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)

(Stock Code: 1880)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board of directors (the "**Board**") of China Tourism Group Duty Free Corporation Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2023. This announcement, containing the full text of the 2023 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the information to accompany preliminary announcement of interim results. The printed version of the Company's 2023 interim report will be despatched to the H shareholders of the Company in September 2023 and available for review on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.ctgdutyfree.com.cn).

By order of the Board
China Tourism Group Duty Free Corporation Limited
Mr. LI Gang
Chairman

Beijing, the PRC, August 24, 2023

As at the date of this announcement, the members of the Board comprise Mr. LI Gang, Mr. CHEN Guoqiang and Mr. WANG Xuan as the executive directors, and Mr. GE Ming, Ms. WANG Ying and Mr. WANG Qiang as the independent non-executive directors.

CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Gang (李剛先生) *(Chairman)*
(appointed on February 2, 2023)
Mr. CHEN Guoqiang (陳國強先生) *(Vice Chairman)*
(appointed as vice chairman on February 2, 2023)
Mr. WANG Xuan (王軒先生)
Mr. PENG Hui (彭輝先生) *(Chairman)*
(resigned on February 2, 2023)

Independent Non-executive Directors

Mr. GE Ming (葛明先生)
Ms. WANG Ying (王瑛女士)
(appointed on June 29, 2023)
Mr. WANG Qiang (王強先生)
(appointed on June 29, 2023)
Mr. ZHANG Rungang (張潤鋼先生)
(retired on June 29, 2023)
Mr. WANG Bin (王斌先生) *(retired on June 29, 2023)*
Ms. LIU Yan (劉燕女士) *(retired on June 29, 2023)*

JOINT COMPANY SECRETARIES

Mr. CHANG Zhujun (常築軍先生)
Ms. ZHANG Xiao (張瀟女士)

AUTHORISED REPRESENTATIVES

Mr. WANG Xuan (王軒先生)
Ms. ZHANG Xiao (張瀟女士)

SUPERVISORS

Mr. LIU Defu (劉德福先生)
Ms. LI Hui (李輝女士)
Ms. DOU Xiaoqiong (鈄曉瓊女士)

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. GE Ming (葛明先生) *(Chairman)*
(appointed as chairman on June 29, 2023)
Ms. WANG Ying (王瑛女士)
(appointed on June 29, 2023)
Mr. WANG Qiang (王強先生)
(appointed on June 29, 2023)
Mr. WANG Bin (王斌先生) *(Chairman)*
(retired on June 29, 2023)
Mr. ZHANG Rungang (張潤鋼先生)
(retired on June 29, 2023)
Ms. LIU Yan (劉燕女士) *(retired on June 29, 2023)*

REMUNERATION AND EVALUATION COMMITTEE

Ms. WANG Ying (王瑛女士) *(Chairwoman)*
(appointed on June 29, 2023)
Mr. GE Ming (葛明先生)
(appointed on June 29, 2023)
Mr. WANG Qiang (王強先生)
(appointed on June 29, 2023)
Ms. LIU Yan (劉燕女士) *(Chairwoman)*
(retired on June 29, 2023)
Mr. ZHANG Rungang (張潤鋼先生)
(retired on June 29, 2023)
Mr. WANG Bin (王斌先生) *(retired on June 29, 2023)*

STRATEGY COMMITTEE

Mr. LI Gang (李剛先生) *(Chairman)*
(appointed on February 2, 2023)
Mr. WANG Xuan (王軒先生)
Mr. WANG Qiang (王強先生)
(appointed on June 29, 2023)
Mr. PENG Hui (彭輝先生) *(Chairman)*
(resigned on February 2, 2023)
Mr. CHEN Guoqiang (陳國強先生)
(retired on June 29, 2023)
Mr. ZHANG Rungang (張潤鋼先生)
(retired on June 29, 2023)

NOMINATION COMMITTEE

Mr. WANG Qiang (王強先生) *(Chairman)*
(appointed on June 29, 2023)
Mr. LI Gang (李剛先生)
(appointed on February 2, 2023)
Mr. WANG Xuan (王軒先生)
Mr. GE Ming (葛明先生)
(appointed on June 29, 2023)
Ms. WANG Ying (王瑛女士)
(appointed on June 29, 2023)
Mr. ZHANG Rungang (張潤鋼先生) *(Chairman)*
(retired on June 29, 2023)
Mr. PENG Hui (彭輝先生)
(resigned on February 2, 2023)
Mr. WANG Bin (王斌先生) *(retired on June 29, 2023)*
Ms. LIU Yan (劉燕女士) *(retired on June 29, 2023)*

REGISTERED OFFICE AND HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

8/F, Building A
No. A2 Dongzhimenwai Xiaojie
Dongcheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKS

Bank of China Limited,
Beijing Chongwen Sub-Branch
1-4/F, No. 47 Guangqumennei Street
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Industrial and Commercial Bank of China Limited,
Beijing Wangfujing Sub-Branch
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China Merchants Bank Co., Ltd.,
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PRC

A SHARE REGISTRAR AND TRANSFER OFFICE

China Securities Depository and Clearing Corporation Limited Shanghai Branch Company
188 Yanggao South Road
Pudong New District
Shanghai
PRC

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

A Share: 601888 (Shanghai Stock Exchange)
H Share: 1880 (Hong Kong Stock Exchange)

COMPANY'S WEBSITE

www.ctgdutyfree.com.cn

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL ACTIVITIES

The Company is a joint stock limited liability company established under the laws of the PRC on March 28, 2008. The Company completed its initial public offering and listing of its A Shares on the Main Board of the Shanghai Stock Exchange (stock code: 601888) in 2009. The Company completed its public offering and listing of its H Shares on the Main Board of the Hong Kong Stock Exchange (stock code: 1880) on August 25, 2022. The Company is principally engaged in duty-free travel retail business, including wholesale and retail of duty-free products such as tobacco and wine, perfume and cosmetics, accessories, clothing and electronic products. An analysis of the Company's revenue and operating profit for the six months ended June 30, 2023 by principal activities is set out in this section.

DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

In the first half of 2023, the Company seized the opportunities arising from the full recovery of consumption and the relaxed entry and exit policies, adhering to the philosophy of "trusted business operation and excellent services", continued to promote the optimization of business layout and structural adjustment, and promoted the concentration of resources in principal business. The core competitiveness of the Company continued to increase, the overall development trend of the Company improved, and the principal business developed steadily. In August 2023, according to the ranking published by the Moodie Davitt Report, an authoritative media in the global travel retail industry, the Company was ranked as the world's largest travel retailer in 2022. The Company has ranked first in the world for three consecutive years.

Firstly, consolidation of the strategy of "deep cultivation in Hainan". During the Reporting Period, the Company adhered to the philosophy of "trusted business operation and excellent services" to comprehensively improve the management service level. The Company enhanced the customer service capability by optimizing the operation manual of various categories of stores, formulating the customer service specification manual, launching the smart customer service system, establishing a benchmark for quality services, providing value-added services, and implementing the policy of "Buy and pick-up" and "Guaranteed pick-up". The Company continued to optimize the operation and management in Hainan region, and improved the overall gross profit level through unified pricing of the whole island, optimization of promotional discount, improvement of category sales structure and other measures, so as to improve the Company's profitability.

Secondly, continue to develop new retail businesses. During the Reporting Period, the Company continued to enrich product diversity, enhance the supply of best-selling products, and optimize online marketing methods, resulting in continuous growth of the online business. Firstly, the brand categories of products were further enriched. In the first half of the year, the online platform introduced more than 90 brands involving China-chic perfume and cosmetics, household general merchandise and pet food, which brought more sales increment. Secondly, the capability of refined operation and online business data analysis were further improved. The Company actively coordinated prices, optimized non-price marketing methods, and strived to improve sales revenue and gross profit margin. Thirdly, the Company promoted the construction of an online integrated platform, formulated an integrated development and promotion plan and empowered management upgrades to improve the operation efficiency of the online platform.

Thirdly, expansion of channel resources advantages. In terms of port channels, the Company successfully won the bid for the operation rights of duty-free stores at Tianjin Binhai International Airport (天津濱海國際機場), Dalian Zhoushuizi International Airport (大連周水子國際機場), Yunnan Tianbao Port (雲南天保口岸), Yunnan Ruili Port (雲南瑞麗口岸) and Yunnan Wanding Port (雲南畹町口岸), and the operation rights of the duty-paid integration project in the global boutique area at Chengdu Shuangliu International Airport Terminal 2 (成都雙流國際機場T2航站樓). In addition, the departures store at Chengdu Tianfu International Airport (成都天府國際機場) and the arrivals store at Hangzhou Xiaoshan International Airport (杭州蕭山國際機場) commenced operation, which further consolidated the Company's channel advantages in domestic large and medium-sized airports and ports. In terms of downtown store channels, the Company paid close attention to the development of downtown store policies, actively promoted downtown store research, site selection, positioning and planning, and continued to prepare for the opening of new downtown stores. In terms of overseas channels, the Company promoted the expansion of overseas projects and the bidding of duty-free operation rights in an orderly manner, and successfully obtained the duty-free operation rights of the Siem Reap-Angkor International Airport (暹粒吳哥國際機場) in Cambodia.

