes without limitation: when the Company proposes merger, share repurchase, reorganization of share capital or other restructuring, the notice shall provide the concrete conditions and contracts (if any) for the proposed transactions, and carefully explain the causes and effects;

(V) if any director, supervisor, manager or other senior management officer has important interest relation with a matter to be discussed, the nature and degree of the interest relation shall be disclosed; if the impact of the matter to be discussed on the said director, supervisor, manager or other senior management officer as a shareholder is different from the impact on other shareholders of a same class, their difference shall be explained;

(VI) the notice shall state the full text of any special resolution to be proposed and approved at the meeting;

(VII) the notice shall state in explicit words: all shareholders are entitled to attend the general meeting and appoint one or more proxies in writing to attend and vote at such meeting and that such proxies need not be a shareholder;

(VIII) the notice shall specify the shareholding record date for determining shareholders who are entitled to attend the meeting;

(IX) the notice shall state the delivery time and place of the power of attorney for voting at the meeting;

(X) the notice shall indicate name and telephone number of the permanent contact person of the meeting;

(XI) the notice shall specify the time and procedures of voting by online or other means.

Notices or supplementary notices of general meetings shall adequately and completely disclose the specific contents of all proposals. Where the opinions of an independent director are required on the matters to be discussed, such opinions and reasons thereof shall be disclosed when the notices or supplementary notices of general meetings are served.

If a proposal taking effect is conditional upon other proposals become effective, the convener shall explicitly disclose the relevant preconditions in the notice of the general meeting and shall give special reminders that the approval of such proposal is the precondition to the voting results of subsequent proposals taking effect.

The convener shall disclose other necessary information 5 days prior to the convening of the general meeting to enable the shareholders to make reasonable decisions on the matters proposed to be discussed. The convener shall disclose the supplementary information necessary for the general meeting before the day the general meeting is convened.

Voting through the online voting system at a general meeting shall commence no earlier than 3:00 p.m. of the day prior to the date of the on-site shareholders' general meeting but no later than 9:30 a.m. on the date of the on-site shareholders' general meeting and it shall not terminate earlier than 3:00 p.m. on the date of conclusion of the on-site shareholders' general meeting.

The interval between the shareholding record date of a shareholders' general meeting and the date of the meeting shall be no more than 7 business days. The shareholding record date shall not be changed once confirmed.

Convening of General Meetings

All shareholders whose names appear on the register of shareholders on the shareholding record date or their proxies are entitled to attend the general meeting and exercise their voting rights in accordance with the relevant laws, regulations, rules of the stock exchange where the shares of the Company are listed and the Articles of Association.

Shareholders may attend the general meeting in person or appoint proxies to attend and vote on their behalf. Any shareholder entitled to attend and vote at the general meeting shall have the right to appoint one or several persons (who may not be shareholders) to act as his or her proxy to attend and vote at the meeting on his or her behalf. The proxy(ies) so appointed by the shareholder(s) may, pursuant to the instructions of the shareholder(s), exercise the following rights:

(I) the shareholders' right to speak at the general meeting;

(II) the right to demand a poll by himself/herself or jointly with others;

(III) the right to exercise voting rights by a show of hands or by a poll, provided that where more than one proxy is appointed, the proxies may only exercise such voting rights by a poll.

General meetings shall be presided over by the chairman. Where the chairman cannot or does not fulfill the duty thereof, more than half of the directors may jointly elect a director to preside over the meeting. A general meeting convened by the supervisory committee itself shall be presided over by the chairman of the supervisory committee. Where the chairman of the supervisory committee cannot or does not fulfill the duty thereof, more than half of the supervisors may jointly elect a supervisor to preside over the meeting. A general meeting convened by the shareholders themselves shall be presided over by a representative elected by the conveners. If for any reason, the conveners are unable to elect a representative as a presider to preside over the meeting, the shareholders holding the most voting shares among the conveners (including shareholder proxy) shall act as the presider to preside over the meeting. When a general meeting is held and the presider violates the Articles of Association or the rules of procedure for general meetings, which makes it difficult for the general meeting to continue, a person may be elected at the general meeting to act as the presider, subject to the approval of more than half of the attending shareholders with voting rights, so that the general meeting can continue.

Voting and Resolutions at General Meetings

Resolutions of the general meeting include ordinary resolutions or special resolutions. Ordinary resolution at a general meeting shall be passed by one half or above of the voting rights held by shareholders (including their proxies) attending the general meeting. Special resolution at a general meeting shall be passed by two-thirds or above of the voting rights held by shareholders (including their proxies) attending the general meeting.

The following matters shall be resolved by way of ordinary resolutions at a general meeting:

(I) Work reports of the Board and the supervisory committee;

(II) Profit distribution plan and loss make-up plan formulated by the Board;

(III) Appointment or dismissal of the members of the Board and supervisory committee, remuneration and payment methods thereof;

(IV) Annual preliminary and final budgets of the Company;

(V) The Company's annual report;

(VI) Matters other than those requiring approval by special resolutions in accordance with the laws, administrative regulations, rules of the stock exchange where the Company's shares are listed or the Articles of Association.

The following matters shall be resolved by way of special resolutions at a general meeting:

(I) Increase or reduction of the registered capital of the Company, and issue of shares of any class, stock warrants or other similar securities;

(II) Issuance of corporate bonds;

(III) Demerger, division, merger, dissolution and liquidation or change in the form of the Company;

(IV) Amendments to the Articles of Association;

(V) Any purchase or disposal of substantial assets made or guarantee provided by the Company within one year, the amount of which exceeds 30% of the latest audited total assets of the Company;

(VI) Share option incentive scheme;

(VII) Adjustment and amendment of profit distribution policy;

(VIII) Any other matters as required by the laws, administrative regulations, rules of the stock exchange where the Company's shares are listed or the Articles of Association and matters which, if resolved by way of an ordinary resolution at a general meeting, will have a material impact on the Company and need be adopted by way of special resolutions.

Special Procedures for Voting by Classes of Shareholders

Shareholders holding different classes of shares shall be shareholders of different classes. Shareholders of different classes shall enjoy the rights and assume the obligations in accordance with the laws, administrative regulations and the Articles of Association.

The Company shall not proceed to change or abrogate the shareholders' rights of a class of shares unless such proposed change or abrogation has been approved by way of a special resolution at a general meeting and by a separate shareholder meeting convened by the shareholders of the class of shares so affected in accordance with the Articles of Association.

The following circumstances shall be deemed as change or annulment of the rights of a certain class shareholder:

(I) To increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;

(II) To change all or part of the shares of such class into shares of another class or to change all or part of the shares of another class into shares of that class or to grant relevant conversion rights;

(III) To cancel or reduce rights to accrued dividends or cumulative dividends attached to shares of the said class;

(IV) To reduce or cancel rights attached to the shares of the said class to preferentially receive dividends or to receive distributions of assets in a liquidation of the Company;

(V) To add, cancel or reduce share conversion rights, options, voting rights, transfer rights, pre-emptive placing rights, or rights to acquire securities of the Company attached to the shares of the said class;

(VI) To cancel or reduce rights to receive payments made by the Company in a particular currency attached to the shares of the said class;

(VII) To create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of the said class;

(VIII) To restrict the transfer or ownership of the shares of the said class or to impose additional restrictions;

(IX) To issue rights to subscribe for, or to convert into, shares of the said class or another class;

(X) To increase the rights and privileges of the shares of another class;

(XI) To restructure the Company in such a way as to cause shareholders of different classes to bear liabilities disproportionately during the restructuring;

(XII) To amend or cancel provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the rights to vote at general meetings originally, shall have the right to vote at shareholders class meetings in respect of matters referred to in subparagraphs (II) to (VIII) and (XI) to (XII) specified above, except that interested shareholders shall not vote at such shareholders class meetings.

Resolution of a shareholders class meeting shall be passed only by two-thirds or above of the total voting rights being held by the shareholders of that class, who are entitled to do so, present and vote at the shareholders class meeting in accordance with the Articles of Association.

When the Company is to convene a shareholders class meeting, it shall issue a written notice 20 days prior to the convening of the annual general meeting or 15 days prior to the convening of the extraordinary general meeting informing all the shareholders who are registered as holders of that class in the register of shareholders of the matters to be considered at the meeting as well as the date and place of the meeting.

The special procedure for voting by class shareholders shall not apply under the following circumstances:

(I) With the approval by a special resolution at a general meeting, the Company issues domestic shares and overseas listed foreign shares in a period of 12 months, either separately or concurrently, and the respective numbers of domestic shares and overseas listed foreign shares proposed to be issued do not exceed 20% of its respective numbers of each of the issued and outstanding domestic shares and overseas listed foreign shares;

(II) The Company completes the issue of domestic shares and overseas listed foreign shares within fifteen months from the date of approval pursuant to the plan approved upon its establishment by the securities commission under the State Council.

Party Committee

In accordance with the Constitution of the Communist Party of China, the Regulations of the Chinese Communist Party of China on the Work of Primary Organizations of State-owned Enterprises (for Trial Implementation) and other relevant regulations, the Company shall establish the Party Committee, and its leadership shall generally comprise five to nine members (and not more than eleven members), with one Secretary of the Party Committee and one or two Deputy Secretary of the Party Committee. Meanwhile, Commission for the Discipline Inspection shall be established in accordance with relevant requirements.

