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中煙國際（香港）有限公司
China Tobacco International (HK) Company Limited
(incorporated in Hong Kong with limited liability)
(Stock code: 6055)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

China Tobacco International (HK) Company Limited announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2022 together with the comparative figures for the six months ended 30 June 2021 as set out below.

FINANCIAL HIGHLIGHTS

Items	For the six months ended 30 June 2022 (unaudited)	<i>Unit: HK\$</i> For the six months ended 30 June 2021 (unaudited) (Restated) (Note)
Revenue	3,869,411,941	3,813,759,146
Cost of sales	(3,416,962,166)	(3,625,564,820)
Gross profit	452,449,775	188,194,326
Other income/(loss), net	19,613,045	(22,934,775)
Administrative and other operating expenses	(72,730,073)	(54,144,397)
Finance costs	(30,124,601)	(6,817,926)
Share of profit of a joint venture	–	104,971,768
Gain on deemed disposal of a joint venture	–	405,991,184
Profit before taxation	369,208,146	615,260,180
Income tax	(91,461,871)	(5,896,023)
Profit for the period	277,746,275	609,364,157

Note: the comparative information is restated under merger accounting. See note 1.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022 HK\$	2021 HK\$ (Restated) (Note)
Revenue	4	3,869,411,941	3,813,759,146
Cost of sales		<u>(3,416,962,166)</u>	<u>(3,625,564,820)</u>
Gross profit		452,449,775	188,194,326
Other income/(loss), net	5	19,613,045	(22,934,775)
Administrative and other operating expenses		<u>(72,730,073)</u>	<u>(54,144,397)</u>
Profit from operations		399,332,747	111,115,154
Finance costs	6(a)	(30,124,601)	(6,817,926)
Share of profit of a joint venture	6(c)	–	104,971,768
Gain on deemed disposal of a joint venture	6(c)	–	405,991,184
Profit before taxation	6	369,208,146	615,260,180
Income tax	7	<u>(91,461,871)</u>	<u>(5,896,023)</u>
Profit for the period		<u>277,746,275</u>	<u>609,364,157</u>
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		218,978,244	615,775,999
Non-controlling interests		<u>58,768,031</u>	<u>(6,411,842)</u>
		<u>277,746,275</u>	<u>609,364,157</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022	2021
		HK\$	HK\$
			(Restated) (Note)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements		3,321,735	688,132
Exchange differences recycled upon deemed disposal of a joint venture		—	(93,523,576)
Other comprehensive income for the period		3,321,735	(92,835,444)
Total comprehensive income for the period		281,068,010	516,528,713
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		222,299,979	522,940,555
Non-controlling interests		58,768,031	(6,411,842)
		281,068,010	516,528,713
Earnings per share			
– Basic and diluted	9	0.32	0.89

Note: the comparative information is restated under merger accounting. See note 1.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

		At 30 June 2022 HK\$	At 31 December 2021 HK\$
Non-current assets			
Property, plant and equipment		49,659,074	53,680,559
Intangible assets		177,398,263	192,570,760
Goodwill		212,928,534	212,928,534
Trade and other receivables	10	58,993,906	17,406,046
Deferred tax assets		5,157,564	11,946,848
		<u>504,137,341</u>	<u>488,532,747</u>
Current assets			
Inventories		2,484,122,475	1,287,736,226
Trade and other receivables	10	1,195,840,812	1,331,329,168
Cash and cash equivalents		2,024,069,874	1,658,972,197
		<u>5,704,033,161</u>	<u>4,278,037,591</u>
Current liabilities			
Trade and other payables and contract liabilities	11	1,845,363,476	1,322,388,606
Lease liabilities		10,601,842	10,511,729
Bank borrowings		2,084,321,624	1,291,803,591
Current tax payable		78,628,636	67,989,055
		<u>4,018,915,578</u>	<u>2,692,692,981</u>
Net current assets		<u>1,685,117,583</u>	<u>1,585,344,610</u>
Total assets less current liabilities		<u>2,189,254,924</u>	<u>2,073,877,357</u>
Non-current liabilities			
Lease liabilities		9,814,496	11,695,591
Deferred tax liabilities		74,841,601	76,187,420
Provision for reinstatement costs		2,713,179	2,655,129
		<u>87,369,276</u>	<u>90,538,140</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*As at 30 June 2022 – unaudited (Expressed in Hong Kong dollars)*

	At 30 June 2022 HK\$	At 31 December 2021 HK\$
Note		
NET ASSETS	<u>2,101,885,648</u>	<u>1,983,339,217</u>
Capital and reserves		
Share capital	1,403,721,280	1,403,721,280
Reserves	<u>463,266,869</u>	<u>358,552,490</u>
Total equity attributable to equity shareholders of the Company	1,866,988,149	1,762,273,770
Non-controlling interests	<u>234,897,499</u>	<u>221,065,447</u>
TOTAL EQUITY	<u>2,101,885,648</u>	<u>1,983,339,217</u>

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China Tobacco International (HK) Company Limited (the “**Company**”) is incorporated in Hong Kong as a limited liability company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) after completion of its initial public offering on 12 June 2019. China Tobacco International Group Limited (“**CTIG**”), a company incorporated in Hong Kong with limited liability, is the immediate parent of the Company. China National Tobacco Corporation (“**CNTC**”), a company registered in the People’s Republic of China (the “**PRC**”), is the ultimate controlling company of the Company.

