



# 中煙國際(香港)有限公司 China Tobacco International (HK) Company Limited

(Incorporated in Hong Kong with limited liability)

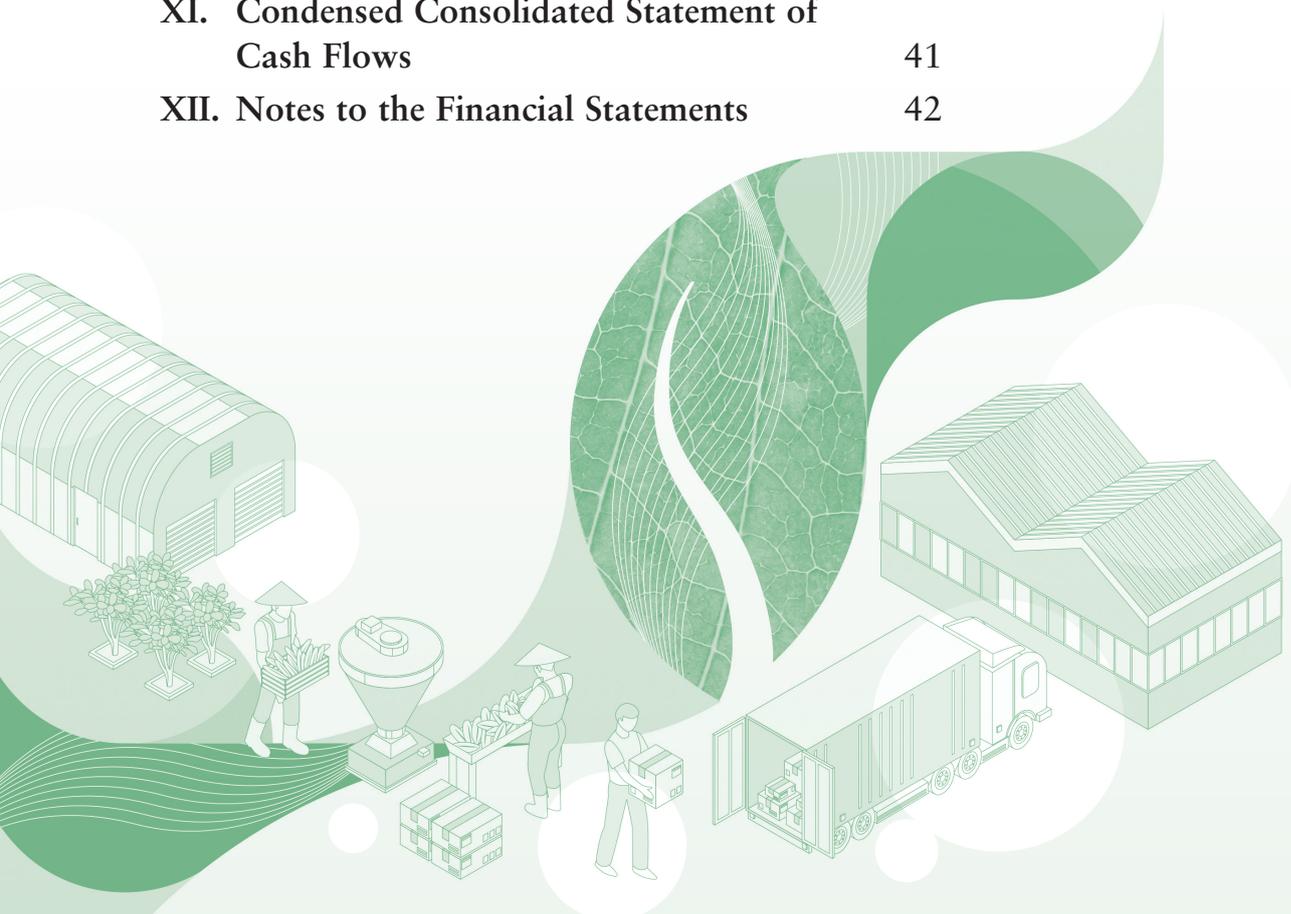
Stock code: 6055

## 2022 INTERIM REPORT



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# Definitions

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set forth below.

“2021-2024 Offshore Supply Framework Agreements”	the 2021-2024 offshore tobacco leaf products long-term supply framework agreements entered into between the Company, on one hand, and each of the relevant counterparties in the procurement transactions in the Tobacco Leaf Products Import Business, on the other hand, on 17 November 2021;
“2021-2024 Tobacco Leaf Products Export Agency Agreements”	the 2021-2024 tobacco leaf products export agency agreements entered into between the Company, on one hand, and each of the relevant counterparties in the Agency Business in the Sales of Tobacco Leaf Products, on the other hand, on 17 November 2021;
“Acquisition”	an acquisition by the Company of the entire issued and outstanding quotas of CTIB from CTIG pursuant to the terms and conditions of the Quota Purchase Agreement dated 23 September 2021 entered into by the Company and CTIG;
“Agency Business in the Sale of Tobacco Leaf Products”	the Group’s agency business whereby the Group acts as an agent in certain sale transactions of tobacco leaf products as part of the Tobacco Leaf Products Export Business;
“AGM”	annual general meeting of the Company;
“Alliance One Brazil”	Alliance One Brasil Exportadora de Tabacos Ltda., a company incorporated in Brazil on 28 October 1971 with limited liability;
“Alliance One Group”	Alliance One International and its subsidiaries, including Alliance One Brazil;
“Alliance One International”	Alliance One International, LLC, a company organized under the laws of North Carolina, United States in August 2018;
“Audit Committee”	the audit committee of the Board;
“Board” or “Board of Directors”	the board of Directors of the Company;
“CBT”	China Brasil Tabacos Exportadora S.A., a company incorporated in Brazil on 15 September 2011 with limited liability and owned as to 51% by China Tabaco Internacional do Brasil Ltda.;
“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;
“China Tobacco” or “CNTC Group”	CNTC and its subsidiaries;

\* is for identification only.



## Definitions (Continued)

“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;
“Connected Transactions Control Committee”	the connected transactions control committee of the Board;
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“CTI”	China Tobacco International Inc.* (中國煙草國際有限公司), a company incorporated with limited liability in the PRC on 6 November 1984 and a wholly-owned subsidiary of CNTC;
“CTI Argentina”	China Tobacco International Argentina S.A., a company incorporated in Argentina on 11 November 2009 and one of our overseas suppliers. CTI Argentina is an indirectly wholly-owned subsidiary of CNTC and a connected person of our Company;
“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), the controlling shareholder of the Company;
“CTI North America”	China Tobacco International (North America), Inc., a company incorporated in the State of North Carolina, the United States and an indirectly wholly-owned subsidiary of CNTC;
“Directors”	the directors of the Company;
“EGM”	an extraordinary general meeting of the Company;
“Group”, “we” or “our”	the Company and its subsidiaries;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“Latest Practicable Date”	9 September 2022, being the latest practicable date prior to the bulk printing and publication of this interim report;
“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 and supplemented or otherwise modified from time to time;



# Definitions (Continued)

“Macau”	the Macau Special Administrative Region of the PRC;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
“Nomination Committee”	the nomination committee of the Board;
“Offshore Supply Framework Agreements”	the Offshore Tobacco Leaf Products Long-Term Supply Framework Agreements entered into between the Company, on one hand, and each of CBT, CTI North America and China Tobacco International Argentina S.A., on the other hand, as of 28 November 2018;
“Prospectus”	the prospectus dated 28 May 2019 issued by the Company;
“Pyxus”	Pyxus International, Inc. (formerly known as and successor of Alliance One International Inc.), a company incorporated under the laws of Virginia, United States in August 2020 and trading on the New York OTC Market (OTC: PYYX);
“R\$” or “Real”	Brazilian real, the lawful currency of Brazil;
“Remuneration Committee”	the remuneration committee of the Board;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“STMA”	the State Tobacco Monopoly Administration of the PRC (國家煙草專賣局);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Strategic Development Committee”	the strategic development committee of the Board;
“Tobacco Leaf Products Export Agency Agreements”	the tobacco leaf products export agency agreements entered into between the Company and each of certain entities under CNTC in the transactions where the Company acted as an agent as of 21 December 2018;
“U.S. dollars”	United States dollars, the lawful currency of the United States of America;
“United States”	the United States of America; and percent.



# Company Profile

(as of the Latest Practicable Date)

<b>Name in Chinese:</b>	中煙國際(香港)有限公司
<b>Name in English:</b>	China Tobacco International (HK) Company Limited
<b>Chairman of the Board and Non-Executive Director:</b>	SHAO Yan
<b>Executive Directors:</b>	YANG Xuemei, LI Yan, LIANG Deqing, WANG Chengrui
<b>Independent Non-Executive Directors:</b>	CHOW Siu Lui, WANG Xinhua, CHAU Kwok Keung, QIAN Yi
<b>General Manager:</b>	YANG Xuemei
<b>Company Secretary:</b>	WANG Chengrui
<b>Authorized Representatives:</b>	YANG Xuemei, WANG Chengrui
<b>Audit Committee:</b>	CHOW Siu Lui ( <i>Chairman</i> ), WANG Xinhua, CHAU Kwok Keung
<b>Remuneration Committee:</b>	CHOW Siu Lui ( <i>Chairman</i> ), SHAO Yan, WANG Xinhua
<b>Nomination Committee:</b>	SHAO Yan ( <i>Chairman</i> ), CHOW Siu Lui, WANG Xinhua
<b>Connected Transactions Control Committee:</b>	WANG Xinhua ( <i>Chairman</i> ), CHAU Kwok Keung, QIAN Yi, YANG Xuemei
<b>Strategic Development Committee:</b>	SHAO Yan ( <i>Chairman</i> ), YANG Xuemei, LI Yan, CHOW Siu Lui
<b>Headquarters, Registered Office and Principal Place of Business:</b>	Room 1002, 10/F, Tower A, China Life Center, One Harbour Gate, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong
<b>Stock Abbreviation Name:</b>	CTIHK
<b>Stock Code:</b>	6055
<b>Legal Adviser:</b>	Sullivan & Cromwell (Hong Kong) LLP
<b>Auditor:</b>	KPMG (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)
<b>Hong Kong Share Registrar:</b>	Computershare Hong Kong Investor Services Limited
<b>Principal Bankers:</b>	Industrial and Commercial Bank of China (Asia) Limited Bank of China (Hong Kong) Limited
<b>Company's Website:</b>	www.ctihk.com.hk



# Financial Highlights

Items	Unit: HK\$	
	For the six months ended 30 June 2022  (unaudited)	For the six months ended 30 June 2021 (Restated) <sup>(Note)</sup> (unaudited)
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.