The Party Committee of the Company shall be elected from the Party member congress or the Party representative congress; each term of office is five years. Regular re-election shall be conducted upon the expiration of its term of office. Each term of office of the Commission for the Discipline Inspection shall be the same as the Party Committee.

By insisting on and improving the leadership mechanism of "Dual Entry and Cross Appointment", eligible members of the Party Committee may take seats in the Board of Directors, the Supervisory Committee and the management through statutory procedures, while eligible members of the Board of Directors, the Supervisory Committee and the management who are also Party members may take seats in the Party Committee in accordance with related regulations and procedures.

The Party Committee of the Company plays the leading role of "setting the direction, managing the overall situation, and promoting implementation", and performs the decision-making or control-oriented responsibilities in major matters, and implements the decisions and arrangements of the Central Committee of the Party and the national development strategies. Major operation and management matters of the Company must be studied and discussed by the Party Committee before they are submitted to the Board for determination in accordance with its powers and prescribed procedures. The Board and management should consciously protect the leadership of the Party Committee, and the Party Committee should respect and support the Board and management in exercising their powers in accordance with the laws.

The main responsibilities of the Party Committee are:

(I) to strengthen the political building of the Party Committee of the Company, adhere to and implement the fundamental system, basic system, and essential system of socialism with Chinese characteristics, as well as educate and guide all party members to maintain a high degree of consistency with the Central Committee of the Party with Comrade Xi Jinping at its core in political stance, political orientation, political principles and political paths;

(II) to thoroughly study and implement of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, learn and promote the Party's theory, carry out the Party's line, principles and policies, supervise and ensure that the implementation of major strategy deployment of the Central Committee of the Party and the resolutions of higher Party organizations in the Company;

(III) to study and discuss major business management matters of the Company and support the general meeting of shareholders, the Board, the board of supervisors and the management in exercising their functions and powers in accordance with the laws;

(IV) to strengthen the leadership and gatekeeper's role in selecting and employing personnel of the Company, and the building of the leadership team, cadre team and talent team of the Company;

(V) to undertake the main responsibility in improving Party Committee conduct and upholding integrity, lead and support discipline inspection institutions to perform their supervisory and disciplining responsibilities as well as exercise strict administrative discipline and political rules and promote the comprehensively strict Party self-governance into the grassroots level;

(VI) to strengthen the building of grassroots-level Party Committee organisations and the Party members team, unite and lead employees to devote themselves into the reform and development of the Company; and

(VII) to lead the Company's ideological and political work, the construction of spiritual civilization and the united front work, and lead the mass organisations such as the labour union, the Communist Youth League and the Women's Organisation of the Company.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or changed by the general meeting, and may be removed from office by the general meeting. The term of office of a director is three years. A director may serve consecutive terms if re-elected. A director is not required to hold shares of the Company. A director's term of service commences from the date he takes office, until the current term of service of the board of directors ends. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations, departmental rules, rules of the stock exchange at which the shares of the Company are listed and the Articles of Association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office.

Board of Directors

The Company shall have a board of directors accountable to the general meeting. The Board plays the role of setting strategies, making decisions and preventing risks, exercising the decision-making power on major matters of the Company in accordance with statutory procedures and the Articles of Association, and strengthening the management and supervision of the management.

The board of directors shall comprise 5-11 directors, of which at least three shall be independent directors, who accounted for no less than one third of all the directors and at least one of the independent directors shall be equipped with appropriate professional qualifications meeting regulatory requirements or appropriate accounting or relevant financial management expertise. In principle, the number of external directors should exceed half of all members of the Board. The term "external directors" in this article refers to non-executive directors who do not hold other position in the Company. The directors of the Company shall be elected at a general meeting of the Company. The board of directors shall have a chairman, and shall be elected by more than half of all directors. If the chairman is unable or fails to perform his duties, a director shall be elected jointly by more than half of the directors to perform such duties. The chairman shall serve a term of 3 years, and is eligible for re-election.

Major operation and management matters of the Company must be studied and discussed by the Party Committee before they are submitted to the Board for determination. The Board shall exercise the following functions and powers:

(I) to convene general meetings and report to general meetings;

(II) to execute resolutions of general meetings;

(III) to resolve on the Company's business plans and investment plans;

(IV) to prepare the annual financial budgets, final accounting plans and plan for changes in significant accounting estimates of the Company;

(V) to prepare the profit distribution plan and loss makeup plan of the Company;

(VI) to prepare plans for the increase or decrease of the Company's registered capital, the issuance of bonds or other securities and the listing of the Company;

(VII) to formulate plans for material acquisitions, acquisition of the Company's stock or merger, division, dissolution, liquidation, filing for bankruptcy, restructuring or other transformation of the Company;

(VIII) to decide the Company's external investments, acquisition and sale of assets, mortgage of assets, external guarantees, entrusted wealth management, related party transactions, external donations and other matters within the authorization by the general meeting of shareholders;

(IX) to resolve on the purchase of shares of the Company under any of the circumstances stipulated in (III), (V), (VI) of paragraph 1 under Article 27 of the Articles of Association;

(X) to resolve on the establishment of internal management organizations of the Company and to resolve on the establishment, adjustments or abandonment of a branch;

(XI) to decide on the appointment or dismissal of the general manager, secretary of the Board and other senior management personnel, and determine their business performance appraisals, remuneration matters, rewards and punishments; to decide on the appointment or dismissal of the Company's deputy general manager, chief accountant, general counsel and other senior management personnel according to the nomination of the general manager, and determine their business performance appraisals, remuneration matters, rewards and punishments;

(XII) to decide on the assessment methods for the management members' business performance, sign the annual and tenure business performance plan with the management members, and determine the results of measurable and reasonable performance assessment of management members;

(XIII) to decide on the management methods for the compensations of the management members, formulate the remuneration distribution plan, and establish and maintain the mechanism matched with the incentives for the management members;

(XIV) to set up the basic management system of the Company;

(XV) to resolve on the risk management system, including risk assessment, financial control, internal audit, legal risk control, and monitoring of implementation;

(XVI) to formulate the proposals for any amendment to the Articles of Association;

(XVII) to formulate labour cost management measures, set up the total salary determination mechanism, and determine labour cost budget and settlement results;

(XVIII) to formulate the Company's medium and long-term incentive schemes, employee stock ownership plan and other equity incentive scheme;

(XIX) to decide on matters such as establishment, merger, division, restructuring, reorganization, dissolution, bankruptcy and change of company form of key subsidiaries of the Company;

(XX) to manage the disclosure of information by the Company;

(XXI) to propose to general meetings the appointment or change of the accounting firm acting as the auditors of the Company and its remuneration;

(XXII) to listen to the work report of the general manager of the Company, and monitor the implementation of the resolutions of the Board by the general manager and other senior managers;

(XXIII) to formulate the work report of the Board;

(XXIV) to approve the authorized decision-making mechanism of the Board, and to timely adjust the authorization for the chairman or general manager in accordance with the principles of prudent authorization, standardization and order, balance and efficiency; and

(XXV) to exercise other functions and powers as conferred by laws, administrative regulations, departmental rules or the Articles of Association.

Major matters of the Company shall be resolved by all members of the Board. No authorization shall be granted to, among others, the chairman of the Board and general manager to exercise powers that shall be exercised by the Board in accordance with laws. Matters beyond the scope authorized at general meeting of shareholders shall be proposed for shareholder's consideration at a general meeting.

The Board shall formulate a management system for authorization to the managers, clarify the requirements for authorization principles, management mechanisms, scope of matters and authority conditions in accordance with the laws, establish and maintain a comprehensive follow-up and dynamic adjustment system for the authorization mechanism and a regular system for the general manager to report to the Board.

In addition to the consideration and approval of more than half of all directors, the Company's financial assistance and provision of secured transactions shall be considered and approved by more than two-thirds of the directors present at the board meeting, and shall be disclosed in a timely manner.

Other than the resolutions of the Board in respect of the matters specified in items (VI), (VII) and (XVI) of this Article and other matters which shall be passed by the affirmative vote of more than two-thirds of all directors as provided by laws, administrative regulations, departmental rules, rules of the stock exchange in the place where the stocks of the Company are listed and the Articles of Association, the resolutions of the Board in respect of all other matters may be passed by the affirmative vote of more than half of all the directors.

Board of directors' meetings include regular board of directors meeting and extraordinary board of directors meeting. The board of directors meets regularly at least four times every year and it shall be convened by the chairman. All directors and supervisors shall be informed in written 14 days prior to convening of the meeting. The regular board meetings shall be not convened by circulation of a written resolution.

Managers and Other Members of Senior Management

The Company shall have one general manager, certain vice general managers, one chief accountant, one secretary of the Board and one general counsel, who shall be appointed or removed by the Board.

General Manager

The management of the Company is focused to operate, implement, and strengthen the management and is managed by the Board and supervised by the board of supervisors.

