KPMG
8th Floor, Prince's Building
Central, Hong Kong
G P O Box 50, Hong Kong
Telephone +852 2522 6022
Fax +852 2845 2588
Internet kpmg.com/cn

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA TOURISM GROUP DUTY FREE CORPORATION LIMITED (中國旅遊集團中免股份有限公司)

Introduction

We have reviewed the accompanying interim financial information set out on pages IIA-3 to IIA-22 which comprises the condensed consolidated statement of financial position of China Tourism Group Duty Free Corporation Limited (中國旅遊集團中免股份有限公司, the "Company") (formerly known as China International Travel Service Corporation Limited 中國國旅股份有限公司) and its subsidiaries (together, the "Group") as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes (the "Condensed Consolidated Interim Financial Information"). The directors are responsible for the preparation and presentation of the Condensed Consolidated Interim Financial Information in accordance with International Accounting Standard 34, *"Interim Financial Reporting"* ("IAS 34"), issued by the International Accounting Standards Board.

Our responsibility is to form a conclusion, based on our review, on the Condensed Consolidated Interim Financial Information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

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KPMG

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Condensed Consolidated Interim Financial Information as at 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

15 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022 – UNAUDITED

(Expressed in RMB)

	Note	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Revenue	4	27,650,753	35,526,010
Cost of sales		(18,432,962)	(22,065,263)
Gross profit		9,217,791	13,460,747
Other income and other net (loss)/gain	5	(334,165)	446,390
Selling and distribution costs		(2,460,137)	(4,191,381)
Administrative expenses		(1,072,029)	(1,088,026)
Reversal of impairment/(impairment loss) on trade and other receivables		7,577	(3,125)
Profit from operations		5,359,037	8,624,605
Share of net profits of associates		90,202	35,209
Share of net losses of joint ventures		(3,986)	(1,786)
Finance costs	6(a)	(111,068)	(106,513)
Profit before taxation	6	5,334,185	8,551,515
Income tax	7	(782,475)	(2,014,828)
Profit for the period		4,551,710	6,536,687
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		109	(92)
Exchange differences on translation of financial statements of overseas subsidiaries		546,189	(87,898)
		546,298	(87,990)
Total comprehensive income for the period		5,098,008	6,448,697
Profit for the period attributable to:			
Equity shareholders of the Company		3,972,252	5,395,310
Non-controlling interests		579,458	1,141,377
Profit for the period		4,551,710	6,536,687
Total comprehensive income attributable to:			
Equity shareholders of the Company		4,515,659	5,307,454
Non-controlling interests		582,349	1,141,243
Total comprehensive income for the period		5,098,008	6,448,697
Earnings per share			
Basic and Diluted (RMB)	8	2.0345	2.7633

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022 – UNAUDITED
(Expressed in RMB)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Investment properties	*9*	1,156,621	1,196,813
Right-of-use assets	*10*	4,082,084	6,183,956
Other property, plant and equipment	*11*	6,640,643	5,533,246
Intangible assets		127,013	116,496
Goodwill		822,460	822,460
Interests in associates		999,520	968,400
Interests in joint ventures		19,308	23,294
Deposits and other receivables	*13*	560,591	582,745
Deferred tax assets	*18*	1,149,401	1,132,226
		15,557,641	16,559,636
Current assets			
Inventories	*12*	23,661,627	19,724,698
Trade and other receivables	*13*	2,252,721	1,951,678
Income tax recoverable		3,819	9,118
Restricted bank deposits		638,397	199,657
Cash and cash equivalents	*14*	11,169,740	16,656,542
		37,726,304	38,541,693
Current liabilities			
Trade and other payables	*15*	11,889,420	12,066,164
Contract liabilities	*16*	1,384,473	1,371,639
Interest-bearing borrowings		556,911	545,433
Lease liabilities	*17*	860,836	1,545,488
Income tax payable		825,704	1,607,408
		15,517,344	17,136,132
Net current assets		22,208,960	21,405,561
Total assets less current liabilities		37,766,601	37,965,197
Non-current liabilities			
Lease liabilities	*17*	1,807,928	3,486,524
Defined benefit obligation		1,010	1,010
Deferred tax liabilities	*18*	64,559	55,240
Deferred income		3,755	3,426
		1,877,252	3,546,200
NET ASSETS		35,889,349	34,418,997
CAPITAL AND RESERVES	*19*		
Share capital		1,952,476	1,952,476
Reserves		28,905,869	27,318,923
Total equity attributable to equity shareholders of the Company		30,858,345	29,271,399
Non-controlling interests		5,031,004	5,147,598
TOTAL EQUITY		35,889,349	34,418,997