# 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 Export 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.



# Management Discussion and Analysis (Continued)

## 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 thousand sticks 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.



# Management Discussion and Analysis (Continued)

## 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.



# Management Discussion and Analysis (Continued)

## 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.



# Management Discussion and Analysis (Continued)

## 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.



# Review of Continuing Connected Transactions

## REVIEW OF CONTINUING CONNECTED TRANSACTIONS

### Connected Persons

#### (a) Connected Persons at Issuer Level

CNTC and CTIG are the Company's substantial shareholders. Under the Listing Rules, CNTC and CTIG and their respective subsidiaries (including CTI which is a wholly-owned subsidiary of CNTC), are the Company's connected persons at issuer level.

#### (b) Connected Persons at Subsidiary Level

On 26 November 2021, the Company completed the Acquisition of the entire issued and outstanding quotas of CTIB from CTIG pursuant to the terms and conditions of the Quota Purchase Agreement dated 23 September 2021 entered into by the Company and CTIG. As at the Latest Practicable Date, CBT is owned as to 51% by CTIB and 49% by Alliance One Brazil. For more information on the Acquisition, please refer to the Company's announcements dated 23 September 2021, 22 October 2021 and 29 November 2021 and circular dated 29 September 2021.

After the completion of the Acquisition on 26 November 2021 and as of the Latest Practicable Date, CTIB has become a wholly-owned subsidiary of the Company and CBT has become an indirect non-wholly owned subsidiary of the Company. As Alliance One International through its wholly owned subsidiary, Alliance One Brazil, holds 49% of the total issued share capital of CBT, Alliance One Group are the Company's connected persons at the subsidiary level.

### Continuing Connected Transactions

During the six months ended 30 June 2022 (the "Reporting Period"), the Group conducted certain transactions with the above connected persons of the Company at the issuer level in the ordinary course of business, and these transactions constituted continuing connected transactions of the Company (the "Continuing Connected Transactions at Issuer Level") under the Listing Rules.

During the Reporting Period, the Group (including the Company and CBT) conducted certain transactions with the above connected persons of the Company at the subsidiary level in the ordinary course of business, and these transactions constituted continuing connected transactions of the Company (the "Continuing Connected Transactions at Subsidiary Level", together with the Continuing Connected Transactions at Issuer Level, the "Continuing Connected Transactions") under the Listing Rules.

We have followed the pricing policies set forth in the Exclusive Operation and Long-Term Supply Framework Agreements as well as pricing policies in connection with the Continuing Connected Transactions at Issuer Level and the Continuing Connected Transactions at Subsidiary Level as set forth below as well as the guidelines under the Listing Rules in determining the prices and terms of the connected transactions conducted during the Reporting Period. During the Reporting Period, the aggregate revenue amount of the Continuing Connected Transactions at Issuer Level and the Continuing Connected Transactions at Subsidiary Level was HK\$2,606.5 million and HK\$583.7 million, respectively, accounting for approximately 67% and 15% of our total revenue, respectively, during the Reporting Period. The total procurement of the Continuing Connected Transactions at Issuer Level and the Continuing Connected Transactions at Subsidiary Level was HK\$1,011.1 million and HK\$770.7 million, respectively, accounting for approximately 22% and 17% of our total purchase, respectively, during the Reporting Period.

The details of the Continuing Connected Transactions conducted by the Group during the Reporting Period that are subject to reporting requirement under the Listing Rules are set out in this section. Unless otherwise defined herein, capitalised terms used in this section shall have the same meaning as those defined in the Prospectus.



# Review of Continuing Connected Transactions (Continued)

## (A) Sales Transactions in the Tobacco Leaf Products Import Business

To facilitate that sales of imported tobacco leaf products to CTI, as of 30 June 2022, the Company and CTI have entered into a Tobacco Leaf Products Import Business Exclusive Operation and Long-Term Supply Framework Agreement (the “Tobacco Leaf Products Import Framework Agreement”), pursuant to which we sell imported tobacco leaf products to CTI as part of the Tobacco Leaf Products Import Business. The term of the Tobacco Leaf Products Import Framework Agreement shall be indefinite, unless terminated by the Company in accordance with the terms and conditions thereunder.

### Parties

The Company and CTI

### Pricing Policies

With respect to the Tobacco Leaf Products Import Business, the currently applicable pricing document is the No. 135 Notice, which sets forth that:

$$P = A \times 1.06$$

Where

P = Price at which we sell tobacco leaf products to CTI;

A = Price at which suppliers sell the tobacco leaf products to us.

The price at which we procure tobacco leaf products from overseas suppliers is determined through arm’s length negotiation with (i) independent third party suppliers, or (ii) connected persons, including CTI North America, taking into consideration factors including current international market condition, relationship with the supplier, past procurement prices, product quality and annual production volume. We utilize the same pricing mechanism in transactions with both independent third parties and connected persons. We currently sell tobacco leaf products to CTI after adding a 6% margin to our procurement prices from our suppliers, other than a small portion of tobacco leaf products imported for manufacturing certain cigarette brands, for which we apply a 3% margin.

For details of the sales transactions in the Tobacco Leaf Products Import Business, including but not limited to the background of the Tobacco Leaf Products Import Framework Agreement and the respective pricing policy of the relevant products, please refer to the Prospectus.

### Transaction Amount during the Reporting Period

During the Reporting Period, the amount of the sales transactions which constitute connected transactions in the Tobacco Leaf Products Import Business was HK\$2,606.3 million, accounting for approximately 100% of the total revenue of our Tobacco Leaf Products Import Business.



# Review of Continuing Connected Transactions (Continued)

## (B) Procurement Transactions in the Tobacco Leaf Products Export Business

We conduct our Tobacco Leaf Products Export Business in our ordinary course of business. Connected transactions contemplated under our Tobacco Leaf Products Export Business include the procurement of tobacco leaf products from certain entities under CNTC, including the import-export companies and industrial companies. To facilitate the above transactions, as of 30 June 2022, the Company and each of the relevant entities under CNTC have entered into the Tobacco Leaf Products Export Exclusive Operation and Long-Term Supply Framework Agreements (the “**Tobacco Leaf Products Export Framework Agreements**”), pursuant to which we procure tobacco leaf products from such connected persons. The term of each Tobacco Leaf Products Export Framework Agreement shall be indefinite, unless terminated by the Company in accordance with the terms and conditions thereunder.

### Parties

The Company and each of the entities under CNTC below:

- Shanghai Tobacco Group Co., Ltd. (上海煙草集團有限責任公司);
- Zhejiang China Tobacco Industrial Co., Ltd. (浙江中煙工業有限責任公司);
- Yunnan China Tobacco Industrial Co., Ltd. (雲南中煙工業有限責任公司);
- Fujian China Tobacco Industrial Co., Ltd. (福建中煙工業有限責任公司);
- China Tobacco Yunnan Import and Export Co., Ltd. (中國煙草雲南進出口有限公司);
- China Tobacco Sichuan Import and Export Co., Ltd. (中國煙草四川進出口有限責任公司);
- China Tobacco Shandong Import and Export Co., Ltd. (中國煙草山東進出口有限責任公司);
- China Tobacco Guangdong Import and Export Co., Ltd. (中國煙草廣東進出口有限公司);
- China Tobacco Henan Import and Export Co., Ltd. (中國煙草河南進出口有限責任公司);
- China Tobacco Hubei Import and Export Co., Ltd. (中國煙草湖北進出口有限責任公司);
- China Tobacco Hunan Import and Export Co., Ltd. (中國煙草湖南進出口有限責任公司);
- China Tobacco Fujian Import and Export Co., Ltd. (中國煙草福建進出口有限責任公司);
- China Tobacco Guizhou Import and Export Co., Ltd. (中國煙草貴州進出口有限責任公司);
- China Tobacco Liaoning Import and Export Company (中國煙草遼寧進出口公司);
- China Tobacco Heilongjiang Import and Export Co., Ltd. (中國煙草黑龍江進出口有限責任公司);
- Xinjiang Tobacco Import and Export Co., Ltd. (新疆煙草進出口有限責任公司);



# Review of Continuing Connected Transactions (Continued)

- Zhejiang Tobacco Import and Export Co., Ltd. (浙江煙草進出口有限公司);
- Shenzhen Tobacco Import and Export Co., Ltd. (深圳煙草進出口有限公司);
- Shaanxi Tobacco Import and Export Co., Ltd. (陝西煙草進出口有限責任公司); and
- Viniton Group Co., Ltd (柬埔寨威尼頓集團有限公司).

## Pricing Policies

With respect to our Tobacco Leaf Products Export Business, the Company first obtains indicative sales terms, which include quantity, specification, quality, acceptable price range and others, from potential independent third party customers. The Company then solicits offer from various suppliers of tobacco leaf products by obtaining samples, price quotes and price floors. The Company compares the terms and samples obtained and selects the supplier that offers the most favourable terms for commercially viable tobacco leaf products. Based on the market condition and its own evaluation of the quality of the samples, the Company provides the customers with price quotes and negotiates with them based on the suppliers' price floor. Our suppliers may also offer their products to us without any solicitation, and we will take such products into account in our future sales to customers where the products meet the demand of the customers and compare the samples as well as the other terms with those provided by the other suppliers. Procurement by the Company and by third parties from our suppliers are subject to the same pricing formulae in similar transactions and therefore our procurement has been conducted based on normal commercial terms. The pricing formula is shown as below:

$$P = A \times (1 - \text{applicable margin})$$

Where

P = Procurement price from domestic suppliers of tobacco leaf products;

A = Price at which the Company sells the tobacco leaf products to independent third parties.

The price at which the Company sells tobacco leaf products to third party customers is determined through arm's length negotiation between the parties. Specifically, our sales prices comprise: (i) our suppliers' costs associated with the processing of tobacco leaf products, which include cost of raw material, utility cost, rent of factory premises, storage expenses, staff costs and others; (ii) prevailing market price of shipping costs and insurance costs; (iii) applicable premium or discount in relation to product quality and the corresponding market status of a particular grade of tobacco leaf products (for example, the premium of tobacco leaf products produced in Yunnan Province is usually considered higher due to the different grades of tobacco leaf products); and (iv) other factors, including prevailing supply and demand in the tobacco leaf products market (such as seasonal domestic production volume and demand by overseas manufacturers for tobacco leaf products produced in different regions in China), fluctuation in the exchange rate between Hong Kong dollars and local currency at the export destinations, relationship with trading counterparties, past sales prices, local taxation at export destinations and other factors. Import tariffs charged by export destinations are borne by the buyers.