The general manager shall be accountable to the Board and exercise the following functions and powers:

(I) to manage the production business operations of the Company, organize and implement the Board's resolutions, and report to the Board;

(II) to organize and implement the annual business plans, external investments, acquisition and sale of assets, mortgage of assets, external guarantees, entrusted wealth management, related party transactions, external donations and other matters formulated by the Board;

(III) to formulate the Company's annual financial budget plan, final accounting plan, profit distribution plan and loss recovery plan, increase or decrease the registered capital plan according to the directions of the Board;

(IV) to prepare the plan for matters such as establishment, merger, division, restructuring, reorganization, dissolution, bankruptcy and change of company form of key subsidiaries of the Company;

(V) to prepare the plan for the establishment and adjustments of internal management organizations and key branches of the Company;

(VI) to prepare the plan for the basic management system of the Company;

(VII) to formulate the Company's specific rules;

(VIII) to recommend to the Board for the appointment or dismissal of senior management personnel such as deputy general managers, chief accountants, and general counsel;

(IX) to decide on the appointment or dismissal of management personnel other than those who should be appointed or dismissed by the Board;

(X) to formulate policies and plans for the salaries, benefits, rewards and punishments of the employees of the Company;

(XI) to sign the annual and tenure business performance plan with other management members according to the authorization of the chairman of the Board; and

(XII) to exercise other functions and powers conferred in the Articles of Association and by the Board and the chairman of the board.

Secretary to the Board

The Company shall have a secretary to the Board, who shall be a natural person with requisite professional knowledge and experience, and shall be appointed by the Board. He/she is responsible for preparing general meetings and Board meetings of the Company, keeping documents and managing the shareholders' information of the Company, organizing and coordinating the disclosure of corporate information and handling matters which, among others, relate to the public announcement of corporate information, so as to ensure that:

(I) the Company has a complete set of organizational documents and records;

(II) the Company prepares and delivers the reports and documents required by competent authorities in accordance with the laws;

(III) the Company's registers of shareholders are properly maintained, and that persons entitled to access to relevant records and documents of the Company are furnished with such records and documents in a timely manner.

SUPERVISORS AND SUPERVISORY BOARD

Supervisors

The Directors, general managers and other senior management officers shall not concurrently act as a Supervisor. Each term of office of a Supervisor shall be three years. Upon its expiry, the Supervisor's term of office shall be renewable by re-election.

Supervisory Board

The Company shall have a Supervisory Board, which shall consist of 3 Supervisors, 1 of whom shall act as a chairman. The chairman of the Supervisory Board shall be appointed or removed by the votes of more than two-thirds of the members of the Supervisory Board. The chairman of the Supervisory Board shall convene and preside over the Supervisory Board meetings. If the chairman of the Supervisory Board is unable to or does not discharge his/her duties, a Supervisor shall be nominated by more than a half of the Supervisors to convene and preside over the Supervisory Board meetings.

The Supervisory Board shall be accountable to the general meetings and shall exercise the following authorities:

(I) to review the securities issuance documents and periodical reports prepared by the Board and to provide written review opinions thereon, a written confirmation of which shall be signed by the Supervisors;

(II) to inspect the Company's financial position;

(III) to supervise the Directors and senior management officers on their conducts when performing duties to the Company, and to propose to remove those Directors or senior management officers who are in violation of laws, administrative regulations, rules of the stock exchange(s) where the Company's shares are listed, these Articles or resolutions of the general meetings;

(IV) to demand rectifications to be made by a Director or senior management officer when his/her acts impairs the Company's interests;

(V) to propose the convening of extraordinary general meetings and, in cases where the Board does not perform the obligations to convene and preside over the general meetings as stipulated by the Company Law, to convene and preside over the general meetings;

(VI) to propose motions to the general meetings;

(VII) to propose the convening of extraordinary general meetings and extraordinary Board meetings;

(VIII) to represent the Company in negotiating with the Directors;

(IX) to initiate legal proceedings against the Directors or senior management officers in accordance with the Company Law;

(X) to verify the financial information, such as financial reports and profit distribution plans, to be submitted by the Board to the general meetings and, in case of any doubts or abnormalities discovered in the Company's operations, to undergo investigations with the assistance from, where necessary, professional institutions such as accounting firms and law firms appointed at the Company's expense;

(XI) where the Supervisory Board finds that the Directors or senior management officers violate the laws and regulations or the Articles of Association, it shall perform its supervisory duties and notify the Board or report to the general meetings, or directly report to the CSRC and its delegated agencies, stock exchanges or other departments.

(XII) other authorities conferred by the laws, administrative regulations, departmental rules, normative documents, rules of the stock exchange(s) where the Company's shares are listed and the Articles of Association.

The Supervisory Board shall meet at least once in every 6 months and such meeting shall be convened by the chairman of the Supervisory Board. The Supervisors may propose to convene an extraordinary meeting of the Supervisory Board. Resolutions proposed by the Supervisory Board shall be passed by the votes of more than two-thirds of the Supervisory Board members.

QUALIFICATIONS AND OBLIGATIONS OF DIRECTORS, SUPERVISORS, GENERAL MANAGERS AND OTHER SENIOR MANAGEMENT OFFICERS OF THE COMPANY

Qualifications

A person shall not serve as a Director, Supervisor, general manager or other senior management officer of the Company if such person:

(I) has no civil capacity or has restricted civil capacity;

(II) has been sentenced to criminal punishment due to corruption, bribery, embezzlement of property, misappropriation of property or disrupting the socialist market economic order, where less than 5 years have elapsed since the date of completion of such sentence, or has been deprived of political rights due to any criminal offenses where less than 5 years have elapsed since the date of completion of such deprivation;

(III) has served as a director, factory manager or manager of a company or an enterprise that was declared bankrupt and liquidated, and is personally liable for the bankruptcy of that company or enterprise, where less than 3 years have elapsed since the date of completion of the bankruptcy and liquidation of that company or enterprise;

(IV) has served as the legal representative of a company or an enterprise whose business license was revoked and ordered to close down due to a violation of laws and is personally liable for such revocation and order, where less than 3 years have elapsed since the date of revocation of the business license of that company or enterprise;

(V) has a large amount of personal debts due and unsettled;

(VI) is penalized by CSRC to be prohibited from entering the securities market with a period yet to be expired;

(VII) is under investigation by judiciary authorities due to criminal offenses and such investigation has not yet concluded;

(VIII) was ruled by the relevant competent authorities that he/she was in breach of the relevant securities regulations and committed fraudulent or dishonest acts, where less than 5 years have elapsed since such ruling was made;

(IX) is not a natural person;

(X) satisfies other circumstances stipulated in the laws, administrative regulations or departmental rules.

Obligations

In addition to the obligations imposed by laws, administrative regulations or rules of the stock exchange(s) where the Company's shares are listed, the Directors, Supervisors, general managers and other senior management officers of the Company shall owe the following duties to every Shareholder in the exercise of the authorities conferred upon them by the Company:

(I) not to cause the Company to operate beyond the business scope as stipulated in its business license;

(II) to act honestly in the best interests of the Company;

(III) not to expropriate the Company's property in any form, including (but not limited to) opportunities advantageous to the Company;

(IV) not to deprive the shareholders of their individual interests, including (but not limited to) rights to distribution and voting rights, except for any restructuring of the Company submitted to a general meeting for approval in accordance with the Articles of Association.

The Directors, Supervisors, general managers and other senior management officers of the Company must, in the discharge of their duties, abide by the principle of good faith and shall not place themselves in a position where their personal interests may conflict with their obligations. This principle shall include (but not limited to) the performance of the following obligations:

(I) to act honestly in the best interests of the Company;

(II) to exercise their powers within their terms of reference and may not go beyond the scope of such powers;

(III) to exercise in person the discretion vested in him/her without being manipulated by others, and may not delegate his/her discretion to others for their exercise unless permitted by laws and administrative regulations or with the informed consent of the general meeting;

(IV) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(V) not to enter into a contract, transaction or arrangement with the Company unless otherwise provided in the Articles of Association or with the informed approval of the general meeting;

(VI) not to use the Company's property for his/her own benefits in any way without the informed consent of the general meeting;

(VII) not to exploit his/her position to accept bribes or other illegal income, nor to misappropriate the Company's property in any form, including (but not limited to) opportunities advantageous to the Company;

(VIII) not to accept commissions in connection with Company's transactions without the informed consent of the general meeting;

(IX) to abide by the Articles of Association, perform his/her duties faithfully and protect the interests of the Company, and not to exploit his/her position and authority in the Company for his/her private benefits;

(X) not to compete with the Company in any way without the informed consent of the general meeting;

(XI) not to misappropriate the Company's funds or to lend the Company's funds to others, nor to deposit the Company's assets in an account under his/her own name or the name of other or to provide guarantee for the Company's shareholders or other personal debts with any property of the Company;

(XII) not to disclose any confidential information related to the Company which was acquired by him/her during his/her term of office without the informed consent of the general meeting, and not to use such information except for the benefits of the Company; however, such information may be disclosed to court(s) or other competent government authorities under the following circumstances:

1. there exist legal requirements;

2. it is subject to the requirement of the public interest;

3. it is subject to the requirement of the interests of such Directors, Supervisors, general managers and other senior management officers.

Disclosure of Interests in Contracts with the Company

Where a Director, Supervisor, general manager and other senior management officer of the Company has material interests, directly or indirectly, in an established or proposed contract, transaction or arrangement entered into by and with the Company (other than the service contract entered into by and between a Director, Supervisor, general manager and other senior management officer of the Company and the Company), he/she shall disclose the nature and extent of his/her interests to the Board promptly whether or not such contract, transaction or arrangement is subject to the approval of the Board under normal circumstances.

Save for the exceptions permitted by Note 1 as set out in Appendix 3 to the Hong Kong Listing Rules or the Hong Kong Stock Exchange, a Director may not vote in respect of any Board resolutions approving any contracts or arrangements or any other proposals in which he/she or any of his/her close associates (as defined in the Hong Kong Listing Rules) has material interests, nor shall he/she be counted in the quorum present at the meeting.