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022 – UNAUDITED

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Capital reserve *RMB'000*	Statuary reserve *RMB'000*	Exchange reserve *RMB'000*	Other reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2022	1,952,476	1,870,303	1,050,986	(600,480)	(345)	24,998,459	29,271,399	5,147,598	34,418,997
Changes in equity for the six months ended 30 June 2022:									
Profit for the period	–	–	–	–	–	3,972,252	3,972,252	579,458	4,551,710
Other comprehensive income	–	–	–	543,298	109	–	543,407	2,891	546,298
Total comprehensive income	–	–	–	543,298	109	3,972,252	4,515,659	582,349	5,098,008
Dividends declared in respect of the previous year *(Note 19)*	–	–	–	–	–	(2,928,713)	(2,928,713)	–	(2,928,713)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	(698,943)	(698,943)
	–	–	–	–	–	(2,928,713)	(2,928,713)	(698,943)	(3,627,656)
Balance at 30 June 2022	1,952,476	1,870,303	1,050,986	(57,182)	(236)	26,041,998	30,858,345	5,031,004	35,889,349

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Capital reserve *RMB'000*	Statuary reserve *RMB'000*	Exchange reserve *RMB'000*	Other reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2021	1,952,476	1,989,571	1,050,986	(323,113)	(212)	17,224,378	21,894,086	3,842,330	25,736,416
Changes in equity for the six months ended 30 June 2021:									
Profit for the period	–	–	–	–	–	5,395,310	5,395,310	1,141,377	6,536,687
Other comprehensive income	–	–	–	(87,764)	(92)	–	(87,856)	(134)	(87,990)
Total comprehensive income	–	–	–	(87,764)	(92)	5,395,310	5,307,454	1,141,243	6,448,697
Capital contributions by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	2,450	2,450
Dividends declared and paid in respect of the previous year	–	–	–	–	–	(1,952,476)	(1,952,476)	–	(1,952,476)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	(348,625)	(348,625)
	–	–	–	–	–	(1,952,476)	(1,952,476)	(346,175)	(2,298,651)
Balance at 30 June 2021	1,952,476	1,989,571	1,050,986	(410,877)	(304)	20,667,212	25,249,064	4,637,398	29,886,462

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022 – UNAUDITED
(Expressed in RMB)

	Note	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Operating activities			
Profit before taxation		5,334,185	8,551,515
Adjustments for:			
Depreciation of investment properties		18,748	19,979
Depreciation of right-of-use assets		528,964	444,947
Depreciation of other property, plant and equipment		209,466	179,931
Amortisation of intangible assets		10,321	7,726
Finance costs	6(a)	111,068	106,513
Share of profits and losses of associates and joint ventures, net		(86,216)	(33,423)
Gain on disposal of property, plant and equipment, net		(1,739)	(933)
COVID-19-related rent concessions	6(c)	(1,172,396)	–
Exchange losses/(gains), net	5	472,274	(124,831)
Changes in working capital:			
Increase in inventories		(3,936,929)	(4,262,260)
Increase in trade and other receivables		(306,342)	(655,898)
Decrease in trade and other payables		(3,063,139)	(957,878)
Increase/(decrease) in contract liabilities		12,834	(7,281)
Cash (used in)/generated from operations		(1,868,901)	3,268,107
Tax paid		(1,566,736)	(2,517,300)
Net cash (used in)/generated from operating activities		(3,435,637)	750,807
Investing activities			
Payments for the purchase of property, plant and equipment and other non-current assets		(1,266,478)	(526,644)
Proceeds from disposal of property, plant and equipment and other non-current assets		62	2,092
Payments for investment in an associate		–	(61,500)
Dividends received from associates and joint ventures		59,082	16,810
Net cash used in investing activities		(1,207,334)	(569,242)
Financing activities			
Capital contributions from non-controlling shareholders of subsidiaries		–	2,450
Dividends paid to shareholders of the Company		–	(1,952,476)
Dividends paid to non-controlling shareholders of subsidiaries		(698,943)	(362,208)
Interests paid		(2,675)	(11,480)
Capital element of lease rentals paid		(169,675)	(144,020)
Interest element of lease rentals paid		(67,405)	(23,088)
Change in deposits from associates through cash pooling arrangement		(509)	(685)
Others		–	(526)
Net cash used in financing activities		(939,207)	(2,492,033)
Net decrease in cash and cash equivalents		(5,582,178)	(2,310,468)
Cash and cash equivalents at 1 January		16,656,542	14,658,688
Effect of foreign exchanges rates changes		95,376	(64,535)
Cash and cash equivalents at 30 June	*14*	11,169,740	12,283,685

