



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



2025

ANNUAL REPORT

聚焦·聚力·聚心

CONCENTRATION
COHESION
COMMITMENT

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Definitions

In this annual 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 CTIB and 49% by Alliance One Brazil;
“China” or “PRC”	the People’s Republic of China;
“China Tobacco” or “CNTC Group”	CNTC and its subsidiaries;
“Chinese Mainland”	PRC excluding Hong Kong, Macau and Taiwan;
“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;

* for identification only

Definitions (Continued)

“Company” or “CTIHK”	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 C1 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 the Company’s overseas suppliers. CTI Argentina is an indirectly wholly-owned subsidiary of CNTC and a connected person 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;
“CTIB”	China Tabaco Internacional do Brasil Ltda. (中煙國際巴西有限公司), a company incorporated in Brazil on 6 June 2002 with limited liability;
“CTIG”	China Tobacco International Group Limited (中煙國際集團有限公司), a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company;
“Directors”	the directors of the Company;
“EGM”	extraordinary general meeting of the Company;
“ESG”	Environmental, Social and Governance;
“Exclusive Operating Regions for Cigarettes”	duty-free outlets of the Kingdom of Thailand, the Republic of Singapore, Hong Kong, Macau, as well as duty-free outlets within the borders, but outside the customs areas, of the Chinese Mainland;
“Group”, “we” or “our”	the Company and its subsidiaries;
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;

* for identification only

Definitions (Continued)

“Latest Practicable Date”	15 April 2026, being the latest practicable date prior to the bulk printing and publication of this annual 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, supplemented, or otherwise modified from time to time;
“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 C3 to the Listing Rules;
“New Designated Regions for Cigarettes”	areas other than (i) Exclusive Operating Regions for Cigarettes; and (ii) the Chinese Mainland;
“No. 250 Notice”	The Notices of Issuing Interim Measures on Strengthening the Planning and Pricing Management of Duty-free Cigarettes Export by STMA (Guoyanji [2017] No. 250) (國家煙草專賣局關於印發加強免稅出口捲煙計劃和價格管理暫行辦法的通知(國煙計[2017]250號)) issued by STMA on 15 September 2017;
“Nomination Committee”	the nomination committee of the Board;
“Non-exclusive Operating Regions for Tobacco Leaf Products”	areas other than (i) Southeast Asia, Hong Kong, Macau and Taiwan; and (ii) the Chinese Mainland;
“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 CTI Argentina, 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;
“Reporting Period”	the year ended 31 December 2025;

Definitions (Continued)

“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;
“Taiwan”	the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu;
“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)

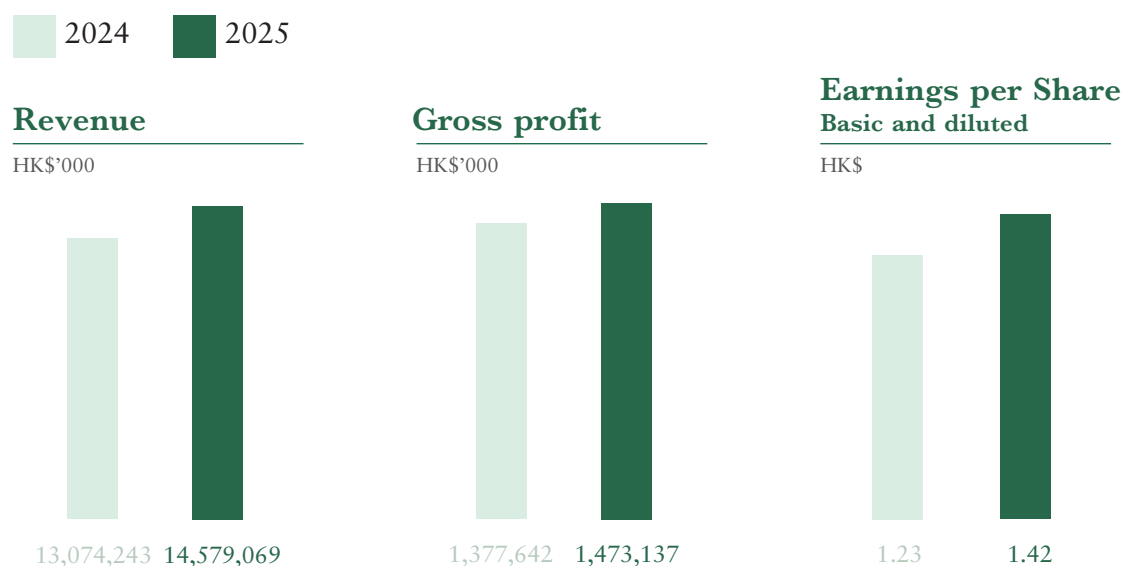
Name in Chinese:	中煙國際 (香港) 有限公司
Name in English:	China Tobacco International (HK) Company Limited
Chairman of the Board and Non-Executive Director:	SHAO Yan
Executive Directors:	DAI Jiahui WANG Chengrui XU Zengyun MAO Zilu
Independent Non-Executive Directors:	CHOW Siu Lui (<i>Lead Independent Non-Executive Director</i>) WANG Xinhua QIAN Yi HE Junhua
General Manager:	DAI Jiahui
Company Secretary:	WANG Chengrui
Authorized Representatives:	DAI Jiahui WANG Chengrui
Audit Committee:	CHOW Siu Lui (<i>Chairman</i>) WANG Xinhua HE Junhua
Remuneration Committee:	CHOW Siu Lui (<i>Chairman</i>) SHAO Yan WANG Xinhua
Nomination Committee:	SHAO Yan (<i>Chairman</i>) CHOW Siu Lui WANG Xinhua HE Junhua
Connected Transactions Control Committee:	WANG Xinhua (<i>Chairman</i>) QIAN Yi HE Junhua DAI Jiahui
Strategic Development Committee:	SHAO Yan (<i>Chairman</i>) DAI Jiahui XU Zengyun CHOW Siu Lui

Company Profile (Continued)

(as of the Latest Practicable Date)

Stock Abbreviation Name:	CTIHK
Stock Code:	6055
Headquarters, Registered Office and Principal Place of Business:	Room 1002, 10/F, Tower A, China Life Center, One Harbour Gate, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong
Legal Adviser:	Linklaters
Auditor:	KPMG (Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance)
Hong Kong Share Registrar:	Computershare Hong Kong Investor Services Limited
Principal Bankers:	Bank of China (Hong Kong) Limited
Company's Website:	 www.ctihk.com.hk

Financial Highlights

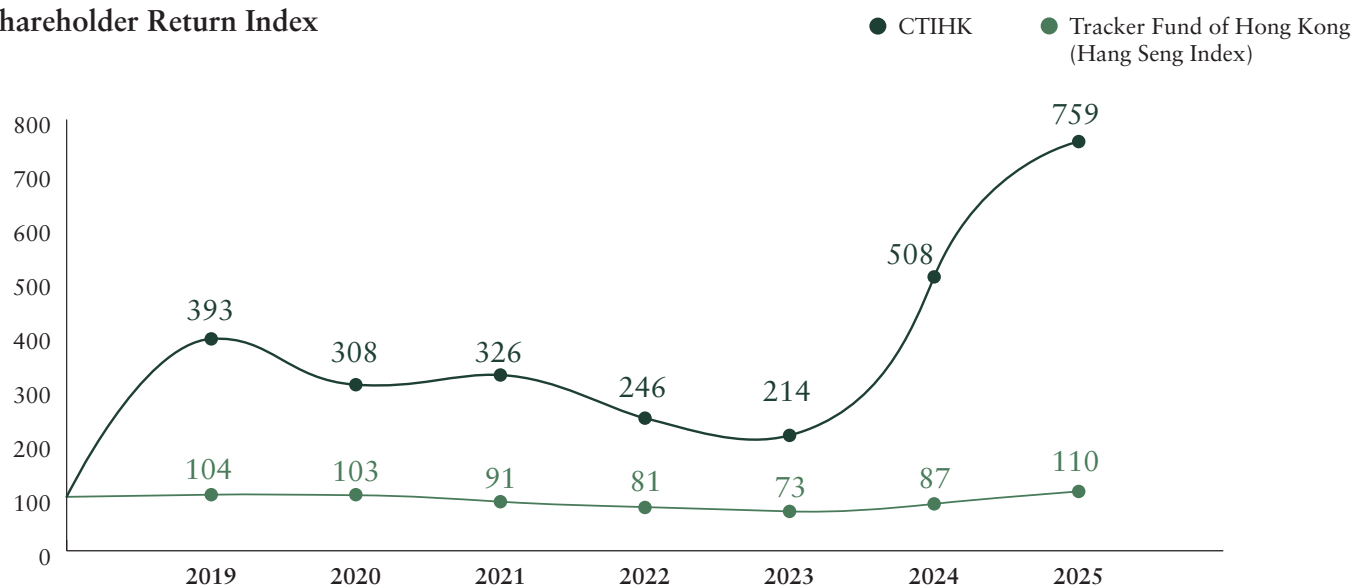


	2025 HK\$'000	2024 HK\$'000	Year-on-year change (%)
Operating Results			
Revenue	14,579,069	13,074,243	11.5
Gross profit	1,473,137	1,377,642	6.9
Profit for the year attributable to equity shareholders of the Company	980,285	853,735	14.8
Earnings per Share			
Basic and diluted (HK\$)	1.42	1.23	15.4
Dividend per Share (HK\$)	0.52	0.46	13.0
Financial Position			
Cash and cash equivalents and short-term bank deposits	3,312,723	2,857,574	15.9
Net assets	3,846,470	3,187,270	20.7
Financial Ratios			
Return of equity	27.2%	28.3%	-1.1pp
Current ratio	1.68	1.43	25pp

To create higher returns for our Shareholders and share the results of our operating gains, after giving full consideration to the Group's sound profitability and sufficient cash flow, the Board recommended a final dividend of HK\$0.33 per Share for the year ended 31 December 2025. Together with the interim dividend of HK\$0.19 per Share already distributed, the total dividend for the year amounted to HK\$0.52 per Share, reflecting a year-on-year growth of 13.0%. The Company will strive to create more value for its Shareholders.

Financial Highlights (Continued)

Shareholder Return Index



Shareholder Return Index

Dates	CTIHK	Tracker Fund of Hong Kong (Hang Seng Index)
2019.6	100	100
2019.12	393	104
2020.12	308	103
2021.12	326	91
2022.12	246	81
2023.12	214	73
2024.12	508	87
2025.12	759	110

Notes:

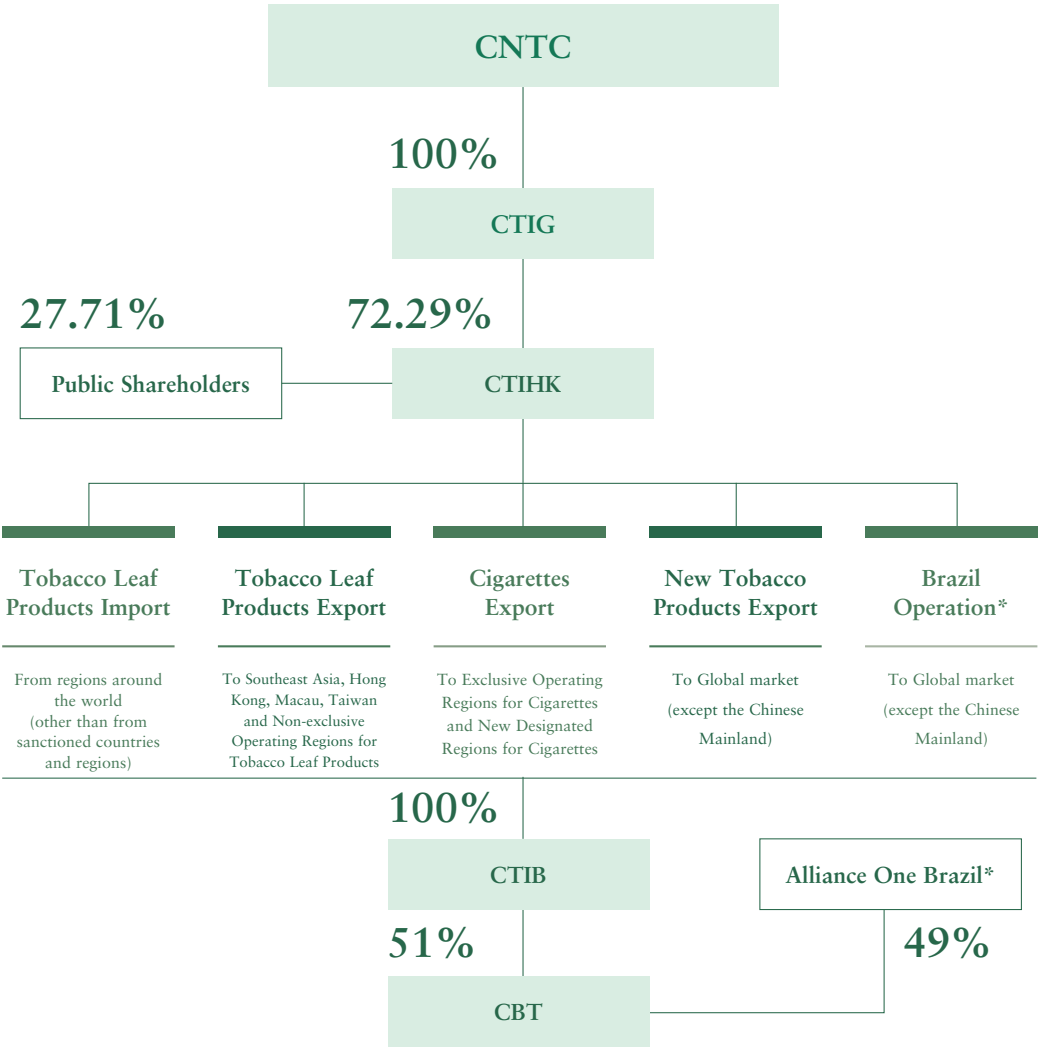
1. The base date for the Shareholder Return Index is set as the first trading day of CTIHK (12 June 2019), with the index base value fixed at 100.
2. The Shareholder Return Index incorporates share price appreciation and dividend income.
3. The data included in the Shareholder Return Index is sourced from the Hong Kong Stock Exchange and RoyalFlush iFinD, CTIHK has not independently verified the accuracy, validity, timeliness, or completeness of the relevant information or data.
4. Past performance of the Shareholder Return Index is not indicative of future results. The content of the Shareholder Return Index is provided for general informational purposes only and does not constitute any form of investment advice or service. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.
5. Given that the investment returns of the Tracker Fund of Hong Kong (02800.HK) exhibit a high degree of consistency with those of the Hang Seng Index, and based on comprehensive considerations of data accuracy and availability, the fund's contemporaneous data is adopted as a proxy benchmark for the Hang Seng Index Shareholder Return Index. For details about the Tracker Fund of Hong Kong, please refer to its official website: <https://www.trahk.com.hk/en-hk/trahk-fund/>.
6. The Shareholder Return Index = (the closing price per share on the last trading day of the year + the cumulative dividend income per share received from 12 June 2019 to the last trading day of the year) ÷ initial investment cost per share × 100. The initial investment cost per share of the Company refers to the initial issue price of the Company. The initial investment cost per share of the Hang Seng Index refers to the opening price per share of the Tracker Fund of Hong Kong (02800.HK) on 12 June 2019. All calculations of the Shareholder Return Index are based on the assumption that the shares of the Company or the shares of the Tracker Fund of Hong Kong are continuously held from 12 June 2019 to the last trading day of the respective year.
7. All share prices are without price adjustment for dividends/splits.

Company Introduction and Group Structure

CTIHK was incorporated in Hong Kong in February 2004 and listed on the Stock Exchange in June 2019. Within China Tobacco, CTIHK is currently the sole listed entity mainly carrying out tobacco business. CTIHK has also become a constituent stock of indexes such as Hang Seng Composite Index, Hang Seng Composite Industry Index – Consumer Staples, MSCI China All Shares IMI Index.