Currently, the applicable margin for exported tobacco leaf products is between 1% and 4%. Factors taken into consideration in setting these margins include relevant operating costs of the Company and reasonable profit margin. These applicable margins may be adjusted in the future based on changing market conditions and relevant costs of the Company in operating such business.



# Review of Continuing Connected Transactions (Continued)

For details of the procurement transactions in the Tobacco Leaf Products Export Business, including but not limited to the background of the Tobacco Leaf Products Export Framework Agreements and the respective pricing policy of the relevant products, please refer to the Prospectus.

## Transaction Amount during the Reporting Period

During the Reporting Period, the amount of the procurement transactions which constitute connected transactions in the Tobacco Leaf Products Export Business was HK\$976.7 million, accounting for approximately 100% of the total purchase of our Tobacco Leaf Products Export Business.

## (C) Procurement Transactions in the Cigarettes Export Business

As of 30 June 2022, the Company and each of the relevant entities under CNTC have entered into the Cigarettes Export Business Exclusive Operation and Long-Term Supply Framework Agreements (the “Cigarettes Export Framework Agreements”), pursuant to which we procure duty-free cigarettes from the Company’s connected persons. The term of each Cigarettes Export Framework Agreement shall be indefinite, unless terminated by the Company in accordance with the terms and conditions thereunder.

## Parties

The Company and each of the entities under CNTC below:

- Sichuan China Tobacco Industrial Co., Ltd. (四川中煙工業有限責任公司);
- Anhui China Tobacco Industrial Co., Ltd. (安徽中煙工業有限責任公司);
- Jiangsu China Tobacco Industrial Co., Ltd. (江蘇中煙工業有限責任公司);
- Henan China Tobacco Industrial Co., Ltd. (河南中煙工業有限責任公司);
- Zhejiang China Tobacco Industrial Co., Ltd. (浙江中煙工業有限責任公司);
- Shenzhen Tobacco Industrial Co., Ltd. (深圳煙草工業有限責任公司);
- Hubei China Tobacco Industrial Co., Ltd. (湖北中煙工業有限責任公司);
- Hunan China Tobacco Industrial Co., Ltd. (湖南中煙工業有限責任公司);
- Guizhou China Tobacco Industrial Co., Ltd. (貴州中煙工業有限責任公司);
- Shaanxi China Tobacco Industrial Co., Ltd. (陝西中煙工業有限責任公司);
- Guangdong China Tobacco Industrial Co., Ltd. (廣東中煙工業有限責任公司);
- Hongta Liaoning Tobacco Co., Ltd. (紅塔遼寧煙草有限責任公司);
- Shanghai Tobacco Group Co., Ltd. (上海煙草集團有限責任公司);



# Review of Continuing Connected Transactions (Continued)

- Shandong China Tobacco Industrial Co., Ltd. (山東中煙工業有限責任公司);
- Chongqing China Tobacco Industrial Co., Ltd. (重慶中煙工業有限責任公司);
- Yunnan China Tobacco Industrial Co., Ltd. (雲南中煙工業有限責任公司);
- Jilin China Tobacco Industrial Co., Ltd. (吉林煙草工業有限責任公司);
- Guangxi China Tobacco Industrial Co., Ltd. (廣西中煙工業有限責任公司);
- Hebei China Tobacco Industrial Co., Ltd. (河北中煙工業有限責任公司); and
- Jiangxi China Tobacco Industrial Co., Ltd. (江西中煙工業有限責任公司).

## Pricing Policies

With respect to the Cigarettes Export Business, we apply different pricing policies for different categories of cigarettes, namely, premium and other first tier duty-free cigarettes as well as the other duty-free cigarettes according to the No. 250 Notice effective on 1 January 2018.

### (i) *Premium and Other First Tier Duty-Free Cigarettes*

The pricing of our premium and other first tier duty-free cigarette products are determined in compliance with the current pricing regime for the duty-free cigarettes established by STMA, the price at which any operating entity procures premium and other first tier duty-free cigarettes from entities under CNTC must be determined in compliance with the No. 250 Notice issued in September 2017.

According to the No. 250 Notice issued by STMA, the export prices of premium cigarettes shall not be lower than 35% of the tax-excluded allocation price of those sold domestically, while the export prices of other first tier duty-free cigarettes shall not be lower than 45% of the tax-excluded allocation price of those sold domestically. Our suppliers must comply with the price floors set by STMA, which are tied to the relevant cigarette allocation prices that are also determined by STMA. On the basis of those price floors, we determine our ultimate procurement prices through arm's length negotiations with relevant entities under CNTC in procuring premium cigarettes and first tier cigarettes for export sales. Specifically, our procurement prices generally comprise: (i) suppliers' costs associated with the manufacturing of cigarettes, which include cost of raw material, utility cost, rent of factory premises, storage expenses, staff costs and others; (ii) prevailing market price of shipping costs and insurance costs; (iii) applicable premium in relation to cigarette brand, as industrial companies have greater bargaining power and stronger tendency to add a premium to well-known, influential cigarette brands (e.g., Chunghwa (中華) cigarettes manufactured by Shanghai Tobacco Group Co., Ltd. usually have a higher premium); (iv) applicable discount in relation to factors including historic business relationship with the relevant industrial companies, the Company's business reputation, financial conditions, scale of sales channels and ability to manage downstream wholesalers and others; and (v) other factors, including the relevant industrial companies' suggested retail price and reasonable profit margin of the Company and downstream wholesalers. The Company is not required to be responsible for tax payment in our Cigarettes Export Business.



# Review of Continuing Connected Transactions (Continued)

## (ii) Other Duty-Free Cigarettes

The prices at which we procure other duty-free cigarettes categories from CNTC Group are determined through arm's length negotiation, using the same pricing policies and taking into consideration the same factors for premium and other first tier duty-free cigarettes as described above, but the pricing for other duty-free cigarettes is not subject to any government-prescribed price floors.

Subsequently, similar as described above for premium and other first tier duty-free cigarettes, we determine sales prices of other duty-free cigarettes through arm's length negotiation with our customers in our proprietary business. With respect to customers in our incremental business, we currently determine sales prices by adding an applicable margin scale of 1% to 2%, 2% to 5% or more than 5% to our procurement prices.

For details of the procurement transactions in the Cigarettes Export Business, including but not limited to the background of the Cigarettes Export Framework Agreements and the respective pricing policy of the relevant products, please refer to the Prospectus.

### Transaction Amount during the Reporting Period

During the Reporting Period, the amount of the procurement transactions which constitute connected transactions in the Cigarettes Export Business was HK\$8.3 million, accounting for approximately 100% of the total purchase of our Cigarettes Export Business.

## (D) Procurement Transactions in the New Tobacco Products Export Business

As of 30 June 2022, the Company and each of the relevant entities under CNTC have entered into the New Tobacco Products Export Business Exclusive Operation and Long-Term Supply Framework Agreements (the "New Tobacco Products Export Framework Agreements"), pursuant to which we procure new tobacco products from such connected persons as part of our New Tobacco Products Export Business. The term of each New Tobacco Products Export Framework Agreement shall be indefinite, unless terminated by the Company in accordance with the terms and conditions thereunder.

### Parties

The Company and each of the entities under CNTC below:

- Shandong China Tobacco Industrial Co., Ltd. (山東中煙工業有限責任公司);
- Henan China Tobacco Industrial Co., Ltd. (河南中煙工業有限責任公司);
- Heilongjiang China Tobacco Industrial Co., Ltd. (黑龍江煙草工業有限責任公司);
- Chongqing China Tobacco Industrial Co., Ltd. (重慶中煙工業有限責任公司);
- Shanghai Tobacco Group Co., Ltd. (上海煙草集團有限責任公司);
- Yunnan China Tobacco Industrial Co., Ltd. (雲南中煙工業有限責任公司);



# Review of Continuing Connected Transactions (Continued)

- Guangdong China Tobacco Industrial Co., Ltd. (廣東中煙工業有限責任公司);
- Sichuan China Tobacco Industrial Co., Ltd. (四川中煙工業有限責任公司);
- Anhui China Tobacco Industrial Co., Ltd. (安徽中煙工業有限責任公司);
- Jiangsu China Tobacco Industrial Co., Ltd. (江蘇中煙工業有限責任公司);
- Zhejiang China Tobacco Industrial Co., Ltd. (浙江中煙工業有限責任公司);
- Hubei China Tobacco Industrial Co., Ltd. (湖北中煙工業有限責任公司);
- Hunan China Tobacco Industrial Co., Ltd. (湖南中煙工業有限責任公司);
- Shenzhen Tobacco Industrial Co., Ltd. (深圳煙草工業有限責任公司);
- Jilin China Tobacco Industrial Co., Ltd. (吉林煙草工業有限責任公司);
- Hebei China Tobacco Industrial Co., Ltd. (河北中煙工業有限責任公司);
- Jiangxi China Tobacco Industrial Co., Ltd. (江西中煙工業有限責任公司);
- Guangxi China Tobacco Industrial Co., Ltd. (廣西中煙工業有限責任公司);
- Inner Mongolia Kunming Cigarette Limited Liability Company (內蒙古昆明捲煙有限責任公司);
- Guizhou China Tobacco Industrial Co., Ltd. (貴州中煙工業有限責任公司); and
- Fujian China Tobacco Industrial Co., Ltd. (福建中煙工業有限責任公司).

## Pricing Policies

With respect to our New Tobacco Products Export Business, (i) it is an emerging business worldwide; and (ii) since sale of heat-not-burn tobacco products is currently prohibited within the borders of China, there is no reference price on domestic sale of new tobacco products for relevant domestic suppliers. Thus, to ensure fair dealings the Company contacts potential third party customers in the international markets and gets indication on the terms of sales (including sales price). The Company then negotiates with relevant new tobacco products manufacturing entities under CNTC at arm's length with respect to the indicative terms of procurement (including procurement prices). Procurement by the Company is subject to the pricing formula as below:

$$P = A \times (1 - \text{applicable margin})$$

Where

P = Procurement price from domestic suppliers of new tobacco products;

A = Price at which the Company sells the new tobacco products to independent third parties.