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB, unless otherwise indicated)

1 GENERAL INFORMATION

China Tourism Group Duty Free Corporation Limited (中國旅遊集團中免股份有限公司) (formerly known as China International Travel Service Corporation Limited (中國國旅股份有限公司)) (the "Company") was a joint stock company incorporated in the People's Republic of China (the "PRC") with limited liabilities on 28 March 2008. The Company's A shares have been listed on the main board of the Shanghai Stock Exchange (stock code: 601888) since October 2009. The Company is immediately controlled by China Tourism Group Co., Ltd. (中國旅遊集團有限公司) ("CTG"), and is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the "Central SASAC").

The Company and its subsidiaries (together, "the Group") are principally engaged in the sales of merchandise and the provision of related services through its travel retail business.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB").

The condensed consolidated interim financial information has been prepared in accordance with the same accounting policies adopted in the historical financial information for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 (the "Historical Financial Information") as disclosed in Appendix I to the prospectus dated 15 August 2022 (the "Prospectus") issued by the Company, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This condensed consolidated interim financial information contains consolidated financial statements and selected explanatory notes. The selected notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the latest annual consolidated financial statements as at and for the year ended 31 December 2021. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

In December 2021, the Group entered into an agreement with CTG to acquire 100% equity interests of China CTG Asset Operating Co., Ltd. ("CTG Asset Co") at a cash consideration of RMB126,482,000. CTG Asset Co is principally engaged in the sales of duty-free products. Since the Company and CTG Asset Co are under common control of CTG, the Group's acquisition of CTG Asset Co has been accounted for as a business combination under common control as if such acquisition had been completed at the date when the Company and CTG Asset Co came under the common control of the controlling shareholder. The assets and liabilities of CTG Asset Co were included using the existing book values from the controlling shareholder's perspective. No adjustments were made to reflect fair values, or recognise any new assets or liabilities as a result of such acquisition. The consolidated financial statements of the Group for the six months ended 30 June 2021 were restated to include the results and cash flows of CTG Asset Co accordingly.

3 SIGNIFICANT ACCOUNTING POLICES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the condensed consolidated interim financial information.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

During the period, the Group generates revenue primarily from the sales of merchandise and provision of related services through its travel retail business. Other sources of revenue include rental income from lease of investment properties. Further details regarding the Group's principal activities are disclosed in Note 4(b). Disaggregation of revenue from contracts with customers by major services lines is as follows:

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sales of merchandise		
– duty-free	16,198,319	24,552,913
– duty-paid	11,153,523	10,565,825
Provision of related services	218,221	250,258
	27,570,063	35,368,996
Revenue from other sources		
Rental income from investment properties	80,690	157,014
	27,650,753	35,526,010

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

(b) Segment reporting

For management purposes, the Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- ***Travel retail ("Retail")***

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

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

  This segment engages in development of integrated travel retail complex and property letting.

Financial information of the Group's reportable segments for the period is set out below.

	For the six months ended 30 June 2022				
	Retail	**Property**	**Subtotal**	**Corporate and elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	27,572,963	77,790	27,650,753	–	27,650,753
Inter-segment revenue	–	194,582	194,582	(194,582)	–
Reportable segment revenue	27,572,963	272,372	27,845,335	(194,582)	27,650,753
Share of profits and losses of associates and joint ventures, net	120,610	–	120,610	(34,394)	86,216
Write-down of inventories	(178,710)	–	(178,710)	–	(178,710)
Reversal of impairment on trade and other receivables	7,577	–	7,577	–	7,577
Depreciation and amortisation	(690,650)	(60,199)	(750,849)	(16,650)	(767,499)
Reportable segment profit before taxation	5,330,557	57,658	5,388,215	(54,030)	5,334,185
Income tax	(755,649)	(33,708)	(789,357)	6,882	(782,475)
Reportable segment net profit	4,574,908	23,950	4,598,858	(47,148)	4,551,710