The Company and its subsidiaries (collectively the “**Group**”) are engaged in the following business operations:

- export of tobacco leaf products to Southeast Asia, Hong Kong, Macau, and Taiwan (the “**Tobacco Leaf Products Export Business**”);
- import of tobacco leaf products in mainland China of the PRC from origin countries or regions around the world (other than from sanctioned countries and regions, including Zimbabwe) (the “**Tobacco Leaf Products Import Business**”);
- export of cigarettes from CNTC Group directly to the duty-free outlets in the Kingdom of Thailand (“**Thailand**”), the Republic of Singapore (“**Singapore**”), Hong Kong, Macau, as well as duty-free outlets within the borders, but outside the customs area, of mainland China of the PRC or sales of cigarettes from CNTC Group through distributors (the “**Cigarettes Export Business**”);
- export of new tobacco products to overseas market worldwide (the “**New Tobacco Products Export Business**”); and
- procurement, processing, sale of tobacco leaves and sale of agricultural materials inherent to tobacco production in Republic of Brazil (“**Brazil**”) and from Brazil to regions around the world (except China) (the “**Brazil Operation Business**”).

On 26 November 2021, the Company completed its acquisition of all the equity interest in China Tobacco International do Brasil Ltda. (“**CTIB**”) from CTIG (the “**CTIB Acquisition**”), the Company’s immediate holding company for a cash consideration of US\$63.4 million (equivalently to approximately HK\$494.6 million). CTIB therefore became a wholly owned subsidiary of the Company after the completion of the CTIB Acquisition.

As CTIG and the Company are ultimately controlled by CNTC, the CTIB Acquisition was regarded as business combination under common control. To consistently apply the Group’s accounting policy for common control combination, the acquisition has been accounted for based on the principles of merger accounting as set out in Accounting Guideline 5, *Merger Accounting for Common Control Combinations* (“**AG 5**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented. For more information on the CTIB Acquisition, please refer to “Management Discussion and Analysis - Financial Review - Significant Investments, Acquisition and Disposals” of the Company’s 2021 annual report as well as the Company’s announcements dated 23 September 2021, 22 October 2021 and 29 November 2021 and circular dated 29 September 2021.

2 BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the unaudited interim financial report of the Group for the six months ended 30 June 2022 but is extracted from that unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Listing Rules including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the HKICPA. It was authorised for issue on 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, 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 interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The preparation of an interim financial report in conformity with HKAS 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 interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. 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 Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Group’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (“**Companies Ordinance**”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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. 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

The principal activities of the Group are the Tobacco Leaf Products Export Business, the Tobacco Leaf Products Import Business, the Cigarettes Export Business, the New Tobacco Products Export Business and the Brazil Operation Business as further disclosed in note 4(b).

Disaggregation of revenue from contracts with customers by major products and service lines is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
		(Restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of tobacco leaf products	3,824,916,545	3,761,448,836
– Export sales of cigarettes	17,568,275	27,559,862
– Sales of new tobacco products	26,728,759	23,747,880
– Provision of service	198,362	1,002,568
	<u>3,869,411,941</u>	<u>3,813,759,146</u>

The Group recognises all its revenue point in time.

Geographical information

The following table sets out information on the geographical locations of the Group's revenue from external customers based on the location at which the Group's products are distributed to the customers.

	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
		(Restated)
Mainland China of the PRC	2,616,958,680	2,589,392,730
Republic of Indonesia	770,640,698	785,070,632
Republic of the Philippines	89,711,284	65,869,791
Hong Kong	43,638,849	31,126,330
Socialist Republic of Vietnam	109,327,593	199,248,334
Singapore	4,213,291	654,006
Brazil	43,373,543	54,323,574
Others	191,548,003	88,073,749
	<u>3,869,411,941</u>	<u>3,813,759,146</u>

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. 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 reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Tobacco Leaf Products Export Business: export of tobacco leaf products to Southeast Asia, Hong Kong, Macau, and Taiwan.
- Tobacco Leaf Products Import Business: import of tobacco leaf products in mainland China of the PRC from origin countries or regions around the world (other than from sanctioned countries and regions, including Zimbabwe).
- Cigarettes Export Business: export of cigarettes from CNTC Group directly to the duty-free outlets in Thailand, Singapore, Hong Kong, Macau, as well as duty-free outlets within the borders, but outside the customs area, of mainland China of the PRC or sales of cigarettes from CNTC Group through distributors.
- New Tobacco Products Export Business: export of new tobacco products to overseas market worldwide.
- Brazil Operation Business: procurement, processing, sale of tobacco leaves and sale of agricultural materials inherent to tobacco production in Brazil and from Brazil to region around the world (except China).

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include primarily trade and other receivables, and inventories. Segment liabilities include primarily trade and other payables and contract liabilities. The Group's all other assets and liabilities such as non-current assets, cash and cash equivalents, lease liabilities, provision for restatement costs, other payables not related to business, borrowings and assets/liabilities associated with deferred or current taxes are not considered specifically attributed to individual segments. These assets and liabilities are classified as corporate assets/liabilities and are managed on a central basis.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit i.e. reportable segment revenue less cost of sales associated therewith. In addition to receiving segment information concerning gross profit, management is provided with segment information concerning revenue. There is no inter-segment revenue between the Group's reportable segments. Other corporate income and expenses, net, mainly refers to net exchange gains/losses, administrative and other operating expenses that are not considered specifically attributed to individual segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Tobacco Leaf Products Export Business HK\$	Tobacco Leaf Products Import Business HK\$	Cigarettes Export Business HK\$	New Tobacco Products Export Business HK\$	Brazil Operation Business HK\$	Unallocated HK\$	Total HK\$
<i>For the six months ended 30 June 2022</i>							
Reportable segment revenue	<u>1,002,552,547</u>	<u>2,606,310,791</u>	<u>17,568,275</u>	<u>26,728,759</u>	<u>216,251,569</u>	<u>-</u>	<u>3,869,411,941</u>
Reportable segment gross profit	<u>25,834,876</u>	<u>372,913,180</u>	<u>3,076,250</u>	<u>615,077</u>	<u>50,010,392</u>	<u>-</u>	<u>452,449,775</u>
Other income, net						19,613,045	19,613,045
Depreciation and amortisation						(24,920,430)	(24,920,430)
Other corporate expenses						(47,809,643)	(47,809,643)
Finance costs						(30,124,601)	(30,124,601)
Profit before taxation							369,208,146
Income tax							(91,461,871)
Profit for the period							<u>277,746,275</u>
<i>As at 30 June 2022</i>							
Reportable segment assets	<u>106,019,189</u>	<u>2,869,367,113</u>	<u>27,594,686</u>	<u>-</u>	<u>666,577,387</u>	<u>2,538,612,127</u>	<u>6,208,170,502</u>
Reportable segment liabilities	<u>244,897,670</u>	<u>1,383,749,106</u>	<u>12,090,451</u>	<u>9,665,649</u>	<u>74,987,263</u>	<u>2,380,894,715</u>	<u>4,106,284,854</u>