# Review of Continuing Connected Transactions (Continued)

The prices at which the Company sells new tobacco products are determined through arm's length negotiation with third party customers. Specifically, our sales prices comprise: (i) our suppliers' costs associated with the manufacturing of new tobacco products, which include cost of raw material, storage expenses, research and development expenses or patent royalties, staff costs, utility cost, rent of factory premises and others; (ii) prevailing market price of shipping costs and insurance costs; (iii) applicable premium or discount in relation to product quality and the corresponding market status of a particular brand of new tobacco products; and (iv) other factors, including sales price of competitors, marketing strategies of the Company (such as offering competitive price to expand market presence), prevailing supply and demand in relevant new tobacco products market, and relationship with the relevant counterparties. New tobacco products are not subject to any export tariff. Currently, the margins utilised in the New Tobacco Products Export Business are at least 1%. Such margins were determined taking into consideration, among others, the relevant operating costs of the Company and the cost of early-stage marketing. These margins may be adjusted by the Company in response to changes in the international market conditions and the Company's relevant operating costs.

For details of the procurement transactions in the New Tobacco Products Export Business, including but not limited to the background of the New Tobacco Products Export Framework Agreements and the respective pricing policy of the relevant products, please refer to the Prospectus.

## Transaction Amount during the Reporting Period

During the Reporting Period, the amount of the procurement transactions which constitute connected transactions in the New Tobacco Products Export Business was HK\$26.1 million, accounting for approximately 100% of the total purchase of our New Tobacco Products Export Business.

## (E) Procurement Transactions in the Tobacco Leaf Products Import Business

To facilitate the procurement of tobacco leaf products from the relevant counterparties in the procurement transactions in the Tobacco Leaf Products Import Business, the Company previously entered into the Offshore Supply Framework Agreements with each of the relevant counterparties in the procurement transactions in the Tobacco Leaf Products Import Business (as set out below), all being subsidiaries and/or associates of CNTC. The Offshore Supply Framework Agreements have expired as of 28 November 2021. To continue to facilitate such procurement of tobacco leaf products, on 17 November 2021, the Company entered into the 2021-2024 Offshore Supply Framework Agreements with each of the relevant counterparties in the procurement transactions in the Tobacco Leaf Products Import Business (as set out below), on substantially the same terms and conditions of the Offshore Supply Framework Agreements. Pursuant to each of the 2021-2024 Offshore Supply Framework Agreements, the relevant counterparties in the procurement transactions in the Tobacco Leaf Products Import Business shall provide long-term supply of tobacco leaf products to us in accordance with the specific terms of procurement separately agreed with us through arm's length negotiation in good faith. The term of each of the 2021-2024 Offshore Supply Framework Agreements shall be three years from 17 November 2021 to 16 November 2024. Upon expiration, the parties may negotiate to extend the term of such agreement by another three years. Upon the expiration of the extended three-year term, the parties may further extend the term in writing after arm's length negotiation, subject to compliance with the Listing Rules and other applicable laws. The 2021-2024 Offshore Supply Framework Agreements and the transactions contemplated thereunder were approved by the independent Shareholders of the Company at the EGM held on 30 December 2021.



# Review of Continuing Connected Transactions (Continued)

## Parties

- (in relation to the Offshore Supply Framework Agreements) the Company and each of CTI North America, CTI Argentina and CBT
- (in relation to the 2021-2024 Offshore Supply Framework Agreements) the Company and each of CTI North America and CBT

Prior to the completion of the Acquisition on 26 November 2021, CBT was owned as to 51% by CTIB, an indirectly wholly-owned subsidiary of CNTC through CTIG, and 49% by Alliance One Brazil, an indirectly wholly-owned subsidiary of Pyxus (OTC: PYYX). After the completion of the Acquisition on 26 November 2021 and as of the Latest Practicable Date, CBT has become a non-wholly owned subsidiary of the Company and hence ceases to be a connected person of the Company.

## Pricing Policies

The procurement of tobacco leaf products by the Company from the relevant counterparties that are entities under CNTC and thus connected persons of the Company are conducted by the Company as part of the Tobacco Leaf Products Import Business, which consists of (i) procurement of tobacco leaf products by the Company from overseas suppliers; and (ii) sale of such products by the Company to CTI for onward sales to cigarette manufacturers in the PRC. Pursuant to the Approval of Matters Including the Adjustment of Commission Rates Relating to Tobacco Leaves Import by China Tobacco International Company Limited (Zhongyanban (2018) No. 135) (中國煙草總公司關於中國煙草國際有限公司進口煙葉代理費率等事項調整的批覆(中煙辦[2018]135號)) issued by CNTC on 17 July 2018 (the “No. 135 Notice”), the margin (the “Margin”) at which the Company shall add to the price at which the Company procures such products from its suppliers (the “Procurement Price”) in its sales of tobacco leaf products to CTI shall be 6% (except for a small portion of tobacco leaf products imported for manufacturing certain cigarette brands which are not relevant to the Offshore Supply Framework Agreements, the 2021-2024 Offshore Supply Framework Agreements and the respective transactions contemplated thereunder). As disclosed in the Prospectus, the determination of the Margin under the No. 135 Notice took into account the overall transaction cost associated with the importation process born by the various parties, including the import tariff, value-added tax, our cost of operations and the risk associated with the applicable exchange rate, and the Company may apply with the STMA for adjustment of the Margin based on changing international and domestic market conditions. The Procurement Price is negotiated between the parties on an arm’s length basis, taking into consideration factors including current international market condition, relationship with the relevant suppliers, past procurement prices, product quality and annual production volume. Specifically, the Procurement Price comprises: (i) suppliers’ costs of raw materials; (ii) applicable premium or discount in relation to product quality and the corresponding market status of a particular grade of tobacco leaf products; and (iii) suppliers’ costs associated with exchange rate (since suppliers procure tobacco leaves from local tobacco farmers with local currency but sell processed tobacco leaves to the Company in U.S. dollars). The applicable taxes, for example, export tax imposed by certain countries, are usually borne by the Company. The Company applies the same pricing policies in negotiating and determining the Procurement Prices with independent third parties suppliers and suppliers that are connected persons of the Company. The determination of the Procurement Prices will not affect the margin the Company charges in the Tobacco Leaf Products Import Business (to the extent relevant to the Offshore Supply Framework Agreements, the 2021-2024 Offshore Supply Framework Agreements and the respective transactions contemplated thereunder), which is fixed at 6% pursuant to the No. 135 Notice.



# Review of Continuing Connected Transactions (Continued)

For further details of the procurement transactions in the Tobacco Leaf Products Import Business, including but not limited to the background of the Offshore Supply Framework Agreements and the 2021-2024 Offshore Supply Framework Agreements and the respective pricing policy of the relevant products, please refer to the Prospectus and the Company's circular dated 14 December 2021.

## Transaction Amount during the Reporting Period

During the Reporting Period, the amount of the procurement transactions which constitute connected transactions in the Tobacco Leaf Products Import Business was nil.

## (F) Agency Business in the Sales of Tobacco Leaf Products

We act as an agent in certain sale transactions of tobacco leaf products as part of our Tobacco Leaf Products Export Business, from which we record certain commissions. To facilitate our Agency Business in the Sale of Tobacco Leaf Products, the Company and each of the relevant counterparties in the Agency Business in the Sales of Tobacco Leaf Products that are entities under CNTC previously entered into the Tobacco Leaf Products Export Agency Agreements. The Tobacco Leaf Products Export Agency Agreements have expired as of 21 December 2021. To continue to facilitate such Agency Business in the Sale of Tobacco Leaf Products, on 17 November 2021, the Company and each of the relevant counterparties in the Agency Business in the Sales of Tobacco Leaf Products that are entities under CNTC (as set out below) entered into the 2021-2024 Tobacco Leaf Products Export Agency Agreements on substantially the same terms and conditions of the Tobacco Leaf Products Export Agency Agreements. As part of the Agency Business in the Sale of Tobacco Leaf Products, we act as an agent in the sales of tobacco leaf products in accordance with the specific terms separately agreed between us and each of the relevant counterparties through arm's length negotiation in good faith, and generate income from commission received in connection with such transactions. The term of each of the 2021-2024 Tobacco Leaf Products Export Agency Agreements shall be three years from 17 November 2021 to 16 November 2024. Upon expiration, the parties may negotiate to extend the term of such agreements by another three years. Upon the expiration of the extended three-year term, the parties may further extend the term in writing after arm's length negotiation, subject to compliance with the Listing Rules and other applicable laws. The 2021-2024 Tobacco Leaf Products Export Agency Agreements and the transactions contemplated thereunder were approved by the independent Shareholders of the Company at the EGM held on 30 December 2021.

## Parties

The Company and each of the entities under CNTC below:

- Viniton Group Co., Ltd.;
- Bang Kang Cigarette Factory, Myanmar;
- Lao-China Hongta Good Luck Tobacco Co., Ltd.;
- Golden Leaf (Macau) Tobacco's Manufacturing Ltd.; and
- Hong Kong Hongta International Tobacco Company Limited.



# Review of Continuing Connected Transactions (Continued)

## Pricing Policies

The rate of commission charged by the Company in connection with the transactions under the Tobacco Leaf Products Export Agency Agreements and the 2021-2024 Tobacco Leaf Products Export Agency Agreements is determined based on the resources devoted by the Company in connection with such transactions and varies according to the unit price of the relevant tobacco leaf products. The Company generally charges a higher commission rate for the tobacco leaf products carrying lower unit price and vice versa to derive reasonable profit. These transactions are conducted in the ordinary and usual course of business on normal commercial terms (or terms that are better to the Group). The Group currently expects to receive a commission of not less than 1% for tobacco leaf products (excluding cut tobacco) and less than 1% for cut tobacco, respectively, of the contract amount as revenue in such transactions. For cut tobacco, the minimum commission rate that the Group expects to receive is 0.25% of the selling price. The minimum commission rate is determined based on the gross margin that the Group expects to generate from the sale of such products, which is (i) 0.25% for the blended cut tobacco, cut tobacco and expanded cut tobacco with a unit price of USD20,000 per metric ton or above, and (ii) 0.5% for the blended cut tobacco, cut tobacco and expanded cut tobacco with a unit price below USD20,000 per metric ton, respectively.