Fourthly, implementation of the construction of complex projects. During the Reporting Period, the commercial part of the land parcel no. 2 of the Sanya International Duty-Free Shopping Complex Phase I project completed roof sealing, construction of decoration curtain walls and the fine decoration sample phase, and the construction of underground structure was commenced for the hotel therein; business positioning of Sanya International Duty-free Shopping Complex Phase II (Hexin Island Project) was further optimized, with focus on promoting the renovation of the project and the introduction of high-end luxury brands; the architectural design and earthwork construction of Sanya International Duty-free Shopping Complex Phase III (Swire Properties Joint Venture Project) was steadily promoted; the checking and acceptance of the land parcel no. 2 (Yueling Bay Project) of Haikou International Duty-Free Shopping Complex Project was completed, and the construction of other land parcels was carried out in an orderly manner as planned; and the French Garden Project at Sanya Phoenix International Airport (三亞鳳凰國際機場) progressed steadily and was ready for opening and operation.

Fifthly, continue to strengthen core competitiveness. In terms of procurement, the Company focused on improving gross profit margin, continued to optimize the product structure as well as procurement strategies, increased the proportion of high-margin products procurement, accelerated the introduction of boutique brands, and strengthened the procurement of key products. In terms of supply chain management, the Company optimized the warehouse layout of Hainan Island, standardized and improved the management level of warehouse logistics and distribution, as well as optimized the order-making process and improved its efficiency. In terms of marketing and promotion, the Company deeply participated in industry activities such as the Consumer Products Expo, China Brand Expo and TFWA Asia Pacific Exhibition & Conference to consolidate its brand advantages, focused on key marketing nodes and cooperated with the brands to carry out a series of marketing and promotion activities integrating culture and tourism. The Company continued to optimize the membership system and implemented the new policy of cdf loyalty points. The total number of members has exceeded 28 million. In terms of retail operations, the Company continued to strengthen employee training, established a customer-centered, market-oriented and efficient management service system, and gradually achieved standardized and disciplined management of retail operations. In terms of digital construction, the Company improved its digital customer service capabilities and focused on strengthening the coordination and management of digital marketing resources, as well as integrated data resources and enhanced data analysis to form a data center construction and integration plan in Hainan; The Company actively promoted the construction of post-management gross profit system, optimized the system functions of product master data, and strengthened the information support capability for its business.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY IN WHICH THE COMPANY OPERATES

(I) Tourism Industry

Since 2023, the tourism industry market has started to recover at an accelerated pace. According to the Report on the Analysis of Tourism Economy in the First Half of 2023 and the Forecast of the Trend in the Second Half of 2023 《2023年上半年旅遊經濟運行分析與下半年趨勢預測》 issued by China Tourism Academy (中國旅遊研究院), in the first half of 2023, the tourism economy steadily entered the recovery path of "thriving supply and demand, and accelerating recovery". Domestic travel remained stable with high-voltage, inbound travel rebounded slightly, and the outbound market expanded steadily.

In terms of domestic tourism, according to the statistics from the Ministry of Culture and Tourism (文化和旅遊部), in the first half of 2023, the total number of domestic tourists reached 2.384 billion, representing a year-on-year increase of 63.9%, and the domestic tourism revenue reached RMB2.30 trillion, representing a year-on-year increase of 95.9%. China Tourism Academy predicts that in the second half of 2023, residents' willingness to travel and the number of visitors will continue to recover, while the growth rate will be under downward pressure. The continuous implementation of consumption promotion policies in various regions is expected to accelerate the growth of per capita consumption of tourism. It is expected that the total number of tourists in China will reach 5.5 billion and the domestic tourism revenue will reach RMB5 trillion this year, recovering to 90% and 80% respectively of the same period in 2019.

In terms of inbound tourism, the group tourism business between Mainland China and Hong Kong and Macau has fully recovered, the visa application for international tourists to China has been liberalized, and the travel agency business of group tourism for residents of Taiwan to the Mainland China has resumed. All restrictions on inbound tourism policies have been opened up. However, the inbound tourism is still facing supply chain restoration and other issues. China Tourism Academy predicts that the inbound market will have a significant year-on-year and quarter-on-quarter growth this year as compared with last year, and the inbound market is expected to usher in a climax of recovery this year as early as September to October.

In terms of outbound tourism, according to the Report on the Big Data of Outbound Toursim in the First Half of 2023 《2023年上半年出境旅遊大數據報告》 issued by China Tourism Academy, with the increase in international flights, the demand for outbound travel such as business travel, visiting relatives or friends, graduation travel and summer study tours has been continuously increased, and outbound travel has ushered in a good trend of gradual recovery. It is estimated that the outbound tourism destinations received a total of 40.37 million visitors from Mainland China in the first half of the year. Short-distance outbound travel took the lead in resuming, with 93.95% of visitors concentrated in Asia.

(II) Hainan Tourism and Offshore Duty-Free Industry

Since the beginning of this year, the tourism market in Hainan Province has shown a good momentum of rapid recovery. According to the statistics of the Hainan Provincial Department of Tourism, Culture, Radio, Television and Sports (海南省旅遊和文化廣電體育廳), in the first half of 2023, the total number of tourists received in Hainan was 46.066 million, representing a year-on-year increase of 32.8%, and the total revenue from tourism was RMB91.61 billion, representing a year-on-year increase of 42.4%. Both the total number of tourists received and the total revenue from tourism were higher than the same period in 2019.

In the first half of this year, Hainan's offshore duty-free market maintained stable and healthy development. According to the data released by the Hainan Provincial Department of Commerce (海南省商務廳), in the first half of 2023, the total sales of Hainan Offshore Duty-Free Shop amounted to RMB32.396 billion, representing a year-on-year increase of 31%. According to the statistics of Haikou Customs (海口海關), from January to June 2023, the offshore duty-free sales amounted to RMB26.318 billion, representing a year-on-year increase of 24.4%; the number of duty-free shoppers was 3.733 million, representing a year-on-year increase of 45.4%. On June 21, 2023, Hainan Province issued the "Several Measures for Promoting Consumption in Hainan Province in 2023 (《2023年海南省促進消費若干措施》)", which will promote consumption by organizing activities, promoting cultural and tourism consumption, and issuing consumption vouchers. In order to continue to expand the offshore duty-free business, the Department of Commerce of Hainan Province will also issue RMB30 million offshore duty-free consumption vouchers. On July 4, 2023, Hainan Province launched the "2023 Second Hainan International Offshore Duty-free Shopping Festival (「2023第二屆海南國際離島免稅購物節」)" for a period of two months. The offshore duty-free shops in Haikou, Sanya, Wanning and Qionghai cooperated to launch more than 30 themed promotional activities with various forms and rich contents, so that passengers can enjoy greater discounts and gain more new experiences, which further stimulates the vitality of tourism consumption.

BUSINESS OF THE COMPANY

During the Reporting Period, the Company is principally engaged in duty-free travel retail business, including wholesale and retail of duty-free products such as tobacco and wine, perfume and cosmetics, accessories, clothing and electronic products. In addition, the Company is also engaged in the investment and development of commercial complexes with duty-free business as the core. CDFG and CDF Investment, wholly-owned subsidiaries of the Company, are responsible for the Company's duty-free business and the investment and development of tourism destination commercial complexes, respectively.

In addition to offline sales channels, the Company has also fully developed its online business by creating an integrated online platform, and innovatively developed a digital marketing model to realize the effective joining of online and offline sales channels and efficiently empower enterprises to improve quality and efficiency.

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly derived from sales of merchandise and the provision of related services through its travel retail business. Other revenue of the Group was mainly derived from the rental income of the Company's properties.

For the six months ended June 30, 2023, the Group's revenue was RMB35.858 billion, representing an increase of 29.68% as compared with RMB27.651 billion for the corresponding period of last year, which was mainly due to the gradual recovery of the domestic tourism market during the Reporting Period, and the Company seized the opportunities and continuously optimized the supply of goods to drive the sales revenue, especially the continuous growth of offline sales.

Other income

For the six months ended June 30, 2023, the Group's other income (comprising interest income, exchange gains or losses and government subsidies) was RMB637 million, which was mainly due to the increase in interest income and exchange gains from bank deposits during the Reporting Period.

Cost of sales

For the six months ended June 30, 2023, the Group's cost of sales was RMB25.104 billion, representing an increase of 36.19% as compared with RMB18.433 billion for the corresponding period of last year, which was mainly due to the year-on-year increase in sales revenue during the Reporting Period and the impact of exchange rate fluctuations.

Gross profit

For the six months ended June 30, 2023, the Group's gross profit was RMB10.754 billion, representing an increase of 16.66% as compared with RMB9.218 billion for the corresponding period of last year, which was mainly due to the significant increase in sales revenue.

Selling and distribution costs

For the six months ended June 30, 2023, the Group's selling and distribution costs was RMB5.045 billion, representing an increase of 105.08% as compared with RMB2.460 billion for the corresponding period of last year, which was mainly due to the increase in airport rental expenses as a result of the recovery of inbound and outbound passenger flow in key airports during the Reporting Period, as well as the lower base affected by the airport rental reduction in the corresponding period of last year.