Unless the interested Director, Supervisor, general manager and other senior management officer of the Company has disclosed his/her interests to the Board as required by the preceding paragraph hereof and the matter has been approved by the Board at a meeting in which the interested Director, Supervisor, general manager and other senior management officer was not counted in the quorum and has abstained from voting, the Company shall have the right to revoke the contract, transaction or arrangement, unless the counterparty is a bona fide party acting without knowledge of the breach of obligations by such Director, Supervisor, general manager and other senior management officer.

A Director, Supervisor, general manager and other senior management officer of the Company shall be deemed to be interested in a contract, transaction or agreement in which an associate of such Director, Supervisor, general manager and other senior management officer is interested.

Provision of Loans to Directors, Supervisors and Senior Management

The Company shall not, directly or indirectly, provide a loan to, or a loan guarantee for, the Directors, Supervisors, general managers and other senior management officers of the Company and its parent company, nor shall the Company provide a loan to, or a loan guarantee for, the associates of the above-mentioned persons.

However, the preceding paragraph shall not apply if:

(I) the Company provides a loan to, or a loan guarantee for, its subsidiaries;

(II) the Company provides a loan to, a loan guarantee for, or any other funds to its Directors, Supervisors, general managers and other senior management officers to reimburse the expenditure incurred by him/her for the account of the Company or for the purpose of discharging his/her duties to the Company, in accordance with the service contract approved by the general meeting;

(III) where the ordinary business scope of the Company includes the provision of loans and loan guarantees, the Company may provide loans to, or loan guarantees for, the relevant Directors, Supervisors, general managers and other senior management officers and their associates provided that such loans and loan guarantees are made on normal commercial terms.

A loan made by the Company in breach of the preceding Article shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial Accounting System

The Company shall formulate its financial and accounting system in accordance with laws, administrative regulations and requirements of relevant PRC authorities.

The Company shall prepare its financial and accounting report at the end of each accounting year, which shall be audited by an accounting firm in accordance with laws.

The financial statements of the Company shall be prepared in accordance with the PRC accounting standards and regulations, as well as the international accounting standards or those of the place(s) outside the PRC where the Company's shares are listed. Where the financial statements prepared in accordance with such two sets of accounting standards exist significant differences, such differences shall be stated in notes to the financial statements. For the purpose of the Company's distribution of profits after tax in a given accounting year, the amount, whichever is less, of profits after tax presented in the two foregoing financial statements shall prevail.

Interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations, as well as the international accounting standards or those of the place(s) outside the PRC where the Company's shares are listed.

Profit Distribution

Where the Company distributes its profits after tax of the current year, it shall set aside 10% of the profits as the Company's statutory common reserve until the accumulative balance of such statutory common reserve represents more than 50% of the Company's registered capital. If the Company's statutory common reserve is insufficient to make up for its losses of the previous year, the current year's profits shall first be used for making up such losses before setting aside as the statutory common reserve pursuant to the preceding article.

After the Company has allocated its profits after tax to the statutory common reserve, it may also allocate its profits after tax to a discretionary common reserve upon resolution at the general meeting. After the Company has made up for its losses and has set aside for common reserve, it shall distribute the remaining profits after tax to the shareholders based on their shareholding ratios, except for the distribution of profits not based on shareholding ratios as provided in the Articles of Association.

In the event that the general meeting, in violation of the preceding article, distributes profits to shareholders before the Company has made up for its losses and has set aside for statutory common reserve, the shareholders must return such profits distributed in breach of the provisions to the Company.

No profit shall be distributed in respect of the shares of the Company being held by it.

The common reserve of the Company shall be used to make up for the Company's losses, to expand its production and operation or to increase the Company's capital. However, the capital reserve shall not be used to make up for the Company's losses.

The Company shall distribute its dividends in form of cash or shares, or in a combination of cash and shares. The Company may distribute interim bonus in cash where the cases permit.

Except for the unusual circumstances, the Company shall distribute its dividends in form of cash if the Company's profits for the current year and its accumulated undistributed profits are positive, and can meet actual distribution demands. The Company's profits annually distributed in form of cash shall be no less than 5% of the distributable profits in its consolidated statements of that year, and the Company's accumulated profits distributed in form of cash in any three consecutive accounting years shall be no less than 30% of the annual average distributable profits realized in such three years.

Appointment of an Accounting Firm

The Company shall engage an independent accounting firm which complies with the relevant PRC provisions such as the Securities Law to audit the annual financial reports and other financial reports, verify its net assets and provide other relevant consulting services.

The appointment of an accounting firm by the Company must be decided by the general meeting. The Board may not appoint an accounting firm before the decision is made by the general meeting unless otherwise provided in the Articles of Association. The term of appointment of the accounting firm engaged by the Company, which shall be renewable, shall commence from the conclusion of the current annual general meeting of the Company and end at the conclusion of the next annual general meeting.

An accounting firm engaged by the Company shall have the following rights:

(I) to access, at any time, to the account books, records or vouchers of the Company and have the right to require Directors, managers or other senior management officers of the Company to provide the relevant information and explanation;

(II) to require the Company to take all reasonable measures to obtain from its subsidiaries the information and explanation necessary for the accounting firm to perform its duties;

(III) to attend general meetings, receive a notice of meeting or other information in connection with meetings which all shareholders are entitled to receive, and to be heard at any general meetings on matters relating to it as the accounting firm of the Company.

Notwithstanding the terms set out in the contract between the accounting firm and the Company, the general meeting may, by means of an ordinary resolution, dismiss any accounting firm before the expiration of its term of office. The dismissal of such accounting firm shall be without prejudice to its rights (if any) to claim against the Company for damages brought by the dismissal.

The Company shall dismiss or cease to re-appoint an accounting firm by giving 30-day prior notice to the accounting firm. An accounting firm is allowed to present its views to the general meeting of the Company where the dismissal of the accounting firm is to be decided by voting.

Where an accounting firm proposes its resignation, it shall explain to the general meeting whether there are any irregularities in the Company.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

The merger or division of the Company shall be proposed by the Board. Following the approval pursuant to the procedures provided in the Articles of Association, such proposal shall go through the relevant approval formalities in accordance with laws. A shareholder who opposes the proposed merger or division shall have the right to demand the Company or the shareholders who agree with the proposed merger or division to acquire his/her shares at a fair price. The resolution of merger or division of the Company shall be made as a special document for inspection by shareholders.

Merger of the Company may take the form of merger by absorption or merger by new establishment. A company absorbing another company is called amalgamation where the absorbed company will be wound up. When two or more companies merge and a new company is established, this is called a newly established merger. The merged companies will be wound up. In the event of a merger, the parties to the merger shall execute a merger agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within 10 days, and make an announcement through designated media within 30 days, from the date of the Company's merger resolution. A creditor may, within 30 days from receiving the notice from the Company, or within 45 days if the creditor does not receive the notice, from the date of the announcement, demand that the Company repay its debts or provide a corresponding guarantee for such debt.

In the event of division of the Company, a balance sheet and an inventory of assets shall be prepared. The Company shall notify its creditors within 10 days, and make an announcement through designated media within 30 days, from the date of the Company's division resolution.

When the Company needs to reduce its registered capital, it must prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days, and make an announcement through designated media within 30 days, from the date of the Company's resolution on reducing registered capital. A creditor have the right to, within 30 days from receiving the notice from the Company, or within 45 days if the creditor does not receive the notice, from the date of the announcement, demand that the Company repay its debts or provide a corresponding guarantee for such debt.

Dissolution and Liquidation

The Company shall be dissolved due to the following reasons:

(I) expiry of the operation period as provided in the Articles of Association or the occurrence of other events resulting in winding up as provided in these Articles;

(II) the general meeting resolves to wind up;

(III) the Company needs to be wound up due to merger or division;

(IV) its business license is revoked or it is ordered to close down or to be dissolved according to laws;

(V) in the event that the Company has encountered serious difficulties in its operation and management and that its continuous existence will cause substantial loss to the interests of the shareholders, and such difficulties cannot be solved by any other means, the shareholders who hold 10% or more of the voting rights of all the shareholders of the Company may request the people's court to dissolve the Company;

(VI) the Company is declared bankrupt according to laws since it is unable to pay its debts upon maturity;

Where the Company is dissolved pursuant to the foregoing items (I), (II) or (V), a liquidation team shall be formed, within 15 days from the occurrence of the events of dissolution, to commence liquidation. The liquidation team shall consist of the Directors or any persons as determined by the general meeting. Where no liquidation team is formed within the stipulated period, the creditors may file an application with the people's court to designate relevant persons to form a liquidation team for liquidation. Where the Company is dissolved pursuant to the foregoing item (IV), the relevant authorities shall establish a liquidation team consisting of shareholders, relevant authorities and relevant professionals for liquidation. Where the Company is dissolved pursuant to the foregoing item (VI), the people's court shall establish a liquidation team consisting of shareholders, relevant authorities and relevant professionals for liquidation in accordance with the relevant laws.

Amendments to Articles of Association

In any of the following circumstances, the Company shall amend its Articles:

(I) after the amendment of the Company Law or relevant laws or administrative regulations, the matters as provided in the Articles conflict with the amended laws or administrative regulations;

(II) the circumstances of the Company have changed so that they are inconsistent with those provided in the Articles;

(III) the general meeting decides to amend the Article.