	Tobacco Leaf Products Export Business HK\$	Tobacco Leaf Products Import Business HK\$ (Restated)	Cigarettes Export Business HK\$	New Tobacco Products Export Business HK\$	Brazil Operation Business HK\$ (Restated)	Unallocated Business HK\$ (Restated)	Total Business HK\$ (Restated)
<i>For the six months ended 30 June 2021</i>							
Reportable segment revenue	<u>1,074,188,744</u>	<u>2,568,781,581</u>	<u>27,559,862</u>	<u>23,747,880</u>	<u>119,481,079</u>	<u>–</u>	<u>3,813,759,146</u>
Reportable segment gross profit	<u>27,701,717</u>	<u>144,302,938</u>	<u>1,748,103</u>	<u>726,180</u>	<u>13,715,388</u>	<u>–</u>	<u>188,194,326</u>
Other loss, net						(22,934,775)	(22,934,775)
Share of profit of a joint venture						104,971,768	104,971,768
Gain on deemed disposal of a joint venture						405,991,184	405,991,184
Depreciation and amortisation						(19,211,294)	(19,211,294)
Other corporate expenses						(34,933,103)	(34,933,103)
Finance costs						(6,817,926)	(6,817,926)
Profit before taxation							615,260,180
Income tax							(5,896,023)
Profit for the period							<u>609,364,157</u>
<i>As at 31 December 2021</i>							
Reportable segment assets	<u>58,385,059</u>	<u>2,160,480,944</u>	<u>29,661,555</u>	<u>–</u>	<u>366,085,955</u>	<u>2,151,956,825</u>	<u>4,766,570,338</u>
Reportable segment liabilities	<u>193,651,551</u>	<u>1,075,407,524</u>	<u>9,634,764</u>	<u>11,473,410</u>	<u>14,900,716</u>	<u>1,478,163,156</u>	<u>2,783,231,121</u>

5 OTHER INCOME/(LOSS), NET

	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
		(Restated)
Net exchange gains/(losses)	10,278,810	(30,262,019)
Interest income	9,150,235	6,171,569
Others	184,000	1,155,675
	<u>19,613,045</u>	<u>(22,934,775)</u>

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following items:

(a) Finance costs

	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
		(Restated)
Interest on bank borrowings	27,630,923	5,817,212
Interest on lease liabilities	436,232	569,804
Interest accrued on provision	58,050	58,050
Other finance cost	1,999,396	372,860
	<u>30,124,601</u>	<u>6,817,926</u>

(b) Other items

	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
		(Restated)
Depreciation		
– owned property and equipment	4,722,671	3,614,697
– right-of-use assets	4,734,239	3,971,391
	<u>9,456,910</u>	<u>7,586,088</u>
Amortisation of intangible assets	15,463,520	11,625,206
Expense related to short-term lease	622,471	286,568
Impairment losses recognised on trade and other receivables	209,993	1,196,146
Cost of inventories	3,416,962,166	3,625,564,820

(c) CBT Step acquisition

China Brasil Tabacos Exportadora S.A. (“CBT”) was accounted for as a joint venture of the Group under equity accounting until it became a subsidiary of the Group on 31 March 2021, following certain amendments of its bylaws upon where CTIB obtained control of CBT and this acquisition was accounted for as a business combination achieved in stages (“CBT Step Acquisition”). The Group’s interest in the joint venture was deemed disposed of at its fair value, which was determined with reference to a valuation report prepared by an external qualified valuer, as of 31 March 2021 (the acquisition date). This resulted in a gain on deemed disposal of US\$52,050,152 (equivalent to HK\$405,991,184) which has been recognised in the consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2021. Further details of the acquisition have been disclosed in notes 3(v)(i), 12 and 26 to the Group’s consolidated financial statements in the Company’s 2021 annual report.

7 INCOME TAX

	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
		(Restated)
Current tax – Hong Kong Profit Tax	24,750,148	24,605,784
Current tax – Overseas	61,268,262	21,976,430
Deferred tax	5,443,461	(40,686,191)
	<u>91,461,871</u>	<u>5,896,023</u>

The provision for Hong Kong Profits Tax for the six months ended 30 June 2022 is calculated at 16.5% (six months ended 30 June 2021: 16.5%) of the estimated assessable profits for the period. The Group is not eligible for 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government in 2022 as this concession has been taken elsewhere in the larger group to which the Group belongs.

Taxation for overseas subsidiaries includes corporate income tax and social contribution tax in Brazil. The applicable rates for corporate income tax and social contribution tax in Brazil are 25% and 9%, respectively during the six months ended 30 June 2022 and 2021.

8 DIVIDENDS

Final dividend attributable to equity shareholders of the Company in respect of 2021 of HK\$17 cents per share (2020: HK\$4 cents per share) amounting to a total of HK\$117,585,600 (2020: HK\$27,667,200) was approved by the shareholders of the Company at the annual general meeting of the Company on 24 June 2022 and paid on 15 July 2022.