Since its listing, CTIHK has concentrated on expanding its international market, continuously tapping into market potential, and striving to enhance the scale and quality of business development. It has focused on corporate governance, continuously promoted board diversity, and constantly improved its corporate governance and risk management systems. Committed to the realization of social value, it has continuously improved shareholder returns and systematically aligned with international standards to develop an ESG system. Currently, CTIHK’s business scopes cover new tobacco products, cigarettes, tobacco leaf products, cigars, and other categories, with markets covering more than 50 countries and regions in East Asia, Southeast Asia, North and South America, Central and Eastern Europe. It operates over 20 brands of new tobacco products, over 30 cigarette brands, and over 50 SKUs of cigar.

In the future, CTIHK will continue to adhere to the development philosophy of “respect the market, respect the rules, and respect the investors”, continuously cultivate its core business, strive to carry out cross-border mergers and acquisitions, and constantly enhance its market value, making unremitting efforts to build a globally renowned tobacco enterprise with international competitiveness!



* This business segment of Brazil Operation is operated by CBT.
* Alliance One Brazil is an indirectly wholly-owned subsidiary of Pyxus (OTC: PYYX).
* The section in green represents all the businesses of the Group.

Key Events

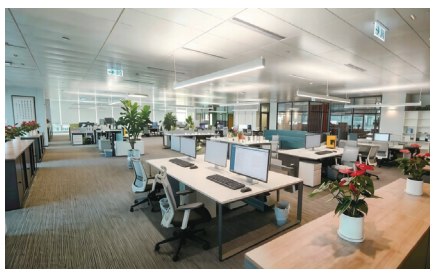
In 2025, the Group focused on international market expansion, unlocking potential and enhancing business scale and quality; strengthened corporate governance, promoted board diversity, and improved governance and risk prevention systems; committed to creating social value by systematically developing our ESG framework in line with international standards, thereby consistently increasing returns to our shareholders.



Collaborated with China Tobacco Hubei Industrial Co., Ltd* (湖北中煙工業有限責任公司) for successful launch of Huanghelou cigars in Hong Kong



Showcased Chinese tobacco excellence at TFWA Asia Pacific Exhibition & Conference 2025 in Singapore



Launched newly expanded office of the Company



Signed long-term supply agreements with core customers from Southeast Asia

January

March

Honored with “Premier Partnership Award” by China Duty-Free Group



May



Hosted first post-IPO overseas investor conference in Singapore

July



Entered Into the exclusive distribution agreement for “Great Wall” Cigars in global market (excluding the Chinese Mainland) with China Tobacco Sichuan Industrial Co., Ltd* (四川中煙工業有限責任公司)

Key Events (Continued)



Entered Into the exclusive distribution agreement for “Huanghelou” Cigars in global market (excluding the Chinese Mainland) with China Tobacco Hubei Industrial Co., Ltd* (湖北中煙工業有限責任公司)

September



Showcased Chinese tobacco excellence at InterTabac 2025 in Dortmund, Germany



Entered Into the exclusive distribution agreement for “Taishan” Cigars in global market (excluding the Chinese Mainland) with China Tobacco Shandong Industrial Co., Ltd* (山東中煙工業有限責任公司)



Completed the upgrade of the ERP system



Entered Into the exclusive distribution agreement for “Wanguan” Cigars in global market (excluding the Chinese Mainland) with China Tobacco Anhui Industrial Co., Ltd* (安徽中煙工業有限責任公司)

November



Successfully convened second overseas investor conference of 2025 in Dubai

Chairman's Statement

Revenue Reached

HK\$14.58 Billion

a year-on-year increase of **11.5%**

Realized the profit for the year attributable

to equity shareholders of

the Company of **HK\$980 million**

up by **14.8%** year-on-year



In 2025, the Group adhered to the development philosophy of “respecting the market, respecting rules, and respecting investors”, and promoted the high-quality development of international business in greater depth, continuously enhanced profitability, and further optimized corporate governance. The Group achieved solid year-on-year growth in overall performance and effectively realized the coordinated growth of market capitalization and shareholder returns. For the year, the Group realized a cumulative operating revenue of HK\$14.58 billion, representing a year-on-year increase of 11.5%; and realized the profit for the year attributable to equity shareholders of the Company of HK\$980 million, up by 14.8% year-on-year. The main operational achievements of the Group for the year are as follows:

- **In terms of Tobacco Leaf Import Business, we closely monitored international trade developments, actively communicated with domestic users and imported tobacco leaf suppliers, properly addressed trade risks to secure the timely and orderly arrival of imported tobacco leaves.** We strengthened collaboration with our subsidiaries, intensified efforts to expand the raw tobacco market, and effectively met domestic users' demand for high-quality tobacco leaves. We have added new sourcing countries and channels for cigar tobacco leaf raw materials in Central and South America, improved the diversity of high-quality cigar tobacco leaf raw materials, supported the high-quality development of the domestic cigar industry, and enhanced supply chain resilience and core support capabilities.
- **In terms of Tobacco Leaf Export Business, we closely tracked changes in international market supply and demand, increased the supply of goods to core customers, and stabilized business profitability.** We signed long-term supply agreements with core customers and domestic suppliers, provided customized services oriented towards customer needs, continuously expanded the supply categories of domestic specialty tobacco leaves, and continuously improved the order fulfillment rate of key customers. We promoted cooperation with large multinational cigarette manufacturers to achieve direct trade with key multinational cigarette manufacturers. Relying on the channel resources of cigarettes and new tobacco products, we participated in international tobacco exhibitions and continued to expand markets outside our exclusive operating regions. We deepened the linkage and potential tapping of subsidiaries, optimized the organization of multinational sources, and effectively met customer needs.

Chairman's Statement (Continued)

- In terms of Cigarettes Export Business, we adhered to proprietary business as our core operating orientation, strengthened collaboration with both suppliers and duty-free retailers, and continuously consolidated our market foundation. Through multiple measures, we continuously enhanced our bargaining power over the duty-free channel products and strengthened targeted marketing efforts, resulting in a significant increase in the proportion of proprietary business. We further optimized our brand portfolio and business structure, increased brand promotion efforts, and enhanced brand influence. Exclusive distribution agreements were signed with four industry enterprises, China Tobacco Sichuan Industrial Co., Ltd* (四川中煙工業有限責任公司), China Tobacco Hubei Industrial Co., Ltd* (湖北中煙工業有限責任公司), China Tobacco Shandong Industrial Co., Ltd* (山東中煙工業有限責任公司), and China Tobacco Anhui Industrial Co., Ltd* (安徽中煙工業有限責任公司), establishing a unified distribution platform for international business of the Chinese cigars. This initiative accelerates the high-quality development of the international operations of Chinese cigars, resulting in substantial growth in the duty-paid market of the cigar business.
- In terms of New Tobacco Products Export Business, we actively responded to challenges arising from changes in regulatory policies in target markets, and worked to mitigate adverse impacts caused by changes in the international supply chain due to geopolitical conflicts. We guided suppliers to accelerate product iteration innovation, technological R&D, and improvements in manufacturing equipment. At the same time, we continued to strengthen overseas intellectual property protection to address impacts brought by adjustments in regulatory policies and product registration requirements.
- In terms of Brazil Operations Business, we continued to optimize production-area deployments, expanded procurement regions, and achieved sustained growth in raw tobacco acquisition scale, enhancing the capacity to ensure tobacco leaf quality. We improved our international marketing capabilities, achieved sales breakthroughs in regional markets such as Europe and Asia, witnessed a continuous expansion of the customer base. We further enhanced CBT's ESG governance effectiveness and strengthened supply cooperation with multinational tobacco companies.
- In terms of operational management, we adhered to the principle of exerting strategic guidance, proactively formulated the Company's development plans, enhanced our market research capabilities, and actively advanced target screening for investment and mergers and acquisitions; we leveraged the integration of business and finance to build a unified operational management platform for the Group. This strengthened the development of digital information systems and enhanced operational efficiency. We continuously enhanced financial management capabilities, rationally controlled operating costs, and improved capital operation efficiency and profitability. We continuously strengthened system development, optimized internal control management, and refined risk prevention and control mechanisms to ensure the Group's high-quality development; We strengthened the communication with our investors and conducted international roadshows to better serve investors.
- In terms of human resource management, we adhered to the principles of "market-oriented, professional, and international", focused on core business and market expansion functions, and expanded the talent pool. We have established accelerated promotion channels for core talents to stimulate endogenous organizational vitality and the creativity of all employees through institutional innovation. Furthermore, we have deepened the one-on-one mentorship program and built a multi-dimensional training system, empowering the team to advance towards international standards. Upholding the "people-oriented" philosophy, we meticulously implemented employee care initiatives to continuously enhance team cohesion and a sense of belonging, thereby consolidating a strong synergy to drive the Group's sustainable development.
- In terms of sustainability management, we established the "GROW" sustainability strategy and implemented two major action plans, "Green Pulsation Programs" and "Together Moving Forward Programs". We constructed an ESG development index system and formed a self-assessment mechanism for ESG outcomes. By strengthening the integration of sustainable development across subsidiaries and enhancing the quality of information disclosure, the Group's sustainability performance has repeatedly received high recognition, and its international ratings have been continuously upgraded.

Chairman's Statement (Continued)

PROSPECTS FOR 2026

Looking ahead to 2026, the Group will pursue the vision of building a world-class tobacco enterprise with international competitiveness. Guided by our three core principles of respect, we will remain committed to the high-quality development of our international business, continuously driving new improvements in operational quality, new breakthroughs in business development, and new enhancements in governance capabilities, thereby delivering long-term and sustainable growth in Shareholder returns. To this end, the Group will focus on the following key development directions:

- Build upon the solid foundation laid during the “14th Five-Year Plan” period, and as the “15th Five-Year Plan” commences, the Group will leverage its core positioning as an international market expansion platform and an investment and financing platform. With a dual-driven approach combining organic growth and external expansion, we will enhance our global deployment, promote coordinated development across the entire industry chain, actively respond to industry changes, and capture new development opportunities.
- Strengthen upstream and downstream supply chain collaboration to ensure the stable supply and quality enhancement of high-quality and cost-effective imported tobacco leaves; monitor international market trends closely and adjust procurement and sales strategies dynamically; expand the global sales network, and strengthen cooperation models with large multinational cigarette manufacturers and comprehensively expand sales channels to broaden the customer base; enrich product categories in tobacco leaf supply, enhance participation depth across the supply chain, improve resource and market allocation capabilities, and build a diversified “multi-source + multi-market” procurement and supply system.
- Continue to focus on enhancing the profitability of the cigarettes business, strengthen insights into market trends, and accurately capture changes in consumer demand; increase coordination with suppliers and duty-free retailers, enhance the effectiveness of resource integration and enhance brand influence; continuously optimize brand portfolio and product specification portfolio to drive steady profit growth; intensify efforts in cultivating Chinese cigar products, actively expand market regions, and build new engines for business growth.
- Actively respond to the international supply chain changes arising from geopolitical conflicts and regulatory policy changes, continuously strengthen cooperation across production and sales, and improve supply chain efficiency; continue to drive innovation and R&D for new tobacco products and accelerate product iteration; focus on key markets, increase brand promotion efforts, and further elevate brand influence; continuously enrich the product line and enhance business development momentum.
- Continuously optimize the sustainable development system and enhance the effectiveness of integrated management for subsidiaries; implement green development principles and explore the establishment of a carbon reduction target roadmap; actively fulfill corporate social responsibilities and consistently increase investment in social resources; strengthen sustainable supply chain management, and build an efficient, collaborative, resilient, and secure industrial chain coordination mechanism; deepen people-centered initiatives, cultivate talent ecosystems, and stimulate the organization's intrinsic momentum.
- Continuously deepen the development of back-office functional strategic support capabilities, leveraging digital and information platforms to comprehensively enhance the integrated governance effectiveness of human resources, internal control mechanisms, and corporate culture; establish a full life cycle talent management system, standardize processes such as recruitment, training, and performance evaluation, and foster an endogenous driving force that aligns talent development with business strategy; instill and implement the Company's core values, integrate sustainable development practices into corporate culture, and build a solid talent foundation for the Group's high-quality and sustainable international business development.

Last but not least, on behalf of the Board of Directors, I would like to extend my sincere gratitude to our Shareholders, investors, customers, partners for their long-standing support for the Group. I also wish to express heartfelt thanks to the management team and all employees for their tireless efforts over the past year. With your collective support and dedication, we are confident that the Group will unite and strive forward, focusing on enhancing our core competitiveness and actively fulfilling our corporate social responsibilities. As we achieve high-quality development in our international business, we are committed to continuously improving profitability, creating more value for our Shareholders, and making greater contributions to society.

SHAO Yan

Chairman of the Board and Non-Executive Director

Hong Kong, 5 March 2026

Management Discussion and Analysis

BUSINESS OPERATION REVIEW

Core Businesses

Tobacco Leaf Products Import Business

For the year ended 31 December 2025, the import volume of tobacco leaf products of the Group reached 110,827 tons, representing a decrease of 1,153 tons or 1.0% on a year-on-year basis. The operating revenue reached HK\$9,538.2 million, representing an increase of HK\$1,283.9 million or 15.6% on a year-on-year basis. The gross profit reached HK\$772.1 million, representing a decrease of HK\$53.5 million or 6.5% on a year-on-year basis. The increase in revenue was mainly due to a higher overall unit sale price of tobacco leaf products during the year compared with last year. The decrease in gross profit was primarily due to the impact of supply and demand conditions, as the increase in the cost of tobacco leaves procured from CBT during the year exceeded the increase in unit sale price.

Import Volume



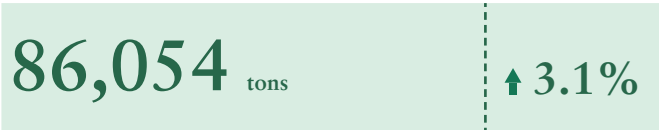
Operating Revenue



Tobacco Leaf Products Export Business

For the year ended 31 December 2025, the export volume of tobacco leaf products of the Group reached 86,054 tons, representing an increase of 2,586 tons or 3.1% on a year-on-year basis. The operating revenue reached HK\$2,481.4 million, representing an increase of HK\$419.9 million or 20.4% on a year-on-year basis. The gross profit reached HK\$156.6 million, representing an increase of HK\$72.8 million or 86.8% on a year-on-year basis. The substantial increase in the results was mainly attributable to: (1) accurately capturing market supply-demand dynamics, anchoring on customers’ actual needs, and improving customized services and pricing strategies, leading to the growth in the profitability of the Tobacco Leaf Products Export Business; and (2) strengthening coordination with key domestic suppliers and expanding supply channels, which steadily enhanced supply capacity and resulted in a recorded year-on-year increase in the export volume of tobacco leaf products.

Export Volume



Operating Revenue



Management Discussion and Analysis (Continued)

Cigarettes Export Business

For the year ended 31 December 2025, the export volume of cigarettes of the Group reached 3,228,031 thousand sticks, representing a decrease of 111,669 thousand sticks or 3.3% on a year-on-year basis. The operating revenue reached HK\$1,666.3 million, representing an increase of HK\$92.6 million or 5.9% on a year-on-year basis. The gross profit reached HK\$380.5 million, representing an increase of HK\$103.1 million or 37.2% on a year-on-year basis. The slight decline in sales volume was mainly affected by shipment timing during the year, while the growth in revenue and gross profit was primarily driven by the Group's continued efforts to strengthen proprietary channel expansion, continuously optimize product specifications and business structure, and the precise alignment with market supply and demand conditions. The scale of the proprietary business continued to expand, which effectively enhanced the profitability of the cigarettes business.

Export Volume



Operating Revenue



New Tobacco Products Export Business

For the year ended 31 December 2025, the export volume of new tobacco products of the Group reached 372,150 thousand sticks, representing a decrease of 389,760 thousand sticks or 51.2% on a year-on-year basis. The operating revenue reached HK\$64.3 million, representing a decrease of HK\$70.9 million or 52.5% on a year-on-year basis. The gross profit reached HK\$3.4 million, representing a decrease of HK\$3.6 million or 51.5% on a year-on-year basis. The significant decline in results was mainly due to: (1) geopolitical conflicts and changes in target market regulatory policies have adversely impacted supply chains, leading to reduced shipments in key markets; and (2) the upgrading of production and manufacturing equipment by suppliers, gradually phasing out and iterating on old products, which has slowed down the pace of new product registration.