Where an amendment to the Articles of Association approved by the general meeting through a resolution shall be approved by competent authorities, such amendment shall be submitted to the competent authorities for approval. Where an amendment to the Articles involves company registration, the registration shall be amended according to laws.

Dispute Resolution

The Company shall comply with the following principles of dispute resolution:

(I) If any dispute or claim concerning the Company's business on the basis of the rights or obligations provided in the Articles of Association, the Company Law and other relevant laws and administrative regulations arises between a holder of overseas listed foreign shares and the Company, between a holder of overseas listed foreign shares and a Director, a Supervisor or other senior management officer of the Company, or between a holder of overseas listed foreign shares and a holder of domestic shares, the parties concerned shall resolve such dispute or claim through arbitration.

When the aforementioned dispute or claim is to be resolved through arbitration, such dispute or claim shall be in its entirety, and all persons (in the capacity of the Company or its shareholders, Directors, Supervisors or senior management officers) that have a cause of action due to the same events or whose participation is necessary for the settlement of such dispute or claim shall abide by the arbitration.

Disputes concerning the definition of shareholders and the register of shareholders shall not be required to be settled by means of arbitration.

(II) The party seeking arbitration may elect to have the dispute or claim arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once the party seeking arbitration submits a dispute or claim for arbitration, the other party must submit to the arbitral body selected by the party seeking the arbitration.

If the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the Hong Kong International Arbitration Centre.

(III) The laws of the PRC shall apply to the arbitration of disputes or claims described in item (I) of this article unless otherwise provided by laws and regulations.

(IV) The award of the arbitral body is final and shall be binding on all parties thereto.

(V) For any agreements reached between a Director, a senior management officer and the Company containing provisions on settlement of disputes herein, the Company shall represent itself and each shareholder.

(VI) Any arbitration submitted shall be deemed as an authorization to the arbitral court to conduct public hearing and announce its judgment.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

Our Company was established under the PRC laws on March 28, 2008 by our promoters in accordance with the provisions set out in the PRC Company Law. Our registered office is located at 8/F, Building A, No. A2 Dongzhimenwai Xiaojie, Dongcheng District, Beijing, PRC.

We have established a place of business in Hong Kong at 16/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong and were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 30, 2021. Zhang Xiao has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices V and VI to this prospectus respectively.

B. Changes in the Share Capital of Our Company

At the date of our Company's establishment as a joint stock limited company, our registered capital was RMB660,000,000 divided into 660,000,000 domestic shares of nominal value of RMB1.00 each. As approved by the CSRC, our Company issued 220,000,000 A Shares of nominal value of RMB1.00 each. Immediately following the offering, the registered capital of our Company was increased to RMB880,000,000 comprising 880,000,000 A Shares which have been listed on the Shanghai Stock Exchange since October 2009.

In July 2013, our Company completed the issuance of 96,237,772 A Shares by way of private placement. As a result, our registered capital was increased to RMB976,237,772.

In January 2018, our Company issued 976,237,772 new A Shares by way of capitalization of our capital reserve. As a result, our registered capital was increased to RMB1,952,475,544.

There has been no change to our Company's registered capital in the last two years up to the Latest Practicable Date.

Upon completion of the Global Offering, but without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, our registered capital will be increased to approximately RMB2,055,237,444, comprising 1,952,475,544 A Shares and 102,761,900 H Shares fully paid up or credited as fully paid up, representing 95.00% and 5.00% of our registered capital, respectively.

Save as aforesaid, there has been no alteration in our Company's share capital since our Company's establishment.

C. Shareholders' Resolutions

Pursuant to the Shareholders' meeting held on May 31, 2021, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the Over-allotment Option shall not be more than 8% of the total issued share capital of our Company as enlarged by the Global Offering, and granting the underwriters the Over-allotment Option of no more than 15% of the number of H Shares issued pursuant to the Global Offering; and

(c) authorisation of the Board and its authorised persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

Pursuant to the Shareholders' meeting held on August 11, 2022, the Shareholders have approved, subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on the Listing Date.

D. Further Information about Our Subsidiaries

The list of our principal subsidiaries is set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Saved as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus:

(a) CDF Investment Development Co., Ltd. (中免投資發展有限公司)

On September 13, 2021, the registered capital of CDF Investment Development Co., Ltd. was increased from RMB2,500 million to RMB3,000 million.

(b) CDF (Hainan) Investment Development Co., Ltd. (中免(海南)投資發展有限公司)

On June 7, 2021, the registered capital of CDF (Hainan) Investment Development Co., Ltd. was increased from RMB40 million to RMB1,000 million.

(c) CDFG (Qingdao Xinmian) Duty Free Merchandise Co., Ltd. (青島新免免稅品有限責任公司)

On May 20, 2021, the registered capital of CDFG (Qingdao Xinmian) Duty Free Merchandise Co., Ltd. was increased from RMB13 million to RMB30 million.

(d) CDF Yiwu Duty Free Merchandise Co., Ltd. (中免義烏免稅品有限公司)

On June 9, 2021, the registered capital of CDF Yiwu Duty Free Merchandise Co., Ltd. was increased from RMB2.3 million to RMB2.6 million.

(e) CDF (Haikou) International Duty Free Complex Co., Ltd. (中免(海口)國際免稅城有限公司)

On July 14, 2022, the registered capital of CDF (Haikou) International Duty-Free Complex Co., Ltd. was increased from RMB100 million to RMB5,000 million.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus, which are or may be material and a copy of each has been delivered to the Registrar of Companies for registration:

(a) the cornerstone investment agreement dated August 11, 2022 entered into among our Company, AMOREPACIFIC Group, China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(b) the cornerstone investment agreement dated August 10, 2022 entered into among our Company, China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司), China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(c) the cornerstone investment agreement dated August 10, 2022 entered into among our Company, China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司), China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(d) the cornerstone investment agreement dated August 9, 2022 entered into among our Company, COSCO Shipping (Hong Kong) Co., Limited (中遠海運(香港)有限公司), China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(e) the cornerstone investment agreement dated August 9, 2022 entered into among our Company, Hainan Free Trade Port Construction Investment Fund Co., Ltd. (海南自由貿易港建設投資基金有限公司), China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(f) the cornerstone investment agreement dated August 9, 2022 entered into among our Company, Luzhou Laojiao Co., Ltd. (瀘州老窖股份有限公司), China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(g) the cornerstone investment agreement dated August 10, 2022 entered into among our Company, Oaktree Capital Management, L.P. (as the investment manager for and on behalf of Oaktree Emerging Markets Equity Fund, L.P., Vanguard Emerging Markets Select Stock Fund (VANG), The Boeing Company Employee Retirement Plans Master Trust, Lockheed Martin Corporation Master Retirement Trust (LOCK), Lockheed Martin Corporation Defined Contribution Plans Master Trust (LOCK2), National Pension Service, Russel Investments Japan Co. Ltd. (TCSB15406) (RICJ), Russel Investments Japan Co. Ltd. (MTBJ400039039-17) (RIJ2) and Oaktree Emerging Markets Equity Fund), China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(h) the cornerstone investment agreement dated August 11, 2022 entered into among our Company, Rongshi International Holding Company Limited (融實國際控股有限公司), China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(i) the cornerstone investment agreement dated August 9, 2022 entered into among our Company, Shanghai Airport Investment Corporation Limited (上海機場投資有限公司), China International Capital Corporation Hong Kong Securities Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch, details of which are included in the section headed "Cornerstone Investors" in this prospectus; and

(j) the Hong Kong Underwriting Agreement.

B. Our Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks, which we consider to be material in relation to our business:

Trademark registered	Place of registration	Registration/ Application No.	Class[(1)]	Expiration Date
cdfmall	China	12518656	35	January 27, 2025
CDFG	China	12389750	35	September 13, 2024
cdfmall	China	12389739	35	September 13, 2024
L'ile du Luxe 俪乐廊	China	8929672	35	January 20, 2032
cdf	China	8929649	35	December 27, 2031
cdf	China	6934281	35	August 13, 2030
A DUTY ZERO B DUTY ZERO	Hong Kong	304167513	32, 33, 34, 35	June 8, 2027
DUTY ZERO by cdf	Singapore	40201720888S	32, 33, 34, 35	October 24, 2027
cdf	Hong Kong	303165291	35, 36, 41, 43	October 14, 2024
中免集团	Hong Kong	303165309	35, 36, 41, 43	October 14, 2024
中免集团	Macau	N/91642 N/91643 N/91641 N/91640	35, 36, 41, 43	April 27, 2029
cdf	Macau	N/91650 N/91651 N/91648 N/91649	35, 36, 41, 43	April 27, 2029
DUTY ZERO by cdf	Macau	N/158247 N/158248 N/158249 N/158250	32, 33, 34, 35	January 8, 2027

Trademark registered	Place of registration	Registration/ Application No.	Class(1)	Expiration Date
cdf	Taiwan	01727108	35, 36, 41, 43	August 31, 2025
中免集团	Taiwan	01719114	35, 36, 41, 43	July 15, 2025
cdf 中免集团	Hong Kong	305619989	35	May 9, 2031

(1) The class number represents the specifications of products or services that have already been registered. Detailed specifications of products or services represented by that class number are set out in the relevant registration certificates.