The Directors do not recommend a payment of any other interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2022 of HK\$218,978,244 (six months ended 30 June 2021 (restated): HK\$615,775,999) and the weighted average of 691,680,000 ordinary shares (six months ended 30 June 2021: 691,680,000 ordinary shares) in issue during the interim period.

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2022 HK\$	At 31 December 2021 HK\$
Trade receivables	941,736,473	1,094,240,070
Bills receivable	<u>54,353,376</u>	<u>10,932,019</u>
	996,089,849	1,105,172,089
Deposits, prepayments and other receivables	68,122,394	151,030,618
Advances to producers	122,912,863	88,003,391
VAT and other tax recoverable	<u>67,709,612</u>	<u>4,529,116</u>
	1,254,834,718	1,348,735,214
Represented by:		
– Current portion	1,195,840,812	1,331,329,168
– Non-current portion	<u>58,993,906</u>	<u>17,406,046</u>
	<u>1,254,834,718</u>	<u>1,348,735,214</u>

Apart from long term rental deposit, other tax recoverable and certain advances to producers, all of the remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

The Group grants short-term advances to producers in cash or agricultural inputs, which are settled through the delivery of tobacco. Additionally, it grants long-term advances to producers for the financing of the production and/or default of the producers in the settlement of their short-term debt.

As at the end of each reporting period, the ageing analysis of trade receivables and bills receivable based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2022 HK\$	At 31 December 2021 HK\$
Within 30 days	64,334,176	60,270,811
31 to 90 days	243,274,152	468,052,294
Over 90 days	<u>688,481,521</u>	<u>576,848,984</u>
	<u>996,089,849</u>	<u>1,105,172,089</u>

The following table sets out an ageing analysis of trade receivables and bills receivable based on due date as at the dates indicated:

	At 30 June	At 31 December
	2022	2021
	HK\$	HK\$
Not past due	818,539,845	1,068,884,646
Past due 1 to 30 days	5,923,763	22,659,503
Past due 31 to 90 days	151,170,900	5,876,442
Past due 91-180 days	20,455,341	7,751,498
	<u>996,089,849</u>	<u>1,105,172,089</u>

Trade receivables are normally due within 30 to 180 days from the date of billing. The Group generally does not hold any collateral over the balances.

11 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30 June	At 31 December
	2022	2021
	HK\$	HK\$
Trade payables	1,513,823,859	1,219,958,648
Dividends payables		
– Dividends payables to equity shareholder of the Company	117,585,600	–
– Dividends payables to non-controlling interests	84,545,580	39,609,601
Other payables and accruals	35,055,167	28,116,351
	<u>1,751,010,206</u>	<u>1,287,684,600</u>
Financial liabilities measured at amortised cost	1,751,010,206	1,287,684,600
Contract liabilities	93,836,590	34,219,041
Financial guarantees issued	516,680	484,965
	<u>1,845,363,476</u>	<u>1,322,388,606</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand. Included in trade payables were certain amounts due to the non-controlling interests of CBT.

As at the end of each reporting period, the ageing analysis of trade payables based on the invoice date is as follows:

	At 30 June	At 31 December
	2022	2021
	HK\$	HK\$
Within 30 days	217,860,976	386,282,580
31 to 90 days	292,400,912	815,813,846
91 to 180 days	15,022,484	9,466,224
Over 180 days	988,539,487	8,395,998
	<u>1,513,823,859</u>	<u>1,219,958,648</u>

Certain producers of CBT obtained financing from financial institutions under the rural credit policies that are implemented through a system managed by the Central Bank of Brazil (Banco Central do Brasil). CBT issued guarantees to these financial institutions with respect to the financing they provided to such producers. As at 30 June 2022, the maximum guaranteed amounted to US\$6,205,369 (equivalent to HK\$48,401,879) (31 December 2021: US\$5,537,734 (equivalent to HK\$43,194,322)).

12 BUSINESS COMBINATIONS – CTIB ACQUISITION

As disclosed in note 1 above, CTIB Acquisition was a business combination under common control. The interim financial statements have been prepared in accordance with the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 “*Merger Accounting for the Common Control Combinations*” issued by HKICPA and as if the current group structure had been in existence throughout the periods presented in the interim financial statements.

The effect of application of merger accounting on the consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the six months ended 30 June 2021 are summarised below:

	For the six months period ended 30 June 2021 as previously reported HK\$	Adjustments on merger accounting HK\$	Consolidation adjustments (Note) HK\$	For the six months period ended 30 June 2021 as restated HK\$
Revenue	3,694,278,067	119,481,079	–	3,813,759,146
Cost of sales	<u>(3,519,799,129)</u>	<u>(105,765,691)</u>	–	<u>(3,625,564,820)</u>
Gross profit	174,478,938	13,715,388	–	188,194,326
Other income/(loss), net	5,858,251	(28,793,026)	–	(22,934,775)
Administrative and other operating expenses	<u>(25,425,114)</u>	<u>(28,719,283)</u>	–	<u>(54,144,397)</u>
Profit from operations	154,912,075	(43,796,921)	–	111,115,154
Share of profit of a joint venture	–	36,291,653	68,680,115	104,971,768
Gain on deemed disposal of a joint venture	–	405,991,184	–	405,991,184
Finance costs	<u>(627,854)</u>	<u>(6,190,072)</u>	–	<u>(6,817,926)</u>
Profit before taxation	154,284,221	392,295,844	68,680,115	615,260,180
Income tax	<u>(24,605,785)</u>	<u>30,041,981</u>	<u>(11,332,219)</u>	<u>(5,896,023)</u>
Profit for the period	<u>129,678,436</u>	<u>422,337,825</u>	<u>57,347,896</u>	<u>609,364,157</u>
Other comprehensive income:				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translation of financial statements	–	688,132	–	688,132
Exchange differences recycled upon deemed disposal of a joint venture	<u>–</u>	<u>(93,523,576)</u>	<u>–</u>	<u>(93,523,576)</u>
Other comprehensive income for the period	<u>–</u>	<u>(92,835,444)</u>	<u>–</u>	<u>(92,835,444)</u>
Profit and total comprehensive income for the period	<u><u>129,678,436</u></u>	<u><u>329,502,381</u></u>	<u><u>57,347,896</u></u>	<u><u>516,528,713</u></u>

Note: The consolidation adjustments represent the elimination of unrealised profit in inventories held at the period end arising from transactions between the Company and CBT.