For further details of the Agency Business in the Sale of Tobacco Leaf Products (including the relevant pricing policies), please refer to the Prospectus and the Company's circular dated 14 December 2021.

## Transaction Amount during the Reporting Period

During the Reporting Period, the amount of the Agency Business in the Sales of Tobacco Leaf Products which constitute connected transactions (in terms of commission) was HK\$0.2 million, accounting for approximately 0.020% of the total revenue of our Tobacco Leaf Products Export Business.

## (G) Sale and Purchase Transactions with Alliance One Group

CBT historically has entered into transactions with Alliance One Group in relation to (i) the sale of tobacco transactions, and (ii) the purchase of agricultural materials, tobacco and services transactions in the ordinary course of its business. The Group has also historically entered into transactions with Alliance One International in relation to the sale and purchase of tobacco in the ordinary course of its business. After the completion of the Acquisition on 26 November 2021 and as of the Latest Practicable Date, such existing transactions with Alliance One Group carried out in the ordinary course of business of the Group and CBT have constituted continuing connected transactions of the Company under the Listing Rules. Such existing transactions have been contemplated under (i) the Framework Tobacco Sales Agreement, (ii) the Framework Tobacco Purchase Agreement, (iii) the CBT Framework Tobacco Sales Agreement and (iv) the CBT Framework Tobacco and Services Purchase Agreement (collectively, the “Alliance One Connected Transactions Agreements”), the details of which are set out below.

Given that (i) upon the completion of the Acquisition on 26 November 2021, Alliance One Brazil has become a connected person of the Company at the subsidiary level under the Listing Rules and transactions carried out in the ordinary course of business of the Group under the Alliance One Connected Transactions Agreements have become continuing connected transactions of the Company under the Listing Rules; (ii) one or more of the applicable percentage ratios of the annual caps (on an aggregated basis) under the Listing Rules for both (a) the sale of tobacco transactions, and (b) the purchase of agricultural materials, tobacco and service transactions under the Alliance One Connected Transactions Agreements are 5% or more; and (iii) the Board (excluding Mr. Shao Yan but including the independent non-executive Directors) have approved the terms of the Alliance One Connected Transactions Agreements and the transactions contemplated thereunder and confirmed that the terms of the Alliance One Connected Transactions Agreements and the transactions contemplated



# Review of Continuing Connected Transactions (Continued)

thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Alliance One Connected Transactions Agreements and the transactions contemplated thereunder constitute continuing connected transactions which are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. For details, please refer to the Company's circular dated 29 September 2021.

## (i) *Framework Tobacco Sales Agreement*

The Group sells and exports various grades of tobacco leaves to different customers with varying demands in the ordinary course of its business. In particular, Alliance One International procures tobacco leaves from us and sells them to its end customers in Southeast Asia, Hong Kong, Macau and Taiwan as part of its business activities. On 23 September 2021, the Company and Alliance One International entered into the Framework Tobacco Sales Agreement, which has become effective upon the completion of the Acquisition on 26 November 2021, and provides for the principles and terms and conditions upon which the Group is to carry out the sale of tobacco leaves transactions with Alliance One Group. Pursuant to the Framework Tobacco Sales Agreement, the Group will sell to Alliance One Group certain grades of tobacco leaves targeted for its end customers in Southeast Asia, Hong Kong, Macau and Taiwan. The initial term of the Framework Tobacco Sales Agreement commenced on the completion of the Acquisition on 26 November 2021 and will end on 31 December 2022. Upon expiration, the parties may negotiate to extend the agreement by another one-year term, and upon the expiration of the extended one-year term, the parties may further extend the term in writing after arm's length negotiation, subject to compliance with the Listing Rules and other applicable laws. On 30 May 2022, the Board adjusted upward the existing annual caps for sale of tobacco transactions contemplated (i) under the Framework Tobacco Sales Agreement; (ii) under the CBT Framework Tobacco Sales Agreement; and (iii) on an aggregated basis, each for the year ending 31 December 2022.

For further details of the Framework Tobacco Sales Agreement (including the relevant pricing policies) and the revised annual cap for the Framework Tobacco Sales Agreement, please refer to the Company's circular dated 29 September 2021 and announcement dated 30 May 2022.

### **Parties**

The Company and Alliance One International

### **Pricing Policies**

The price and amount of the sale of tobacco leaves transactions contemplated under the Framework Tobacco Sales Agreement are separately negotiated between relevant members of the Group and relevant members of Alliance One Group on an arm's length basis. In particular, the tobacco leaves are priced with reference to (i) the volume and quality of tobacco leaves sold, including applicable premium or discount in relation to quality and the corresponding market status of a particular grade; (ii) the Group's procurement costs for such tobacco leaves, including cost of raw material, utility cost, rent of factory premises, shipping costs, storage expenses and staff costs; and (iii) other factors such as seasonal demand and past sales prices. The same pricing mechanism is adopted for sale of tobacco leaves to independent third parties of the Group.

### **Transaction Amount during the Reporting Period**

During the Reporting Period, the amount of the sale of tobacco transactions under the Framework Tobacco Sales Agreement which constitutes connected transactions was HK\$395.1 million.



# Review of Continuing Connected Transactions (Continued)

## *(ii) CBT Framework Tobacco Sales Agreement*

CBT sells tobacco leaves of various grades to different customers in the ordinary course of its business. Those customers include Alliance One Group, who procures tobacco leaves and sells them to end customers as part of its business activities. In addition, certain end customers maintain internal lists of approved tobacco merchants and would only trade with those approved tobacco merchants on their lists. Certain members of Alliance One Group are such approved tobacco merchants for such end customers, while CBT is not and would need to sell tobacco leaves to Alliance One Group for onward sales to such end customers. On 23 September 2021, CBT and Alliance One International entered into the CBT Framework Tobacco Sales Agreement, which has become effective upon the completion of the Acquisition on 26 November 2021, and provides for the principles and terms and conditions upon which CBT is to carry out the sale of tobacco leaves transactions with Alliance One Group. Pursuant to the CBT Framework Tobacco Sales Agreement, CBT will sell to Alliance One Group: (i) certain grades of tobacco leaves; and (ii) tobacco leaves for onward sales to other end customers through Alliance One Group's distribution channels. The initial term of the CBT Framework Tobacco Sales Agreement commenced on the completion of the Acquisition on 26 November 2021 and will end on 31 December 2022. Upon expiration, the parties may negotiate to extend the agreement by another one-year term, and upon the expiration of the extended one-year term, the parties may further extend the term in writing after arm's length negotiation, subject to compliance with the Listing Rules and other applicable laws. On 30 May 2022, the Board adjusted upward the existing annual caps for sale of tobacco transactions contemplated (i) under the Framework Tobacco Sales Agreement, (ii) under the CBT Framework Tobacco Sales Agreement and (iii) on an aggregated basis, each for the year ending 31 December 2022.

For further details of the CBT Framework Tobacco Sales Agreement (including the relevant pricing policies) and the revised annual cap for the CBT Framework Tobacco Sales Agreement, please refer to the Company's circular dated 29 September 2021 and announcement dated 30 May 2022.

### **Parties**

CBT and Alliance One International

### **Pricing Policies**

The price and amount of the sale of tobacco leaves transactions contemplated under the CBT Framework Tobacco Sales Agreement are separately negotiated between CBT and relevant members of Alliance One Group on an arm's length basis. In particular, the tobacco leaves are priced with reference to (i) the volume and quality of tobacco leaves sold, including applicable premium or discount in relation to quality and the corresponding market status of a particular grade; (ii) CBT's procurement costs for such tobacco leaves, including cost of raw material, utility cost, rent of factory premises, shipping costs, storage expenses and staff costs; and (iii) other factors such as seasonal demand, applicable exchange rates and taxation. The same pricing mechanism is adopted for sale of tobacco leaves to independent third parties of CBT.

### **Transaction Amount during the Reporting Period**

During the Reporting Period, the amount of the sale of tobacco transactions under the CBT Framework Tobacco Sales Agreement which constitutes connected transactions was HK\$188.6 million.



# Review of Continuing Connected Transactions (Continued)

## *(iii) Framework Tobacco Purchase Agreement*

As part of the Group's import business and in order to meet the demand of its end customers for high quality grades of tobacco leaves, the Company procures tobacco leaves from various suppliers in the ordinary course of its business, including from Alliance One International, who procures and processes tobacco leaves from tobacco farmers and sells such tobacco leaves to its customers, including the Group, as part of its business. Such transactions enable the Group to secure a sufficient amount of high quality tobacco leaf products to meet the demands of its end customers. On 23 September 2021, the Company and Alliance One International entered into the Framework Tobacco Purchase Agreement, which has become effective upon the completion of the Acquisition on 26 November 2021. The Framework Tobacco Purchase Agreement provides for the principles and terms and conditions upon which the Group and Alliance One Group are to carry out the purchase of tobacco leaves transactions. Pursuant to the Framework Tobacco Purchase Agreement, the Group will procure from Alliance One Group certain high quality grades of tobacco leaves. The initial term of the Framework Tobacco Purchase Agreement commenced on the completion of the Acquisition on 26 November 2021 and will end on 31 December 2022. Upon expiration, the parties may negotiate to extend the agreement by another one-year term, and upon the expiration of the extended one-year term, the parties may further extend the term in writing after arm's length negotiation, subject to compliance with the Listing Rules and other applicable laws.

For further details of the Framework Tobacco Purchase Agreement (including the relevant pricing policies), please refer to the Company's circular dated 29 September 2021.

### **Parties**

The Company and Alliance One International

### **Pricing Policies**

The price and amount of the purchase of tobacco leaves transactions contemplated under the Framework Tobacco Sales Agreement are separately negotiated between relevant members of the Group and relevant members of Alliance One Group on an arm's length basis. In particular, the tobacco leaves are priced with reference to (i) the volume and quality of tobacco leaves offered, including applicable premium or discount in relation to quality and the corresponding market status of a particular grade; (ii) procurement costs for such tobacco leaves, including cost of raw material, utility cost, rent of factory premises, shipping costs, storage expenses and staff costs; and (iii) other factors such as seasonal demand and past procurement prices. The same pricing mechanism is adopted for purchase of tobacco leaves from independent third parties of the Group.