Domain Names

As of the Latest Practicable Date, we have registered or been authorised to use the following domain names which we consider to be material in relation to our business:

Domain name	Expiry Date
ctgdutyfree.com.cn	May 19, 2024
cdfg.com.cn	May 11, 2024

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws or regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

B. Remuneration of Directors and Supervisors

The aggregate amount of salary and allowances, employer's contribution to pension schemes, annual bonuses and independent directors' fee which were paid to our then Directors and Supervisors in the three years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022 were RMB15.1 million, RMB21.5 million, RMB27.8 million and RMB14.2 million, respectively.

Under the arrangements in force at the date of this prospectus, our Directors (including independent non-executive Directors) and employee Supervisors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2022, is expected to be approximately RMB22.0 million. The remuneration of Directors and Supervisors consists of annual bonuses and pension schemes contribution, which are determined based on the results of the Company in December 31, 2022. The actual remuneration of Directors and Supervisors in December 31, 2022 may be different from the expected remuneration. Our Supervisors (excluding employee Supervisors) do not receive any remuneration from the Company.

Save as disclosed above, there is no arrangement under which any Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company, once the Shares are listed on the Hong Kong Stock Exchange.

Up to the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

B. Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed "Substantial Shareholders".

Interests of substantial shareholders in members of our Group (excluding our Company)

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Hefei Airport CDF Duty Free Merchandise Co., Ltd. (合肥機場中免免税品有限公司)	RMB4,900,000	Hefei Shengying Trading Co., Ltd. (合肥聖瀛貿易有限公司)	40.00
CDFG Huangshan Airport Duty Free Merchandise Co., Ltd. (中免集團黃山機場免税品有限公司)	RMB1,600,000	Nanjing Su Yi Trading Co., Ltd. (南京蘇奕貿易有限公司)	45.00
Sunrise Duty Free (China) Co., Ltd. (日上免税行(中國)有限公司)	USD6,260,000	Sunrise Duty Free Group Co., Ltd.	49.00
CDFG Beijing Daxing International Airport Duty Free Merchandise Co., Ltd. (中免集團北京大興國際機場免税品有限公司)	RMB5,000,000	Beijing Yichangfeng Commerce Co., Ltd. (北京奕長豐商業有限公司)	49.00
CDFG Beijing Capital Airport Duty Free Co., Ltd. (中免集團北京首都機場免税品有限公司)	RMB200,000,000	Beijing Yichangfeng Commerce Co., Ltd. (北京奕長豐商業有限公司)	49.00
Fuzhou CDF Duty Free Merchandise Co., Ltd. (福州中免免税品有限公司)	RMB1,200,000	Quanzhou Guoji Southeast Machinery Co., Ltd. (泉州市國機東南機械有限公司)	49.00
Pingtan CDF Duty Free Merchandise Co., Ltd. (平潭中免免税品有限公司)	RMB2,500,000	Fuzhou Honglong Ocean Aquatic Products Co., Ltd. (福州宏龍海洋水產有限公司)	49.00
Quanzhou CDF Duty Free Merchandise Co., Ltd. (泉州市中免免税品有限公司)	RMB1,500,000	Quanzhou Hongfa Ship Supplies Co., Ltd. (泉州市鴻發船舶用品有限公司)	40.00
Xiamen Dongmian Duty Free Merchandise Co., Ltd. (廈門東免免税品有限公司)	RMB4,897,959.18	Xiamen Hongqi Piaopiao Trading Co., Ltd. (廈門市紅旗飄飄商貿有限公司)	28.58
		Shenzhen Zhongmaike Industrial Co., Ltd. (深圳市中邁科實業有限公司)	20.42
Xiamen Airline CDF Duty Free Merchandise Co., Ltd. (廈門航空中免免税品有限公司)	RMB3,000,000	Xiamen Airline Co., Ltd. (廈門航空有限公司)	49.00

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Xiamen CDF Duty Free Merchandise Co., Ltd. (廈門中免免税品有限公司)	RMB1,591,837	Xiamen Jinhaili Trading Co., Ltd. (廈門金海利貿易有限公司)	37.00
		Heihe Xishilai Economic and Trade Co., Ltd. (黑河市喜是來經貿有限責任公司)	12.00
Dongguan Jinggang Duty Free Merchandise Co., Ltd. (東莞市京港免税品有限公司)	RMB1,000,000	Dongguan Humen Hong Kong and Macau Transport Co., Ltd. (東莞市虎門港澳客運有限公司)	49.00
Dongguan CDF Duty Free Merchandise Co., Ltd. (東莞市中免免税品有限公司)	RMB1,470,000	Dongguan Zhonghao Real Estate Services Co., Ltd. (東莞市中灝房地產綜合服務有限公司)	24.49
		Dongguan Changmao Development Co., Ltd. (東莞市常貿發展有限公司)	24.49
Guangzhou Dongmian Duty Free Merchandise Co., Ltd. (廣州東免免税品有限公司)	RMB1,200,000	Beijing Dazheng Weiye Industry and Trade Co., Ltd. (北京大正偉業工貿有限公司)	10.00
CDFG Guangdong Ocean Shipping Supply Duty Free Merchandise Co., Ltd. (中免集團廣東外輪供應免税品有限公司)	RMB6,000,000	Shantou Guolin Trading Co., Ltd. (汕頭市國林貿易有限公司)	29.00
		Zhanjiang Ocean Shipping Supply Co., Ltd. (湛江市外輪供應有限公司)	15.00
CDFG Jieyang Chaoshan Airport Duty Free Merchandise Co., Ltd. (中免集團揭陽潮汕機場免税品有限公司)	RMB4,500,000	Shenzhen Huida Investment Fund Co., Ltd. (深圳市匯達投資基金有限公司)	24.50
		Shantou China International Travel Agency (汕頭中國國際旅行社)	24.50
Fangchenggang CDF Duty Free Shop Co., Ltd. (防城港市中免免税店有限責任公司)	RMB1,200,000	Dongxing Dongjun Import and Export Trade Co., Ltd. (東興東俊進出口貿易有限公司)	49.00
Guilin CDF Travel Duty Free Merchandise Co., Ltd. (桂林中免廣旅免税品有限公司)	RMB8,000,000	Guangxi Lufa Industrial Co., Ltd. (廣西旅發實業有限公司)	40.00
Hainan Duty Free Haikou Meilan Airport Duty Free Store Co., Ltd. (海免海口美蘭機場免税店有限公司)	RMB50,000,000	Hainan Island Commercial Management Co., Ltd. (海南海島商業管理有限公司)	49.00

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Hainan Duty Free Merchandise Co., Ltd. (海南省免稅品有限公司)	RMB200,000,000	Hainan Tourism Investment Development Co., Ltd. (海南省旅遊投資發展有限公司)	39.00
		Department of Finance of Hainan Province (海南省財政廳)	10.00
Yangpu CDF Duty Free Merchandise Co., Ltd. (洋浦中免免稅品有限公司)	RMB2,000,000	Hainan Zhenhe Industrial Co., Ltd. (海南振和實業有限公司)	45.00
CDF Phoenix Airport Duty Free Merchandise Co., Ltd. (中免鳳凰機場免稅品有限公司)	RMB100,000,000	Sanya Linkong Industrial Investment Development Co., Ltd. (三亞臨空實業投資開發有限公司)	49.00
Hebei CDF Duty Free Merchandise Co., Ltd. (河北中免免稅品有限公司)	RMB1,200,000	Hebei Airport Management Group Co., Ltd. (河北機場管理集團有限公司)	48.60
Tangshan CDF Duty Free Merchandise Co., Ltd. (唐山市中免免稅品有限公司)	RMB1,800,000	Tangshan Camumani Investment Consulting Co., Ltd. (唐山卡慕曼尼投資諮詢有限公司)	19.00
		Beijing Dazheng Weiye Industry and Trade Co., Ltd. (北京大正偉業工貿有限公司)	16.00
		Qinhuangdao Foreign Supply Co., Ltd. (秦皇島市對外供應有限責任公司)	14.00
Dongning CDF Duty Free Merchandise Co., Ltd. (東寧中免免稅品有限責任公司)	RMB1,200,000	Harbin Baochanglong Investment Group Co., Ltd. (哈爾濱寶昌隆投資集團有限公司)	49.00
Fuyuan China Duty Free Merchandise Co., Ltd. (撫遠中免免稅品有限公司)	RMB1,200,000	Beijing Qinglong Pop Fitness Leisure Club Co., Ltd. (北京青龍湖名流健身休閒俱樂部有限公司)	29.00
		Fuyuan Guanghua Trading Co., Ltd. (撫遠廣華商貿有限公司)	20.00
Heihe CDF Duty Free Shop Co., Ltd. (黑河市中免免稅店有限責任公司)	RMB4,000,000	Shenzhen State-owned Duty Free Commodities (Group) Co., Ltd. (深圳市國有免稅商品(集團)有限公司)	49.00