	For the six months period ended 30 June 2021 as previously reported HK\$	Adjustments on merger accounting HK\$	For the six months period ended 30 June 2021 as restated HK\$
Operating activities			
Cash generated from/(used in) operations	245,792,648	(460,950,414)	(215,157,766)
Income tax paid	<u>(15,177,886)</u>	<u>(16,508,583)</u>	<u>(31,686,469)</u>
Net cash generated from/(used in) operating activities	<u>230,614,762</u>	<u>(477,458,997)</u>	<u>(246,844,235)</u>
Investing activities			
Payment for purchase of property and equipment	(1,687)	(32,520)	(34,207)
Interest received	6,291,135	313,317	6,604,452
Dividend received	–	36,758,912	36,758,912
Net cash inflow from acquisition of CBT	<u>–</u>	<u>13,123,617</u>	<u>13,123,617</u>
Net cash generated from investing activities	<u>6,289,448</u>	<u>50,163,326</u>	<u>56,452,774</u>
Financing activities			
Proceeds from new bank borrowings	–	938,340,000	938,340,000
Repayment of bank borrowings	–	(351,790,810)	(351,790,810)
Dividends paid to equity shareholders of the Company	(27,667,200)	–	(27,667,200)
Dividends paid to non-controlling interests	–	(65,044,230)	(65,044,230)
Other cash flows arising from financing activities	<u>(3,821,370)</u>	<u>(6,167,437)</u>	<u>(9,988,807)</u>
Net cash (used in)/generated from financing activities	<u>(31,488,570)</u>	<u>515,337,523</u>	<u>483,848,953</u>
Net increase in cash and cash equivalents	205,415,640	88,041,852	293,457,492
Cash and cash equivalents at 1 January	1,613,169,695	21,160,979	1,634,330,674
Effect of foreign exchange rate changes	<u>–</u>	<u>688,132</u>	<u>688,132</u>
Cash and cash equivalents at the end of the period	<u><u>1,818,585,335</u></u>	<u><u>109,890,963</u></u>	<u><u>1,928,476,298</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, in face of various adverse factors, including the volatility in economic and trade environment, geopolitical tensions and the ongoing COVID-19 pandemic, the Group focused on its strategic priorities, captured market opportunities, enhanced supply chain synergies and controlled operating costs. Therefore, its overall results remained stable growth, demonstrating the Group's resilience and vitality in development. In terms of capital operation, the Group took the initiative in seeking and identifying potential merger and acquisition targets while stressing the enhancement of the post-acquisition management of CTIB to improve the synergy of its internal resources and operations, which significantly increased the profitability of the Tobacco Leaf Products Import Business. In terms of new tobacco products business, the Group effectively coped with the impact of geopolitical conflicts by innovating logistics and settlement model; and actively explored new market opportunities, optimised product portfolios and increased the proportion of proprietary business and sales of own-brand products. In terms of traditional business, the Group proactively captured the opportunity to upgrade cigar consumption in the Chinese market, continued to optimise our ability to respond to demand for raw materials of cigar, and continuously improved the stability of the supply chain of our tobacco leaf import and export business, actively exploring new business growth opportunities while consolidating our existing market advantages. In addition, the Group also strengthened communications with operators, through various channels, grasped the latest market trends & developments, enhanced market segmentations, increased the vitality of the market and expanded the shares of its proprietary business. In terms of Brazil Operation Business, the Group further optimised the structure of tobacco farmers, developed new areas for contracted tobacco farmers to secure the source of tobacco supply, and set up a raw tobacco procurement and sorting line to strengthen tobacco leaf quality control. In terms of operational management, the Group opened up career promotion and development channels for staff to motivate the team to be innovative. It also continued to implement "lean management" to effectively reduce operational costs. It also strengthened its liaison with customers and suppliers to build a comprehensive and three-dimensional risk control system. In terms of social responsibility, in our active response to the call of the government, we provided anti-pandemic prevention and care for our employees and took the initiative to donate funds and participate in the distribution of pandemic supplies to support Hong Kong's anti-pandemic initiatives.

BUSINESS OPERATION REVIEW

Core Businesses

Tobacco Leaf Products Export Business

For the six months ended 30 June 2022, the export volume of tobacco leaf products of the Group reached 39,876 tons, representing a decrease of 3,839 tons or 9% on a year-on-year basis. The operating revenue reached HK\$1,002.6 million, representing a decrease of HK\$71.6 million or 7% on a year-on-year basis. The gross profit reached HK\$25.8 million, representing a decrease of HK\$1.9 million or 7% on a year-on-year basis. The decline in the Group's results was mainly because: (1) the sluggish sales and the increased cigarette tax in the Southeast Asian cigarette market dampened manufacturers' procuring demand for tobacco leaves; and (2) the existing supplies of marketable tobacco leaves in China decreased.

Tobacco Leaf Products Import Business

For the six months ended 30 June 2022, the import volume of tobacco leaf products of the Group reached 51,277 tons, representing a decrease of 4,745 tons or 8% on a year-on-year basis. The operating revenue reached HK\$2,606.3 million, representing an increase of HK\$37.5 million or 1% on a year-on-year basis. The gross profit reached HK\$372.9 million, representing an increase of HK\$228.6 million or 158% on a year-on-year basis. The marginal decrease of total import volume over the corresponding period of last year was mainly due to the effects arising from COVID-19 pandemic, severe lack of transportation capacity in South America, and the delayed delivery to the port of some of tobacco leaf products. The significant year-on-year growth of gross profit mainly because: (1) the acquisition of CTIB and its non-wholly owned subsidiary, namely CBT helped achieve the vertical integration of supply chain, which improved the business profitability; (2) the increasing scale of cigar leaf imports enhanced the profitability of the Tobacco Leaf Products Import Business; and (3) the impact of time factor as the Group only started to consolidate CBT's results from 31 March 2021 when control over CBT was obtained.