### **Transaction Amount during the Reporting Period**

During the Reporting Period, the amount of the purchase of tobacco and services transactions under the Framework Tobacco Purchase Agreement which constitutes connected transactions was HK\$533.2 million.



# Review of Continuing Connected Transactions (Continued)

## *(iv) CBT Framework Tobacco and Services Purchase Agreement*

In order to sell and export tobacco leaf products, CBT procures agricultural materials, tobacco leaves and processing services from various suppliers in the ordinary course of its business. Those suppliers include Alliance One Brazil, who sells agricultural materials and tobacco leaves, as well as operates processing facilities as part of its business activities. The transactions with Alliance One Brazil enable CBT to secure a sufficient amount of high quality tobacco leaf products to meet the demands of its end customers. On 23 September 2021, CBT and Alliance One Brazil entered into the CBT Framework Tobacco and Services Purchase Agreement, which has become effective upon the completion of the Acquisition on 26 November 2021. The CBT Framework Tobacco and Services Agreement provides for the principles and terms and conditions upon which CBT and Alliance One Brazil are to carry out the purchase of agricultural materials, tobacco leaves and processing services transactions. Pursuant to the CBT Framework Tobacco and Services Purchase Agreement, CBT will procure from Alliance One Brazil: (i) agricultural materials for the production of tobacco leaf products, such as seeds and fertilizers; (ii) high quality tobacco leaves; and (iii) processing services to manufacture tobacco leaves into tobacco leaf products. The initial term of the CBT Framework Tobacco and Services Purchase Agreement commenced on the completion of the Acquisition on 26 November 2021 and will end on 31 December 2022. Upon expiration, the parties may negotiate to extend the agreement by another one-year term, and upon the expiration of the extended one-year term, the parties may further extend the term in writing after arm's length negotiation, subject to compliance with the Listing Rules and other applicable laws. On 30 May 2022, the Board adjusted upward the existing annual caps (i) for purchase of agricultural materials, tobacco and service transactions contemplated under the CBT Framework Tobacco and Services Purchase Agreement and (ii) accordingly, for purchase of agricultural materials, tobacco and service transactions contemplated under the Framework Tobacco Purchase Agreement and the CBT Framework Tobacco and Services Purchase Agreement on an aggregated basis, each for the year ending 31 December 2022.

For further details of the CBT Framework Tobacco and Services Purchase Agreement (including the relevant pricing policies) and the revised annual cap for the CBT Framework Tobacco and Services Purchase Agreement, please refer to the Company's circular dated 29 September 2021 and announcement dated 30 May 2022.

### **Parties**

CBT and Alliance One Brazil

### **Pricing Policies**

The price and amount of the purchase of agricultural materials, tobacco leaves and processing services transactions contemplated under the CBT Framework Tobacco and Services Purchase Agreement are separately negotiated between CBT and Alliance One Brazil on an arm's length basis. In particular:

- (a) In respect of the purchase of agricultural materials, a fixed margin of approximately 2.5% is added to Alliance One Brazil's procurement price of the agricultural materials, representing Alliance One Brazil's expenses for the administration, handling, loading, storage and shipping of the agricultural materials.
- (b) In respect of the purchase of tobacco leaves, price is determined by: (i) the volume and quality of tobacco leaves offered, including applicable premium or discount in relation to quality and the corresponding market status of a particular grade; (ii) the price range for tobacco leaves of the same quality, as compared to prices offered by independent third party suppliers; and (iii) negotiations with CBT's end customers regarding their retail price and reasonable profit margins. The same pricing mechanism is adopted for the purchase of tobacco leaves from independent third parties of CBT.



# Review of Continuing Connected Transactions (Continued)

- (c) In respect of the purchase of processing services, for the year ending on 31 December 2022, a fixed fee of approximately R\$1.139 is charged for each kilogram of tobacco leaves processed, where such fixed fee is mainly comprised of labour costs, utility costs, and storage costs for the processing services. Such fixed fee is determined on a yearly basis taking into account the potential increase in the aforementioned costs.

## Transaction Amount during the Reporting Period

During the Reporting Period, the amount of the purchase of tobacco and services transactions under the CBT Framework Tobacco and Services Agreement which constitutes connected transactions was HK\$237.5 million.

## CONFIRMATION FROM AND REVIEW OPINIONS OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company (the “INEDs”) have reviewed the continuing connected transactions (the “Continuing Connected Transactions”) conducted by the Group during the Reporting Period. In particular, to ensure the fairness of the Continuing Connected Transactions, the INEDs have performed the following works, which apply to the Continuing Connected Transactions of types A, B, C and D above (the “CCTs of Indefinite Term”), the Continuing Connected Transactions of types E and F (the “CCTs of Fixed Terms”) and the Continuing Connected Transactions of type G (the “CCTs with Alliance One Group”), respectively: (i) reviewed the interim financial information of the Group to understand the Continuing Connected Transactions entered into during the Reporting Period; (ii) reviewed various transaction documents to consider whether the Continuing Connected Transactions have complied with the agreements governing such transactions, the pricing policies and whether the contract terms are conducted on the normal commercial terms or better to the Group on the sampling basis; (iii) reviewed the reports of the independent financial adviser of the Continuing Connected Transactions during the Reporting Period; (iv) convened the special meetings of the Connected Transactions Control Committee to discuss the review conducted by the Connected Transactions Control Committee of the Continuing Connected Transactions during the Reporting Period (the “Review”), and the review opinions on the Continuing Connected Transactions jointly with the independent financial adviser; (v) reviewed the interim financial statements of the Group for the Reporting Period with disclosure note on material related party transactions included therein; and (vi) convened the special meetings of the Connected Transactions Control Committee to enquire the management about its control measures and implementations in relation to the Continuing Connected Transactions. In connection with the CCTs with Alliance One Group, the INEDs have also sampled and reviewed contracts with independent third parties to compare relevant key commercial terms with those in the CCTs with Alliance One Group.

The aggregate transaction amount of the CCTs of Indefinite Term which have been covered by the Review are approximately HK\$1,647.0 million, HK\$592.9 million, HK\$11.0 million and HK\$15.1 million, respectively, representing not less than 50% of the total sales transaction amount of each type of transactions during the Reporting Period.

In addition to the above works, the INEDs have confirmed that during the Reporting Period, the Continuing Connected Transactions had been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better to the Group; and (iii) according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.



# Review of Continuing Connected Transactions (Continued)

## REVIEW OPINIONS OF THE INDEPENDENT FINANCIAL ADVISER

The Company has engaged Somerley Capital Limited (“Somerley”) as the independent financial adviser to review the CCTs of Indefinite Term. The independent financial adviser has performed the following works: 1) obtained and reviewed transaction documents including, among others, price negotiation records, purchase indication records, procurement contracts and sales contracts, and relevant pricing regulatory notices or the Company’s internal pricing policies, in relation to each of the CCTs of Indefinite Term during the Reporting Period, on a sampling basis, representing not less than 50% of the total sales transaction amount of each of the CCTs of Indefinite Term during the Reporting Period. Somerley has noted that the CCTs of Indefinite Term were conducted in accordance with the relevant pricing regulatory notices and the Company’s internal pricing policies; 2) discussed with the management of the Company to understand the background of the CCTs of Indefinite Term, customer and supplier selection criteria, procurement procedures and pricing policies, in particular with respect to the Company’s independence throughout the decision-making process; 3) enquired the management of the Company about the existing internal control measures so as to confirm that the CCTs of Indefinite Term were carried out in accordance with the procedures and criteria set out by the Company in relevant internal policies and procedures; and 4) compared the margins of certain CCTs of Indefinite Term, that are not governed by any pricing policy prescribed by STMA or CNTC, against the margins of other listed companies in Hong Kong engaged in trading consumable goods business.

Based on the above, Somerley has confirmed that the CCTs of Indefinite Term for the Reporting Period have been conducted: 1) in the ordinary and usual course of business of the Group; 2) on normal commercial terms or better to the Group; and 3) that the terms are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

In addition, the Company has engaged Somerley to review the CCTs of Fixed Terms and the CCTs with Alliance One Group for the Reporting Period. Somerley has confirmed that the CCTs of Fixed Terms and the CCTs with Alliance One Group during the Reporting Period have been entered into: 1) in the ordinary and usual course of business of the Group; 2) on normal commercial terms or better to the Group; and 3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.



# 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

Total assets of the Group amounted to HK\$6,208.2 million as at 30 June 2022 (as at 31 December 2021: HK\$4,766.6 million). The Group had cash and cash equivalents of HK\$2,024.1 million as at 30 June 2022 (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. Total liabilities of the Group amounted to HK\$4,106.3 million as at 30 June 2022 (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. dollars. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars and U.S. dollars.

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 the current assets divided by the current liabilities) of 1.42 (as at 31 December 2021: 1.59).

## SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the six months ended 30 June 2022.

## 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. dollars and Real. The functional currency of CBT is U.S. dollars. Actual payments received by CBT are made in U.S. dollars, 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.



## Other Information (Continued)

### 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 interim report, 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.



## Other Information (Continued)

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)	Amount utilised		Unutilised amount as at 30 June 2022 (HK\$ million)	Expected timeline as disclosed in the 2021 Annual Report	Updated expected timeline for utilising the remaining Net Proceeds
			Unutilised amount as at 1 January 2022 (HK\$ million)	for the six months ended 30 June 2022 (HK\$ million)			
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.
<b>Total</b>	<b>100%</b>	<b>904.0</b>	<b>468.5</b>	<b>4.3</b>	<b>464.2</b>		

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that is recorded in the register required to be kept under section 352 of the SFO or any interests otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' RIGHTS TO ACQUIRE SHARES

At no time during the six months ended 30 June 2022 was the Company, any of its holding companies, or any of its holding companies' subsidiaries a party for any arrangement to enable the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



## Other Information (Continued)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

#### Long Positions in the Shares and Underlying Shares of the Company

	Nature of interest	Ordinary shares held	Percentage of the total number of issued shares <sup>2</sup>	
(i)	CTIG	Beneficial owner	500,010,000	72.29%
(ii)	CNTC <sup>1</sup>	Interest in a controlled corporation	500,010,000	72.29%

Notes:

- In light of the fact that CNTC directly controls one third or more of the voting rights in the shareholders' meetings of CTIG, in accordance with the SFO, the interests of CTIG are deemed to be, and have therefore been included in, the interests of CNTC.
- As at 30 June 2022, the Company had 691,680,000 Shares in issue.