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Jiayin CDF Duty Free Merchandise Co., Ltd. (嘉蔭中免免税品有限公司)	RMB1,000,000	Harbin Shengying Trading Co., Ltd. (哈爾濱聖瀛貿易有限公司)	49.00
Luobei CDF Duty Free Merchandise Co., Ltd. (蘿北中免免税品有限公司)	RMB1,200,000	Harbin Aopeng Trading Co., Ltd. (哈爾濱傲鵬貿易有限公司)	49.00
Mishan CDF Duty Free Merchandise Co., Ltd. (密山中免免税品有限責任公司)	RMB1,616,327	Mishan Changfeng Economic and Trade Co., Ltd. (密山市長豐經濟貿易有限公司)	24.50
		Harbin Baochanglong Investment Group Co., Ltd. (哈市寶昌隆投資集團有限責任公司)	24.50
Qiqihar CDF Sanjiazi Airport Duty Free Merchandise Co., Ltd. (齊齊哈爾中免三家子機場免税品有限公司)	RMB2,000,000	Harbin Shuntong Fire Security Installation Co., Ltd. (哈爾濱順通消防設施安裝有限公司)	45.00
Raohe CDF Duty Free Merchandise Co., Ltd. (饒河中免免税品有限公司)	RMB1,200,000	Heilongjiang Gold Power International Freight Agency Co., Ltd. (黑龍江金實力國際貨運代理有限公司)	49.00
Suifenhe Port Duty Free Merchandise Co., Ltd. (綏芬河口岸免税品有限公司)	RMB7,000,000	Suifenhe Highway Port Economic and Trade Development Co., Ltd. (綏芬河公路口岸經貿開發有限公司)	24.50
		Harbin Railway Foreign Trade Co., Ltd. (哈爾濱鐵路對外經貿有限公司)	24.50
		Harbin Baochanglong Investment Group Co., Ltd. (哈爾濱寶昌隆投資集團有限公司)	10.00
Tongjiang CDF Duty Free Merchandise Co., Ltd. (同江中免免税品有限公司)	RMB1,200,000	Fuyuan Guanghua Trading Co., Ltd. (撫遠廣華商貿有限公司)	40.00
CDFG Mudanjiang Airport Duty Free Merchandise Co., Ltd. (中免集團牡丹江機場免税品有限公司)	RMB1,700,000	Harbin Hongtianyan Trading Co., Ltd. (哈爾濱宏天焱貿易有限公司)	49.00

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Hunan CDF Duty Free Merchandise Co., Ltd. (湖南中免免稅品有限責任公司)	RMB7,894,737	Hunan Tiankun Jiahe Investment Co., Ltd. (湖南天坤佳和投資有限公司)	49.00
Hunchun CDF Duty Free Merchandise Co., Ltd. (琿春中免免稅品有限責任公司)	RMB1,518,368	Hunchun Xinze Economic and Trade Co., Ltd. (琿春鑫澤經貿有限公司)	49.00
Jilin Province CDF Airport Duty Free Merchandise Co., Ltd. (吉林省中免空港免稅品有限公司)	RMB1,500,000	Jilin Province Civil Aviation Airport Group Co., Ltd. (吉林省民航機場集團有限公司)	49.00
Tumen CDF Duty Free Merchandise Co., Ltd. (圖們中免免稅品有限公司)	RMB1,500,000	Tumen Shuanghua Trading Co., Ltd. (圖們市雙華商貿有限公司)	40.00
Changbai Korean Autonomous County CDF Duty Free Merchandise Co., Ltd. (長白朝鮮族自治縣中免免稅品有限公司)	RMB2,000,000	Yanbian Paidun Trading Co., Ltd. (延邊派頓商貿有限公司)	40.00
Wuxi China Duty Free Merchandise Co., Ltd. (無錫中免免稅品有限公司)	RMB3,000,000	Nanjing Zhongbai Hengpai Trading Co., Ltd. (南京中百恒派商貿有限公司)	45.00
CDFG Jiangsu Duty Free Merchandise Co., Ltd. (中免集團江蘇免稅品有限公司)	RMB11,000,000	Jiangsu Ocean Shipping Co., Ltd. (江蘇遠洋運輸有限公司)	14.88
		Nanjing Ocean Shipping Supply Co., Ltd. (南京市外輪供應有限公司)	14.37
CDFG Xuzhou Guanyin Airport Duty Free Merchandise Co., Ltd. (中免集團徐州觀音機場免稅品有限公司)	RMB2,400,000	Jing Su Yi Trading Co., Ltd. (京蘇奕貿易有限公司)	45.00
Dalian Port China Duty Free Merchandise Co., Ltd. (大連港中免免稅品有限公司)	RMB1,200,000	Dalian Communications International Travel Service Co., Ltd. (大連交通國際旅行社有限公司)	40.00
Dandong CDF Duty Free Merchandise Co., Ltd. (丹東中免免稅品有限責任公司)	RMB13,870,000	Dandong Yixing Trading Co., Ltd. (丹東怡星貿易有限公司)	49.00

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding *(%)*
Jinzhou CDF Duty Free Merchandise Co., Ltd. (錦州中免免税品有限公司)	RMB1,200,000	Ningxia Jinhui Holding Group Co., Ltd. (寧夏金匯控股集團有限公司)	40.00
Yingkou CDF External Supply Port Service Co., Ltd. (營口中免對外供應港口服務有限責任公司)	RMB3,000,000	Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	40.00
		Yingkou Foreign Supply Co., Ltd. (營口對外供應有限責任公司)	20.00
Ceke CDF Duty Free Merchandise Co., Ltd. (策克中免免税品有限公司)	RMB1,500,000	Hohhot Saisige Trading Co., Ltd. (呼和浩特市賽西格貿易有限責任公司)	45.00
Dongwu Zhumuqin Banner CDF Jiayu Duty Free Merchandise Co., Ltd. (東烏珠穆沁旗中免嘉譽免税品有限公司)	RMB1,500,000	Xilin Gol League Zhongbo Trading Co., Ltd. (錫林郭勒盟中博商貿有限公司)	49.00
Erenhot CDF Duty Free Merchandise Co., Ltd. (二連浩特中免免税品有限責任公司)	RMB1,200,000	Erenhot Xinmao Trading Co., Ltd. (二連浩特鑫茂商貿有限責任公司)	49.00
Hohhot CDF Duty Free Merchandise Co., Ltd. (呼和浩特中免免税品有限責任公司)	RMB1,500,000	Civil Aviation Airport Group Co., Ltd. of Inner Mongolia Autonomous Region (內蒙古自治區民航機場集團有限責任公司)	29.00
		Service Center of North China Regional Administration of Civil Aviation of China (中國民用航空華北地區管理局機關服務中心)	20.00
Manzhouli China Duty Free Merchandise Co., Ltd. (滿洲里中免免税品有限責任公司)	RMB11,600,000	Manzhouli Guangshengtong Trading Co., Ltd. (滿洲里市廣盛通商貿有限公司)	30.00
		Shenzhen Huida Investment Fund Co., Ltd. (深圳市匯達投資基金有限公司)	30.00
Inner Mongolia CDF Duty Free Merchandise Co., Ltd. (內蒙古中免免税品有限公司)	RMB2,000,000	Inner Mongolia Hongye International Trade Co., Ltd. (內蒙古宏業國際貿易有限責任公司)	40.00
CDFG Yinchuan Airport Duty Free Merchandise Co., Ltd. (中免集團銀川機場免税品有限公司)	RMB4,900,000	Ningxia Jinhui Holding Group Co., Ltd. (寧夏金匯控股集團有限公司)	40.00

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Qingdao Cruise Home Port CDF Duty Free Merchandise Co., Ltd. (青島郵輪母港中免免税品有限公司)	RMB3,000,000	Qingdao International Cruise Co., Ltd. (青島國際郵輪有限公司)	49.00
Rizhao Port Terminal CDF Duty Free Merchandise Co., Ltd. (日照港客運站中免免税品有限公司)	RMB1,500,000	Rizhao Port Group Co., Ltd. (日照港集團有限公司)	21.00
		Rizhao Luyaer Import and Export Co., Ltd. (日照魯亞爾進出口有限公司)	19.00
Rizhao CDF Ocean Shipping Supply Co., Ltd. (日照中免外輪供應有限公司)	RMB1,000,000	Rizhao Lanshan Ocean Shipping Supply Company (日照市嵐山外輪供應公司)	40.00
Rongcheng Dongmian Duty Free Merchandise Co., Ltd. (榮成東免免税品有限公司)	RMB2,000,000	Rongcheng Longyan Port Co., Ltd. (榮成市龍眼港務有限責任公司)	49.00
Rongcheng CDF Duty Free Merchandise Co., Ltd. (榮成中免免税品有限公司)	RMB2,000,000	Rongcheng Longyan Port Co., Ltd. (榮成市龍眼港務有限責任公司)	49.00
Yantai Port CDF Shipping Supply Service Co., Ltd. (煙台港中免外輪供應服務有限公司)	RMB3,000,000	Yantai Seaport International Shipping Agency Co., Ltd. (煙台海港國際物流有限公司)	50.00
Yantai CDF Duty Free Merchandise Co., Ltd. (煙台中免免税品有限責任公司)	RMB3,000,000	Yantai International Airport Group Co., Ltd. (煙台國際機場集團有限公司)	49.00
CDFG Jinan International Airport Duty Free Merchandise Co., Ltd. (中免集團濟南國際機場免税品有限公司)	RMB5,000,000	Shandong Airport Management Group Co., Ltd. (山東省機場管理集團有限公司)	49.00
CDFG Rizhao Dongmian Duty Free Ocean Shipping Supply Co., Ltd. (中免集團日照東免免税品外輪供應有限公司)	RMB2,000,000	Rizhao Ocean Shipping Supply Co., Ltd. (日照市外輪供應有限公司)	24.50
		Rizhao Jianfu Shipping Services Co., Ltd. (日照建富船舶服務有限公司)	24.50