Cigarettes Export Business

For the six months ended 30 June 2022, the export volume of cigarettes of the Group reached 64,974 thousand sticks, representing a decrease of 15,046 cigarettes or 19% on a year-on-year basis. The operating revenue reached HK\$17.6 million, representing a decrease of HK\$10.0 million or 36% on a year-on-year basis. The gross profit reached HK\$3.1 million, representing an increase of HK\$1.4 million or 82% on a year-on-year basis. Impacted by the ongoing COVID-19 pandemic, the number of people entering and leaving China and related areas has not yet recovered, resulting in a drop in duty-free cigarette sales and operating revenue in these areas. Cigarette exports generated growth in gross profit over the the same period of last year primarily due to: (1) the proportion of the proprietary business has been scaled up on a year-on-year basis by brand optimisation, and (2) the enhancement of the sales channels and the demand structure drives the overall gross profit.

New Tobacco Products Export Business

For the six months ended 30 June 2022, the export volume of new tobacco products of the Group reached 114,340 thousand sticks, representing an increase of 11,940 thousand sticks or 12% on a year-on-year basis. The operating revenue reached HK\$26.7 million, representing an increase of HK\$3.0 million or 13% on a year-on-year basis. The gross profit reached HK\$0.6 million, representing a decrease of HK\$0.1 million or 14% on a year-on-year basis. The growth of sales volume and revenue was mainly due to the Group's extra efforts in an expansion into emerging markets, including Middle East, Western and Eastern Europe. Meanwhile, the Group accelerated product iteration and upgrading to adapt to changes in market demand in a timely manner. The decrease of gross profit was mainly because the Group adopted a more flexible pricing strategy and invested more marketing resources to acquire more market shares.

Brazil Operation Business

For the six months ended 30 June 2022, the export volume of tobacco leaf products to areas outside China from CBT, a non-wholly-owned subsidiary of CTIB, reached 6,341 tons, representing an increase of 2,775 tons or 78% on a year-on-year basis. The operating revenue reached HK\$216.3 million, representing an increase of HK\$96.8 million or 81% on a year-on-year basis. The gross profit was HK\$50.0 million, representing an increase of HK\$36.3 million or 265% on a year-on-year basis. The significant growth in sales, revenue and gross profit were mainly due to the impact of time factor as the Group only started to consolidate CBT's results from 31 March 2021 when control over CBT was obtained.

PROSPECTS FOR THE SECOND HALF OF 2022

In the second half of 2022, although there remain great uncertainties in the development of the COVID-19 outbreak as well as the international political, economic and trade environment, we expect that demand from the new tobacco leaf market is in rapid growth, global logistics are expected to be constantly more efficient, and the consumption structure of the Chinese tobacco leaf market will be further enhanced. We are optimistic about the future development. In this regard, we will adhere to our established strategy, with emphasis on promoting the following aspects:

- Continue to identify, analyse and approach potential merger and acquisition targets based on our vision.
- Enhance the integration with CTIB and its subsidiaries in terms of business, management and culture to enhance the Group's overall operational efficiency and effectiveness.
- Cooperate in the research and development of technologies and product reserves, and step up efforts in brand cultivation and emerging market development to enhance the competitiveness and market share of the Group's new tobacco products in the international market.

- Continue to monitor the development of the cigar market in China and continue to improve the procurement and supply model of imported cigar leaf materials to enhance the profitability of our business.
- Enhance the sustainable stability of the tobacco leaf import and export supply chain, flexibly adjust business strategies and proactively adapt to changes in demand from tobacco leaf suppliers and customers.
- Exploit the opportunities of new channels and enhance cooperation with cigarette operators, increase the proportion of proprietary business, develop new business channels, and be prepared to capture the new business opportunities in the post-pandemic era.

FINANCIAL REVIEW

Revenue and Cost of Sales

For the six months ended 30 June 2022, the Group's revenue increased by 1% to HK\$3,869.4 million (2021: HK\$3,813.8 million) as compared with the same period in 2021 (restated hereafter), and costs decreased by 6% to HK\$3,417.0 million (2021: HK\$3,625.6 million) as compared with the same period in 2021. Revenue increased while cost decreased was mainly because: (1) the increase in the Tobacco Leaf Products Import Business and the New Tobacco Products Export Business has driven the growth in the Group's overall income of sales; and (2) the Group's acquisition of CTIB and its non-wholly owned subsidiary, namely CBT facilitated the vertical integration of supply chain, resulting in the decrease in the procurement cost of importing tobacco leaves.

Gross Profit

For the six months ended 30 June 2022, the Group's gross profit increased by 140% to HK\$452.4 million (2021: HK\$188.2 million) as compared with the same period in 2021, which was mainly because: (1) the acquisition of CTIB and its non-wholly owned subsidiary, namely CBT helped achieve the vertical integration of supply chain, which improved the Group's business profitability; (2) the increasing scale of cigar leaf imports enhanced the profitability of the Tobacco Leaf Products Import Business; (3) the scale of proprietary business increased year-on-year; and (4) the impact of time factor as the Group only started to consolidate CBT's results from 31 March 2021 when control over CBT was obtained.

Other Income/(Loss), Net

For the six months ended 30 June 2022, the Group's other income, net increased significantly to HK\$19.6 million (2021: other loss, net of HK\$22.9 million) as compared with the same period in 2021, which was mainly due to: (1) the increase in the benchmark interest rate of banks in Brazil, resulting in a significant increase in interest income; and (2) the significant increase in exchange gain.