	For the six months ended 30 June 2021				
	Retail	**Property**	**Subtotal**	**Corporate and elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	35,369,018	156,992	35,526,010	–	35,526,010
Inter-segment revenue	–	183,689	183,689	(183,689)	–
Reportable segment revenue	35,369,018	340,681	35,709,699	(183,689)	35,526,010
Share of profits and losses of associates and joint ventures, net	55,658	–	55,658	(22,235)	33,423
Write-down of inventories	(157,472)	–	(157,472)	–	(157,472)
Impairment loss on trade and other receivables	(3,125)	–	(3,125)	–	(3,125)
Depreciation and amortisation	(577,764)	(66,254)	(644,018)	(8,565)	(652,583)
Reportable segment profit before taxation	8,460,035	121,339	8,581,374	(29,859)	8,551,515
Income tax	(1,991,247)	(30,113)	(2,021,360)	6,532	(2,014,828)
Reportable segment net profit	6,468,788	91,226	6,560,014	(23,327)	6,536,687

(i) Geographic information

The following tables set out information about the geographical locations of the Group's revenue. The analyses of geographical locations are based on the locations at which the services are provided or the goods are delivered.

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Mainland China	25,763,790	33,629,357
Hong Kong, Macau and overseas	1,886,963	1,896,653
	27,650,753	35,526,010

5 OTHER INCOME AND OTHER NET (LOSS)/GAIN

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Interest income from financial assets measured at amortised cost	124,557	105,873
Net exchange (losses)/gains	(472,274)	124,831
Government grants	11,848	208,139
Others	1,704	7,547
	(334,165)	446,390

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Interest expenses on interest-bearing borrowings	6,874	7,079
Interest expenses on lease liabilities	104,194	99,434
	111,068	106,513

(b) Staff costs

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Salaries, wages and other benefits	1,219,856	1,223,180
Contributions to defined contribution retirement plans	136,283	114,304
	1,356,139	1,337,484

(c) Other items

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Cost of inventories *(Note 12(b))*	18,391,609	22,019,738
Depreciation and amortisation of:		
– Investment properties	18,748	19,979
– Right-of-use assets	528,964	444,947
– Other property, plant and equipment	209,466	179,931
– Intangible assets	10,321	7,726
	767,499	652,583
Lease expenses not included in the measurement of lease liabilities:		
– Variable leases and short-term leases *(i)*	820,870	1,397,710
– COVID-19-related rent concessions from lessors *(ii)*	(1,172,396)	–
	(351,526)	1,397,710
Licensing fees for duty-free operation	606,937	926,483

(i) Variable lease payments that do not depend on an index or rate and short-term leases that have a lease term of 12 months or less are not included in the measurement of the lease liabilities and hence are charged to profit or loss in the accounting period in which they are incurred in accordance with IFRS 16, *Leases*.

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

7 INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the condensed consolidated statements of profit or loss and other comprehensive income represent:

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Current tax – Hong Kong Profits Tax	1,868	429,678
Current tax – Mainland China and other jurisdictions	788,463	1,753,861
Deferred tax – Origination and reversal of temporary differences	(7,856)	(168,711)
	782,475	2,014,828

(b) Reconciliation between tax expenses and accounting profits at applicable tax rates:

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Profit before taxation	5,334,185	8,551,515
National tax on profit before taxation, calculated at PRC income tax rate of 25% *(i)*	1,333,546	2,137,879
Different tax rates of subsidiaries operating in other jurisdictions and statutory tax concessions *(ii) (iii) (iv)*	(386,439)	(230,276)
(Over)/under-provision in respect of prior year	(4,676)	18,384
Non-taxable income	(21,554)	(8,356)
Non-deductible expenses	6,125	1,663
Utilisation of previously unrecognised tax losses	(7,753)	(17,890)
Utilisation of previously unrecognised temporary differences	(256,234)	(161)
Tax losses and temporary differences not recognised as deferred tax assets	119,460	113,585
	782,475	2,014,828

Notes:

(i) The Company and the subsidiaries of the Group established in the PRC (excluding Hong Kong and Macau) are subject to the PRC Corporate Income Tax rate of 25% during the period.

(ii) The subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% and the subsidiaries of the Group incorporated in Macau are subject to Macau Profits Tax rate of 12% during the period. The subsidiary of the Group incorporated in Cambodia is subject to income tax rate of 20% during the period.

Among the subsidiaries incorporated in Hong Kong, China Duty Free International Limited is eligible for 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government in 2021 or 2020.