Export Volume



Operating Revenue

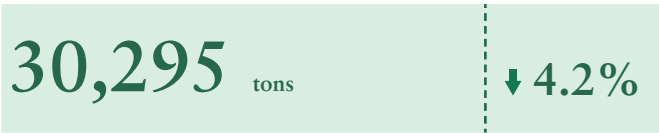


Management Discussion and Analysis (Continued)

Brazil Operation Business

For the year ended 31 December 2025, the export volume of tobacco leaf products to areas outside China from CBT, a non-wholly-owned subsidiary of CTIB, reached 30,295 tons, representing a decrease of 1,332 tons or 4.2% on a year-on-year basis. The operating revenue reached HK\$828.9 million, representing a decrease of HK\$220.7 million or 21.0% on a year-on-year basis. The gross profit reached HK\$160.5 million, representing a decrease of HK\$23.3 million or 12.7% on a year-on-year basis. The decrease in sales volume on a year-on-year basis was mainly due to timing of shipment. The decrease in the revenue on a year-on-year basis was mainly driven by market conditions, with selling price of tobacco leaf products declining year-on-year. The smaller decline in gross profit than revenue was primarily due to the increased proportion of tobacco leaf by-products with higher gross profit margin in the gross profit mix.

Export Volume



Operating Revenue



FINANCIAL REVIEW

Revenue, Cost of Sales and Gross Profit

For the year ended 31 December 2025, the Group's revenue increased by 11.5% to HK\$14,579.1 million (2024: HK\$13,074.2 million) as compared with the same period in 2024, cost of sales increased by 12.0% to HK\$13,105.9 million (2024: HK\$11,696.6 million) as compared with the same period in 2024, and gross profit increased by 6.9% to HK\$1,473.1 million (2024: HK\$1,377.6 million) as compared with the same period in 2024. The increase in the overall financial performance of the Group was mainly driven by the growth in the Tobacco Leaf Products Export Business and the Cigarettes Export Business.

Revenue



Other Income, Net

For the year ended 31 December 2025, the Group's other income, net increased by 30.7% to HK\$157.3 million (2024: HK\$120.4 million other income, net) as compared with the same period in 2024, which was mainly due to the increase in interest income driven by the expansion of short-term bank deposits.

Administrative and Other Operating Expenses

For the year ended 31 December 2025, the Group's administrative and other operating expenses increased by 8.8% to HK\$172.3 million (2024: HK\$158.4 million) as compared with the same period in 2024, which included staff costs of HK\$73.6 million, depreciation and amortisation of HK\$44.8 million, and professional fees of HK\$7.6 million. The increase in administrative and other operating expenses was mainly due to higher marketing support-related expenses and an increase in staff costs arising from the expansion of business activities.

Management Discussion and Analysis (Continued)

Finance Costs

For the year ended 31 December 2025, the Group's finance costs decreased by 21.3% to HK\$176.3 million (2024: HK\$224.1 million) as compared with the same period in 2024, which were primarily interest on bank borrowings and other finance costs. The significant decrease in finance costs was mainly due to the decrease in both the balance and the interest rates of bank borrowings of CBT.

Finance Costs

HK\$176.3 million **↓ 21.3%**

Profit and Profit Attributable to Equity Shareholders of the Company for the Year

For the year ended 31 December 2025, profit for the year attributable to equity shareholders of the Company increased by 14.8% to HK\$980.3 million (2024: HK\$853.7 million) as compared with the same period in 2024. The Group's profit for the year increased by 16.0% to HK\$1,047.1 million (2024: HK\$902.8 million) as compared with the same period in 2024. The year-on-year increase in profit attributable to equity shareholders of the Company and the Group's profit for the year was mainly driven by the growth in the Cigarettes Export Business, the Tobacco Leaf Products Export Business, and the decrease in finance costs.

Profit Attributable to Equity Shareholders of the Company for the Year

HK\$980.3 million **↑ 14.8%**

Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$980.3 million (2024: HK\$853.7 million) and the weighted average of 691,680,000 ordinary shares (2024: 691,680,000 shares) in issue during the year ended 31 December 2025. For the year ended 31 December 2025, the Group's earnings per share were HK\$1.42 (for the year ended 31 December 2024: HK\$1.23).

Earnings per Share Basic and diluted

HK\$1.42 **↑ 15.4%**

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

Management Discussion and Analysis (Continued)

Net Current Assets

As at 31 December 2025, net current assets of the Group amounted to HK\$3,438.4 million (as at 31 December 2024: HK\$2,837.8 million).

Significant Investments

During the year ended 31 December 2025, the Group did not have any significant investments.

Material Acquisition and Disposal

The Group did not conduct any material acquisition or disposal of any subsidiary, associate or joint venture during the year ended 31 December 2025.

Capital Expenditures

Save as disclosed in this annual report, at 31 December 2025, the Group had no plan relating to material investments and capital assets.

INDEBTEDNESS

Borrowings

As at 31 December 2025, all of the bank borrowings were unsecured, carried at amortised cost and expected to be settled within one year. All of the bank borrowings bore fixed interest and the weighted average interest rate was 6.60% per annum (as at 31 December 2024: 7.76%).

Exposure to Fluctuations in Exchange Rates

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in Real. 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.

Contingent Liabilities

As at 31 December 2025, the Group had no significant contingent liabilities (as at 31 December 2024: nil).

Pledge of Assets

As at 31 December 2025, the Group did not pledge any assets (as at 31 December 2024: nil).

Management Discussion and Analysis (Continued)

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2025, total assets of the Group amounted to HK\$8,973.4 million (as at 31 December 2024: HK\$9,816.7 million) and cash and cash equivalents and short-term bank deposits amounted to HK\$3,312.7 million (as at 31 December 2024: HK\$2,857.6 million). The Board is of the opinion that the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures. As at 31 December 2025, total liabilities of the Group amounted to HK\$5,126.9 million (as at 31 December 2024: HK\$6,629.4 million).

As at 31 December 2025, the Group had a gearing ratio (being borrowings and lease liabilities divided by total equity) of 0.73 (as at 31 December 2024: 0.94). As at 31 December 2025, the Group had a current ratio (being current assets divided by current liabilities) of 1.68 (as at 31 December 2024: 1.43).

EMPLOYEES

As at 31 December 2025, the Group had 73 employees (as at 31 December 2024: 53) in Hong Kong, representing an increase of 20 employees on a year-on-year basis; and had 384 employees (including seasonal workers) (as at 31 December 2024: 342 (including seasonal workers)) in Brazil, representing an increase of 42 employees on a year-on-year basis. For the year ended 31 December 2025, the staff cost incurred by the Group amounted to HK\$125.3 million (2024: HK\$107.3 million).

The Group has established a full lifecycle talent management system centered on employee value realization and belonging cultivation, aiming to build an employer of choice status with global competitiveness. Annually benchmarked against salary trends in key labor markets (e.g., Hong Kong and Brazil), the Group conducts rigorous compensation reviews that integrate factors such as years of service, domain expertise, and performance appraisals, ensuring market-leading competitiveness while aligning individual performance with business outcomes through differentiated incentive frameworks. This dual focus on performance-driven rewards and strategic talent alignment fosters a high-performance culture. Complementing this approach, the Group enhances employee well-being through structured career advancement pathways, optimization of benefits programs, such as health care, work-life balance initiatives, and transparent promotion systems, thereby elevating satisfaction and reinforcing organizational cohesion.

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 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\$9,588.4 million and HK\$822.2 million, respectively, accounting for approximately 65.8% and 5.6% 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\$4,263.0 million and HK\$1,946.5 million, respectively, accounting for approximately 36.3% and 16.6% 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 31 December 2025, 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 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**”), which sets forth that:

P		A		
Price at which we sell tobacco leaf products to CTI	=	Price at which suppliers sell the tobacco leaf products to us	×	1.06

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 utilise 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

The Company was granted a waiver from strict compliance with the annual cap requirement by the Stock Exchange, which allows us not to set annual caps for the sales transactions under the Tobacco Leaf Products Import Framework Agreement.

During the Reporting Period, the amount of the sales transactions which constitute connected transactions in the Tobacco Leaf Products Import Business was HK\$9,538.2 million, accounting for 100.0% 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 31 December 2025, 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);

China Tobacco Zhejiang Industrial Co., Ltd*
(浙江中煙工業有限責任公司);

China Tobacco Fujian Industrial Co., Ltd*
(福建中煙工業有限責任公司);

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 Guangdong Import and Export Co., Ltd*
(中國煙草廣東進出口有限公司);

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 Fujian Import and Export Co., Ltd*
(中國煙草福建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);

Xinjiang Tobacco Import and Export Co., Ltd*
(新疆煙草進出口有限責任公司);

Shenzhen Tobacco Import and Export Co., Ltd*
(深圳煙草進出口有限公司); and

China Tobacco Yunnan Industrial Co., Ltd*
(雲南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 Shandong Import and Export Co., Ltd*
(中國煙草山東進出口有限責任公司);

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 Hunan Import and Export Co., Ltd*
(中國煙草湖南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 Heilongjiang Import and Export Co., Ltd*
(中國煙草黑龍江進出口有限責任公司);

Zhejiang Tobacco Import and Export Co., Ltd*
(浙江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);

Vinton Group Co., Ltd.*
(柬埔寨威尼頓集團有限公司).

* For identification only

Review of Continuing Connected Transactions (Continued)

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		
Procurement price from domestic suppliers of tobacco leaf products	=	Price at which the Company sells the tobacco leaf products to independent third parties	×	(1 – applicable margin)

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.

From 1 January 2024, the applicable margins for the exported tobacco leaf products are not less than 1%, not less than 2% and not less than 4%, depending on the types of the exported tobacco leaf products, crop year, unit sale price, customers and suppliers. 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.

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.

Review of Continuing Connected Transactions (Continued)

Transaction Amount during the Reporting Period

The Company was granted a waiver from strict compliance with the annual cap requirement by the Stock Exchange, which allows us not to set annual caps for the procurement transactions under the Tobacco Leaf Products Export Framework Agreements.

During the Reporting Period, the amount of the procurement transactions which constitute connected transactions in the Tobacco Leaf Products Export Business was HK\$2,192.7 million, accounting for 96.7% of the total purchase of our Tobacco Leaf Products Export Business.

(C) Procurement Transactions in the Cigarettes Export Business

As of 31 December 2025, 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.

On 3 April 2025, the Board announced that: (i) as a result of expansion of the Cigarettes Export Business, the Company has entered into a framework agreement with Inner Mongolia Kunming Cigarette Limited Liability Company* (內蒙古昆明捲煙有限責任公司), being one of the subsequent parties, on the same terms and conditions as those of the Cigarettes Export Framework Agreements with the original parties; and (ii) the Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a modification of the existing waivers to cover the Cigarettes Export Framework Agreements with the subsequent parties (including Inner Mongolia Kunming Cigarette Limited Liability Company* (內蒙古昆明捲煙有限責任公司), China Heilongjiang Tobacco Industry Co., Ltd.* (黑龍江煙草工業有限責任公司) and China Tobacco Fujian Industrial Co., Ltd.* (福建中煙工業有限責任公司)) from strict compliance with the requirements in relation to annual cap and independent shareholders’ approval and the term of such transactions shall be indefinite, subject to the same conditions of the existing waivers. For details, please refer to the announcement of the Company dated 3 April 2025.

Parties

The Company and each of the entities under CNTC below:

China Tobacco Sichuan Industrial Co., Ltd*
(四川中煙工業有限責任公司);

China Tobacco Jiangsu Industrial Co., Ltd*
(江蘇中煙工業有限責任公司);

China Tobacco Anhui Industrial Co., Ltd*
(安徽中煙工業有限責任公司);

Tobacco Henan China Industrial Co., Ltd*
(河南中煙工業有限責任公司);

* For identification only

Review of Continuing Connected Transactions (Continued)

China Tobacco Zhejiang Industrial Co., Ltd*
(浙江中煙工業有限責任公司);

China Tobacco Hubei Industrial Co., Ltd*
(湖北中煙工業有限責任公司);

China Tobacco Guizhou Industrial Co., Ltd*
(貴州中煙工業有限責任公司);

China Tobacco Guangdong Industrial Co., Ltd*
(廣東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);

China Tobacco Chongqing Industrial Co., Ltd*
(重慶中煙工業有限責任公司);

China Tobacco Jilin Industrial Co., Ltd*
(吉林煙草工業有限責任公司);

China Tobacco Hebei Industrial Co., Ltd*
(河北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); and

Shenzhen Tobacco Industrial Co., Ltd*
(深圳煙草工業有限責任公司);

China Tobacco Hunan Industrial Co., Ltd*
(湖南中煙工業有限責任公司);

China Tobacco Shaanxi Industrial Co., Ltd*
(陝西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);

China Tobacco Shandong Industrial Co., Ltd*
(山東中煙工業有限責任公司);

China Tobacco Yunnan Industrial Co., Ltd*
(雲南中煙工業有限責任公司);

China Tobacco Guangxi Industrial Co., Ltd*
(廣西中煙工業有限責任公司);

China Tobacco Jiangxi Industrial Co., Ltd*
(江西中煙工業有限責任公司);

China Tobacco Fujian Industrial Co., Ltd.*
(福建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.

* For identification only

Review of Continuing Connected Transactions (Continued)

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. We subsequently determine sales price through arm's length negotiation with our customers in proprietary business, taking into consideration factors including retail prices of the relevant cigarettes in the target markets, expected profit margin of the duty-free outlets, our procurement cost and reasonable profit margin and competitiveness of the relevant cigarettes. With respect to our incremental business, we determine sales prices by adding an applicable margin of 1% to 2%, 2% to 5% or more than 5% to our procurement prices. Such margins were determined taking into consideration factors including reasonable profit margin of the Company, market demand of the relevant cigarettes and services provided by the downstream wholesalers.

(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.

Review of Continuing Connected Transactions (Continued)

Transaction Amount during the Reporting Period

The Company was granted a waiver from strict compliance with the annual cap requirement by the Stock Exchange, which allows us not to set annual caps for the procurement transactions under the Cigarettes Export Framework Agreements.

During the Reporting Period, the amount of the procurement transactions which constitute connected transactions in the Cigarettes Export Business was HK\$1,326.6 million, accounting for approximately 98.5% of the total purchase of our Cigarettes Export Business.

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

As of 31 December 2025, 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.

On 31 October 2022, the Board announced that: (i) as a result of expansion of the New Tobacco Products Export Business, after its listing on the Stock Exchange and as of 31 October 2022, the Company has entered into New Tobacco Products Export Framework Agreements with certain subsequent parties on the same terms and conditions as those of the New Tobacco Products Export Framework Agreements with the original parties; and (ii) the Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a modification of the existing waivers to cover the New Tobacco Products Export Framework Agreements with such subsequent parties from strict compliance with the requirements in relation to annual cap and independent shareholders’ approval and the term of such transactions shall be indefinite, subject to the same conditions of the existing waivers. For details, please refer to the announcement of the Company dated 31 October 2022.