Administrative and Other Operating Expenses

For the six months ended 30 June 2022, the Group's administrative and other operating expenses increased by 34% to HK\$72.7 million (2021: HK\$54.1 million) as compared with the same period in 2021, which included staff cost of HK\$22.8 million, depreciation and amortisation of intangible assets of HK\$24.9 million, professional fees of HK\$2.0 million and storage expenses and shipping costs of HK\$15.1 million. Such increase in administrative and other operating expenses were mainly due to: (1) the impact of time factor as the Group only started to consolidate CBT's results from 31 March 2021 when control over CBT was obtained; and (2) insufficient transportation capacity in Brazil has resulted in the significant increase in costs relating to storage and shipping.

Finance costs

For the six months ended 30 June 2022, the Group's finance costs increased by 343% to HK\$30.1 million (2021: HK\$6.8 million) as compared with the same period in 2021. The expenses were primarily interest on bank borrowings and interest on lease liabilities. The significant increase in finance costs was mainly due to: (1) the impact of time factor as the Group only started to consolidate CBT's results from 31 March 2021 when control over CBT was obtained; and (2) the increase of average bank borrowings balance and the increasing interest rates.

Gain on Deemed Disposal of a Joint Venture

Gain on deemed disposal of a joint venture for the six months ended 30 June 2021 was related to the CBT Step Acquisition as detailed in note 6(c) to the financial statements above.

Share of Profit from a Joint Venture

Share of profit from a joint venture represents the proportion of the Group's equity in CBT's results prior to completion of the CBT Step Acquisition on 31 March 2021. CBT became a consolidated subsidiary of the Group upon completion of the CBT Step Acquisition.

Profit and Total Comprehensive Income for the Period

For the six months ended 30 June 2022, net profit attributable to equity shareholders of the Company increased by 4% to HK\$219.0 million (2021: HK\$209.8 million) as compared with the same period in 2021 excluding the gain on deemed disposal of a joint venture. Net profit attributable to equity shareholders of the Company increased by 109% to HK\$219.0 million (2021: HK\$104.8 million) as compared with the same period in 2021 excluding the gain on deemed disposal of a joint venture and the share of profit from a joint venture. The Group's net profit increased by 37% to HK\$277.7 million (2021: HK\$203.4 million) as compared with the same period in 2021, excluding the gain on deemed disposal of a joint venture. The Group's net profit increased by 182% to HK\$277.7 million (2021: HK\$98.4 million) as compared with the same period in 2021 excluding both the gain on deemed disposal of a joint venture and the share of profit from a joint venture in 2021. Such increase in net profit was mainly due to: (1) the acquisition of CTIB and its non-wholly owned subsidiary, namely CBT helped achieve the vertical integration of supply chain, which improved the Group's business profitability; and (2) the increasing scale of cigar leaf imports enhanced the profitability of the Tobacco Leaf Products Import Business.

Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2022 of HK\$219.0 million (six months ended 30 June 2021: HK\$615.8 million) and the weighted average of 691,680,000 ordinary shares (six months ended 30 June 2021: 691,680,000 ordinary shares) in issue during the interim period. For the six months ended 30 June 2022, the Group's earnings per share was HK\$0.32. For the six months ended 30 June 2021, the Group's earnings per share excluding the gain from the deemed disposal of a joint venture was HK\$0.30; the earnings per share excluding both gain on deemed disposal of joint ventures and share of profit of joint ventures was HK\$0.15; and the earnings per share without excluding gain on deemed disposal of joint ventures and share of profit of joint ventures was HK\$0.89.

Diluted earnings per share presented are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend a payment of any interim dividend for the six months ended 30 June 2022 to the Shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2022, total assets of the Group amounted to HK\$6,208.2 million (as at 31 December 2021: HK\$4,766.6 million) and cash and cash equivalents of HK\$2,024.1 million (as at 31 December 2021: HK\$1,659.0 million). The Board is of the opinion that the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures. As at 30 June 2022, total liabilities of the Group amounted to HK\$4,106.3 million (as at 31 December 2021: HK\$2,783.2 million).

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly in Hong Kong dollars and U.S. dollar. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars and U.S. dollar.

As at 30 June 2022, the Group had a gearing ratio (being borrowings and lease liabilities divided by shareholders' equity) of 1.00 (as at 31 December 2021: 0.66). As at 30 June 2022, the Group had a current ratio (being current assets divided by the current liabilities) of 1.42 (as at 31 December 2021: 1.59).

Net Current Assets

As at 30 June 2022, net current assets of the Group amounted to HK\$1,685.1 million (as at 31 December 2021: HK\$1,585.3 million).

INDEBTEDNESS

Borrowings

As at 30 June 2022, all of the bank borrowings were unsecured, carried at amortised cost and expected to be settled within one year. All of the bank borrowings bore fixed interest and the weighted average interest rate was 4.63% per annum (as at 31 December 2021: 2.78%).

SIGNIFICANT INVESTMENTS

As at 30 June 2022, the Group did not hold any significant investments.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not conduct any material acquisition or disposal of any subsidiary, associate or joint venture during the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

FOREIGN EXCHANGE RISK

The Group entered into transactions primarily in U.S. dollar and Real. The functional currency of CBT is U.S. dollar. Actual payments received by CBT are made in U.S. dollar, but all other costs and expenses are paid by CBT in Real. During the six months ended 30 June 2022, the Group did not enter into any hedging arrangements to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis.

PLEDGE OF ASSET

As at 30 June 2022, the Group did not pledge any assets (as at 31 December 2021: nil).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have significant contingent liabilities (as at 31 December 2021: nil).