(iii) Pursuant to the relevant regulations in respect of the Notice on the Implementation of Inclusive Tax Concessions for Small and Micro Enterprises (Cai Shui [2019] No. 13) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, for the portion of annual taxable income which does not exceed RMB1,000,000, the annual taxable income shall be deducted to 25% and the income tax shall be calculated at the rate of 20%; for the portion of annual taxable income from RMB1,000,000 to RMB3,000,000 (inclusive), the taxable income shall be deducted by 50% and the income tax shall be calculated at the rate of 20%. The above-mentioned Small and Micro Enterprises refer to those enterprises that are engaged in industries not restricted or prohibited by the state and meet the conditions, including annual taxable income not exceeding RMB3,000,000, number of employees not exceeding 300, and total assets not exceeding RMB50,000,000, and etc. Certain of PRC subsidiaries of the Group enjoy this preferential income tax treatment during the period.

In 2021, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Implementation of Preferential Income Tax for Small and Micro Enterprises and Individual Entrepreneurs (Cai Shui [2021] No. 12), which provides a 50% reduction in corporate income tax for small and micro enterprises with annual taxable income not exceeding RMB1,000,000, on top of the preferential policies stipulated in Article 2 of Cai Shui [2019] No. 13 for the period from 1 January 2021 to 31 December 2022.

(iv) According to No. 31 Caishui 2020 "Notice on Preferential Policies for Enterprise Income Tax in Hainan Free Trade Port" ("Hainan FTP") published by Ministry of Finance and State Administration of Taxation effective on 23 June 2020, a qualified encouraged industrial enterprise registered in the Hainan FTP of the PRC is subject to a preferential corporate income tax rate of 15% from 1 January 2020 to 31 December 2024. In addition, a qualified industrial enterprise registered in the Hainan FTP of the PRC will further enjoy a preferential corporate income tax rate of 15% for the calendar years from 2025 to 2035.

The provision for current income tax for the six months ended 30 June 2021 of the Group's six subsidiaries in the Hainan FTP was calculated based on the corporate income tax rate of 25%. In September 2021, these subsidiaries received notices from the relevant government authorities that they are eligible for the abovementioned preferential corporate income tax rate of 15% as being determined as primarily engaged in the government encouraged duty-free business in China, and the differences between the tax paid by these subsidiaries for the year 2020 calculated based on the corporate income tax rate of 25% and the preferential corporate income tax rate of 15% will be refunded accordingly. The effect of the tax refunds as a result of the change in applicable tax rates were charged to profit or loss for the year ended 31 December 2021.

8 EARNINGS PER SHARE

Basic earnings per share during the period were calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. There were no dilutive potential ordinary shares during the period.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2022	**2021**
Profit attributable to equity shareholders of the Company for the period (in RMB'000)	3,972,252	5,395,310
Weighted average number of ordinary shares (in '000)	1,952,476	1,952,476
Basic and diluted earnings per share (in RMB)	2.0345	2.7633

9 INVESTMENT PROPERTIES

	Amount *RMB'000*
Cost:	
At 1 January 2022	1,328,332
Transfer to right-of-use assets and other property, plant and equipment	(33,215)
At 30 June 2022	1,295,117
Accumulated amortisation:	
At 1 January 2022	(131,519)
Charge for the period	(18,748)
Transfer to right-of-use assets and other property, plant and equipment	11,771
At 30 June 2022	(138,496)
Carrying amount:	
At 30 June 2022	1,156,621
At 1 January 2022	1,196,813

The Group has applied the cost model for its investment properties.

10 RIGHT-OF-USE ASSETS

	Ownership interests in leasehold land for own use *RMB'000*	Buildings *RMB'000*	Motor vehicles, furniture, and others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2022	2,618,655	6,505,291	10,604	9,134,550
Additions	–	285,776	–	285,776
Disposals	–	(259,286)	(186)	(259,472)
Modification *(Note 17)*	–	(1,877,970)	–	(1,877,970)
Transfer from investment properties	8,527	–	–	8,527
Exchange differences	–	40,662	127	40,789
At 30 June 2022	2,627,182	4,694,473	10,545	7,332,200
Accumulated depreciation:				
At 1 January 2022	(333,832)	(2,613,507)	(3,255)	(2,950,594)
Charge for the period	(31,876)	(512,256)	(1,308)	(545,440)
Written back on disposals	–	255,383	96	255,479
Transfer from investment properties	(1,766)	–	–	(1,766)
Exchange differences	–	(7,749)	(46)	(7,795)
At 30 June 2022	(367,474)	(2,878,129)	(4,513)	(3,250,116)
Carrying amount:				
At 30 June 2022	2,259,708	1,816,344	6,032	4,082,084
At 1 January 2022	2,284,823	3,891,784	7,349	6,183,956

(a) Ownership interests in leasehold land for own use

The land use rights are typically granted for 30-50 years, on the expiry of which the land reverts back to the PRC state. The payment for leasing the land is normally made in full at the start of the land use right period.