Parties

The Company and each of the entities under CNTC below:

China Tobacco Shandong Industrial Co., Ltd*
(山東中煙工業有限責任公司);

China Tobacco Heilongjiang Industrial Co., Ltd*
(黑龍江煙草工業有限責任公司);

Shanghai Tobacco Group Co., Ltd*
(上海煙草集團有限責任公司);

China Tobacco Guangdong Industrial Co., Ltd*
(廣東中煙工業有限責任公司);

China Tobacco Henan Industrial Co., Ltd*
(河南中煙工業有限責任公司);

China Tobacco Chongqing Industrial Co., Ltd*
(重慶中煙工業有限責任公司);

China Tobacco Yunnan Industrial Co., Ltd*
(雲南中煙工業有限責任公司);

China Tobacco Sichuan Industrial Co., Ltd*
(四川中煙工業有限責任公司);

* For identification only

Review of Continuing Connected Transactions (Continued)

China Tobacco Anhui Industrial Co., Ltd* (安徽中煙工業有限責任公司);	China Tobacco Jiangsu Industrial Co., Ltd* (江蘇中煙工業有限責任公司);
China Tobacco Zhejiang Industrial Co., Ltd* (浙江中煙工業有限責任公司);	China Tobacco Hubei Industrial Co., Ltd* (湖北中煙工業有限責任公司);
China Tobacco Hunan 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);
China Tobacco Jilin Industrial Co., Ltd* (吉林煙草工業有限責任公司);	China Tobacco Hebei Industrial Co., Ltd* (河北中煙工業有限責任公司);
China Tobacco Jiangxi Industrial Co., Ltd* (江西中煙工業有限責任公司);	China Tobacco Guangxi 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);	China Tobacco Guizhou Industrial Co., Ltd* (貴州中煙工業有限責任公司); and
China Tobacco Fujian 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		
Procurement price from domestic suppliers of new tobacco products	=	Price at which the Company sells the new tobacco products to independent third parties	×	(1 – applicable margin)

* For identification only

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

The Company was granted a waiver from strict compliance with the annual cap requirement by the Stock Exchange, which allows us not to set annual caps for the procurement transactions under the New Tobacco Products Export Framework Agreements.

During the Reporting Period, the amount of the procurement transactions which constitute connected transactions in the New Tobacco Products Export Business was HK\$60.9 million, accounting for 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.

Review of Continuing Connected Transactions (Continued)

The 2021-2024 Offshore Supply Framework Agreements have expired as of 16 November 2024. To continue to facilitate such procurement of tobacco leaf products, on 10 October 2024, the Company entered into the 2024-2026 Offshore Supply Framework Agreement with the relevant counterparty in the procurement transactions in the Tobacco Leaf Products Import Business (as set out below), on the same terms and conditions of the 2021-2024 Offshore Supply Framework Agreements (save for the term and renewal of the agreement). Pursuant to the 2024-2026 Offshore Supply Framework Agreement, the relevant counterparty 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 agreed with us through arm's length negotiation in good faith. The term of the 2024-2026 Offshore Supply Framework Agreement shall be the period from 17 November 2024 to 31 December 2026. Upon expiration, the parties may negotiate to extend the term of such agreement after arm's length negotiation. The 2024-2026 Offshore Supply Framework Agreement and the transactions contemplated thereunder were approved by the independent Shareholders of the Company at the EGM held on 18 November 2024.

Parties

- The Company and CTI North America

Pricing Policies

The procurement of tobacco leaf products (including, among others, finished tobacco strips and cigar leaf tobacco) 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 No. 135 Notice, which remained effective and has not been amended during the period from the date of the Prospectus to the Latest Practicable Date, 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, the 2024-2026 Offshore Supply Framework Agreement 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, the 2024-2026 Offshore Supply Framework Agreement 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, the 2021-2024 Offshore Supply Framework Agreements, the 2024-2026 Offshore Supply Framework Agreement and the respective pricing policy of the relevant products, please refer to the Prospectus and the Company's circular dated 14 December 2021 and 1 November 2024.

Annual Caps

The transaction amount of the continuing connected transactions under 2024-2026 Offshore Supply Framework Agreement for the period from 17 November 2024 to 31 December 2024, the year ended 31 December 2025 and the year ending 31 December 2026 is expected not to exceed HK\$301.2 million, HK\$1,210.9 million and HK\$1,332.0 million, respectively.

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 HK\$626.4 million, accounting for approximately 8.2% of the total purchase of our Tobacco Leaf Products Import Business.

(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.

The 2021-2024 Tobacco Leaf Products Export Agency Agreements have expired as of 16 November 2024. To continue to facilitate such Agency Business in the Sale of Tobacco Leaf Products, on 10 October 2024, 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 2024-2026 Tobacco Leaf Products Export Agency Agreements on the same terms and conditions of the 2021-2024 Tobacco Leaf Products Export Agency Agreements (save for the terms and renewal of the agreements). As part of the Agency Business in the Sales of Tobacco Leaf Products, the Company acts as an agent in the sales of tobacco leaf products under the 2024-2026 Tobacco Leaf Products Export Agency Agreements in accordance with the specific terms separately agreed between the Company and each of the relevant counterparties through arm's length negotiation in good faith, and generates income from commission received in connection with such transactions. The term of each of the 2024-2026 Tobacco Leaf Products Export Agency Agreements shall be the period from 17 November 2024 to 31 December 2026. Upon expiration, the parties may negotiate to extend the term of such agreement after arm's length negotiation. The 2024-2026 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 18 November 2024.

Review of Continuing Connected Transactions (Continued)

Parties

The Company and each of the entities under CNTC below:

Vinton Group Co., Ltd.

(柬埔寨威尼頓集團有限公司*);

Bang Kang Cigarette Factory, Myanmar

(緬甸邦康煙廠*);

China Tobacco International Lao Manufacturing Co., Ltd

(formerly known as Lao-China Hongta Good Luck Tobacco Co., Ltd.) (中煙國際老撾製造有限公司*, 前稱老撾寮中紅塔好運煙草有限公司);

Golden Leaf (Macau) Tobacco's Manufacturing Ltd.

(金葉捲煙廠(澳門)有限公司*); and

Hong Kong Hongta International Tobacco Company

Limited (香港紅塔國際煙草有限公司*).

Pricing Policies

The rate of commission charged by the Company in connection with the transactions under the Tobacco Leaf Products Export Agency Agreements, the 2021-2024 Tobacco Leaf Products Export Agency Agreements and the 2024-2026 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, the Company's circular dated 14 December 2021 and 1 November 2024.

Annual Caps

The transaction amount of the Agency Business in the Sales of Tobacco Leaf Products (in terms of commission) under the 2024-2026 Tobacco Leaf Products Export Agency Agreements for the period from 17 November 2024 to 31 December 2024, the year ended 31 December 2025 and the year ending 31 December 2026 is expected not to exceed HK\$2.1 million, HK\$5.4 million and HK\$6.0 million, respectively.

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\$4.2 million, accounting for approximately 0.2% of the total revenue of our Tobacco Leaf Products Export Business.

* For identification only

Review of Continuing Connected Transactions (Continued)

(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. For details, please refer to the Company’s circular dated 29 September 2021.

Pursuant to the terms of each of the Alliance One Connected Transactions Agreements, the initial term of each of the Alliance One Connected Transactions Agreements commenced upon closing of the Acquisition, being 26 November 2021, and ended on 31 December 2022 and 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 each of 29 December 2022, 20 December 2023, and 10 October 2024, the Group and Alliance One Group entered into extension agreements to further extend the term of each of the Alliance One Connected Transactions Agreements, each for a period of one year. Following such extensions, each of the Alliance One Connected Transactions Agreements expired on 31 December 2025. On 31 December 2025, the Group and Alliance One Group entered into the extension agreements to further extend the term of each of the Alliance One Connected Transactions Agreements, for a period of three years from 1 January 2026 to 31 December 2028. Save for (i) the extension of term of each of the Alliance One Connected Transactions Agreements; and (ii) the addition of terms under the CBT Framework Tobacco and Services Purchase Agreement (including the procurement of other services relevant to the processing and production of tobacco leaf products and the corresponding pricing policies), the transactions under each of the Alliance One Connected Transactions Agreements will be conducted on the same terms and pricing policies during the extended term as those disclosed in the Company’s circular dated 29 September 2021. Given that (i) each of Alliance One International and Alliance One Brazil is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules and transactions carried out in the ordinary course of business of the Group under the Alliance One Connected Transactions Agreements are continuing connected transactions of the Company under Chapter 14A of 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 services transactions under the Alliance One Connected Transactions Agreements are 5% or more; and (iii) the Board (including all the independent non-executive Directors) has approved the extension agreements and transactions thereunder (including the annual caps) and all the independent non-executive Directors have confirmed that the relevant terms of the extension agreements and the transactions thereunder (including the annual caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the extension agreements and the transactions thereunder (including the annual caps) 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 announcements of the Company dated 29 December 2022, 20 December 2023, 10 October 2024 and 31 December 2025.

Review of Continuing Connected Transactions (Continued)

As disclosed in the Company's announcement dated 27 January 2026, the Company and Leaf Trading Company Limited LLC ("Leaf Trading") entered into a leaf trading framework tobacco sales agreement (the "Leaf Trading Framework Tobacco Sales Agreement") in relation to the sales of tobacco leaf products from the Company to Leaf Trading for a period from 27 January 2026 until 31 December 2028. Leaf Trading is an indirectly wholly owned subsidiary of Pyxus, which indirectly wholly owns Alliance One Brazil. As such, Leaf Trading is a connected person of the Company at the subsidiary level by virtue of being an associate of Alliance One Brazil. Given that (i) Leaf Trading is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules and transactions carried out in the ordinary course of business of the Group under the Leaf Trading Framework Tobacco Sales Agreement are continuing connected transactions of the Company under Chapter 14A of 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 the sale of tobacco transactions under the Framework Tobacco Sales Agreement, the CBT Framework Tobacco Sales Agreement and Leaf Trading Framework Tobacco Sales Agreement are 5% or more; and (iii) the Board (including all the independent non-executive Directors) has approved Leaf Trading Framework Tobacco Sales Agreement and transactions thereunder (including the annual caps) and has confirmed that the relevant terms of Leaf Trading Framework Tobacco Sales Agreement and the transactions thereunder (including the annual caps) are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Leaf Trading Framework Tobacco Sales Agreement and the transactions thereunder (including the annual caps) 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 announcement of the Company dated 27 January 2026.

(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 ended 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 ended 31 December 2022. On each of 29 December 2022, 20 December 2023 and 10 October 2024, the term of the Framework Tobacco Sales Agreement was further extended for a period of one year, with the Framework Tobacco Sales Agreement expired on 31 December 2025. On 31 December 2025, the term of the Framework Tobacco Sales Agreement was further extended for a period of three years from 1 January 2026 to 31 December 2028.

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 announcements dated 30 May 2022, 29 December 2022, 20 December 2023, 10 October 2024 and 31 December 2025.

Review of Continuing Connected Transactions (Continued)

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.

Annual Caps

The transaction amount of the sale of tobacco transactions under the Framework Tobacco Sales Agreement for the year ended 31 December 2025, and for the years ending 31 December 2026, 2027 and 2028 is expected not to exceed US\$89.9 million (equivalent to HK\$701.0 million) and US\$101.1 million (equivalent to HK\$788.7 million), US\$111.5 million (equivalent to HK\$869.5 million) and US\$122.9 million (equivalent to HK\$958.6 million), respectively.

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\$524.4 million.

(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 ended 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 ended 31 December 2022. On each of 29 December 2022, 20 December 2023 and 10 October 2024, the term of the CBT Framework Tobacco Sales Agreement was further extended for a period of one year, with the CBT Framework Tobacco Sales Agreement expired on 31 December 2025. On 31 December 2025, the term of the CBT Framework Tobacco Sales Agreement was further extended for a period of three years from 1 January 2026 to 31 December 2028.

Review of Continuing Connected Transactions (Continued)

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 announcements dated 30 May 2022, 29 December 2022, 20 December 2023, 10 October 2024 and 31 December 2025.

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.

Annual Caps

The transaction amount of the sale of tobacco transactions under the CBT Framework Tobacco Sales Agreement for the year ended 31 December 2025, and for the years ending 31 December 2026, 2027 and 2028 is expected not to exceed US\$154.2 million (equivalent to HK\$1,203.1 million), US\$130.9 million (equivalent to HK\$1,021.2 million), US\$129.4 million (equivalent to HK\$1,008.9 million), and US\$134.0 million (equivalent to HK\$1,045.4 million), respectively.

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\$297.8 million.

Review of Continuing Connected Transactions (Continued)

(iii) Framework Tobacco Purchase Agreement

As part of the Group's tobacco leaf products 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 ended 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 each of 29 December 2022, 20 December 2023 and 10 October 2024, the term of the Framework Tobacco Purchase Agreement was further extended for a period of one year, with the Framework Tobacco Purchase Agreement expired on 31 December 2025. On 31 December 2025, the term of the Framework Tobacco Purchase Agreement was further extended for a period of three years from 1 January 2026 to 31 December 2028.

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 and announcements dated 29 December 2022, 20 December 2023, 10 October 2024 and 31 December 2025.

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.

Review of Continuing Connected Transactions (Continued)

Annual Caps

The transaction amount of the purchase of tobacco transactions under the Framework Tobacco Purchase Agreement for the year ended 31 December 2025, and for the years ending 31 December 2026, 2027 and 2028 is expected not to exceed US\$331.4 million (equivalent to HK\$2,585.1 million), US\$329.7 million (equivalent to HK\$2,571.5 million), US\$356.1 million (equivalent to HK\$2,777.2 million), and US\$384.5 million (equivalent to HK\$2,999.4 million), respectively.

Transaction Amount during the Reporting Period

During the Reporting Period, the amount of the purchase of tobacco transactions under the Framework Tobacco Purchase Agreement which constitutes connected transactions was HK\$1,770.3 million.

(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 Purchase 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 ended 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 leaves and service transactions contemplated under the CBT Framework Tobacco and Services Purchase Agreement and (ii) accordingly, for purchase of agricultural materials, tobacco leaves 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 ended 31 December 2022. On each of 29 December 2022, 20 December 2023 and 10 October 2024, the term of the CBT Framework Tobacco and Services Purchase Agreement was further extended for a period of one year, with the CBT Framework Tobacco and Services Purchase Agreement expired on 31 December 2025. On 31 December 2025 (i) the term of the CBT Framework Tobacco and Services Purchase Agreement was further extended for a period of three years from 1 January 2026 to 31 December 2028; and (ii) the terms under the CBT Framework Tobacco and Services Purchase Agreement were amended to include the procurement of other services relevant to the processing and production of tobacco leaf products and the corresponding pricing policies.

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 announcements dated 30 May 2022, 29 December 2022, 20 December 2023, 10 October 2024 and 31 December 2025.

Review of Continuing Connected Transactions (Continued)

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 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.
- (c) In respect of the purchase of processing services, for the year ended 31 December 2025, a fixed fee of approximately R\$1.192 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.
- (d) In respect of the procurement of other relevant services, a fixed fee or fee rate will be charged for each kilogram or volume unit of materials (including but not limited to tobacco leaves or fertilizer) using such services. Such fee or fee rate will be determined based on the length of service, labour costs, storage costs and any other relevant costs for the relevant services provided. Such fee or fee rate is determined on a yearly basis taking into account the potential inflation rates of the relevant service costs.

Annual Caps

The transaction amount of the purchase of tobacco and services transactions under the CBT Framework Tobacco and Services Purchase Agreement for the year ended 31 December 2025, and for the years ending 31 December 2026, 2027 and 2028 is expected not to exceed US\$38.7 million (equivalent to HK\$302.2 million), US\$48.1 million (equivalent to HK\$375.4 million), US\$46.1 million (equivalent to HK\$359.9 million), and US\$47.9 million (equivalent to HK\$373.8 million), respectively.

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 Purchase Agreement which constitutes connected transactions was HK\$176.2 million.

Review of Continuing Connected Transactions (Continued)

(H) Procurement Transactions for the Export of Tobacco Leaf Products to Non-exclusive Operating Regions for Tobacco Leaf Products

The Company has been making efforts to expand the scale of its Tobacco Leaf Products Export Business, including the expansion of the regions to where the Company sells and exports tobacco leaf products procured from the relevant entities under CNTC. As certain potential customers of the Tobacco Leaf Products Export Business are located in regions which do not fall within the exclusive operating regions (Southeast Asia, Hong Kong, Macau and Taiwan) for the procurement transactions of Tobacco Leaf Products Export Business of the Company which is exempted by the Stock Exchange for an indefinite term, without an annual monetary cap, to regulate relevant transactions in the Non-exclusive Operating Regions for Tobacco Leaf Products and to comply with relevant requirements under the Listing Rules, on 27 November 2024, the Company entered into the Framework Agreements on Tobacco Leaf Products Export to New Regions with each of the relevant counterparties under the Framework Agreements on Tobacco Leaf Products Export to New Regions (as set out below) for a term of three years commencing from 27 November 2024 to 26 November 2027.