Administrative expenses

For the six months ended June 30, 2023, the Group's administrative expenses was RMB1.217 billion, representing an increase of 13.53% as compared with RMB1.072 billion for the corresponding period of last year, which was mainly due to the increase in employee benefits.

Staff costs

For the six months ended June 30, 2023, the Group's staff costs was RMB1.704 billion, representing an increase of 25.66% as compared with RMB1.356 billion for the corresponding period of last year, which was mainly due to the increase in a number of staff after the completion and opening of new stores.

Finance costs

The finance costs of the Group mainly comprised of interest expenses on interest-bearing loans and interest expenses on lease liabilities.

For the six months ended June 30, 2023, the Group's finance costs was RMB161 million, representing an increase of 45.05% as compared with RMB111 million for the corresponding period of last year, which was mainly due to the increase in interest on borrowings.

Reversal of impairment of trade and other receivables

For the six months ended June 30, 2023, the Group's reversal of impairment of trade and other receivables was RMB3.76 million, representing a decrease by RMB3.817 million as compared with the corresponding period of last year, which was mainly due to the recovery of certain aged trade and other receivables during the Reporting Period.

Profit from operations

For the six months ended June 30, 2023, the Group's profit from operations was RMB5.132 billion, representing a decrease of 4.24% as compared with RMB5.359 billion for the corresponding period of last year, which was mainly due to the increase in rental expenses and costs of goods, as well as the decrease in rent concessions during the Reporting Period as compared with the same period last year.

Profit for the Reporting Period

For the six months ended June 30, 2023, the Group's profit was RMB4.137 billion, representing a decrease of 9.12% as compared with RMB4.552 billion for the corresponding period of last year, which was mainly due to the increase in rental expenses and costs of goods, as well as the decrease in rent concessions during the Reporting Period as compared with the same period last year.

Total equity attributable to equity shareholders

As of June 30, 2023, the Group's total equity attributable to equity shareholders was RMB51.137 billion, representing an increase of 5.85% as compared with RMB48.310 billion as of December 31, 2022, which was mainly due to the gradual recovery of the domestic tourism market during the Reporting Period, and the increase in the Company's profitability resulting in an increase in operating accumulation.

Trade and other receivables

As of June 30, 2023, the Group's trade and other receivables was RMB3.023 billion, representing an increase of 11.26% as compared with RMB2.717 billion as of December 31, 2022, which was mainly due to the increase in prepayments for procurement of goods and investment deposit during the Reporting Period.

Trade and other payables

As of June 30, 2023, the Group's trade and other payables was RMB13.092 billion, representing an increase of 2.75% as compared with RMB12.742 billion as of December 31, 2022, which was mainly due to the combined effect of the increase in dividends payable as a result of the implementation of annual dividends by the Company during the Reporting Period and the decrease in payables for procurement of goods .

Liquidity and capital resources

The Group is principally engaged in the duty-free travel retail business, including wholesale and retail of duty-free products such as tobacco and wine, perfume and cosmetics, accessories, clothing and electronic products.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group meets its working capital and other capital requirements primarily through cash generated from the business operations, borrowings from related parties, and bank borrowings, together with the net proceeds from issuance of shares under H Share initial public offering.

As of June 30, 2023, the Group had cash and cash equivalents of RMB32.226 billion (as of December 31, 2022: RMB25.762 billion), primarily representing deposits in RMB and HK$. As of June 30, 2023, the Group's borrowings amounted to RMB3.637 billion (as of December 31, 2022: RMB4.589 billion), which were mainly borrowings in RMB, among which RMB817 million adopted fixed interest rates. The increase in borrowings of the Group was mainly used for the expenditure of projects under construction.

The Directors are of the view that the Group will be able to have sufficient working capital to fund its future financing needs and working capital based on the following: (a) the Group is expected to be profitable and therefore will continue to generate operating cash flows from future business operations; and (b) the Group has maintained long-term business relationship with its principal banks.

Capital expenditure

The Group's capital expenditures relate primarily to construction and equity investment. As of June 30, 2023, the total amount of capital expenditure contracted by the Group but not yet provided was RMB3.037 billion (as of December 31, 2022: RMB2.080 billion).

Gearing ratio

Unit: 100 million Currency: RMB

	As of June 30, 2023	As of December 31, 2022
Total debts (including lease liabilities and interest-bearing borrowings)	**63.19**	70.01
Total equity	**568.68**	538.39
Gearing ratio[1]	**11.11%**	13.00%

Note:

(1) Gearing ratio equals total debts (including lease liabilities and interest-bearing borrowings) divided by total equity.

Contingent liabilities

As of June 30, 2023, the Group did not have any significant contingent liabilities.

Investment

As of June 30, 2023, the Group's interests in associates and joint ventures amounted to RMB1.994 billion, representing an increase of RMB24 million or 1.22% as compared to December 31, 2022. The increase in the Group's interests in associates and joint ventures mainly represented the investment gains and losses recognized under the equity method.

As of June 30, 2023, each individual investment held by the Group did not constitute 5% or more of the Group's total assets.

Material acquisitions and disposals and future plans for material investments or acquisition of capital assets

As of June 30, 2023, there were no material acquisitions and disposals. In the future, the Group shall focus on acquisition opportunities of upstream brands and duty-free operators, and proceed with relevant capital operations in a timely manner according to market conditions.

Pledge on assets

As of June 30, 2023, the book value of fixed assets, intangible assets and investment properties pledged as security amounted to RMB1.721 billion, RMB419 million and RMB1.275 billion, respectively.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: Nil).

DISCUSSION AND ANALYSIS OF THE COMPANY ON THE FUTURE DEVELOPMENT

(I) PROSPECT

In the second half of 2023, in accordance with the established work deployment, the Company will focus on the in-depth layout of the Hainan market, accelerate the integration of online business, continue to expand important channels, steadily carry out capital operation, and properly carry out the construction and development of complexes to comprehensively enhance the Company's core competitiveness and effectively improve the Company's refined management level. We will make every effort to complete the annual work tasks.

(II) POTENTIAL RISKS

1. **Policy risk.** With the relaxation of the duty-free operation permits, the operating entity for the port arrival and departures duty-free stores shall be determined by way of bidding, while that of the offshore duty-free stores in Hainan Province shall be determined by way of competitive negotiation. The duty-free industry in China has entered an orderly competition stage. In the face of increasingly fierce market competition, the Company will focus on its principal business (i.e. duty-free travel retail), major projects and key markets, strive to improve core business capabilities, strengthen refined management, continuously enhance endogenous and exogenous development momentum, and comprehensively create a new pattern for the development of travel retail.

2. **Investment risk.** The Company also faces the risk of investment in strategic projects falling short of expectations. The Company will focus on its strategic objectives, strengthen the management of medium-term and long-term planning and annual investment proposal, control the scale and the pace of investment from an overall and macro perspective, and maintain an overall objective understanding and vigilance of investment risks. The Company will also continue to strengthen project investment estimation and budget review, and scientifically control the total project investment, while making efforts in project establishment, approval, scientific feasibility study, file management and other tasks, maintaining good communication with governments at all levels, and striving for project progress according to schedule. The Company will strengthen team building with the ability in developing travel retail commercial complex projects and comprehensively operating composite industries to improve the capabilities of investment management, risk control, promotion management and project operation.

3. **Financial risk.** As international business is mostly settled in foreign currencies, the increased fluctuation in the exchange rate of RMB against foreign currencies, exchange differences and other factors lead to exchange losses, which affects the realization of the Company's business objectives. The Company will continue to pay attention to exchange rate fluctuations and strengthen research, sort out and analyse the risk exposure of assets, liabilities, income, expenses and other foreign currency businesses, combining with the forecast of relevant currency exchange rates, interest rates and other trends. The Company will develop systematic management plans in accordance with the principle of allocation of strong monetary assets to vulnerable monetary liabilities, taking into account both income and risk to achieve objectives of exchange rate control, while paying close attention to the trend of currency exchange rate and interest rate changes and striving to improve the currency matching of assets and liabilities after considering the impact of interest rate factors on financial resource allocation.

4. **Market risk.** The competition in the industry has become increasingly fierce. Many domestic enterprises have applied for duty-free operation permits, and foreign duty-free giants want to take a share from the duty-free market in China. The intensifying market competition has brought uncertainties to the Company's sustainable development. The Company will fully deepen its existing advantages to create a competitive advantage of online and offline integration, continue to promote centralized procurement to enhance the bargaining power in product procurement. The Company will actively develop new product lines and form a new driving force to consolidate and enhance its competitive advantages by leveraging its existing advantages; give full play to and implement its expertise in services to strengthen its market competitiveness by leveraging its brand advantages, so as to further consolidate the in-depth layout of cross-sector cooperation, open up mutual assistance, and cooperate for mutual benefit for better adaptability in the changing market.