Apart from the foregoing, as at 30 June 2022, no other person (other than a Director or the chief executive of the Company) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

### CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

During the annual general meeting of the Company dated 24 June 2022, Mr. SHAO Yan, Ms. LI Yan, and Mr. QIAN Yi were re-elected as a non-executive Director, an executive Director and an independent non-executive Director, respectively. For details, please refer to the relevant circular and announcements of the Company dated 28 April 2022 and 24 June 2022, respectively.

Mr. CHAU Kwok Keung, one of our independent non-executive Directors, has served as an independent non-executive Director, the chairman of each of the audit committee and the remuneration committee, and a member of the nomination committee of China Infrastructure & Logistics Group Ltd. (Stock Code: 1719) since 25 May 2022.

Mr. WANG Chengrui, one of our executive Directors, has become the Company's sole company secretary following the resignation of Mr. CHEUNG Kai Cheong Willie as a joint company secretary of the Company with effect from 12 June 2022. For details, please refer to the Company's announcement dated 10 June 2022.

Save as disclosed above and in the relevant circular and announcements of the Company dated 28 April 2022, 10 June 2022 and 24 June 2022, respectively, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



## Other Information (Continued)

### **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 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.

### **APPENDIX 16 TO THE LISTING RULES**

According to paragraph 40 of Appendix 16 to the Listing Rules headed "Disclosure of Financial Information", save as disclosed herein, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the 2021 annual report of the Company.



# Review Report of the Independent Auditors



Review report to the board of directors  
of China Tobacco International (HK) Company Limited  
*(Incorporated in Hong Kong with limited liability)*

## Introduction

We have reviewed the interim financial report set out on pages 36 to 58 which comprises the consolidated statement of financial position of China Tobacco International (HK) Company Limited and its subsidiaries as of 30 June 2022 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

## KPMG

*Certified Public Accountants*

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

26 August 2022



# 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)
<b>Revenue</b>	4	3,869,411,941	3,813,759,146
Cost of sales		(3,416,962,166)	(3,625,564,820)
<b>Gross profit</b>		452,449,775	188,194,326
Other income/(loss), net	5	19,613,045	(22,934,775)
Administrative and other operating expenses		(72,730,073)	(54,144,397)
<b>Profit from operations</b>		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
<b>Profit before taxation</b>	6	369,208,146	615,260,180
Income tax	7	(91,461,871)	(5,896,023)
<b>Profit for the period</b>		277,746,275	609,364,157
<b>Profit/(loss) for the period attributable to:</b>			
Equity shareholders of the Company		218,978,244	615,775,999
Non-controlling interests		58,768,031	(6,411,842)
		277,746,275	609,364,157
<b>Other comprehensive income:</b>			
<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)
<b>Other comprehensive income for the period</b>		3,321,735	(92,835,444)
<b>Total comprehensive income for the period</b>		281,068,010	516,528,713
<b>Total comprehensive income for the period attributable to:</b>			
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
<b>Earnings per share</b>			
Basic and diluted	9	0.32	0.89

Note: The comparative information is restated under merger accounting. See note 17.

The notes on pages 42 to 58 form part of this interim financial report.



# Consolidated Statement of Financial Position

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

	Note	At 30 June 2022 HK\$	At 31 December 2021 HK\$
<b>Non-current assets</b>			
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	11	58,993,906	17,406,046
Deferred tax assets		5,157,564	11,946,848
		504,137,341	488,532,747
<b>Current assets</b>			
Inventories	10	2,484,122,475	1,287,736,226
Trade and other receivables	11	1,195,840,812	1,331,329,168
Cash and cash equivalents	12	2,024,069,874	1,658,972,197
		5,704,033,161	4,278,037,591
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	13	1,845,363,476	1,322,388,606
Lease liabilities		10,601,842	10,511,729
Bank borrowings	14	2,084,321,624	1,291,803,591
Current tax payable		78,628,636	67,989,055
		4,018,915,578	2,692,692,981
<b>Net current assets</b>		<b>1,685,117,583</b>	<b>1,585,344,610</b>
<b>Total assets less current liabilities</b>		<b>2,189,254,924</b>	<b>2,073,877,357</b>
<b>Non-current liabilities</b>			
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
		87,369,276	90,538,140



# Consolidated Statement of Financial Position (Continued)

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

	Note	At 30 June 2022 HK\$	At 31 December 2021 HK\$
<b>NET ASSETS</b>		<b>2,101,885,648</b>	<b>1,983,339,217</b>
<b>Capital and reserves</b>	15		
Share capital		1,403,721,280	1,403,721,280
Reserves		463,266,869	358,552,490
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,866,988,149</b>	<b>1,762,273,770</b>
<b>Non-controlling interests</b>		<b>234,897,499</b>	<b>221,065,447</b>
<b>TOTAL EQUITY</b>		<b>2,101,885,648</b>	<b>1,983,339,217</b>

The notes on pages 42 to 58 form part of this interim financial report.



# Consolidated Statement of Changes in Equity

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

	Attributable to equity shareholders of the Company						Non-controlling interests	Total
	Share capital	Capital reserve	Merger reserve	Exchange reserve	Retained earnings	Sub-total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at 1 January 2021								
(as previously reported)	1,403,721,280	-	-	-	184,243,284	1,587,964,564	-	1,587,964,564
Adoption of merger accounting	-	374	128,700,000	(35,319,780)	64,625,704	158,006,298	-	158,006,298
Balance at 1 January 2021								
(Restated)	1,403,721,280	374	128,700,000	(35,319,780)	248,868,988	1,745,970,862	-	1,745,970,862
Profit/(loss) for the period	-	-	-	-	615,775,999	615,775,999	(6,411,842)	609,364,157
Other comprehensive income	-	-	-	(92,835,444)	-	(92,835,444)	-	(92,835,444)
Total comprehensive income	-	-	-	(92,835,444)	615,775,999	522,940,555	(6,411,842)	516,528,713
Acquisition of CBT	-	-	-	-	-	-	280,648,774	280,648,774
Dividends approved in respect of prior year (note 8)	-	-	-	-	(27,667,200)	(27,667,200)	-	(27,667,200)
Dividends to the former shareholder of CTIB (defined in note 1)	-	-	-	-	(65,226,697)	(65,226,697)	-	(65,226,697)
Dividends to non-controlling interests	-	-	-	-	-	-	(34,506,397)	(34,506,397)
Balance at 30 June 2021 (Restated)	1,403,721,280	374	128,700,000	(128,155,224)	771,751,090	2,176,017,520	239,730,535	2,415,748,055

Note: The comparative information is restated under merger accounting. See note 17.



# Consolidated Statement of Changes in Equity (Continued)

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

	Attributable to equity shareholders of the Company								
	Share capital	Capital reserve	Merger reserve	Exchange reserve	Profit retention reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at 1 January 2022	1,403,721,280	374	(365,933,613)	(134,318,535)	7,610,658	851,193,606	1,762,273,770	221,065,447	1,983,339,217
Profit for the period	-	-	-	-	-	218,978,244	218,978,244	58,768,031	277,746,275
Other comprehensive income	-	-	-	3,321,735	-	-	3,321,735	-	3,321,735
Total comprehensive income	-	-	-	3,321,735	-	218,978,244	222,299,979	58,768,031	281,068,010
Dividends approved in respect of prior year (note 8)	-	-	-	-	-	(117,585,600)	(117,585,600)	-	(117,585,600)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(44,935,979)	(44,935,979)
Balance at 30 June 2022	1,403,721,280	374	(365,933,613)	(130,996,800)	7,610,658	952,586,250	1,866,988,149	234,897,499	2,101,885,648

The notes on pages 42 to 58 form part of this interim financial report.



# Condensed Consolidated Statement of Cash Flows

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

	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
		(Note)
<b>Operating activities</b>		
Cash used in operations	(324,940,184)	(215,157,766)
Income tax paid	(75,378,825)	(31,686,469)
<b>Net cash used in operating activities</b>	<b>(400,319,009)</b>	<b>(246,844,235)</b>
<b>Investing activities</b>		
Payment for purchase of property and equipment	(3,060,739)	(34,207)
Payment for purchase of intangible assets	(325,215)	–
Interest received	5,544,916	6,604,452
Dividend received	–	36,758,912
Net cash inflow from acquisition of CBT	–	13,123,617
<b>Net cash generated from investing activities</b>	<b>2,158,962</b>	<b>56,452,774</b>
<b>Financing activities</b>		
Proceeds from new bank borrowings	1,841,619,000	938,340,000
Repayment of bank borrowings	(1,046,342,949)	(351,790,810)
Dividends paid to equity shareholders of the Company	–	(27,667,200)
Dividends paid to non-controlling interests	–	(65,044,230)
Other cash flows arising from financing activities	(35,340,062)	(9,988,807)
<b>Net cash generated from financing activities</b>	<b>759,935,989</b>	<b>483,848,953</b>
<b>Net increase in cash and cash equivalents</b>	<b>361,775,942</b>	<b>293,457,492</b>
Cash and cash equivalents at 1 January	1,658,972,197	1,634,330,674
Effect of foreign exchange rate changes	3,321,735	688,132
<b>Cash and cash equivalents at 30 June</b>	<b>2,024,069,874</b>	<b>1,928,476,298</b>

Note: The comparative information is restated under merger accounting. See note 17.

The notes on pages 42 to 58 form part of this interim financial report.