For further details of the Framework Agreements on Tobacco Leaf Products Export to New Regions (including the relevant pricing policies), please refer to the Company's announcement dated 25 August 2023 and 27 November 2024.

As disclosed in the Company's announcement dated 27 January 2026, the Company entered into the Framework Agreements on Tobacco Leaf Products Export to New Regions with CTI North America as a relevant seller and accordingly adjusted upward the existing annual caps for the continuing connected transactions contemplated under the Framework Agreements on Tobacco Leaf Products Export to New Regions for the year ending 31 December 2026 and the period from 1 January 2027 to 26 November 2027. For details, please refer to the announcement of the Company dated 27 January 2026.

Parties

The Company and, for the time being, each of the entities under CNTC below:

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 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 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);

Shaanxi Tobacco Import and Export Co., Ltd*
(陝西煙草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); and

CTI North America (from 27 January 2026).

* For identification only

Review of Continuing Connected Transactions (Continued)

Pricing Policies

The Company first obtains indicative sales terms, which include quantity, specification, product quality, acceptable price range and others, from potential independent third party customers. The Company then solicits offers 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 the Company 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 formula in similar transactions and therefore our procurement has been conducted based on normal commercial terms. The pricing formula is shown as below:

P		A		
Procurement price from domestic suppliers of tobacco leaf products	=	Price at which the Company sells the tobacco leaf products to independent third parties	×	(1 – applicable margin)

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 third party customers.

From 1 January 2024, the applicable margins for the exported tobacco leaf products are not less than 1%, not less than 2% and not less than 4%, depending on the types of the exported tobacco leaf products, crop year, unit sale price, customers and suppliers. 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)

Annual Caps

The revised transaction amount of the continuing connected transactions under the Framework Agreements on Tobacco Leaf Products Export to New Regions for the period from 27 November 2024 to 31 December 2024, the year ended 31 December 2025, the year ending 31 December 2026, and the period from 1 January 2027 to 26 November 2027 shall not to exceed HK\$50.9 million, HK\$60.9 million, HK\$466 million and HK\$490 million, respectively.

Transaction Amount during the Reporting Period

During the Reporting Period, the amount of the procurement of tobacco transactions under the Framework Agreements on Tobacco Leaf Products Export to New Regions which constitutes connected transactions was HK\$43.3 million, accounting for 100% of the total purchase of the Tobacco Leaf Products Export Business in non-exclusive operating region.

(I) Procurement Transactions for the Export of Cigarettes to New Designated Regions for Cigarettes

As the potential customers of Cigarettes Export Business are located in the new regions, including New Designated Regions for Cigarettes, which do not fall within the exclusive operating areas for the procurement transactions under the Cigarettes Export Framework Agreements that have been fully exempted by the Stock Exchange for an indefinite term, without an annual monetary cap, the Company entered into the Framework Agreements on Cigarettes Export to New Regions with relevant entities under CNTC on 8 April 2024 commencing from 8 April 2024 until 31 December 2026 in relation to the procurement of cigarettes from the relevant entities under CNTC for the Company's onward sales and export of cigarettes to the New Designated Regions for Cigarettes.

For further details of the Framework Agreements on Cigarettes Export to New Regions (including the relevant pricing policies), please refer to the Company's announcement dated 8 April 2024.

Parties

The Company and the relevant entities under CNTC, for the time being, including:

China Tobacco Guizhou Industrial Co., Ltd*
(貴州中煙工業有限責任公司);

Tobacco Henan China Industrial Co., Ltd*
(河南中煙工業有限責任公司);

China Tobacco Jiangsu Industrial Co., Ltd*
(江蘇中煙工業有限責任公司);

China Tobacco Sichuan Industrial Co., Ltd*
(四川中煙工業有限責任公司);

China Tobacco Anhui Industrial Co., Ltd*
(安徽中煙工業有限責任公司).

China Tobacco Hebei Industrial Co., Ltd*
(河北中煙工業有限責任公司);

China Tobacco Hubei Industrial Co., Ltd*
(湖北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);

China Tobacco Shandong Industrial Co., Ltd*
(山東中煙工業有限責任公司); and

* For identification only

Review of Continuing Connected Transactions (Continued)

Pricing Policies

We apply different pricing policies for different categories of cigarettes, namely, premium and other first tier duty-free cigarettes, other duty-free cigarettes, and duty-paid market cigarettes. The procurement price is negotiated with reference to (i) the pricing documents issued by relevant authorities in respect of each particular transaction or product (including the No. 250 Notice); and (ii) if there are no such pricing document, international market practice and industry norms.

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

The pricing of premium and other first tier duty-free cigarette products is 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. The Company's 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, the Company determines the 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, the 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 the cigarettes export business. We subsequently determine sales price through arm's length negotiation with our customers in proprietary business, taking into consideration factors including retail prices of the relevant cigarettes in the target markets, expected profit margin of the duty-free outlets, our procurement cost and reasonable profit margin and competitiveness of the relevant cigarettes. With respect to our incremental business, we determine sales prices by adding an applicable margin of 1% to 2%, 2% to 5% or more than 5% to our procurement prices. Such margins were determined taking into consideration factors including reasonable profit margin of the Company, market demand of the relevant cigarettes and services provided by the downstream wholesalers.

(ii) *Other Duty-Free Cigarettes*

The prices at which the Company procures other duty-free cigarettes categories from relevant entities under CNTC 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.

Review of Continuing Connected Transactions (Continued)

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

(iii) Duty-Paid Market Cigarettes

The Company determines the ultimate procurement prices through arm's length negotiations with relevant entities under CNTC in procuring duty-paid market cigarettes for export sales. The procurement prices generally comprise similar factors as considered for the duty-free cigarettes, including: (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.

Annual Caps

The transaction amount of the procurement of cigarettes transactions under the Framework Agreements on Cigarettes Export to New Regions for the years ended 31 December 2024 and 2025 and the year ending 31 December 2026, shall not exceed US\$7.8 million (equivalent to HK\$60.7 million), US\$8.5 million (equivalent to HK\$66.5 million), US\$9.4 million (equivalent to HK\$73.0 million), respectively.

Transaction Amount during the Reporting Period

During the Reporting Period, the amount of the procurement of cigarettes transactions under the Framework Agreements on Cigarettes Export to New Regions which constitutes connected transactions was US\$1.7 million (equivalent to HK\$13.1 million), accounting for 100% of the total procurement of cigarettes transactions under the Framework Agreements on Cigarettes Export to New Regions.

(J) Offshore Sales Transactions of Tobacco Leaf Products

With the development of the Tobacco Leaf Products Export Business, the Group is now better equipped to supply tobacco leaf products from various global origins and offer a wider range of tobacco leaf product varieties. As a result, offshore customers, including entities under CNTC, expect to purchase tobacco leaf products from the Group in larger quantities through a direct trade model. As such, on 29 August 2025, the Company entered into the offshore sales of tobacco leaf products framework agreement (the "Offshore Sales of Tobacco Leaf Products Framework Agreement") with the relevant buyers in relation to the sales of tobacco leaf products from the Group to relevant offshore entities under CNTC for a term from 29 August 2025 to 31 December 2027, as part of the Tobacco Leaf Products Export Business.

For further details of the Offshore Sales of Tobacco Leaf Products Framework Agreement (including the relevant pricing policies), please refer to the Company's announcement dated 29 August 2025.

Review of Continuing Connected Transactions (Continued)

Parties

The Company and the relevant entities under CNTC, for the time being, including:

- Bang Kang Cigarette Factory, Myanmar (緬甸邦康煙廠*);
- Vinton Group Co., Ltd. (柬埔寨威尼頓集團有限公司*); and
- China Tobacco International Lao Manufacturing Co., Ltd (formerly known as Lao-China Hongta Good Luck Tobacco Co., Ltd.) (中煙國際老撾製造有限公司*, 前稱老撾寮中紅塔好運煙草有限公司).

Pricing Policies

The sales price shall be separately determined between the Group and the buyers in the individual agreements to be entered into pursuant to the Offshore Sales of Tobacco Leaf Products Framework Agreement. Such price shall be approved by the parties, with reference to international market practice and industry norm. The price charged by the Group in connection with the transactions under the Offshore Sales of Tobacco Leaf Products Framework Agreement is determined based on the resources devoted by the Group in connection with such transactions and varies according to the unit price of the relevant tobacco leaf products and the gross margin that the Group expects to generate from the sale of such products.

Annual Caps

The transaction amount of the sales of tobacco leaf products under the Offshore Sales of Tobacco Leaf Products Framework Agreement for the period from 29 August 2025 to 31 December 2025, and the years ending 31 December 2026 and 2027, shall not exceed HK\$55.89 million, HK\$328.39 million, and HK\$380.04 million, respectively.

Transaction Amount during the Reporting Period

During the Reporting Period, the amount of the sales of tobacco leaf products transactions under the Offshore Sales of Tobacco Leaf Products Framework Agreement which constitutes connected transactions was HK\$46.0 million, accounting for 1.9% of the total revenue of our Tobacco Leaf Products Export Business.

Save as disclosed above, none of the other related party transactions set out in the note 24 of the financial statements constitute connected transactions or continuing connected transactions that are required to be disclosed under Chapter 14A of the Listing Rules. Save as disclosed in this annual report, the Group has no connected transactions which are required to be disclosed under Chapter 14A of the Listing Rules from 1 January 2025 to 31 December 2025.

At the time of the initial public offering of the Company, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver from strict compliance with:

- in respect of the Continuing Connected Transactions of types A, B, C and D above, the requirements for (i) announcement, (ii) independent Shareholders' approval, (iii) setting a term of no more than three years and (iv) setting annual caps under Chapter 14A of the Listing Rules; and
- in respect of the Continuing Connected Transactions under the Offshore Supply Framework Agreements and the Tobacco Leaf Products Export Agency Agreements of types E and F above, the requirements for (i) announcement and (ii) independent Shareholders' approval under Chapter 14A of the Listing Rules.

* For identification only

Review of Continuing Connected Transactions (Continued)

The Continuing Connected Transactions under the 2021-2024 Offshore Supply Framework Agreements and 2024-2026 Offshore Supply Framework Agreement of type E, the 2021-2024 Tobacco Leaf Products Export Agency Agreements and 2024-2026 Tobacco Leaf Products Export Agency Agreements of types F above are subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcements dated 17 November 2021, 30 December 2021 and 10 October 2024 and circular dated 14 December 2021 and 1 November 2024.

The Continuing Connected Transactions at Subsidiary Level of type G above are subject to the requirements for reporting and announcement 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 announcements dated 23 September 2021, 22 October 2021, 29 November 2021, 30 May 2022, 29 December 2022, 20 December 2023, 10 October 2024 and 31 December 2025 and circular dated 29 September 2021.

The Continuing Connected Transactions of type H above in relation to the Framework Agreements on Tobacco Leaf Products Export to New Regions are subject to the requirements for reporting and announcement but are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules. For details, please refer to the Company's announcements dated 25 August 2023, 27 November 2024 and 27 January 2026.

The Continuing Connected Transactions of type I above in relation to the Framework Agreements on Cigarettes Export to New Regions are subject to the requirements for reporting and announcement but are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules. For details, please refer to the Company's announcement dated 8 April 2024.

The Continuing Connected Transactions of type J above in relation to the Offshore Sales of Tobacco Leaf Products Framework Agreement are subject to the requirements for reporting and announcement but are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules. For details, please refer to the Company's announcement dated 29 August 2025.

On the basis of the above, the Group confirms that it has complied with the requirements of Chapter 14A of the Listing Rules in relation to all connected transactions and continuing connected transactions to which the Group was a party during the Reporting Period.

Review of Continuing Connected Transactions (Continued)

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, F, H, I and J above (the “CCTs of Fixed Terms”), and the Continuing Connected Transactions of type G (the “CCTs with Alliance One Group”), respectively: (i) reviewed the 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 audited financial statements of the Group for the Reporting Period with disclosure note on 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\$4,955.1 million, HK\$1,159.2 million, HK\$713.6 million and HK\$34.4 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.

CONFIRMATION FROM THE COMPANY’S AUDITORS

The Company’s auditors have been engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Company’s auditors have issued their letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed in this annual report in accordance with Rule 14A.56 of the Listing Rules.

The Company’s auditors have confirmed in their letter that nothing has come to their attention that cause them to believe that the Continuing Connected Transactions: (i) have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and (iv) the aggregate amount of each of the Continuing Connected Transactions has exceeded their respective caps (if any) for the Reporting Period.

Review of Continuing Connected Transactions (Continued)

In addition, the Company's auditors have also been engaged to, in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information", perform financial ratio analysis (the "Ratio Analysis") by comparing the Group's debtors turnover days, creditors turnover days, net profit margin and the rate of return on equity (together, the "Relevant Ratios") for the Reporting Period to comparable companies selected by the Board of Directors, which include sizeable companies listed on the Stock Exchange with major revenue streams from trading or distribution activities and certain tobacco or trading companies that, in the views of the Directors, are comparable to the Group. By performing the Ratio Analysis, the Company's auditors found that, among other things and subject to the availability of financial information of the comparable companies, the Relevant Ratios of the Group were within the range of those for the comparable companies for the Reporting Period.

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) on terms that 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.

Directors and Senior Management

(as of the Latest Practicable Date)

DIRECTORS



Mr. SHAO Yan

Chairman and Non-executive Director

Aged 61

Joined the Company in August 2016

Chairman and Non-Executive Director since June 2018

Other positions held with CNTC Group

Chairman and general manager of CTIG (2021~)

Executive director and general manager of CTI (2015~)

Education and Qualifications

Doctor in tobacco science and technology engineering
(Hunan Agricultural University)

Master in crop cultivation and planting
(Yunnan Agricultural University)

Bachelor in biology (Hangzhou Normal University)

Primary former positions

Deputy general manager of Yunnan Tobacco Monopoly
Administration (Company)* (雲南省煙草專賣局(公司))
(2009-2015)

General manager of Tian Ze Tobacco Company (PVT)
Limited (2007-2010)

Deputy general manager of Tian Ze Tobacco Company
(PVT) Limited (2007)

Director chief agronomist of Yunnan Tobacco Monopoly
Administration (Company)* (2006-2007)

Director of Yunnan Tobacco Science Research Institute*
(雲南省煙草科學研究所) (2003-2007)

Deputy director of the tobacco leaves management division of
Yunnan Tobacco Monopoly Administration (Company)*
(2001-2005)

Section chief of the tobacco leaves management of Yunnan
Tobacco Monopoly Administration (Company)*
(1998-2001)



Mr. DAI Jiahui

Executive Director and General Manager

Aged 52

Joined the Company in July 2023

Executive Director and General Manager since July 2023

Education and Qualifications

Senior Accountant (China National Tobacco Corporation)

Bachelor of Economics (China Institute of Finance)

Primary former positions

Director of the human resource department of CTIG
(2022-2023)

Director of the financial management department of CTIG
(2021-2022)

Director of the financial management department of CTI
(2017-2021)

Deputy director of the financial management department of
CTI (2012-2017)

Manager of the finance department of CTPM International SA
(2006-2012)

Deputy director of the financial department of China Cigarette
Sales Company * (中國捲煙銷售公司) (2005-2012)

Principal staff member of the financial management
department of China Tobacco Import & Export (Group)
Corporation * (中國煙草進出口(集團)公司) (2002-2005)

* For identification only

Directors and Senior Management (Continued)

(as of the Latest Practicable Date)



Mr. WANG Chengrui

Executive Director and Company Secretary

Aged 45

Joined the Company in April 2018

Executive Director of the Company since December 2018

Company Secretary of the Company since June 2019

Education and Qualifications

MBA (Yunnan University)

Dual bachelor in economics and software engineering
(Yunnan University)