5. **Project management risk.** In respect of major construction projects, deviations in tender and bidding, project budget and final accounts, construction process and project acceptance may lead to delay in the construction period of the project, loss of cost control and potential quality and safety issues. The Company will manage the project from the source, make efforts on project approval and bidding management in accordance with the management regulations of relevant construction projects; manage the construction process properly and hold progress seminars in a timely manner to boost the progress. With the strict control of construction budget, the Company will well manage the final accounts of projects to ensure safe and reliable delivery of projects.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2023, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY

As of June 30, 2023, 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 Hong Kong 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 Hong Kong Listing Rules to be notified to our Company, once the Shares are listed on the Hong Kong Stock Exchange.

INTERESTS OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of June 30, 2023, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number and class of shares*	Approximate percentage of equity in relevant class of shares	Approximate percentage of equity in the Company's issued share capital
CTG[(1)]	Beneficial owner	1,040,642,690 A Shares (L)	53.30%	50.30%
Citigroup Inc.	Interest in controlled corporation	11,669,954 H Shares (L)	10.02%	0.56%
		910,273 H Shares (S)	0.78%	0.04%
	Approved Lending Agent	8,736,892 H Shares (P)	7.50%	0.42%
Canada Pension Plan Investment Board	Beneficial owner	10,601,100 H Shares (L)	9.11%	0.51%

OTHER INFORMATION

Name of Shareholder	Nature of Interest	Number and class of shares*	Approximate percentage of equity in relevant class of shares	Approximate percentage of equity in the Company's issued share capital
Aggregate of Abrdn plc affiliated investment management entities	Investment manager	9,224,700 H Shares (L)	7.93%	0.45%
China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd.	Beneficial owner	7,452,300 H Shares (L)	6.40%	0.36%
China Chengtong Holdings Group Co., Ltd.(2)	Interest in controlled corporation	7,452,300 H Shares (L)	6.40%	0.36%
GIC Private Limited	Investment manager	5,959,888 H Shares (L)	5.12%	0.29%

* (L)-Long position; (S)-Short position; (P)- Lending pool

Notes:

(1) CTG is a state-owned enterprise under the control and supervision of the Central SASAC.

(2) China Chengtong Holdings Group Ltd. holds 34.23% equity interest in China State-owned Enterprises Mixed Ownership Reform Fund Co., Ltd. By virtue of the SFO, China Chengtong Holdings Group Ltd. is deemed to be interested in the shares held by China State-owned Enterprises Mixed Ownership Reform Fund Co., Ltd.

Save as disclosed above, to the best knowledge of the Company, as of June 30, 2023, no person (other than the Directors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in 5% or more of the respective types of capital in issue of the Company.

USE OF NET PROCEEDS FROM OUR HONG KONG INITIAL PUBLIC OFFERING

The net proceeds from the issue of new H Shares by the Company in its listing on the Hong Kong Stock Exchange amounted to approximately HK$18,012.01 million, after deducting the underwriting commission and other estimated expenses payable in connection with the global offering of the Company. For the unutilized net proceeds of approximately HK$12,108.65 million as of the end of the Reporting Period, the Company intends to use them in the same manner and proportions as described in the Prospectus and proposes to use the unutilized net proceeds in accordance with the expected timetable disclosed in the table below:

Unit: million Currency: HK$

	Net proceeds intended to be distributed according to the Prospectus	Net proceeds unutilized as of December 31, 2022	Actual use of proceeds during the Reporting Period	Net proceeds unutilized as of June 30, 2023	Expected timeframe for utilizing the remaining unutilized net proceeds
To reinforce our domestic channels, including the construction of duty-free stores at traditional ports for entry and exit, the construction of key airport duty-free stores, the investment in city stores, the development of duty-paid travel retail projects at transportation hubs, etc.	9,805.78	8,040.97	1,161.86	6,879.11	To be utilized before end of 2027
To expand overseas channels, including the layout of stores in overseas cities, the layout in key overseas airports, the construction of cruise duty-free stores, the investment in mergers and acquisitions of overseas travel retail operators, etc.	3,493.65	2,726.56	–	2,726.56	To be utilized before end of 2027
To improve supply chain efficiencies, including the construction of distribution centers, the upgrading of supply chain and the reinforcement of upstream procurement system	2,096.19	2,096.19	232.91	1,863.28	To be utilized before end of 2027
To upgrade our information technology system and boost the digitalization construction	232.91	–	–	–	Fully utilized
For marketing and further improve our customer loyalty program	582.28	582.28	19.44	562.84	To be utilized before end of 2027
For working capital and other general corporate purposes	1,801.20	1,231.20	1,154.34	76.86	To be utilized before end of 2027
Total	18,012.01	14,677.20	2,568.55	12,108.65	

OTHER INFORMATION

Notes:

(1) The total net proceeds of HK$18,012.01 million from the issuance of H Shares by the Company from its listing on the Hong Kong Stock Exchange consists of approximately HK$15,892.25 million of net proceeds received prior to the exercise of the over-allotment option and the additional net proceeds of approximately HK$2,119.76 million from the issue of over-allotment H Shares. Such over-allotment option was partially exercised on September 16, 2022.

(2) The expected timeline for utilizing the remaining unutilized net proceeds is based on the best estimation of the future market conditions made by the Company with reference to the prevailing market conditions, which may change subject to the changes in market conditions from time to time.

(3) Certain figures included in the above table have been rounded.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of our Shareholders as a whole. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as contained in Appendix 14 to the Hong Kong Listing Rules as the Company's own code of corporate governance practices.

The Board is of the view that during the Reporting Period, the Company has complied with all the code provisions as set out in Part 2 of the CG Code, and satisfied substantially all of the recommended best practices requirements as set out in the Part 2 of the CG Code. The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Supervisors who, because of their office or employment, are likely to possess inside information in relation to the Company or the Company's securities.

The Company has maintained a system in monitoring the dealings of the Company's securities by Directors and Supervisors (including a notification mechanism) to ensure compliance with the Model Code. In particular, the Company will notify all Directors and Supervisors the blackout period before the commencement of such blackout period, reminding the Directors and Supervisors not to deal in the Company's securities during the blackout periods before the announcement of results. The Board is of the view that the guidelines and procedures for the Directors' and the Supervisors' dealings of securities in the Company are adequate and effective.

The Company had made specific enquiry of all Directors and Supervisors. During the Reporting Period, all Directors and Supervisors of the Company did not hold any securities of the Company, and all Directors and Supervisors have confirmed that they were in strict compliance with the standards as set out in the Model Code.

OTHER INFORMATION

REVIEW OF INTERIM REPORT

As of the Latest Practicable Date, the Audit and Risk Management Committee consisted of three independent non-executive Directors, namely Mr. GE Ming, Ms. WANG Ying and Mr. WANG Qiang, and was chaired by Mr. GE Ming.

The Audit and Risk Management Committee of the Company has reviewed the 2023 Interim Report, and is of the view that the 2023 Interim Report is in compliance with the applicable accounting standards, relevant laws and regulations, and has made adequate disclosure.

INFORMATION CHANGES IN DIRECTORS AND SUPERVISORS

On February 2, 2023, Mr. PENG Hui resigned as an executive Director and the chairman of the Board. On the same date, the Board has approved the election of Mr. LI Gang and Mr. CHEN Guoqiang as the chairman and the vice chairman of the Board, respectively. For details, please refer to the announcement of the Company dated February 2, 2023.

On June 29, 2023, each of Mr. ZHANG Rungang, Mr. WANG Bin and Ms. LIU Yan retired as an independent non-executive Director due to the expiration of their terms of office. On the same day, as elected by the Shareholders' general meeting, the members of the fifth session of the Board of the Company comprised Mr. LI Gang, Mr. CHEN Guoqiang and Mr. WANG Xuan as executive Directors, and Mr. GE Ming, Ms. WANG Ying and Mr. WANG Qiang as independent non-executive Directors. The term of office of the members of the fifth session of the Board shall be valid for three years commencing from June 29, 2023. For details, please refer to the announcements of the Company dated April 27, 2023 and June 29, 2023.

On June 28, 2023, Ms. LI Hui and Ms. DOU Xiaoqiong were re-elected as the employee representative Supervisors of the fifth session of the Supervisory Committee of the Company. On June 29, 2023, Mr. LIU Defu was re-elected as a shareholder representative Supervisor of the fifth session of the Supervisory Committee of the Company and was elected as the chairman of the fifth session of the Supervisory Committee at the first meeting of the fifth session of the Supervisory Committee held on the same day. The term of office of the members of the fifth session of the Supervisory Committee shall be valid for three years commencing from June 29, 2023. For details, please refer to the announcements of the Company dated June 28, 2023 and June 29, 2023.

As disclosed in the announcement of the Company dated June 29, 2023, Ms. WANG Ying ceased to be an independent director of Piesat Information Technology Co., Ltd. (航天宏圖信息技術股份有限公司) (stock code: 688066.SH) since May 12, 2023. Save as disclosed above, there is no other change in the information of the Directors and Supervisors required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules during the Reporting Period.

INFORMATION ON THE EMPLOYEES OF THE GROUP

As of June 30, 2023, the Group had 16,396 full-time employees. The Company enters into written employment agreements with our direct employees to specify the employee's position, responsibilities, remuneration, benefits and grounds of termination pursuant to relevant labor laws and regulations. We also have employees under labor dispatch agreements.