# 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 (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.



# Notes to the Financial Statements (Continued)

## 2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by 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 in this interim report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



# Notes to the Financial Statements (Continued)

## 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 HK\$	2021 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
	<b>3,869,411,941</b>	<b>3,813,759,146</b>

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 HK\$	2021 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
	<b>3,869,411,941</b>	<b>3,813,759,146</b>



# Notes to the Financial Statements (Continued)

## 4 REVENUE AND SEGMENT REPORTING *(continued)*

### (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 a 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.



# Notes to the Financial Statements (Continued)

## 4 REVENUE AND SEGMENT REPORTING (continued)

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	1,002,552,547	2,606,310,791	17,568,275	26,728,759	216,251,569	-	3,869,411,941
Reportable segment gross profit	25,834,876	372,913,180	3,076,250	615,077	50,010,392	-	452,449,775
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							277,746,275
<i>As at 30 June 2022</i>							
Reportable segment assets	106,019,189	2,869,367,113	27,594,686	-	666,577,387	2,538,612,127	6,208,170,502
Reportable segment liabilities	244,897,670	1,383,749,106	12,090,451	9,665,649	74,987,263	2,380,894,715	4,106,284,854



# Notes to the Financial Statements (Continued)

## 4 REVENUE AND SEGMENT REPORTING (continued)

	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 HK\$ (Restated)	Total HK\$ (Restated)
<i>For the six months ended 30 June 2021</i>							
Reportable segment revenue	1,074,188,744	2,568,781,581	27,559,862	23,747,880	119,481,079	-	3,813,759,146
Reportable segment gross profit	27,701,717	144,302,938	1,748,103	726,180	13,715,388	-	188,194,326
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							609,364,157
<i>As at 31 December 2021</i>							
Reportable segment assets	58,385,059	2,160,480,944	29,661,555	-	366,085,955	2,151,956,825	4,766,570,338
Reportable segment liabilities	193,651,551	1,075,407,524	9,634,764	11,473,410	14,900,716	1,478,163,156	2,783,231,121

## 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
	19,613,045	(22,934,775)



# Notes to the Financial Statements (Continued)

## 6 PROFIT BEFORE TAXATION

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

### (a) Finance costs

	Six months ended 30 June	
	2022 HK\$	2021 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 HK\$	2021 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



# Notes to the Financial Statements (Continued)

## 6 PROFIT BEFORE TAXATION *(continued)*

### (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 of the Group’s consolidated financial statement in the Company’s 2021 annual report.

## 7 INCOME TAX

	Six months ended 30 June	
	2022 HK\$	2021 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)
	<b>91,461,871</b>	<b>5,896,023</b>

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).



# Notes to the Financial Statements (Continued)

## 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 INVENTORIES

At 30 June 2022 and 31 December 2021, the Group's inventories comprise mainly of tobacco leaf products that were in the warehouse and in transit in the course of sales.

## 11 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	54,353,376	10,932,019
	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	67,709,612	4,529,116
	1,254,834,718	1,348,735,214
Represented by:		
– Current portion	1,195,840,812	1,331,329,168
– Non-current portion	58,993,906	17,406,046
	1,254,834,718	1,348,735,214

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.



# Notes to the Financial Statements (Continued)

## 11 TRADE AND OTHER RECEIVABLES *(continued)*

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	688,481,521	576,848,984
	<b>996,089,849</b>	<b>1,105,172,089</b>

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

	At 30 June 2022 HK\$	At 31 December 2021 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
	<b>996,089,849</b>	<b>1,105,172,089</b>

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.



# Notes to the Financial Statements (Continued)

## 12 CASH AND CASH EQUIVALENTS

	At 30 June 2022 HK\$	At 31 December 2021 HK\$
Cash at bank and on hand	1,980,944,722	1,593,798,856
Bank certificates of deposits	43,125,152	65,173,341
	<b>2,024,069,874</b>	<b>1,658,972,197</b>

At 30 June 2022 and 31 December 2021, bank certificates of deposits were with original maturity of less than 3 months and they were held for the purpose of meeting short-term cash commitments.

## 13 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30 June 2022 HK\$	At 31 December 2021 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
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
	<b>1,845,363,476</b>	<b>1,322,388,606</b>

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.



# Notes to the Financial Statements (Continued)

## 13 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES *(continued)*

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 2022 HK\$	At 31 December 2021 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
	<b>1,513,823,859</b>	<b>1,219,958,648</b>

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)).

## 14 BANK BORROWINGS

	At 30 June 2022 HK\$	At 31 December 2021 HK\$
Advances on foreign exchange contracts	1,393,633,439	895,986,043
Export prepayments	690,688,185	395,817,548
	<b>2,084,321,624</b>	<b>1,291,803,591</b>

At the end of each reporting period, 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 rates as at 30 June 2022 were 4.63% per annum (31 December 2021: 2.78% per annum).



# Notes to the Financial Statements (Continued)

## 15 CAPITAL AND RESERVES

	No. of shares	HK\$
Ordinary shares, issued and fully paid:		
At 1 January, 30 June and 31 December 2021 and 1 January and 30 June 2022	691,680,000	1,403,721,280

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 16 MATERIAL RELATED PARTY TRANSACTIONS

CNTC, the controlling shareholder of the Company, is a state-controlled enterprise directly controlled by the PRC government. The PRC government is the ultimate controlling party of the Company.

Related parties include (i) the CNTC Group and its associates and joint ventures, other state-owned enterprises and their subsidiaries which the PRC government has control, joint control or significant influence over, key management personnel of the Group and the CNTC Group, their close family members and any entity, of any member of a group of which it is a part, provides key management personnel services to the Company's parent; and (ii) the Pyxus Group ("Pyxus"), namely Pyxus International, Inc. and its subsidiaries (including Alliance One Brasil Exportadora de Tabacos Ltda., the non-controlling interests of CBT) since the completion of CTIB acquisition.

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of material related party transactions entered into in the ordinary course of business between the Group and its related parties during the reporting period and balances arising therefrom.



# Notes to the Financial Statements (Continued)

## 16 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

### (a) Transactions with the CNTC Group and its associates and joint ventures, and other related parties

	Six months ended 30 June	
	2022 HK\$	2021 HK\$ (Restated)
<b>Tobacco Leaf Products Import Business</b>		
– Sales of goods to a fellow subsidiary	2,606,310,791	2,568,781,581
– Procurement of goods from a former joint venture	–	303,625,424
– Procurement of goods from Pyxus	533,221,104	–
<b>Tobacco Leaf Products Export Business</b>		
– Sales of goods to Pyxus	395,058,371	–
– Procurement of goods from fellow subsidiaries	976,717,671	1,046,268,201
– Commission income from fellow subsidiaries	198,362	462,138
<b>Cigarettes Export Business</b>		
– Procurement of goods from fellow subsidiaries	8,290,398	19,998,092
<b>New Tobacco Products Export Business</b>		
– Sales of goods to an associate of the CNTC Group	2,960,100	2,407,548
– Procurement of goods from fellow subsidiaries	26,113,682	23,021,700
<b>Brazil Operation Business</b>		
– Sales of goods to Pyxus	188,626,167	–
– Procurement of goods and services from Pyxus	237,495,739	–

During the six months ended 30 June 2022, sales of HK\$2,960,100 (six months ended 30 June 2021: HK\$2,407,548) in respect of New Tobacco Products Export Business were made to an associate of the CNTC Group that is not considered as a connected person defined under Chapter 14A of the Listing Rules. Except for such sales transactions, all the related party transactions above constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.



# Notes to the Financial Statements (Continued)

## 16 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

### (a) Transactions with the CNTC Group and its associates and joint ventures, and other related parties *(continued)*

As at 30 June 2022 and 31 December 2021, balances arising from the above transactions, which are unsecured and interest-free, are included in the following financial statement captions as summarised below:

	At 30 June 2022 HK\$	At 31 December 2021 HK\$
<b>Trade receivables from:</b>		
– fellow subsidiaries	832,461,418	957,124,002
– Pyxus	80,452,807	88,415,621
<b>Prepayments for goods to:</b>		
– fellow subsidiaries	41,409,831	11,517,231
<b>Trade payables to:</b>		
– fellow subsidiaries	190,806,352	195,182,840
– Pyxus	398,978,442	344,817,277
<b>Other payables and accruals, including contract liabilities and dividends payables to:</b>		
– fellow subsidiaries	1,636,635	2,747,788
– Pyxus	107,837,968	46,150,035

### (b) Key management personnel remuneration

The remuneration of key management members, who are the Directors of the Company during the period, was as follows:

	Six months ended 30 June	
	2022 HK\$	2021 HK\$
Directors' fees	720,000	720,000
Salaries, allowances and benefits in kind	4,493,119	4,895,716
Retirement scheme contributions	170,508	160,175
	5,383,627	5,775,891

### (c) Transactions with other state-controlled entities in the PRC

The Group has transactions with other state-controlled entities including but not limited to bank deposits. These transactions are conducted in the ordinary course of the Group's business.



# Notes to the Financial Statements (Continued)

## 17 BUSINESS COMBINATIONS – CTIB ACQUISITION

As disclosed in note 1, 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	(3,519,799,129)	(105,765,691)	–	(3,625,564,820)
<b>Gross profit</b>	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	(25,425,114)	(28,719,283)	–	(54,144,397)
<b>Profit from operations</b>	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	(627,854)	(6,190,072)	–	(6,817,926)
<b>Profit before taxation</b>	154,284,221	392,295,844	68,680,115	615,260,180
Income tax	(24,605,785)	30,041,981	(11,332,219)	(5,896,023)
<b>Profit for the period</b>	129,678,436	422,337,825	57,347,896	609,364,157
<b>Other comprehensive income:</b>				
<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	–	(93,523,576)	–	(93,523,576)
<b>Other comprehensive income for the period</b>	–	(92,835,444)	–	(92,835,444)
<b>Profit and total comprehensive income for the period</b>	129,678,436	329,502,381	57,347,896	516,528,713

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.



# Notes to the Financial Statements (Continued)

## 17 BUSINESS COMBINATIONS – CTIB ACQUISITION (continued)

	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\$
<b>Operating activities</b>			
Cash generated from/(used in) operations	245,792,648	(460,950,414)	(215,157,766)
Income tax paid	(15,177,886)	(16,508,583)	(31,686,469)
<b>Net cash generated from/(used in) operating activities</b>	<b>230,614,762</b>	<b>(477,458,997)</b>	<b>(246,844,235)</b>
<b>Investing activities</b>			
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	–	13,123,617	13,123,617
<b>Net cash generated from investing activities</b>	<b>6,289,448</b>	<b>50,163,326</b>	<b>56,452,774</b>
<b>Financing activities</b>			
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	(3,821,370)	(6,167,437)	(9,988,807)
<b>Net cash (used in)/generated from financing activities</b>	<b>(31,488,570)</b>	<b>515,337,523</b>	<b>483,848,953</b>
<b>Net increase in cash and cash equivalents</b>	<b>205,415,640</b>	<b>88,041,852</b>	<b>293,457,492</b>
Cash and cash equivalents at 1 January	1,613,169,695	21,160,979	1,634,330,674
Effect of foreign exchange rate changes	–	688,132	688,132
<b>Cash and cash equivalents at the end of the period</b>	<b>1,818,585,335</b>	<b>109,890,963</b>	<b>1,928,476,298</b>