EMPLOYEES

As at 30 June 2022, the Group had 30 (as at 31 December 2021: 30) employees in Hong Kong and 199 (as at 31 December 2021: 181) employees (excluding seasonal workers) in Brazil. The Group seeks to remunerate our employees on a market-competitive basis and has established internal policies with respect to employee compensation for our local employees. The remuneration package of all our employees comprises basic salary, performance-related bonus and certain other employee benefits. We review the remuneration package of our employees annually, considering factors such as years of service, relevant professional experience and performance evaluations. We provide induction training to all employees to familiarize them with our business operations and the tobacco industry. We provide additional professional training specific to our employees' job responsibilities during their course of employment on an ad hoc basis.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no major event after 30 June 2022 that is required to be disclosed by the Group.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

On the Listing Date, the Company issued 166,670,000 Shares at a price of HK\$4.88 per Share pursuant to the initial public offering of the Shares, the total gross proceeds of which amounted to approximately HK\$813 million, and the Shares are listed on the Main Board of the Stock Exchange (the “**Listing**”). The closing price on the Listing Date was HK\$5.35 per Share. On 4 July 2019, the Company issued 25,000,000 Shares at a price of HK\$4.88 per Share pursuant to the full exercise of over-allotment option relating to the Listing by China International Capital Corporation Hong Kong Securities Limited and China Merchants Securities (HK) Co., Limited, the total gross proceeds of which amounted to approximately HK\$122 million. The net proceeds from the Listing (including the net proceeds from the issue of the 25,000,000 Shares pursuant to the exercise of the over-allotment option and net of underwriting fees and relevant expenses) (the “**Net Proceeds**”) amounted to approximately HK\$904 million. The net price to the Company (which was calculated by dividing the Net Proceeds by the number of Shares issued in connection with the initial public offering of Shares) was approximately HK\$4.72 per Share. The Net Proceeds have been and will continue to be used in a manner consistent with that set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The use of Net Proceeds during the period from the Listing Date up to 30 June 2022 is set out as follows:

Use of Net Proceeds	Approximate percentage of total amount	Actual amount of Net Proceeds (HK\$ million)	Unutilised amount as at 1 January 2022 (HK\$ million)	Amount utilised during the period from 1 January 2022 to the date of this announcement (HK\$ million)	Unutilised amount as at the date of this announcement (HK\$ million)	Expected timeline as disclosed in the 2021 Annual Report	Updated expected timeline for utilising the remaining Net Proceeds
Making investments and acquisitions that are complementary to the Group's business	45%	406.8	81.4	–	81.4	Remainder to be utilised by 30 June 2022.	Remainder to be utilised by 30 June 2023.
Supporting the ongoing growth of the Group's business	20%	180.8	176.6	0.1	176.5	Remainder to be utilised by 30 June 2022.	Remainder to be utilised by 30 June 2023.
Strategic business cooperation with other international tobacco companies, including to jointly explore and develop emerging tobacco markets	20%	180.8	180.6	–	180.6	Remainder to be utilised by 30 June 2022.	Remainder to be utilised by 30 June 2023.
General working capital	10%	90.4	–	–	–	Not applicable.	Not applicable.
Improving the Group's management of purchase and sales resources and optimizing the Group's operational management	5%	45.2	29.9	4.2	25.7	Remainder to be utilised by 30 June 2022.	Remainder to be utilised by 30 June 2023.
Total	100%	904.0	468.5	4.3	464.2		

Note: The updated expected timeline for utilisation of the unutilised Net Proceeds above is based on the Group's best estimation and is subject to change based on the future development of market conditions.

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

During the six months ended 30 June 2022, neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2022 and the accounting principles and practices adopted by the Group, and discussed internal control and financial report matters.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2022, the Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2022.

PUBLICATION OF 2022 INTERIM RESULTS AND 2022 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.ctihk.com.hk/>. The interim report of the Company for the six months ended 30 June 2022 will be despatched to the Shareholders and be available on the websites of the Stock Exchange and the Company in due course.

DEFINITIONS

“Audit Committee”	the audit committee of the Board;
“Board”	the board of Directors of the Company;
“CBT”	China Brasil Tabacos Exportadora S.A., a company incorporated in Brazil with limited liability;
“China” or “PRC”	the People’s Republic of China;
“CNTC”	China National Tobacco Corporation* (中國煙草總公司), an enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company;
“CNTC Group”	CNTC and its subsidiaries;

“Company”	China Tobacco International (HK) Company Limited (中煙國際(香港)有限公司) (stock code: 6055), a company incorporated in Hong Kong with limited liability;
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“CTIB”	China Tabaco Internacional do Brasil Ltda. (中煙國際巴西有限公司), a company incorporated in Brazil on 6 June 2002 with limited liability;
“CTIG”	China Tobacco International Group Limited (中煙國際集團有限公司), a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company;
“Directors”	the directors of the Company;
“Group”, “we” or “our”	the Company and its subsidiaries;
“Hong Kong”, “HK” or “Hong Kong SAR”	the Hong Kong Special Administrative Region of the PRC;
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Date”	12 June 2019, the date on which the Shares were listed on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
“Prospectus”	the prospectus dated 28 May 2019 issued by the Company;
“Real”	Brazilian real, the lawful currency of Brazil;
“Shares(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“U.S. dollar” United States dollars, the lawful currency of the United States of America;

“%” percent.

By order of the Board
China Tobacco International (HK) Company Limited
SHAO Yan
Chairman

“” is for identification purpose only. If there is any inconsistency between the Chinese name and its English translation, the Chinese name shall prevail.*

Hong Kong, 26 August 2022

As at the date of this announcement, the Board comprises Mr. Shao Yan, as chairman and non-executive director, Ms. Yang Xuemei, Ms. Li Yan, Mr. Liang Deqing and Mr. Wang Chengrui as executive directors, and Mr. Chow Siu Lui, Mr. Wang Xinhua, Mr. Chau Kwok Keung and Mr. Qian Yi as independent non-executive directors.