OTHER INFORMATION

The Company's compensation plans include fixed salary and variable salary. The remuneration of our employees includes salaries, bonuses, incentives and allowances. Fixed salary comprehensively considers the value of the employee's position, personal ability and work experience. Floating salary is related to the performance of the enterprise, department and individual. We also provide benefits to our employees in accordance with applicable regulations and internal policies.

The Company's training takes strategic development as core and is committed to establishing a comprehensive talent development and training mechanism and promoting construction of talent by hierarchical classification. Through integration of online and offline training modes, such training energizes the learning motivation and creates a good talent training environment, providing talent guarantee for the long-term stable development of the Company in the future.

For middle and senior management, we organized a series of special lectures focusing on hot topics such as the international and domestic political and economic situation, business innovative mindset, strategic thinking and customer service, with a view to broadening the knowledge horizon and enhancing the strategic mindset and innovation awareness of management.

The Company attaches great importance to the training of young talents, and continues to carry out management trainee training programs, accelerating the growth of young talents and improving the core competitiveness of the organization in the form of "job rotation + subject research (「輪崗＋課題研究」)".

The Company continued to build a team of internal lecturers. Through a series of teaching activities of "excellent teachers and excellent courses (「優師優課」)", the Company organized internal lecturers to give lectures on product knowledge, sales skills, office skills and other topics, and improved the comprehensive ability of internal lecturers through training.

The Company also launched an online training platform "China Duty-Free School (「中國免税學堂」)" for all employees. The continuous improvement of the online courses provided abundant resources for employees to enrich their professional knowledge and improve their business capabilities.

The Company has also built a learning brand of "cdf Pioneer Lecture (「中免先鋒講堂」)" and invited experts and scholars with certain social influence in different fields such as politics, economy, history and culture to conduct in-depth interpretation, so as to help cadres and employees to study and grasp new philosophy, new ideas and new strategies, understand the spirit and broaden their horizons.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There are no important events affecting the Group which have occurred after the Reporting Period and up to the Latest Practicable Date.

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Independent review report
To the board of directors of China Tourism Group Duty Free Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 52, which comprises the condensed consolidated statement of financial position of China Tourism Group Duty Free Corporation Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 ("HKICPA"). A review of interim financial information consists of making inquiries, 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

24 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue	4	**35,858,486**	27,650,753
Cost of sales		**(25,104,108)**	(18,432,962)
Gross profit		**10,754,378**	9,217,791
Other income and other net gains/(losses)	5	**636,838**	(334,165)
Selling and distribution costs		**(5,045,270)**	(2,460,137)
Administrative expenses		**(1,216,906)**	(1,072,029)
Research and development expenses		**(825)**	–
Reversal of impairment of trade and other receivables		**3,760**	7,577
Profit from operations		**5,131,975**	5,359,037
Finance costs	6	**(161,198)**	(111,068)
Share of profits and losses of:			
Joint ventures		**1,604**	(3,986)
Associates		**24,026**	90,202
Profit before taxation	6	**4,996,407**	5,334,185
Income tax	7	**(859,895)**	(782,475)
Profit for the period		**4,136,512**	4,551,710
Other comprehensive income for the period (after tax)			
Items that may be reclassified subsequently to profit or loss:			
– Share of other comprehensive income of associates		**–**	109
– Exchange differences arising on translation of foreign operations		**577,223**	546,189
		577,223	546,298
Total comprehensive income for the period		**4,713,735**	5,098,008
Profit for the period attributable to:			
Equity shareholders of the Company		**3,907,380**	3,972,252
Non-controlling interests		**229,132**	579,458
Profit for the period		**4,136,512**	4,551,710
Total comprehensive income attributable to:			
Equity shareholders of the Company		**4,482,204**	4,515,659
Non-controlling interests		**231,531**	582,349
Total comprehensive income for the period		**4,713,735**	5,098,008
Earnings per share			
Basic and diluted (RMB)	8	**1.8887**	2.0345

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Non-current assets			
Investment properties	9	1,365,962	1,387,127
Right-of-use assets	10	4,365,528	4,118,301
Other property, plant and equipment	11	8,975,802	8,387,941
Intangible assets		139,668	128,667
Goodwill		822,460	822,460
Interests in associates		1,096,189	1,074,263
Interests in joint ventures		897,440	895,836
Deposits and other receivables	13	565,708	570,219
Deferred tax assets	17	1,119,968	1,028,490
		19,348,725	18,413,304
Current assets			
Inventories	12	24,453,994	27,926,480
Trade and other receivables	13	2,457,099	2,147,064
Income tax recoverable		169,302	240,236
Restricted bank deposits		7,821	1,129,557
Cash and cash equivalents	14	32,225,653	25,762,143
		59,313,869	57,205,480
Current liabilities			
Trade and other payables	15	13,091,573	12,742,218
Contract liabilities	16	1,641,157	1,506,149
Interest-bearing borrowings	18	1,094,515	2,079,822
Lease liabilities		736,998	674,326
Income tax payable		651,824	477,805
		17,216,067	17,480,320
Net current assets		42,097,802	39,725,160
Total assets less current liabilities		61,446,527	58,138,464

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Non-current liabilities			
Interest-bearing borrowings	18	**2,542,220**	2,508,975
Lease liabilities		**1,945,662**	1,737,679
Defined benefit obligations		**1,090**	1,090
Deferred tax liabilities	17	**46,546**	48,508
Deferred income		**43,485**	3,616
Total non-current liabilities		**4,579,003**	4,299,868
Net assets		**56,867,524**	53,838,596
Capital and reserves			
Share capital	19	**2,068,859**	2,068,859
Reserves		**49,067,837**	46,240,723
Total equity attributable to equity shareholders of the Company		**51,136,696**	48,309,582
Non-controlling interests		**5,730,828**	5,529,014
Total equity		**56,867,524**	53,838,596

Approved and authorised for issue by the board of directors on 24 August 2023.

Li Gang
Director

Wang Xuan
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Statutory 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 2023 (audited)	**2,068,859**	**17,486,404**	**1,050,986**	**520,160**	**(535)**	**27,183,708**	**48,309,582**	**5,529,014**	**53,838,596**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**3,907,380**	**3,907,380**	**229,132**	**4,136,512**
Other comprehensive income	**–**	**–**	**–**	**574,824**	**–**	**–**	**574,824**	**2,399**	**577,223**
Total comprehensive income	**–**	**–**	**–**	**574,824**	**–**	**3,907,380**	**4,482,204**	**231,531**	**4,713,735**
Dividends declared in respect of the previous year (Note 19)	**–**	**–**	**–**	**–**	**–**	**(1,655,090)**	**(1,655,090)**	**–**	**(1,655,090)**
Dividends paid to non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(29,717)**	**(29,717)**
Balance at 30 June 2023 (unaudited)	**2,068,859**	**17,486,404**	**1,050,986**	**1,094,984**	**(535)**	**29,435,998**	**51,136,696**	**5,730,828**	**56,867,524**

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Statutory 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 (audited)	1,952,476	1,870,303	1,050,986	(600,480)	(345)	24,998,459	29,271,399	5,147,598	34,418,997
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)
Balance at 30 June 2022 (unaudited)	1,952,476	1,870,303	1,050,986	(57,182)	(236)	26,041,998	30,858,345	5,031,004	35,889,349

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Operating activities			
Profit before taxation		**4,996,407**	5,334,185
Adjustments for:			
Depreciation of investment properties		**19,819**	18,748
Depreciation of right-of-use assets		**306,740**	528,964
Depreciation of other property, plant and equipment		**322,068**	209,466
Amortisation of intangible assets		**12,642**	10,321
Finance costs	6	**161,198**	111,068
Share of profits of associates and joint ventures, net		**(25,630)**	(86,216)
Losses/(gains) on disposal of items of property, plant and equipment and other non-current assets, net		**579**	(1,739)
Rent concessions from lessors		**–**	(1,172,396)
Exchange (gains)/losses, net	5	**(253,891)**	472,274
Changes in working capital:			
Decrease/(increase) in inventories		**3,472,486**	(3,936,929)
Decrease/(increase) in trade and other receivables		**58,344**	(301,043)
Decrease/(increase) in restricted bank deposits		**1,121,736**	(438,740)
Decrease in deposits and other receivables		**4,511**	22,154
Decrease in trade and other payables		**(1,090,276)**	(2,652,181)
Increase in deferred income		**39,869**	329
Increase in contract liabilities		**135,008**	12,834
Cash generated from/(used in) operations		**9,281,610**	(1,868,901)
Tax paid		**(708,382)**	(1,566,736)
Net cash flows from/(used in) operating activities		**8,573,228**	(3,435,637)
Investing activities			
Proceeds from disposal of other property, plant and equipment and other non-current assets		**188**	62
Purchases of other property, plant and equipment and other non-current assets		**(845,132)**	(1,266,478)
Payments of investment deposit		**(368,379)**	–
Dividends received from an associate		**2,100**	59,082
Net cash flows used in investing activities		**(1,211,223)**	(1,207,334)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 (Unaudited) RMB'000	 2022 (Unaudited) RMB'000
Financing activities			
New bank loans and other loans		106,557	–
Repayment of bank loans		(1,062,892)	–
Interest paid		(65,578)	(2,675)
Dividends paid to non-controlling shareholders of subsidiaries		(29,717)	(698,943)
Capital element of lease rentals paid		(261,169)	(169,675)
Interest element of lease rentals paid		(55,902)	(67,405)
Change in deposits from an associate through cash pooling arrangement		–	(509)
Net cash flows used in financing activities		(1,368,701)	(939,207)
Net increase/(decrease) in cash and cash equivalents		5,993,304	(5,582,178)
Cash and cash equivalents at 1 January		25,762,143	16,656,542
Effect of foreign exchange rate changes, net		470,206	95,376
Cash and cash equivalents at 30 June	14	32,225,653	11,169,740
Analysis of balances of cash and cash equivalents			
Cash and bank balances		20,773,403	10,670,412
Non-pledged time deposits		11,452,250	499,328
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position		32,225,653	11,169,740
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	14	32,225,653	11,169,740

1. GENERAL INFORMATION

China Tourism Group Duty Free Corporation Limited (formerly known as China International Travel Service Corporation Limited) (the "Company") was a joint stock company incorporated in the People's Republic of China (the "PRC") with limited liability 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's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 1880) on 25 August 2022.