(b) Other properties leased for own use

The Group mainly leases various retail stores, offices, delivery pick-up points and warehouses. Rental contracts are typically entered into for fixed periods of 3 to 10 years for retail stores and 2 to 5 years for offices and warehouses.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Some property leases contain variable payment terms that are linked to factors such as sales generated from a store or the number of travellers using the airport or other location. Variable lease payments that depend on such factors are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Depreciation charges of right-of-use assets by class of underlying assets:		
– Ownership interests in leasehold land for own use	15,400	20,756
– Buildings	512,256	423,367
– Motor vehicles, furniture, and others	1,308	824
– Ownership interests in leasehold land held for lease	3,119	3,400
	532,083	448,347
Interest expenses on lease liabilities *(Note 6(a))*	104,194	99,434
Variable lease payments not included in the measurement of lease liabilities *(Note 6(c))*	820,870	1,397,710
COVID-19-related rent concessions from lessors *(Note 6(c))*	(1,172,396)	–

11 OTHER PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Furniture and others	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2022	2,512,447	25,291	129,247	233,828	1,554,238	3,056,612	7,511,663
Additions	–	1,212	4,261	8,917	8,360	1,271,360	1,294,110
Disposals	–	(413)	(1,169)	(4,368)	–	–	(5,950)
Transfer within other property, plant and equipment	–	–	–	615	42,410	(43,025)	–
Transfer from investment properties	24,688	–	–	–	–	–	24,688
Exchange differences	–	41	281	1,571	8,547	–	10,440
At 30 June 2022	2,537,135	26,131	132,620	240,563	1,613,555	4,284,947	8,834,951
Accumulated depreciation:							
At 1 January 2022	(793,154)	(13,054)	(100,255)	(151,052)	(754,232)	–	(1,811,747)
Charge for the period	(61,452)	(2,400)	(3,723)	(11,649)	(130,329)	–	(209,553)
Written back on disposals	–	283	1,110	3,666	–	–	5,059
Transfer from investment properties	(10,005)	–	–	–	–	–	(10,005)
Exchange differences	–	(20)	(243)	(1,129)	–	–	(1,392)
At 30 June 2022	(864,611)	(15,191)	(103,111)	(160,164)	(884,561)	–	(2,027,638)
Impairment losses:							
At 1 January 2022 and 30 June 2022	–	–	–	–	–	(166,670)	(166,670)
Carrying amount:							
At 30 June 2022	1,672,524	10,940	29,509	80,399	728,994	4,118,277	6,640,643
At 1 January 2022	1,719,293	12,237	28,992	82,776	800,006	2,889,942	5,533,246

The Group is in the process of obtaining ownership certificates for buildings with an aggregate carrying amount of RMB403,020,000 at 30 June 2022 (31 December 2021: RMB419,348,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings and the aforesaid matter will not have any significant impact on the Group's financial position as at the end of each reporting period.

12 INVENTORIES

(a) Inventories in the condensed consolidated statements of financial position comprise:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Merchandise held for trading	23,661,627	19,724,698

(b) The analyses of the amounts of inventories recognised as expenses and included in profit or loss are as follows:

	Six months ended 30 June	
	2022 *RMB'000*	2021 *RMB'000*
Carrying amount of inventories sold	18,212,899	21,862,266
Write down of inventories	178,710	157,472
	18,391,609	22,019,738

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Non-current		
Deposits and other receivables	560,591	582,745
Current		
Trade receivables	344,220	297,722
Prepayments for purchases of merchandise	431,201	286,621
Prepayments for variable and short-term leases	275,200	286,339
Value-added tax recoverable	625,795	657,631
Lease and other deposits	250,859	210,142
Others	325,446	213,223
	2,252,721	1,951,678
	2,813,312	2,534,423

Except for lease and other deposits classified as non-current assets, all of the remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analyses

The ageing analyses of trade receivables, based on the invoice date and net of loss allowance, are as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 1 year	344,220	297,722