Primary former positions

Deputy manager of the strategic development department
of CTIG (2017-2018)

Principal staff member of the planning and investment
department of CTI (2016-2017)

Principal staff member of the tobacco economy information
centre of STMA (2013-2016)



Mr. XU Zengyun

Executive Director and Deputy General Manager

Aged 42

Joined the Company in September 2022

Executive Director and Deputy General Manager of
the Company since September 2022

Education and Qualifications

Master in management (Renmin University of China)

Bachelor in international economics and trade
(Dalian Maritime University)

Primary former positions

Deputy director of the cigarette business department of
CTIG (2021-2022)

Associate counselor of the Market Development Department
of CTI (2019-2021)

Deputy general manager and manager of the marketing
department of China Tobacco International Middle East
General Trading FZCO (2019-2020)

Deputy general manager of Radiant Star Trading Co. (L.L.C)
(2017-2019)

Principal staff member of the market development department
at CTI (2014-2019)

Senior brand manager and deputy brand director of
CTBAT International Co. Limited (2013-2016)

Directors and Senior Management (Continued)

(as of the Latest Practicable Date)



Ms. MAO Zilu

Executive Director and Deputy General Manager

Aged 40

Joined the Company in April 2022

Executive Director of the Company since September 2022

Deputy General Manager of the Company since April 2023

Education and Qualifications

Intermediate Economics Professional Qualification
(the Ministry of Human Resources and
Social Security of the PRC)

Legal Professional Qualification Certificate of the PRC
(the Ministry of Justice of the PRC)

Master in international law (Renmin University of China)

Bachelor in law (Renmin University of China)

Primary former positions

Associate counselor of the state trade department of
CTI (2022)

Principal staff member of the domestic trade department of
CTI (2020-2022)

Principal staff member of the tobacco leaf operation
department of CTI (2014-2020)



Mr. CHOW Siu Lui

Independent Non-Executive Director

Aged 65, with a wealth of experience in fund raising and
initial public offering activities in Hong Kong and
accounting and financial areas

Independent Non-executive Director of
the Company since December 2018

Directorships in other listed companies

Independent non-executive director of AGTech Holdings
Limited (2022~)

Independent non-executive director of China Everbright
Greentech Limited (2017~)

Independent non-executive director of Futong Technology
Development Holdings Limited (2016~)

Independent non-executive director of Genertec Universal
Medical Group Company Limited (2015~)

Education and Qualifications

Fellow member (Hong Kong Chartered Governance Institute
HKCGI, formerly known as Hong Kong Institute of
Chartered Secretaries HKICS)

Fellow member (Institute of Chartered Secretaries and
Administrators)

Fellow member (Hong Kong Institute of Certified Public
Accountants, HKICPA)

Fellow member (Association of Chartered Certified
Accountants ACCA)

Professional diploma in accountancy (Hong Kong Polytechnic
University)

Primary former positions

Non-executive director of Renrui Human Resources
Technology Holdings Limited (2019-2023)

Partner of VMS Investment Group (HK) Limited (2012-2023)

Independent non-executive director of Global Cord Blood
Corporation (2019-2022)

Independent Non-Executive Director of Shanghai Dazhong
Public Utilities (Group) Co. Ltd. (2016-2022)

Independent Non-Executive Director of Fullshare Holdings
Limited (2013-2021)

Independent Non-Executive Director of Sinco Pharmaceuticals
Holdings Limited (2016-2018)

Partner of KPMG Hong Kong (1995-2011)

Directors and Senior Management (Continued)

(as of the Latest Practicable Date)



Mr. WANG Xinhua

Independent Non-Executive Director

Aged 70, with more than 21 years of experience in the financial management of PRC state-owned enterprises and Hong Kong listed companies and rich experience in listing compliance matters and providing financial advice to listed companies

Independent Non-executive Director of the Company since December 2018

Directorships in other listed companies

Independent non-executive director of Sincere Pharmaceutical Group Limited (2019~)

Education and Qualifications

Professor-level senior accountant (Sinopec Group)
Bachelor (Northeastern University in the PRC)

Primary former positions

Independent director of China Petroleum Engineering Company Limited (2017-2024)
Independent director of Xinjiang Zhongtai Chemical Company Limited* (新疆中泰化學股份有限公司) (2017-2022)
Independent director of Guizhou Yibai Pharmaceutical Company Limited (2016-2019)
Independent director of Baoli Lianhe Chemical Engineering Holdings Group Company Limited (previously called Guizhou Jiulian Industrial Explosive Materials Development Company Limited (2016-2019)
CFO of China Petroleum & Chemical Corporation (2009-2015)
Director of the financial planning department of China Petrochemical Corporation (2004-2009)



Mr. QIAN Yi

Independent Non-Executive Director

Aged 72, with 42 years of experience in enterprise management and 16 years of experience in the tobacco industry

Independent Non-executive Director of the Company since May 2019

Other primary positions

Visiting professor of the University of Shanghai for Science and Technology (2012~)
Visiting professor of Shanghai Publishing and Printing College (2012~)

Education and Qualifications

Senior economist (Shanghai Municipal Qualification Reform Work Leading Team)
Graduate program in economics (East China Normal University)
Undergraduate program in enterprise management (Fudan University)
Post-secondary program in management engineering (Shanghai Jiaotong University)

Primary former positions

Executive director and general manager of Nanyang Brothers Tobacco Co., Ltd. (2008-2017)
Director of Shanghai Industrial Investment (Holdings) Co., Ltd. (2012-2014)
Executive director and deputy CEO of Shanghai Industrial Holdings Limited in Hong Kong (2009-2014)

* For identification only

Directors and Senior Management (Continued)

(as of the Latest Practicable Date)

SENIOR MANAGEMENT

For the biographical details of Mr. DAI Jiahui, Mr. WANG Chengrui, Mr. XU Zengyun, and Ms. MAO Zilu, please see “Directors” of this section.



Ms. HE Junhua

Independent Non-Executive Director

Aged 55, with extensive skills, knowledge and professional experience in providing legal advice to corporations, investment banks and financial institutions
Independent Non-executive Director of the Company since May 2024

Other primary positions

Partner of Han Kun Law Offices (2025~)

Education and Qualifications

Solicitor (Hong Kong)
Attorney (California, United States)
Attorney (New York, United States)
Juris Doctor (Rutgers, The State University of New Jersey, United States)
Master of Laws (University of California, Berkeley, United States)
Bachelor of Laws (Shenzhen University, China)

Primary former positions

Partner of Ashurst (2020-2024)
Partner of DLA Piper (2015-2020)
Partner of Morrison & Foerster LLP (2012-2015)
Associate and Partner of Herbert Smith Freehills (2006-2012)



Mr. YAN Bill Biao

Deputy General Manager

Aged 57
Joined the Company in July 2022
Deputy General Manager of the Company since February 2023

Education and Qualifications

Fellow Chartered Management Accountant (Chartered Institute of Management Accountants)
Chartered Global Management Accountant (Association of International Certified Professional Accountants)
Bachelor of Business Administration (St. Francis Xavier University in Canada)

Primary former positions

Regional director strategy and program delivery of Philip Morris Asia Ltd. (2019-2021)
Director of the board, and Director finance and business development of Philip Morris (China) Management Co., Ltd. (2014-2019)
Director finance, business development, and international joint venture of Philip Morris International Management S.A. (2006-2014)
Regional manager treasury of Philip Morris Asia Ltd. (2003-2006)
Project controller of Philip Morris Philippines Manufacturing Inc. (1999-2003)
Senior corporate auditor of Altria Group, Inc. (1997-1999)
Senior auditor of KPMG Canada (1993-1996)

Directors and Senior Management (Continued)

(as of the Latest Practicable Date)

COMPANY SECRETARY

Mr. WANG Chengrui has been the Company's Company Secretary since June 2019. Mr. WANG Chengrui 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 his biographical details, please see the section "Directors" above.

Report of the Directors

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Group is the designated offshore platform of CTIG (immediate parent of the Company) for capital markets operation and international business expansion. CTIG is a wholly-owned subsidiary of CNTC (ultimate controlling company of the Company) and is in charge of the management and operation of the international businesses of CNTC by organizing the trade of tobacco products and overseeing the operation of the offshore subsidiaries and foreign investments of CNTC. CNTC Group is the only entity under the state tobacco monopoly regime of the PRC to engage in the production, sale, and import and export businesses of tobacco monopoly commodities in the PRC. In accordance with the authorization by STMA and the relevant laws, regulations and rules, the Group is principally engaged in the following businesses:

- export of tobacco leaf products to Southeast Asia, Hong Kong, Macau, Taiwan and Non-exclusive Operating Regions for Tobacco Leaf Products (the “**Tobacco Leaf Products Export Business**”);
- import of tobacco leaf products to the Chinese Mainland from origin countries or regions around the world (other than from sanctioned countries and regions) (the “**Tobacco Leaf Products Import Business**”);
- export of cigarettes to the Exclusive Operating Regions for Cigarettes and New Designated Regions for Cigarettes from CNTC Group directly or through distributors (the “**Cigarettes Export Business**”);
- export of new tobacco products to the global market (except the Chinese Mainland) (the “**New Tobacco Products Export Business**”); and
- procurement, processing, sale of tobacco leaves and procurement of agricultural materials inherent to tobacco production in Republic of Brazil (“**Brazil**”) and from Brazil to the global market (except the Chinese Mainland) (the “**Brazil Operation Business**”).

BUSINESS REVIEW

A fair review of the business of the Group, as well as a discussion on the Group’s future business development and an analysis of the Group’s performance during the year ended 31 December 2025 using financial key performance indicators, are set out in “**Chairman’s Statement**” on pages 13 to 15 of this annual report and in “**Management Discussion and Analysis**” on pages 16 to 21 of this annual report. The financial risk management objectives and policies of the Group are set out in note 23 to the consolidated financial statements. Besides, the potential risks and uncertainties faced by the Group, the Group’s key relationships with its employees, customers and suppliers, the Group’s environmental policies and performance and compliance with the relevant laws and regulations which have significant impact are set out below.

Report of the Directors (Continued)

Key Risks and Uncertainties

The Group's results and operations are subject to a variety of risks and other factors and they are summarised as follows:

The Group's results may be subject to global tobacco-control campaigns and increasing consumer concerns on health issues. Global demand and consumption of tobacco products may shrink as a result of global tobacco-control campaigns and increasing consumer awareness of health issues. Therefore, the Group cannot assure that the overall demand for tobacco products will increase or remain the same, and the overall demand decline for tobacco products may adversely affect the results of the Group.

The Group's results may be subject to seasonal fluctuations. Due to the seasonality of the Group's tobacco leaf products import and export business, the results of operations as well as the cash flow for any period of a given year are not necessarily indicative of the results that may be achieved for the full year. As such, comparing the revenue and operating results in different periods of a financial year may be misleading and should not be relied upon as the sole indicator of the Group's performance.

The Group's results may be subject to plans periodically approved by relevant authorities. With respect to the Tobacco Leaf Products Import Business, the Industrial Companies, which are the end users of the Group's imported tobacco leaves, are subject to annual import plans approved by relevant authorities. Similarly, with respect to export business, the Group's domestic suppliers are also subject to periodic export plans approved by relevant authorities. Therefore, the Group's procurement or sales activities with these domestic counterparties are in turn subject to such periodic plans.

The New Tobacco Products Export Business of the Group may be confronted with challenges. While new tobacco products business developed rapidly in recent years, uncertainties remain with respect to the interpretation and implementation of the regulatory framework for new tobacco products. Any unfavourable regulatory development could impede the growth of new tobacco products business in specific countries or even around the world, thus adversely affecting the performance of Group.

Sales of duty-free cigarettes may not return to pre-pandemic levels quickly. After the Covid-19 pandemic, although the continuously increase in the number of people entering and leaving China and related areas will help boost duty-free cigarette sales, the impact of the pandemic and the prevention and control policies on the economy and consumption habits may lead to changes in consumption behavior, which may affect the sales of duty-free cigarettes.

Key Relationships

The Group fully understands that employees, customers and partners are key to its sustainable and stable development. The Group is committed to establishing a close relationship with its employees, enhancing cooperation with its partners and providing high-quality goods and services to its customers so as to ensure the Group's sustainable development.

Employees and Emolument Policy

Employees are regarded as the most important resource of the Group. The Group has been endeavouring to provide its employees with competitive compensation packages, attractive promotion opportunities, professional training and a respectful and professional working environment. In order to assist the Group in attracting, retaining and motivating its employees, the Group has adopted an employee remuneration management policy, which includes, among others, a performance-linked bonus mechanism. In addition, the Group provides induction training to all employees to familiarize them with the tobacco industry, the Group's business operations and additional professional training specific to its employees' job responsibilities during their course of employment on an ad hoc basis.

Report of the Directors (Continued)

Customers and Suppliers

In respect of the Tobacco Leaf Products Import Business, CTI is the Group's sole customer, as it is the only entity in the PRC with the qualifications to import overseas tobacco leaf products to the PRC; and the Group's suppliers are generally tobacco leaf products companies.

In respect of the Tobacco Leaf Products Export Business, the Group's customers are (i) cigarette manufacturers, and (ii) authorized purchasing agents of certain cigarette manufacturers, which are generally tobacco trading companies; and the Group's suppliers are generally the tobacco import and export companies and the cigarettes manufacturing companies in the PRC that are owned and/or controlled by CNTC (other than CTI), from which the Group procures tobacco leaf products.

In respect of the Cigarettes Export Business, the Group's customers are duty-paid retailers, duty-free operators and cigarettes wholesalers; and the Group's suppliers are generally China Tobacco's import and export companies and the industrial companies as well as an authorized third party tobacco manufacturer.

In respect of the New Tobacco Products Export Business, the Group's customers are retailers/cigarettes wholesalers and independent third parties; and the Group's suppliers are generally China Tobacco's import and export companies and the industrial companies.

In respect of the Brazil Operation Business, the Group mainly exports tobacco leaves to other end customers through Alliance One Group's distribution and direct sale channels; and the Group's suppliers are generally local farmers engaged in tobacco cultivation in Brazil.

Benefiting from its exclusive operating position, the Group is able to acquire and maintain long-standing relationships with creditworthy customers and suppliers. The Group has maintained business relationships with some of the major customers and suppliers for more than ten years. The Group's close partnership with the customers and suppliers provides itself with abundant business opportunities and sufficient product supply which has laid a solid foundation for maintaining its current business and further expanding globally.

Environmental Policies and Performance

The Group recognises that the importance of proper adoption of environmental policies and robust environmental governance is crucial to its long-term growth. The Group has compiled Sustainable Development Policy and Climate Change Management Measure based on applicable environmental laws, regulations and standards. According to the sustainable development policy, the Group's ESG Task Force is responsible for collecting and reporting annual sustainability-related data, identifying and evaluating potential sustainability-related risks within the Group, and formulating and overseeing sustainability targets aligned with our business objectives, ensuring that the Group complies with relevant legal and regulatory requirements and promoting the implementation of relevant policies by various departments of the Group. According to the Climate Change Management Measures, the Group has systematically formulated multiple management frameworks such as greenhouse gas emissions management, climate risk management, and green operations based on the definition of climate-related risks and opportunities by the Task Force on Climate-Related Financial Disclosures (TCFD) to improve the Group's climate risk assessment system, and enhance climate resilience.

During the Reporting Period, in response to escalating climate challenges and evolving regulatory requirements, the Group has established the "GROW" sustainability strategy and the ESG development index system to enhance management efficiency. The Group has continued to refine the assessment of sustainability (including climate-related) risks and opportunities related to our business, further optimized our greenhouse gas management, climate risk mitigation, and green operations, and conducted assessment and dynamic tracking of environmental performance through the ESG development index system. Furthermore, we have further expanded the Scope 3 GHG emissions data collection to enhance the transparency of our environmental performance and aims to identify more related emissions reduction opportunities in the supply chain. For detailed information on the Group's 2025 environmental policies and performance, please refer to our 2025 Sustainability Report.