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.

The Company is immediately controlled by China Tourism Group Co., Ltd., and is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022.

The interim condensed consolidated financial information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group considered the asset and the liability as in-substance linked to each other and therefore recognised deferred tax on the net impact of the temporary differences. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. After offset of deferred tax assets and deferred tax liabilities according to the accounting policies, the amendments did not have any impact on the financial position or performance of the Group.

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the Company, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. SEGMENT INFORMATION

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:

(i) Travel retail ("Retail")

The Group currently offers a comprehensive series of duty-free and duty-paid merchandise to customers in Mainland China, Hong Kong, Macau, Cambodia, etc., through its travel retail business. This segment engages in sales of duty-free and duty-paid merchandise and the provision of related services.

(ii) Investment and development of integrated travel retail complex ("Property")

This segment engages in the development of integrated travel retail complex and related property leasing to generate rental income.

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 include 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 except that the assets and liabilities of the Company is presented in the corporate and elimination without allocating the related segment assets and liabilities between Retail segment and Property segment.

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 except that the operational results of the Company is allocated in the Retail segment without allocating the related operational results between Retail segment and Property segment. Segment profit includes the Group's share of profit/loss arising from the activities of the Group's joint ventures and associates.

3. SEGMENT INFORMATION (Continued)

The following tables present revenue and results for the Group's operating segments for the six months ended 30 June 2023 and 2022:

Six months ended 30 June 2023	Retail (Unaudited) RMB'000	Property (Unaudited) RMB'000	Subtotal (Unaudited) RMB'000	Corporate and elimination (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from external customers	35,791,756	66,730	35,858,486	–	35,858,486
Inter-segment revenue	–	547,752	547,752	(547,752)	–
Reportable segment revenue	35,791,756	614,482	36,406,238	(547,752)	35,858,486
Share of profits and losses of associates and joint ventures, net	24,731	899	25,630	–	25,630
Write-down of inventories	(223,435)	–	(223,435)	–	(223,435)
Reversal of impairment of trade and other receivables	3,760	–	3,760	–	3,760
Depreciation and amortisation	(913,223)	(137,661)	(1,050,884)	389,615	(661,269)
Reportable segment profit before taxation	4,611,507	206,041	4,817,548	178,859	4,996,407
Income tax	(828,556)	(36,811)	(865,367)	5,472	(859,895)
Reportable segment net profit	3,782,951	169,230	3,952,181	184,331	4,136,512

3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2022	Retail (Unaudited) RMB'000	Property (Unaudited) RMB'000	Subtotal (Unaudited) RMB'000	Corporate and elimination (Unaudited) RMB'000	Total (Unaudited) 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 of 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

	Retail RMB'000	Property RMB'000	Corporate and elimination RMB'000	Total RMB'000
Segment assets				
30 June 2023 (unaudited)	**68,412,142**	**13,814,550**	**(3,564,098)**	**78,662,594**
31 December 2022 (audited)	64,794,242	12,913,670	(2,089,128)	75,618,784
Segment liabilities				
30 June 2023 (unaudited)	**29,921,649**	**8,322,172**	**(16,448,751)**	**21,795,070**
31 December 2022 (audited)	30,448,854	7,590,522	(16,259,188)	21,780,188

3. SEGMENT INFORMATION (Continued)

The following tables set out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's investment properties, right-of-use assets, other property, plant and equipment, intangible assets, goodwill, and interests in associates and joint ventures ("specified non-current assets"). The analysis of geographical location of customers is based on the location at which the services are provided or the goods are delivered. The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of investment properties, right-of-use assets, other property, plant and equipment and intangible assets, (ii) the location of the operation to which they are allocated, in the case of goodwill, and (iii) the location of operations, in the case of interests in associates and joint ventures.

	Revenue	
	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Mainland China	**33,303,599**	25,763,790
Hong Kong, Macau and overseas	**2,554,887**	1,886,963
	35,858,486	27,650,753

	Specified non-current assets	
	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Mainland China	**16,671,044**	15,815,665
Hong Kong, Macau and overseas	**992,005**	998,930
	17,663,049	16,814,595

4. REVENUE

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 the leasing of investment properties. Further details regarding the Group's principal activities are disclosed in Note 3. Disaggregation of revenue from contracts with customers by major service line is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
Sale of merchandise		
– duty-free	**23,956,500**	16,198,319
– duty-paid	**11,677,757**	11,153,523
Provision of related services	**148,093**	218,221
	35,782,350	27,570,063
Revenue from other sources		
Rental income from investment properties	**76,136**	80,690
	35,858,486	27,650,753

For the six months ended 30 June 2023, the Group had revenue from contracts with customers recognised over time of RMB6,880,000 (six months ended 30 June 2022: RMB12,980,000). All revenue from sales of merchandise and the remaining service income were recognised at a point in time.

The Group's customer base is diversified. No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer.

5. OTHER INCOME AND OTHER NET GAINS/(LOSSES)

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest income from financial assets measured at amortised cost	**366,342**	124,557
Net exchange gains/(losses)	**253,891**	(472,274)
Government grants	**10,151**	11,848
Others	**6,454**	1,704
	636,838	(334,165)

6. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Finance costs		
Interest expenses on interest-bearing borrowings	**103,239**	6,874
Interest expenses on lease liabilities	**57,959**	104,194
	161,198	111,068
Staff costs		
Salaries, wages and other benefits	**1,548,555**	1,219,856
Contribution to defined contribution retirement plans	**155,628**	136,283
	1,704,183	1,356,139
Other items		
Cost of inventories	**25,056,135**	18,391,609
Depreciation and amortisation of:		
– Investment properties	**19,819**	18,748
– Right-of-use assets	**306,740**	528,964
– Other property, plant and equipment	**322,068**	209,466
– Intangible assets	**12,642**	10,321
	661,269	767,499
Lease expenses not included in the measurement of lease liabilities:		
– Variable leases and short-term leases (i)	**1,870,070**	820,870
Rent concessions from lessors (ii)	**–**	(1,172,396)
	1,870,070	(351,526)
Licensing fees for duty-free operation	**812,684**	606,937

6. PROFIT BEFORE TAXATION (Continued)

(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 2023, certain subsidiaries obtained unconditional waivers from the landlords in respect of the lease expenses of nil (six months ended 30 June 2022: RMB1,172,396,000) relating to the previous periods. The impact from the waivers was charged to profit or loss for the corresponding period when they were received.

7. INCOME TAX

The amount of income tax expense charged to profit or loss represents:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Hong Kong	**295,463**	1,868
Current – Mainland China and elsewhere		
Charge for the period	**678,867**	793,139
Overprovision in prior periods	**(20,995)**	(4,676)
Deferred	**(93,440)**	(7,856)
Total tax charge for the period	**859,895**	782,475

(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 a rate of 25% (six months ended 30 June 2022: 25%).

(ii) The subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax at a rate of 16.5% (six months ended 30 June 2022: 16.5%) and the subsidiaries of the Group incorporated in Macau are subject to Macau Profits Tax at a rate of 12% (six months ended 30 June 2022: 12%). The subsidiary of the Group incorporated in Cambodia is subject to income tax at a rate of 20% (six months ended 30 June 2022: 20%).

Among the subsidiaries incorporated in Hong Kong, China Duty Free International Limited is eligible for the 8.25% tax band under the two-tiered tax rates regime introduced by the Hong Kong Government. The provision for Hong Kong Profits Tax for this subsidiary was calculated on the same basis for the six months ended 30 June 2023 and 2022.

(iii) In 2022, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Further Implementation of Preferential Income Tax for Small and Micro Enterprises (Cai Shui [2022] No. 13), which provides that the portion of annual taxable income of small and micro enterprises exceeding RMB1,000,000 but not exceeding RMB3,000,000 shall be deducted to 25% of the taxable income and subject to income tax at a rate of 20% for the period from 1 January 2022 to 31 December 2024.