14 CASH AND CASH EQUIVALENTS

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Cash at bank and on hand	6,619,500	10,821,410
Deposit at CTG Finance Company Limited (formerly known as China National Travel Service (HK) Finance Company Limited) ("CTG Finance"), a related financial institution	4,550,240	5,835,132
Cash and cash equivalents included in the condensed consolidated statements of financial position and the condensed consolidated cash flow statements	11,169,740	16,656,542

15 TRADE AND OTHER PAYABLES

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Trade payables	3,523,505	5,263,433
Payables for property constructions	758,256	616,479
Dividends payable	2,928,713	2,099
Employee benefits payable	566,250	411,406
Licensing fees payable	606,972	1,627,580
Other taxes payable	1,411,935	1,487,498
Variable lease and other operating expenses payable	1,512,690	2,040,948
Others	581,099	616,721
	11,889,420	12,066,164

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

(a) Ageing analyses

At 30 June 2022 and 31 December 2021, the ageing analyses of trade payables, based on the invoice date, are as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 1 year	3,044,302	4,797,110
1 to 2 years	21,894	14,103
2 to 3 years	215,831	216,517
Over 3 years	241,478	235,703
	3,523,505	5,263,433

16 CONTRACT LIABILITIES

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Customer loyalty program points liabilities *(i)*	978,761	898,917
Advances receipt from customers for *(ii)*		
– Sales of merchandise	405,375	469,048
– Provision of property management services	337	3,674
	1,384,473	1,371,639

(i) The Group operates several customer loyalty programs to customers when points can be earned by customers and to be used to reduce the cost of future purchases. The contract liabilities in respect of unredeemed customer loyalty points will be recognised as revenue when the points are redeemed by those customers or expire, which is expected to occur before the end of the following three years based on the expiry terms of the loyalty points.

(ii) The amounts of considerations received in advance as prepayments by customers are short term as the respective revenue is expected to be recognised within a few days when the goods or services are delivered to customers.

17 LEASE LIABILITIES

The following tables show the remaining contractual maturities of the Group's lease liabilities at 30 June 2022 and 31 December 2021.

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 1 year	860,836	1,545,488
After 1 year but within 2 years	425,446	965,967
After 2 years but within 5 years	773,346	2,110,883
After 5 years	609,136	409,674
	1,807,928	3,486,524
	2,668,764	5,032,012

Note: During the six months ended 30 June 2022, certain subsidiaries reached agreement with the landlords to reduce the annual guaranteed payments originally set in the relevant lease agreements for the remaining lease period. Accordingly, the relevant lease liabilities of these leases were remeasured based on the estimated future lease payments accordingly, and a corresponding adjustment was made to the carrying amount of the right of use assets. No gain or loss was recognised in profit or loss for such lease modification.

18 DEFERRED TAX

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

The component of deferred tax assets/(liabilities) recognised in the condensed consolidated statements of financial position and the movements throughout the period are as follows:

	Unused tax losses *RMB'000*	Unrealised profits for inter-company transactions *RMB'000*	Fair value adjustments arising from acquisition of a subsidiary *RMB'000*	Customer loyalty program *RMB'000*	Depreciation charges of right-of-use assets *RMB'000*	Accruals and other temporary differences *RMB'000*	Total *RMB'000*
At 1 January 2022	299,668	398,634	(53,994)	166,738	20,022	245,918	1,076,986
Credited to profit or loss *(Note 7(a))*	48,948	(91,666)	2,238	19,188	3,368	25,780	7,856
At 30 June 2022	348,616	306,968	(51,756)	185,926	23,390	271,698	1,084,842

(ii) Reconciliations to the condensed consolidated statement of financial position

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Deferred tax assets	1,149,401	1,132,226
Deferred tax liabilities	(64,559)	(55,240)
	1,084,842	1,076,986

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends declared and paid to the equity shareholders of the Company for the six months ended 30 June 2022 and 2021 are as follows:

	Six months ended 30 June 2022	2021
Final dividend in respect of the previous year, declared and paid in the following year	2,928,713	1,952,476
Dividend per ordinary share (RMB)	1.50	1.00

(b) Share capital

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Number of shares registered, issued and fully paid (at RMB1 par share)	1,952,476	1,952,476

20 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Names and relationships of the related parties that had material transactions with the Group during the period:

Names of related parties	Relationship
CTG	Holding company
Shanghai Ocean Shipping Supply Co., Ltd. 上海外輪供應有限公司	Joint venture
CDFG Nanjing Airport Entry Duty Free Goods Co., Ltd. 中免集團南京機場進境免稅品有限公司	Joint venture
CDF Sunrise Internet Technology Co., Ltd. 中免日上互聯科技有限公司	Associate
CDFG (Shenzhen Luohu) Duty Free Merchandise Co., Ltd. 深圳市羅湖中免免稅品有限責任公司	Associate
Dalian Free Trade Zone CDF Friendship Shipping Service Co., Ltd. 大連保稅區中免友誼航運服務有限公司	Associate
Dalian CDF Friendship Oversea Supply Duty Free Co., Ltd. 大連中免友誼外供免稅品有限公司	Associate
CDFG (Guangzhou Southern Airlines) Duty Free Merchandise Co., Ltd. 廣州南航中免免稅品有限公司	Associate
CDFG (Hainan HAI) Duty Free Merchandise Co., Ltd. 海南海航中免免稅品有限公司	Associate
Shanghai Eastern Airlines CDF Duty Free Goods Co., Ltd. 上海東航中免免稅品有限公司	Associate
CDFG (Xi'an Xianyang International Airport) Duty Free Merchandise Co., Ltd. 西安咸陽國際機場免稅品有限公司	Associate
CTG Finance Company Limited 中旅集團財務有限公司 (formerly known as China National Travel Service (HK) Finance Company Limited 港中旅財務有限公司) ("CTG Finance")	Associate
CDFG (Shenzhen) Duty Free Goods Co., Ltd. 深圳市中免免稅品有限責任公司	Associate
CDFG (Zhuhai) Duty Free Merchandise Co., Ltd. 珠海市中免免稅品有限責任公司	Associate
CDFG (Shenzhen Dongmian) Duty Free Merchandise Co., Ltd. 深圳市東免免稅品有限公司	Associate
Hainan Duty Free Guanlan Lake International Shopping Center Co., Ltd. 海南海免觀瀾湖國際購物中心有限公司	Associate
CDFG (Shenzhen Zhaoshang) Duty Free Merchandise Co., Ltd. 深圳市中免招商免稅品有限公司	Associate
Beijing Tianma Tourist Automobile Co., Ltd. 北京天馬旅遊汽車有限公司	Company controlled by the holding company
CITS Property Management (Beijing) Co., Ltd. 中旅物業管理(北京)有限公司 (formerly known as CITS Property Management Co., Ltd. 國旅物業管理有限公司)	Company controlled by the holding company
China International Travel Services Limited 中國國際旅行社總社有限公司	Company controlled by the holding company
CITS International M.I.C.E. Co., Ltd. 國旅國際會議展覽有限公司	Company controlled by the holding company
China Tourism Group Investment and Asset Management Co., Ltd. 中國旅遊集團投資和資產管理有限公司	Company controlled by the holding company
Sansha Nanhai Dream Cruises Co., Ltd. 三沙南海夢之旅郵輪有限公司	Associate of the holding company

Note: The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

(b) **Transactions with related parties during the period**

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Sales of merchandise income from		
– Associates	76,370	118,805
– Joint ventures	2,599	8,558
Service fees paid to		
– Companies controlled by the holding company	43,345	30,642
– Associates	365,473	68,591
– Joint ventures	284	144
Rental expenses paid to		
– Companies controlled by the holding company	2,790	1,711
Rental income from		
– Companies controlled by the holding company	1,932	58
Interest income from CTG Finance	84,375	77,339
Interest expenses paid to		
– Associates	29	24

(c) **Balances with related parties**

The Group's balances with related parties as at the end of each reporting period are as follows:

	At 30 June	**At 31 December**
	2022	**2021**
	RMB'000	*RMB'000*
Deposits at CTG Finance	4,550,240	5,835,132
Loans from CTG	202,127	206,622
Trade and other receivables		
– Companies controlled by the holding company	6,547	5,381
– Associates	78,593	24,958
Trade and other payables		
– Companies controlled by the holding company	7,963	8,022
– Associates	24,056	5,833
– Joint ventures	291	346
Contract liabilities		
– Associates	5,426	4,063
– Joint ventures	1,334	1,030

The directors of the Company are of the opinion that the above transactions were conducted on normal commercial terms and in the ordinary course of business of the Group. These balances will be settled in accordance with the contractual terms. Deposits at CTG Finance are carrying interests which are not unfavourable compared to market terms and are subjected to the Group's treasury and liquidity management policy. The deposits at CTG Finance are included in cash and cash equivalents during the period.