Report of the Directors (Continued)

Compliance with Laws and Regulations

The Group's operations are mainly carried out in Hong Kong and Brazil, and the Company is a company incorporated in Hong Kong with its Shares listed on the Main Board of the Stock Exchange. Accordingly, the establishment and operations of the Group shall comply with relevant laws and regulations in Hong Kong and Brazil, including but not limited to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "Companies Ordinance"), the SFO and the Listing Rules, as well as relevant laws and regulations in Brazil. During the year ended 31 December 2025, the Group is not aware of any material non-compliance with relevant laws and regulations in Hong Kong or Brazil by the Group that have a significant impact on its businesses and operations.

RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the section headed "Consolidated statement of profit or loss and other comprehensive income" of this annual report.

PROPOSED FINAL DIVIDEND

The Board recommends a final dividend of HK\$0.33 per Share for the year ended 31 December 2025 (2024: HK\$0.31 per Share).

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended 31 December 2025 are set out in note 22 to the consolidated financial statements in this annual report.

RESERVES

As at 31 December 2025, distributable reserves of the Company, calculated under Part 6 of the Companies Ordinance, amounted to HK\$2,396.4 million (31 December 2024: HK\$1,731.7 million).

Details of the movements in the reserves of the Group for the year ended 31 December 2025 are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the Group's property, plant and equipment are set out in note 13 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years are set out in the section headed "Financial Summary" of this annual report.

LIQUIDITY AND FINANCIAL RESOURCES

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.

Report of the Directors (Continued)

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2025, the Group's five largest customers contributed to approximately 81.6% of its total revenue (31 December 2024: 78.6%). During the year ended 31 December 2025, the Group's largest customer contributed 65.8% of its revenue (31 December 2024: 63.2%).

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 38.4% (31 December 2024: 40.8%) of the total purchases for the year ended 31 December 2025 and purchases from the largest supplier accounted for approximately 13.6% of its total purchases (31 December 2024: 18.1%).

To the best knowledge of the Directors, in respect of the Tobacco Leaf Products Export Business, the Cigarettes Export Business, the New Tobacco Products Export Business and the Brazil Operation Business, none of the Directors or any of their close associates (as defined in the Listing Rules) or Shareholders that owned more than 5% of the issued Shares had any direct or indirect interest in the five largest customers or the five largest suppliers of the Group during the year ended 31 December 2025. In respect of the Tobacco Leaf Products Import Business, the Group's only customer is CTI, which is the only entity with the qualifications to import tobacco leaf products produced overseas into the PRC.

DIRECTORS

The Directors during the year ended 31 December 2025 and up to the date of this annual report are as follows:

Chairman of the Board and Non-Executive Director:

Mr. SHAO Yan

Executive Directors:

Mr. DAI Jiahui

Mr. WANG Chengrui

Mr. XU Zengyun

Ms. MAO Zilu

Independent Non-Executive Directors:

Mr. CHOW Siu Lui (*designated as the lead independent non-executive director with effect from 31 December 2025*)

Mr. WANG Xinhua

Mr. QIAN Yi

Ms. HE Junhua

Report of the Directors (Continued)

Below is a list of directors of the subsidiaries of the Company during the year ended 31 December 2025 and up to the date of this annual report:

Mr. JIN Qiang

Mr. QU Yongsheng

Mr. WANG Zhengrong

Mr. LIU Xiangyun

Mr. FERNANDO Limberger

Mr. Simon Yeo

Mr. Marcelo Cavalcante Bemat

THE BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the section headed “**Directors and Senior Management**” of this annual report.

SERVICE CONTRACTS OF THE DIRECTORS

Each of the Directors has entered into a service contract with the Company for a term of three years commencing from the date of the service contract and shall be terminable by either party giving one month’s notice in writing to the other.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Report of the Directors (Continued)

REMUNERATION OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest-paid individuals in the Group are set out in notes 8 and 9 to the consolidated financial statements in this annual report.

The annual remuneration of the members of the senior management, including those members of senior management who are also executive Directors, by band for the year ended 31 December 2025 is as follow:

Remuneration Bands (HK\$)	Number of Individuals
1,000,001-1,500,000	–
1,500,001-2,000,000	–
2,000,001-2,500,000	1
2,500,001-3,000,000	–
3,000,001-3,500,000	3
3,500,001-4,000,000	1

Directors and senior management of the Group receive their remuneration from the Group in the form of salaries, allowances, benefits in kind and retirement scheme contributions. There was no arrangement under which a Director or senior management waived or agreed to waive any remuneration during the financial year.

There are two key categories of factors to be considered in assessing fair compensation packages for independent non-executive Directors as follows:

- (1) intangible factors associated with the nature of the Board's work such as the significance, responsibility and potential risk of the role, industry complexity and risk and the goodwill and reputational value brought to the Company by the independent non-executive Directors; and
- (2) tangible components related to the workload on Board activities.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence. The Company believes that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

Report of the Directors (Continued)

NON-COMPETE UNDERTAKING

CNTC, the Company's ultimate controlling shareholder, has undertaken to the Company in a non-compete undertaking that CNTC and relevant entities under CNTC (other than the Group) shall not engage in any business exclusively operated by the Company. CNTC shall also procure relevant entities under CNTC (other than the Group) not to engage in the business exclusively operated by the Group.

During the year ended 31 December 2025, CNTC and relevant entities under CNTC (other than the Group) complied with the non-compete undertaking described above.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2025, Mr. Shao Yan, our Chairman and non-executive Director, served as the executive director and general manager of CTI, a wholly-owned subsidiary of CNTC, and served as chairman and general manager of CTIG, a wholly-owned subsidiary of CNTC and the controlling Shareholder of the Company. Save as disclosed above, as at 31 December 2025, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

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

As at 31 December 2025, 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 year ended 31 December 2025 was the Company, any of its subsidiaries, 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.

Report of the Directors (Continued)

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

As at 31 December 2025, the following entities (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 ²
(i)	CTIG	Beneficial owner	500,010,000	72.29%
(ii)	CNTC ¹	Interest in a controlled corporation	500,010,000	72.29%

Notes:

1. 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.
2. As at 31 December 2025, the Company had 691,680,000 Shares in issue.

Apart from the foregoing, as at 31 December 2025, no other entity or 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.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company, any of its subsidiaries, any of its holding companies or any of its holding companies' subsidiaries has been a party and in which a Director or an entity connected with a Director is or was materially interested, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2025.

RELATED PARTY TRANSACTIONS

Related party transactions during the year ended 31 December 2025 are disclosed in note 24 to the consolidated financial statements in this annual report.

CONTINUING CONNECTED TRANSACTIONS

Details of review of continuing connected transactions during the year ended 31 December 2025 are set out in the section headed "Review of Continuing Connected Transactions" of this annual report.

MANAGEMENT CONTRACTS

The Company did not enter into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group during the year ended 31 December 2025.

Report of the Directors (Continued)

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, neither contract of significance made between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance made for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the year ended 31 December 2025.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2025, the Group had no plan relating to material investments and capital assets.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company (the “**Articles of Association**”), subject to the provisions of the Companies Ordinance, every Director, company secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2025.

DONATIONS

During the year ended 31 December 2025, the Group donated approximately HK\$0.7 million to Brazil public welfare funds.

EVENTS AFTER THE REPORTING PERIOD

There is no major event after 31 December 2025 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 were 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 the 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 and the announcement of the Company dated 27 June 2025 in relation to update on expected timeline for use of proceeds.

Report of the Directors (Continued)

The use of Net Proceeds during the period from the Listing Date up to 31 December 2025 and the expected timeline of the unutilised amount of the Net Proceeds are set out as follows:

Use of Net Proceeds	Approximate percentage of total amount	Actual amount of Net Proceeds (HK\$ million)	Unutilised amount as at 1 January 2025 (HK\$ million)	Amount utilised during the year ended 31 December 2025 (HK\$ million)	Unutilised amount as at 31 December 2025 (HK\$ million)	Expected timeline
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 2027.
Supporting the ongoing growth of the Group's business	20%	180.8	165.1	7.5	157.6	Remainder to be utilised by 30 June 2027.
Strategic business cooperation with other international tobacco companies, including to jointly explore and develop emerging tobacco markets	20%	180.8	178.6	1.5	177.1	Remainder to be utilised by 30 June 2027.
General working capital	10%	90.4	–	–	–	Not Applicable.
Improving the Group's management of purchase and sales resources and optimizing the Group's operational management	5%	45.2	4.5	4.5	–	Not Applicable.
Total	100%	904.0	429.6	13.5	416.1	

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

During the year ended 31 December 2025, the Group did not issue any equity securities (including securities convertible into equity securities) or debentures.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 29 May 2026. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

Report of the Directors (Continued)

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 26 May 2026 to Friday, 29 May 2026, both dates inclusive, during which period no transfer of its Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of its Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 May 2026.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 4 June 2026 to Tuesday, 9 June 2026, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 June 2026. The final dividend is expected to be paid on or about Friday, 26 June 2026 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 9 June 2026.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 69 to 86 of this annual report.

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

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDITOR

The financial statements have been audited by KPMG who shall retire and being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company.

The Company has not changed its auditors since the Listing Date.

On behalf of the Board

SHAO Yan

Chairman and Non-Executive Director

Hong Kong, 5 March 2026

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Board of Directors is committed to maintaining high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to formulate its business strategies and policies, and to enhance its transparency and accountability.

For the year ended 31 December 2025, the Company has applied the principles as set out in the Corporate Governance Code which are applicable to the Company.

In the opinion of the Directors, for the year ended 31 December 2025, the Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules to regulate the Directors' securities transactions. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules).

All Directors have confirmed, following specific enquiries by the Company, that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2025. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

CORPORATE CULTURE

The Board has established the Company's purpose, values and strategy as follows: Following the development tenet of "respect market, respect rules, respect investors" and practicing the values of "equal emphasis on law-abiding compliance and innovative development", we actively promote the Company to become a "globally renowned tobacco enterprise with international competitiveness". The Board believes that the Company's purpose, values and strategy are essential part of the Company's corporate culture.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the guidelines, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board regularly reviews (at least annually) the contribution required from each Director to perform his responsibilities to the Company based on Work Rules of the Board of the Company. Therefore, The Board is of the view that the directors devote sufficient time and make contributions to the Company that are commensurate with their role and board responsibilities during the year of 2025.

Corporate Governance Report (Continued)

BOARD OF DIRECTORS

The Board of the Company currently comprises nine members as follows:

Non-Executive Director:

Mr. SHAO Yan (*Chairman of the Board*)

Executive Directors:

Mr. DAI Jiahui (*General Manager*)

Mr. WANG Chengrui

Mr. XU Zengyun

Ms. MAO Zilu

Independent Non-Executive Directors:

Mr. CHOW Siu Lui (*Lead Independent Non-Executive Director*)

Mr. WANG Xinhua

Mr. QIAN Yi

Ms. HE Junhua

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relationships) with each other (including between Chairman and General Manager).

The biographical information of the Directors are set out in the section headed “Directors and Senior Management” on pages 51 to 56 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended 31 December 2025, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his or her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION

Code provision B.2.2 of the Corporate Governance Code states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is appointed under a service contract for a term of three years commencing from the date of the service contract which is terminable by either party by giving one month's written notice to the other party.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation and re-election at AGM at least once every three years. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following AGM after his/her appointment and they will be subject to re-election at such meeting.

Corporate Governance Report (Continued)

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company and the Board is of the view that the directors devote sufficient time and make contributions to the Company that are commensurate with their role and board responsibilities.

Taking into account of the above, the Directors believe that the Company has established mechanisms to ensure independent views and input are available to the Board. The Board has reviewed the implementation and effectiveness of the mechanism on an annual basis.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

BOARD MEETINGS

During the Reporting Period, the Board held four regular Board meetings and eleven other Board meetings, four Audit Committee meetings, two Nomination Committee meetings, one Remuneration Committee meeting, five Connected Transactions Control Committee meetings, and one communication meeting between Chairman of the Board and independent non-executive Directors to discuss and approve 65 proposals, including but not limited to the annual results, interim results, declaration of interim and final dividend, continuing connected transactions, re-appointment of external auditors and determination of their remuneration. Except for one ongoing item, all items were completed. The attendance records of each Director are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting (or such other period as agreed) so that the Directors have the time to review the documents.

The agenda of each Board meeting is set by the Chairman in consultation with members of the Board such that they are given an opportunity to contemplate agenda items, draft and executed Board minutes were sent in a timely manner to all Directors for their comments and records, and minutes of the Board meetings recorded in sufficient details were kept by the Company Secretary.

Corporate Governance Report (Continued)

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate directors and officers liability insurance coverage for the Directors and officers of the Group. The insured clause and scope of coverage of year 2025/2026 have been reviewed and renewed.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Company organized a series of training sessions during the Reporting Period in the form of online and offline training programme for Directors, covering training themes such as Listing Rules, Hong Kong legal and compliance, corporate governance and ESG, and business update, which included detailed topics of information disclosure of listed companies, rules on connected transactions, development of Hong Kong's regulatory system, ESG regulation and reporting, anti-money laundering, sales contract cases, economic sanctions, industry business dynamics and development trends, and etc. The Company has duly provided reading materials on market information and business update for the Directors to review the performance of the Company and the sales strategy of the industry and discuss the market condition of the industry and the M&A opportunities arise from upstream and downstream of the industry. During the Reporting Period, all Directors have provided records of the trainings they received to the Company, and the average training hours of the Directors are 18 hours. The Board considered the trainings attended by the Directors are sufficient to perform their responsibilities. A summary of the trainings attended by the Directors during the Reporting Period is as follows:

Name of Directors	Training Scope			
	Listing Rules	Hong Kong Legal and Compliance	Corporate Governance & ESG	Business Update
Chairman of the Board and Non-Executive Director				
Mr. SHAO Yan	●	●	●	●
Executive Directors				
Mr. DAI Jiahui	●	●	●	●
Mr. WANG Chengrui	●	●	●	●
Mr. XU Zengyun	●	●	●	●
Ms. MAO Zilu	●	●	●	●
Independent Non-Executive Directors				
Mr. CHOW Siu Lui	●	●	●	●
Mr. WANG Xinhua	●	●	●	●
Mr. QIAN Yi	●	●	●	●
Ms. HE Junhua	●	●	●	●

Corporate Governance Report (Continued)

BOARD COMMITTEES

The Board has established five committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Connected Transactions Control Committee and the Strategic Development Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website (www.ctihk.com.hk) and the Stock Exchange's website (www.hkexnews.hk) and are available to Shareholders upon request.

The majority of the members of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Connected Transactions Control Committee are independent non-executive Directors.

Audit Committee

The Audit Committee consists of three members, namely Mr. CHOW Siu Lui, Mr. WANG Xinhua and Ms. HE Junhua, all of whom are independent non-executive Directors, with Mr. CHOW Siu Lui being the chairman of the committee possessing the appropriate accounting or related financial management expertise.

Mr. CHOW Siu Lui

(Independent non-executive Director)
(Committee Chairman)

Mr. WANG Xinhua

(Independent non-executive Director)

Ms. HE Junhua

(Independent non-executive Director)

The primary duties of the Audit Committee include:

- making recommendations to the Board on the appointment, reappointment and removal of external auditors, approving the remuneration and terms of engagement of external auditors, and dealing with any issues in relation to resignation or dismissal of external auditors;
- reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, discussing with auditors on the nature and scope of the audit work and reporting obligations before the audit commences, and ensuring coordination between auditing firms, if more than one auditing firm is involved;
- developing and implementing policies with respect to the non-audit work provided by external auditors;
- examining the completeness of our consolidated financial statements and our interim and annual reports, and reviewing critical financial reporting judgments contained therein;
- overseeing our financial reporting, risk management and internal control systems; and
- other matters required by laws, administrative regulations, and departmental rules and authorized by the Board.