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Shanxi CDF Duty Free Merchandise Co., Ltd. (山西中免免稅品有限責任公司)	RMB2,678,572	Shanxi Aviation Industry Group Co., Ltd. (山西航空產業集團有限公司)	35.00
		Service Center of North China Regional Administration of Civil Aviation of China (中國民用航空華北地區管理局機關服務中心)	14.00
Sunrise Duty Free (Shanghai) Co., Ltd. (日上免稅行(上海)有限公司)	USD1,020,200	Base Rich Investments Limited	49.00
Shanghai Chunqiu CDF Duty Free Merchandise Co., Ltd. (上海春秋中免免稅品有限公司)	RMB1,800,000	Spring Airlines Co., Ltd. (春秋航空股份有限公司)	49.00
Shanghai Port CDF Duty Free Merchandise Co., Ltd. (上海港中免免稅品有限公司)	RMB3,000,000	Shanghai Port International Terminal Development Co., Ltd. (上海港國際客運中心開發有限公司)	49.00
CDF Chengdu Tianfu Airport Duty Free Merchandise Co., Ltd. (中免成都天府機場免稅品有限公司)	RMB80,000,000	Sichuan Airport Passenger Services Co., Ltd. (四川機場旅客服務有限公司)	49.00
CDFG Chengdu Airport Duty Free Merchandise Co., Ltd. (中免集團成都機場免稅品有限公司)	RMB10,000,000	Sichuan Airport Passenger Services Co., Ltd. (四川機場旅客服務有限公司)	49.00
Tianjin Dongmian Duty Free Merchandise Co., Ltd. (天津東免免稅品有限公司)	RMB4,800,000	Tianjin Haoteng Logistics Co., Ltd. (天津浩騰物流有限公司)	49.00
Tianjin CDF Duty Free Merchandise Co., Ltd. (天津中免免稅品有限責任公司)	RMB2,000,000	Tianjin Ocean Shipping Supply Co., Ltd. (天津市外輪供應有限公司)	49.00
Tibet Everest CDF Duty Free Merchandise Co., Ltd. (西藏珠峰中免免稅品有限公司)	RMB3,673,469	Tibet Everest Resources Co., Ltd. (西藏珠峰資源股份有限公司)	24.50
		Chengdu Chaoxin Trading Co., Ltd. (成都超新貿易有限公司)	24.50

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Urumqi CDF Duty Free Merchandise Co., Ltd. (烏魯木齊市中免免稅品有限責任公司)	RMB18,367,400	Shenzhen Jiahao Investment Co., Ltd. (深圳市嘉豪投資有限公司)	25.00
		Shenzhen Guangliwei Investment Co., Ltd. (深圳市廣立威投資有限公司)	25.00
Yunnan CDF Duty Free Merchandise Co., Ltd. (雲南中免免稅品有限公司)	RMB83,787,960	Shenzhen Huida Investment Fund Co., Ltd. (深圳市匯達投資基金有限公司)	49.00
CDFG Kunming Airport Duty Free Merchandise Co., Ltd. (中免集團昆明機場免稅品有限公司)	RMB20,000,000	Shenzhen Huida Investment Fund Co., Ltd. (深圳市匯達投資基金有限公司)	24.50
		Yunnan Airport Group Co., Ltd. (雲南機場集團有限責任公司)	24.50
Ningbo CDFG Duty Free Merchandise Co., Ltd. (寧波中免免稅品有限責任公司)	RMB500,000	Ningbo Global Shipment Supply Co., Ltd. (寧波市環球船舶物資供應有限公司)	49.00
Wenzhou CDF Duty Free Merchandise Co., Ltd. (溫州中免免稅品有限公司)	RMB1,500,000	Wenzhou Aviation Co., Ltd. (溫州航空實業有限公司)	49.00
CDFG Hangzhou Duty Free Merchandise Co., Ltd. (中免集團杭州免稅品有限責任公司)	RMB25,000,000	Shenzhen Huida Investment Fund Co., Ltd. (深圳市匯達投資基金有限公司)	20.00
		Ningbo Xinyuan Tongda Industrial Investment Co., Ltd. (寧波鑫源通達實業投資有限公司)	20.00
Chongqing Xinmian Duty Free Merchandise Co., Ltd. (重慶新免免稅品有限公司)	RMB4,000,000	Shenzhen Huida Investment Fund Co., Ltd. (深圳市匯達投資基金有限公司)	49.00
CDF (Jiaxing) Outbound Duty Free Merchandise Co., Ltd. (中免(嘉興)外供免稅品有限公司)	RMB1,200,000	Zhejiang Jiaxing Harbour Service Group Co., Ltd. (浙江嘉興港口服務集團有限公司)	49.00
CDF (Hangzhou) Duty Free Merchandise Co., Ltd. (中免(杭州)免稅品有限公司)	RMB80,000,000	Hangzhou Xiaoshan International Airport Co., Ltd. (杭州蕭山國際機場有限公司)	49.00

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding *(%)*
China Duty Free (Macau) Ltd (中國免稅品(澳門)有限公司)	MOP6,500,000	King Power Duty Free (Macau) Company Limited	49.00
CDF-Lagardere Company Limited (中免-拉格代爾有限公司)	HKD130,000,000	Lagardere Travel Retail Hong Kong Limited (拉加代爾旅行零售香港有限公司)	20.00
China Duty Free Group (Cambodia) Co., Ltd. (中國免稅品集團(柬埔寨)有限公司)	KHR120,000,000,000	Beijing Huachao United Assets Management Co., Ltd. (北京華超聯合資產管理有限公司)	40.00

C. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or Supervisors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and

(c) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders' meetings of any member of our Group in the Shares or underlying Shares of our Company.

5. OTHER INFORMATION

A. Litigation

As of the Latest Practicable Date, saved as disclosed "Business – Legal and Arbitration Proceedings and Compliance Matters", no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

B. Joint Sponsors

Both China International Capital Corporation Hong Kong Securities Limited and UBS Securities Hong Kong Limited satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the H Shares to be issued as mentioned in this prospectus.

Pursuant to the engagement letter entered into between our Company and each of the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US$500,000 to act as the sponsors of our Company in connection with the proposed listing on the Stock Exchange.

C. Compliance Adviser

Our Company has appointed Somerley Capital Limited as the compliance adviser in compliance with Rule 3A.19 and Rule 19A.05 of the Hong Kong Listing Rules.

D. Preliminary Expenses

We have not incurred any preliminary expense.

E. Promoters

Information of our promoters as of the time of our Company's conversion is as follows:

No.	Name
1	CITS Group
2	OCT Group

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

F. Qualification of Experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts), Type 4 (Advising on securities), Type 5 (Advising on futures contracts) and Type 6 (Advising on corporate finance) of the regulated activities as defined under the SFO
UBS Securities Hong Kong Limited	Licensed to conduct Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts), Type 6 (Advising on corporate finance) and Type 7 (Providing automated trading services) of the regulated activities as defined under the SFO

Name	Qualification
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Haiwen & Partners	Legal advisers to our Company as to the PRC laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer

G. Consents of Experts

Each of the experts named in the paragraph headed "– F. Qualification of Experts" in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

H. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.60 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix III – Taxation and Foreign Exchange".

I. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to "Appendix VI – Summary of Articles of Association" to this prospectus.

J. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

K. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in "Appendix I – Accountants' Report – 33. Material Related Party Transactions and Balances".

L. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our major subsidiaries.

M. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued, or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) other than the A Shares of our Company which are listed on the Shanghai Stock Exchange, and save for the H Shares to be issued in connection with the Global Offering, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) the Company currently does not intend to apply for the status of a foreign investment joint stock limited liability company; and

(h) all necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.

N. No Material Adverse Change

Except as disclosed in "Summary – Recent Developments", our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that, as of the date of this prospectus, there has been no other material adverse change in our financial position or prospects since March 31, 2022 and there has been no other event since March 31, 2022 which would have a material adverse effect on the information presented in the Accountants' Report in Appendix I to this prospectus.

O. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **GREEN** Application Form;

(b) copies of material contracts referred to in the section headed "2. Further Information About Our Business – A. Summary of Our Material Contracts" in Appendix VII to this prospectus; and

(c) the written consents referred to in the section headed "5. Other information – G. Consents of Experts" in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of our Company at **www.ctgdutyfree.com.cn** and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** up to and including the date which is 14 days from the date of this prospectus:

(a) Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the consolidated audited financial statements of our Group for the three years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022;

(d) the report from KPMG relating to the unaudited interim financial information of our Group for the six months ended June 30, 2022, the text of which is set out in Appendix IIA to this prospectus;

(e) the report from KPMG relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix IIB to this prospectus;

(f) the letter, summary of values and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix IV to this prospectus;

(g) the material contracts referred to in the section headed "2. Further Information About Our Business – A. Summary of Our Material Contracts" in Appendix VII to this prospectus;

(h) the written consents referred to in the section headed "5. Other Information – G. Consents of Experts" in Appendix VII to this prospectus;

(i) the contracts referred to in the section headed "3. Further Information About Our Directors and Supervisors – A. Particulars of Directors' and Supervisors' Contracts" in Appendix VII to this prospectus;

(j) the legal opinions issued by Haiwen & Partners, our legal advisers as to PRC laws in respect of our general matters and property interests of the Group;

(k) the industry report issued by Frost & Sullivan, the summary of which is set out in the section headed "Industry Overview" in this prospectus;

(l) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations; and

(m) the SSE Listing Rules, together with an unofficial English translation.

中國旅遊集團中免股份有限公司

China Tourism Group Duty Free Corporation Limited