7. INCOME TAX (Continued)

(iv) According to No. 31 Caishui 2020 "Notice on Preferential Policies for Enterprise Income Tax in Hainan Free Trade Port" ("Hainan FTP") published by the Ministry of Finance and the State Administration of Taxation effective on 23 June 2020, a qualified encouraged industrial enterprise registered in the Hainan FTP of the PRC is entitled 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 preferential corporate income tax at a rate of 15% for the calendar years from 2025 to 2035.

The Group's six subsidiaries in the Hainan FTP 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.

8. EARNINGS PER SHARE

Basic earnings per share during the period was 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 earnings per share are based on:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to equity shareholders of the Company for the period (in RMB'000)	**3,907,380**	3,972,252
Weighted average number of ordinary shares (in '000)	**2,068,859**	1,952,476
Basic and diluted earnings per share (in RMB)	**1.8887**	2.0345

9. INVESTMENT PROPERTIES

	Amount RMB'000
Cost:	
At 1 January 2023	1,532,481
Additions	19,626
Transfer to other property, plant and equipment	(24,807)
Transfer to right-of-use assets	(8,568)
Disposals	(783)
At 30 June 2023 (unaudited)	1,517,949
Accumulated amortisation:	
At 1 January 2023	(145,354)
Charge for the period	(19,819)
Transfer to other property, plant and equipment	11,149
Transfer to right-of-use assets	2,004
Disposals	33
At 30 June 2023 (unaudited)	(151,987)
Carrying amount:	
At 30 June 2023 (unaudited)	1,365,962
At 1 January 2023	1,387,127

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 2023	2,731,502	4,856,093	10,625	7,598,220
Additions	623	595,491	–	596,114
Disposals	–	(454,034)	(9,275)	(463,309)
Modification	–	(31,974)	–	(31,974)
Transfer from investment properties	8,568	–	–	8,568
Exchange differences	–	14,037	–	14,037
At 30 June 2023 (unaudited)	2,740,693	4,979,613	1,350	7,721,656
Accumulated depreciation:				
At 1 January 2023	(400,247)	(3,073,782)	(5,890)	(3,479,919)
Charge for the period	(33,914)	(286,620)	(17)	(320,551)
Disposals	–	439,940	4,775	444,715
Modification	–	5,868	–	5,868
Transfer from investment properties	(2,004)	–	–	(2,004)
Exchange differences	–	(4,237)	–	(4,237)
At 30 June 2023 (unaudited)	(436,165)	(2,918,831)	(1,132)	(3,356,128)
Carrying amount:				
At 30 June 2023 (unaudited)	2,304,528	2,060,782	218	4,365,528
At 1 January 2023	2,331,255	1,782,311	4,735	4,118,301

10. RIGHT-OF-USE ASSETS (Continued)

(a) The analyses of the carrying amounts of the Group's right-of-use assets by class of underlying assets are as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Included in "Right-of-use assets":		
– Ownership interests in leasehold land for own use	2,304,528	2,331,255
– Buildings	2,060,782	1,782,311
– Motor vehicles, furniture, and others	218	4,735
	4,365,528	4,118,301
Included in "Investment properties":		
– Ownership interests in leasehold land held for lease	203,021	212,624
	4,568,549	4,330,925

(b) The analyses of expense items in relation to leases recognised in profit or loss are as follows:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Depreciation charges of right- of- use assets by class of underlying assets:		
– Ownership interests in leasehold land for own use	20,103	15,400
– Buildings	286,620	512,256
– Motor vehicles, furniture, and others	17	1,308
– Ownership interests in leasehold land held for lease	3,039	3,119
	309,779	532,083
Interest expenses on lease liabilities (Note 6)	57,959	104,194
Variable lease payments not included in the measurement of lease liabilities (Note 6)	1,870,070	820,870
Rent concessions from lessors (Note 6)	–	(1,172,396)

10. RIGHT-OF-USE ASSETS (Continued)

(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).

11. OTHER PROPERTY, PLANT AND EQUIPMENT

	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
Cost:							
At 1 January 2023	6,254,654	26,606	131,844	266,866	2,161,011	2,018,952	10,859,933
Additions	102	2,420	2,910	6,268	567	878,124	890,391
Disposals	–	(1,396)	(1,109)	(5,387)	–	–	(7,892)
Transfer within other property, plant and equipment	–	–	–	–	173,769	(173,769)	–
Transfer from investment properties	24,807	–	–	–	–	–	24,807
Exchange differences	–	35	207	1,105	14,579	–	15,926
At 30 June 2023 (unaudited)	6,279,563	27,665	133,852	268,852	2,349,926	2,723,307	11,783,165
Accumulated depreciation:							
At 1 January 2023	(954,294)	(16,563)	(102,017)	(173,086)	(1,059,362)	–	(2,305,322)
Charge for the period	(106,425)	(2,302)	(3,983)	(13,396)	(195,962)	–	(322,068)
Disposals	–	1,156	1,005	5,065	–	–	7,226
Transfer from investment properties	(11,149)	–	–	–	–	–	(11,149)
Exchange differences	–	(23)	(184)	(889)	(8,284)	–	(9,380)
At 30 June 2023 (unaudited)	(1,071,868)	(17,732)	(105,179)	(182,306)	(1,263,608)	–	(2,640,693)
Impairment losses:							
At 1 January 2023 and 30 June 2023	–	–	–	–	–	(166,670)	(166,670)
Carrying amount:							
At 30 June 2023 (unaudited)	5,207,695	9,933	28,673	86,546	1,086,318	2,556,637	8,975,802
At 1 January 2023	5,300,360	10,043	29,827	93,780	1,101,649	1,852,282	8,387,941

At 30 June 2023, the Group is in the process of obtaining ownership certificates for buildings with an aggregate carrying amount of RMB3,477,050,000 (31 December 2022: RMB3,525,033,000). 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

Inventories in the condensed consolidated statement of financial position comprise:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Merchandise held for trading	**24,453,994**	27,926,480

13. TRADE AND OTHER RECEIVABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Non-current		
Lease and other deposits	**565,708**	570,219
Current		
Trade receivables	**276,406**	348,207
Prepayments for purchases of merchandise	**548,582**	396,054
Prepayments for variable and short-term leases	**114,595**	232,222
Value-added tax recoverable	**643,610**	725,129
Lease and other deposits	**629,765**	188,453
Others	**244,141**	256,999
	2,457,099	2,147,064
	3,022,807	2,717,283

The Group's trade receivables are primarily resulted from credit card sales and sales through online sales channels, the ageing of which is mainly within one year. The ageing of trade receivables is determined based on the invoice date.

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.

14. CASH AND CASH EQUIVALENTS

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Cash at banks and on hand	23,833,595	20,935,666
Deposits at CTG Finance Company Limited, a related financial institution	8,392,058	4,826,477
Cash and cash equivalents included in the condensed consolidated statements of financial position and the condensed consolidated statement of cash flow	32,225,653	25,762,143

15. TRADE AND OTHER PAYABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade payables	4,601,692	6,471,829
Payables for property constructions	1,264,393	1,187,955
Dividends payable	1,657,189	2,099
Employee benefits payable	597,421	408,976
Licensing fees payable	812,686	998,862
Other taxes payable	1,412,813	1,308,613
Variable lease and other operating expenses payable	1,425,820	1,183,294
Others	1,319,559	1,180,590
	13,091,573	12,742,218

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

15. TRADE AND OTHER PAYABLES (Continued)

An ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 1 year	**4,076,741**	5,995,486
1 to 2 years	**56,034**	23,081
2 to 3 years	**26,893**	4,856
Over 3 years	**442,024**	448,406
	4,601,692	6,471,829

16. CONTRACT LIABILITIES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Customer loyalty program liabilities (i)	**1,115,284**	1,061,542
Advances received from customers (ii)	**525,873**	444,607
	1,641,157	1,506,149

(i) The Group operates several customer loyalty programs for customers when points can be earned by customers and 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.

17. DEFERRED TAX

(i) Movements of each component of deferred tax assets and liabilities

The component of deferred tax assets and liabilities before offset and the movements throughout the period are as follows:

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Right-of-use assets RMB'000	Other temporary differences RMB'000	Total RMB'000
At 31 December 2022	47,020	1,488	165	48,673
Effect of adoption of amendments to IAS 12	–	418,376	–	418,376
At 1 January 2023	47,020	419,864	165	467,049
(Credited)/charged to profit or loss (Note 7)	(2,655)	56,520	–	53,865
At 30 June 2023	44,365	476,384	165	520,914

Deferred tax assets

	Unused tax losses RMB'000	Unrealised profits for inter-company transactions RMB'000	Customer loyalty programs RMB'000	Lease liabilities RMB'000	Accruals and other temporary differences RMB'000	Total RMB'000
At 31 December 2022	233,664	478,949	129,109	28,973	157,960	1,028,655
Effect of adoption of amendments to IAS 12	–	–	–	418,376	–	418,376
At 1 January 2023	233,664	478,949	129,109	447,349	157,960	1,447,031
Credited/(charged) to profit or loss (Note 7)	153,316	(51,170)	1,100	56,149	(12,090)	147,305
At 30 June 2023	386,980	427,779	130,209	503,498	145,870	1,594,336

17. DEFERRED TAX (Continued)

(ii) The deferred tax assets and liabilities after offset are as follows:

Deferred tax liabilities

	Offset amount of deferred tax assets and deferred tax liabilities RMB'000	The deferred tax liabilities after offset RMB'000
30 June 2023 (unaudited)	474,368	46,546
1 January 2023	418,541	48,508

Deferred tax assets

	Offset amount of deferred tax assets and deferred tax liabilities RMB'000	The deferred tax assets after offset RMB'000
30 June 2023 (unaudited)	474,368	1,119,968
1 January 2023	418,541	1,028,490

18. INTEREST-BEARING BORROWINGS

The Group's interest-bearing borrowings are analysed as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Non-current		
Bank borrowings		
– Secured (i)	**2,542,220**	2,508,975
Current		
Bank borrowings		
– Secured (i)	**73,697**	1,025
– Unsecured (ii)	**667,013**	1,725,657
Loans from non-controlling shareholders (iii)	**152,021**	146,567
Loans from China Tourism Group Co., LTD ("CTG") (iv)	**201,784**	206,573
	1,094,515	2,079,822
	3,636,735	4,588,797

(i) As at 30 June 2023, the Group has drawn down floating interest bank loans amounting to RMB2,615,917,000 (31 December 2022: RMB2,510,000,000), carrying interest at five-year Loan Prime Rate ("LPR") minus 1.5% per annum (31 December 2022: five-year LPR minus 1.5% per annum), which are secured by certain properties of the Group with a carrying amount of RMB3,145,169,000 (31 December 2022: RMB3,263,441,000). These bank loans were drawn down from the term loan facilities, which will be due in year 2037 with instalment repayment schedule during the terms.

(ii) As at 30 June 2023, the Group has drawn down unsecured floating interest bank loans amounting to HKD180,000,000 (equivalent to RMB165,956,000) (31 December 2022: HKD250,000,000 (equivalent to RMB223,318,000)), carrying interest at three-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.9% per annum (31 December 2022: three-month HIBOR plus 1.9%) and unsecured fixed interest bank loans amounting to RMB500,000,000 (31 December 2022: RMB1,500,000,000), carrying interest at 2.66% per annum (31 December 2022: 2.66% and 2.67% per annum).

(iii) As at 30 June 2023, the Group has drawn down unsecured floating interest loans amounting to HKD40,000,000 (equivalent to RMB36,879,000) (31 December 2022: HKD40,000,000 (equivalent to RMB35,730,000)), carrying interest at three-month HIBOR plus 1.7% per annum (31 December 2022: three-month HIBOR plus 1.7% per annum) and unsecured fixed interest loans amounting to MOP127,400,000 (equivalent to RMB114,622,000) (31 December 2022: MOP127,400,000 (equivalent to RMB110,406,000)), carrying interest at 0.73% per annum (31 December 2022: 0.73% per annum).

(iv) As at 30 June 2023, the Company has drawn down shareholder loans amounting to RMB200,000,000 (31 December 2022: RMB200,000,000) from CTG, carrying interest at 3.65% per annum (31 December 2022: 4.35% per annum).

19. CAPITAL AND DIVIDEND

(i) Dividend

Dividend declared to the equity shareholders of the Company for the six months ended 30 June 2023 and 2022 is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Final dividend in respect of the previous year, declared in the following year	**1,655,090**	2,928,713
Dividend per ordinary share (RMB)	**0.80**	1.50

(ii) Share capital

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Registered, issued and fully paid: 2,068,859,044 ordinary shares	**2,068,859**	2,068,859

20. COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Contracted, but not provided for purchase of property, plant and equipment	**2,661,536**	2,080,000

In September 2022, CDF Investment and Development Company Limited ("CDFID") and Brilliant Seaside Limited ("Brilliant Seaside") entered into an agreement to contribute funds to Sanya CDF Seaside Investment and Development Company Limited ("Sanya CDF Seaside"). CDFID holds the 50% equity interests of Sanya CDF Seaside and Sanya CDF Seaside is jointly controlled by CDFID and Brilliant Seaside. The registered capital of Sanya CDF Seaside is RMB2,500,000,000 and CDFID subscribed capital of RMB1,250,000,000. By the end of this period, CDFID has paid for the subscribed capital of RMB875,000,000 (31 December 2022: RMB875,000,000), and the remaining capital commitment is RMB375,000,000 (31 December 2022: RMB375,000,000).

21. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(i) Transactions with CTG Group

The following is a summary of principal related party transactions entered into by the Group with CTG and its subsidiaries other than the Group ("CTG Group") for the periods ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Service fee income (a)	**5,427**	6,325
Service fees paid/payable (b)	**88,252**	43,345
Rental expenses paid/payable (c)	**1,140**	2,790
Rental income (d)	**3,867**	1,932
Interest income (e)	**33,968**	84,375
Interest expenses (f)	**4,032**	4,326

Notes:

(a) Service fee income mainly represents income from construction consulting services provided to fellow subsidiaries.

(b) Service fees paid/payable represent fees paid/payable for promotional services, property management services, transportation services and ticketing provided by fellow subsidiaries.

(c) Rental expenses paid/payable represent expenses related to office provided by fellow subsidiaries.

(d) Rental income represents income derived from the leasing of properties to fellow subsidiaries.

(e) Interest income represents interest earned from deposits in CTG Finance. The applicable interest rate is determined in accordance with the prevailing interest rates published by the People's Bank of China.

(f) Interest expense represents interest incurred on the shareholders loan from CTG.

21. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions with CTG Group (Continued)

The outstanding balances related to transactions with CTG Group are included in the following accounts as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Deposits at CTG Finance	**8,392,058**	4,826,477
Loans from CTG	**201,784**	206,573
Trade and other receivables	**3,825**	4,972
Trade and other payables	**856,519**	17,758

These amounts arise in the ordinary course of business and with terms determined through mutual negotiation which are fair and reasonable.

(ii) Principal transactions with associates and joint ventures of the Group

The following is a summary of principal related party transactions entered into by the Group with the associates and joint ventures of the Group for the periods ended 30 June 2023 and 2022, the terms of which are fair and reasonable.

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Sales of merchandise income (a)	**55,037**	78,969
Service fee income (b)	**3,455**	1,298
Service fees paid/payable (c)	**429,975**	365,757
Interest expense (d)	**–**	29

Notes:

(a) Revenue from sales of merchandise represents revenue derived from sales of duty-free goods to associates and joint ventures of the Group.

(b) Service fee income mainly represents income from construction consulting services and promotional services provided to associates and a joint venture of the Group.

(c) Service fees paid/payable mainly represent fees paid/payable for online platform services and promotional services provided by associates and a joint venture of the Group.

(d) Interest expense represents interest expense incurred on the loan from an associate.

21. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Principal transactions with associates and joint ventures of the Group (Continued)

The outstanding balances related to transactions with the associates and joint ventures of the Group are included in the following accounts as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade and other receivables	7,862	38,264
Trade and other payables	115,811	488,615
Contract liabilities	3,001	8,418

(iii) Key management personnel remuneration

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Short-term employee benefits	8,775	11,567
Discretionary bonuses	10,438	16,959
	19,213	28,526

Total remuneration is included in "staff costs" in Note 6.

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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 30 June 2023 and 31 December 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 30 June 2023 and 31 December 2022.

23. EVENTS AFTER THE REPORTING PERIOD

As at the date that this interim condensed consolidated financial information was approved, there was no event after the Reporting Period which should be disclosed.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 24 August 2023.

"A Share(s)"	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which is/are listed on the Shanghai Stock Exchange and traded in RMB
"Audit and Risk Management Committee"	the audit and risk management committee of the Board
"Board" or "Board of Directors"	our board of Directors
"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 and a subsidiary of the Company
"CDF Investment"	CDF Investment Development Co., Ltd. (中免投資發展有限公司) (formerly known as CITS (Beijing) Investment Development Co., Ltd. (前稱國旅(北京)投資發展有限公司)), a limited liability company incorporated in the PRC and a subsidiary of the Company
"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)
"CG Code"	Corporate Governance Code as contained in Appendix 14 to the Hong Kong Listing Rules
"China" or "PRC"	the People's Republic of China
"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), a joint stock company incorporated in the PRC with limited liability whose A Shares are listed on the Shanghai Stock Exchange (stock code: 601888) and H Shares are listed on the Hong Kong Stock Exchange (stock code: 1880)
"CTG"	China Tourism Group Co., Ltd. (中國旅遊集團有限公司), a limited liability company incorporated in the PRC, 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 and a subsidiary of CTG
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"H Share(s)"	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each, which is/are listed on the Hong Kong Stock Exchange and overseas listed foreign share(s) traded in Hong Kong dollars

DEFINITIONS

"HK$"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Latest Practicable Date"	August 24, 2023, being the latest practicable date prior to the publication of this interim report for the purpose of ascertaining certain information contained herein
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Macau"	the Macao Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"Prospectus"	the prospectus issued by the Company dated August 15, 2022
"RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the six months ended June 30, 2023
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	comprising A Shares and H Shares
"Shareholder(s)"	shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares
"Supervisor"	the supervisor of the Company
"Supervisory Committee"	the board of Supervisors of the Company
"2023 Interim Report"	interim report of the Group for the six months ended June 30, 2023
"%"	percentage