Corporate Governance Report (Continued)

For the year ended 31 December 2025, the Audit Committee held four meetings to review the Group’s interim and annual financial reports and results announcements to ensure integrity, transparency and consistency of the financial disclosures. The Audit Committee reviewed the accounting principles and practices adopted by the Group and discuss risk management, internal control, ESG and financial report matters during the meetings, and believed that the internal control procedures and risk management of the Company is effective and adequate, and there is no matters that needs to be brought to the attention of the Board. The Audit Committee engaged in discussions with our auditor, KPMG, regarding the Group’s 2025 audit planning and strategies. They reached an agreement to proceed with the proposed 2025 audit work by KPMG.

For the year ended 31 December 2025, the Audit Committee had three meetings with the external auditors of the Company.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. CHOW Siu Lui, Mr. SHAO Yan and Mr. WANG Xinhua, with Mr. CHOW Siu Lui being the chairman of the committee.

Mr. CHOW Siu Lui

(Independent non-executive Director)

(Committee Chairman)

Mr. SHAO Yan

(Non-executive Director)

Mr. WANG Xinhua

(Independent non-executive Director)

The primary duties of the Remuneration Committee include:

- making recommendations to the Board on the compensation remuneration packages of individual executive Directors and senior management and on the compensation of non-executive Director;
- making recommendations to the Board on the management’s remuneration proposals;
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- developing policies and structure for remuneration of all Directors, senior management and employees including salaries, incentive schemes and other share option schemes, and making recommendations to the Board;
- making recommendations to the Board on disclosure with respect to Directors’ remuneration included in the annual report;
- making recommendations to the Board on whether the Shareholders shall be requested to approve the report on Directors’ remuneration at the AGM;
- reporting to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions; and
- other matters required by laws, administrative regulations, and departmental rules and authorized by the Board.

For the year ended 31 December 2025, the Remuneration Committee held one meeting to discuss the remuneration policy for Directors and senior management and remuneration package for the Directors and senior management of the Company, and make recommendations to the Board.

Corporate Governance Report (Continued)

Nomination Committee

The Nomination Committee consists of four members, namely Mr. SHAO Yan, Mr. CHOW Siu Lui, Mr. WANG Xinhua and Ms. HE Junhua, with Mr. SHAO Yan being the chairman of the committee. Ms. HE Junhua was appointed as a member of the Nomination Committee with effect from 31 December 2025.

Mr. SHAO Yan

(Non-executive Director)
(Committee Chairman)

Mr. CHOW Siu Lui

(Independent non-executive Director)

Mr. WANG Xinhua

(Independent non-executive Director)

Ms. HE Junhua

(Independent non-executive Director)

The primary duties of the Nomination Committee include:

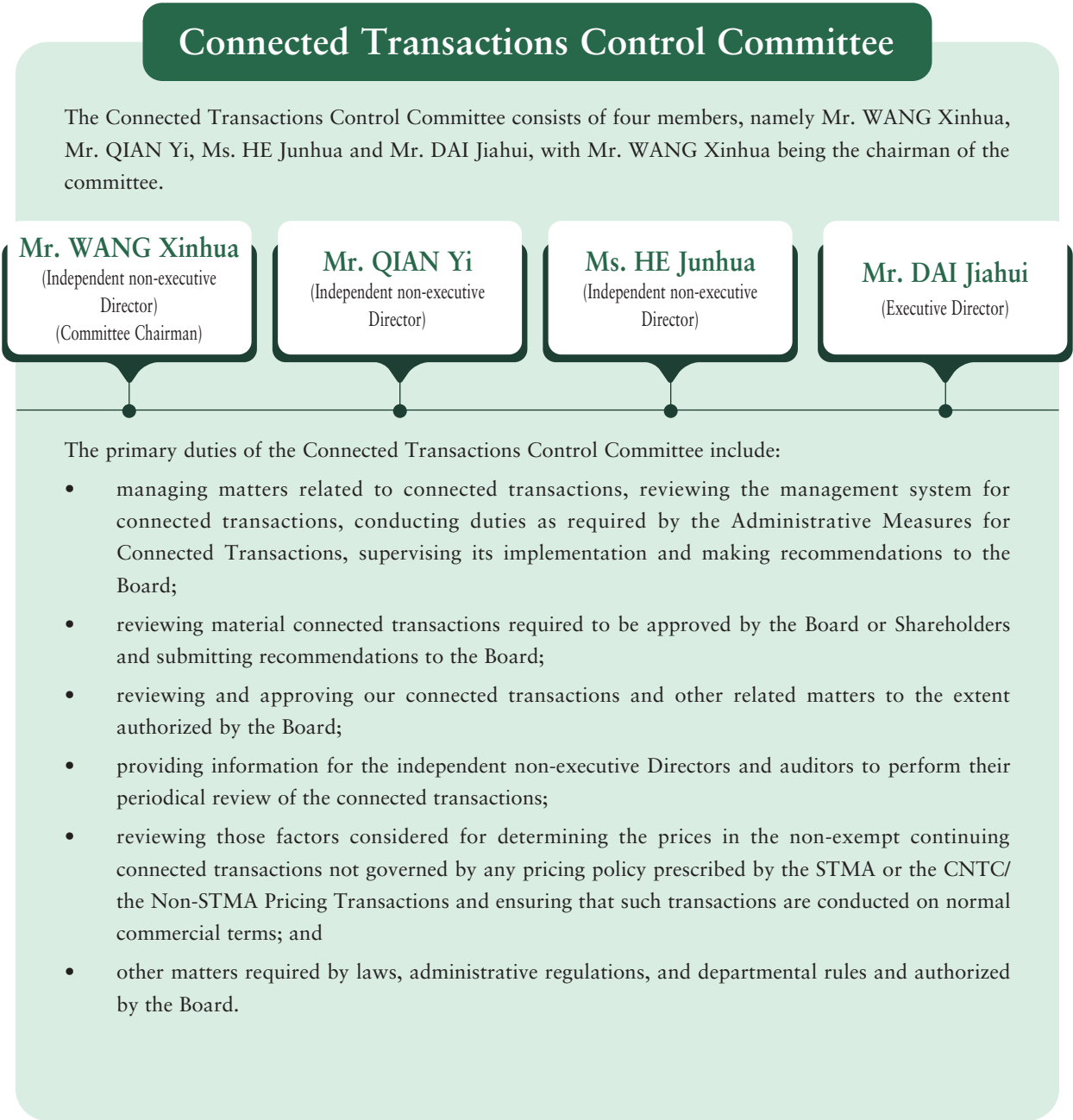
- reviewing the structure, size and composition of the Board at least annually, assisting the Board in maintaining a board skills matrix, and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy;
- identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of independent non-executive Directors;
- making recommendations to the Board on the appointment or reappointment of directors and succession planning of Directors;
- reporting to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions;
- supporting the Company's regular evaluation of the Board's performance; and
- other matters required by laws, administrative regulations, and industry rules and authorized by the Board.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's skills, knowledge, experience, independence and other relevant criteria, where appropriate, necessary to complement the corporate strategy before making recommendation to the Board.

In assessing the Board composition, various aspects set out in the board diversity policy of the Group (the "Board Diversity Policy"), including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and years of services will be taken into account. The Board would set measurable objectives for achieving the Board Diversity Policy and review the progress of realizing such objectives from time to time. The Nomination Committee would, when appropriate, review the Board Diversity Policy to ensure its effectiveness. When considering succession planning of Directors, the Nomination Committee will also consider the potential successors to the Board with regard to the Board Diversity Policy and the targets and expectations set up for achieving a diverse Board.

For the year ended 31 December 2025, the Nomination Committee held two meetings to discuss the structure, size and composition of the Board, review the Board Diversity Policy and the nomination policy, assess the independency of the independent non-executive Directors, discuss the retirement and re-election of Directors, discuss the appointment of the lead independent non-executive Director and member of Nomination Committee, and make recommendations to the Board.

Corporate Governance Report (Continued)



For the year ended 31 December 2025, the Connected Transactions Control Committee held five meetings to review connected transactions and approve or make recommendations to the Board, review the connected transaction report prepared by independent financial adviser and make recommendations to the Board, and review the management of connected transactions.

Corporate Governance Report (Continued)

Strategic Development Committee

The Strategic Development Committee consists of four members, namely Mr. SHAO Yan, Mr. DAI Jiahui, Mr. Xu Zengyun and Mr. CHOW Siu Lui, with Mr. SHAO Yan being the chairman of the committee.

Mr. SHAO Yan

(Non-executive Director)
(Committee Chairman)

Mr. DAI Jiahui

(Executive Director)

Mr. Xu Zengyun

(Executive Director)

Mr. CHOW Siu Lui

(Independent non-executive
Director)

The primary functions of the Strategic Development Committee include:

- reviewing and making recommendations to the Board on, our general strategic development plan and specific strategic development plans of the Group;
- evaluating factors which may affect our strategic development plans and their implementation, in light of domestic and foreign economic and financial conditions and market development trends, and making recommendations to the Board on adjustment to our strategic development plans in a timely manner;
- evaluating the general development conditions relating to each of our businesses segment, and making recommendations to the Board on adjustment to our strategic development plans in a timely manner;
- reviewing our major investment and financing proposals, and making recommendations to the Board;
- supervising and inspecting the implementation of our business plans and investment plans of the Group;
- reviewing our plans for establishment of a legal entity or merger and acquisition proposals, and making recommendations to the Board;
- reviewing our matters on acquisition of assets, disposal of assets and provision of guarantees, and making recommendations to the Board; and
- other matters required by laws, administrative regulations, and departmental rules and authorized by the Board.

For the year ended 31 December 2025, the Strategic Development Committee did not hold any meeting.

Corporate Governance Report (Continued)

Board Diversity Policy

The Company believes that the Board diversity will have a substantial benefit in improving its performance. Therefore, the Company has adopted the Board Diversity Policy to ensure that the diversity of Board members be considered from a number of perspectives. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. A summary of the Board Diversity Policy is set out below:

The Board recognizes diversity at the Board level as an essential element in supporting the Company to achieve its strategic objectives and realize sustainable development. Hence, the principles and measurable objectives of the Board Diversity Policy are also applicable to all employees (including the senior management) of the Group.

In designing the Board's composition, the Board diversity is considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and years of services. Board members are required to possess the skills, experience and diversity of perspectives according to the Company's business model and specific needs. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Company also stipulates that the members of the Board shall not be composed of Directors of a single gender at any time. In the event that the members of the Board are composed of persons of a single gender, the Board shall add a director of different gender as soon as reasonably practicable.

The Board Diversity Policy aims to establish a board of directors that has shareholders' support. The Board members shall be able to provide diverse perspectives based on their various backgrounds and experience, safeguard shareholders' long-term interests and stakeholders' interests in connection with the Company's businesses, and help the Board taking the right actions when it makes important and key strategies.

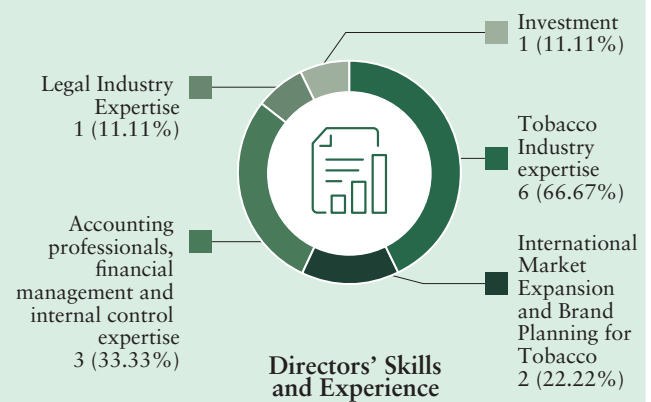
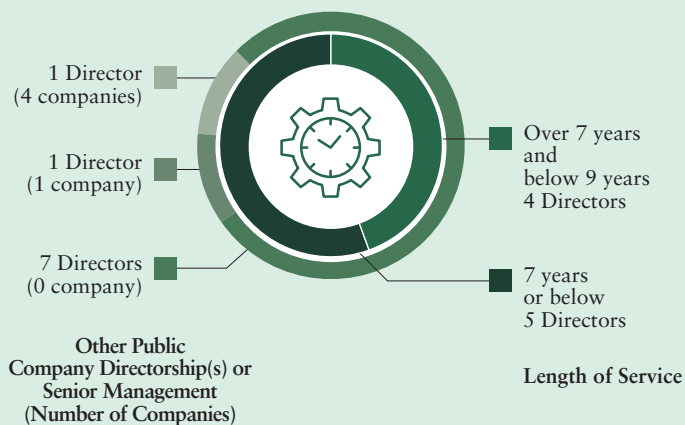
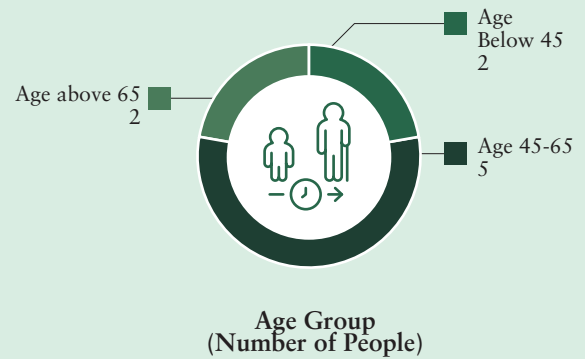
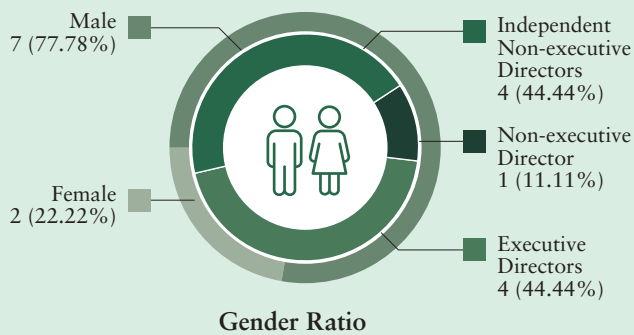
The current Board comprises business leaders, industry experts and professionals, with industry, accounting, financial, legal, business, management and academic backgrounds. A majority of the Directors (including one independent non-executive Director) have more than ten years' experience serving as an officer or a director of a company in the tobacco industry. This composition and diversity of the Board enable the management to benefit from a diverse and objective external perspective on issues raised before the Board.

As at the end of the Reporting Period, the Board comprises seven male Directors and two female Directors. The Board targets to maintain the current level of female representation in the next few years, and will continue to seek opportunities to increase the proportion of female Board members. During the Reporting Period, an independent non-executive director of a different gender was appointed as a member of the Nomination Committee of the Company, in response to the amended Corporate Governance Code as set out in Appendix C1 to the Listing Rules, further strengthening the Board's diversity. The Group will continue to ensure there is a diversity (including gender diversity) when identifying candidates and aim to have a pipeline of potential successors to ensure diversity can continue to be achieved at Board level. The Group is well aware of the importance of nurturing talents and supporting the development of employees, and is committed to achieving gender diversity in the workforce level. As at the end of the Reporting Period, the senior management of the Company is comprised of 80% male and 20% female, and the Group's total employees (excluding senior management) is comprised of approximately 79% male and approximately 21% female employees. The Company considers that it has achieved gender diversity at the Board level and across the workforce (including the senior management). The Group is not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

The diversified status of the members of the Board and the employees (including the senior management) of the Group is summarized as follows:

Corporate Governance Report (Continued)

Board Composition & Diversity



Corporate Governance Report (Continued)

Employees Composition & Diversity of the Group

Gender Ratio



Senior Management

Proportion	
Male	80.00%
4	
Female	20.00%
1	



Employees of the Group
(excluding senior management)

Proportion	
Male	78.76%
356	
Female	21.24%
96	

Number of Employees of the Group (including senior management)* 457



Type of Employment

Proportion		Proportion	
Junior Employees		Senior Employees	
406		16	
Male 318	78.33%	Male 13	81.25%
Female 88	21.67%	Female 3	18.75%
Middle Employees			
35			
Male 29	82.86%		
Female 6	17.14%		



Age Group

Proportion	
Age below 30	20.79%
95	
Age 30-50	50.33%
230	
Age above 50	28.88%
132	



Education Background

Proportion	
High School/ Associate Degree or below	53.17%
243	
Undergraduate	34.14%
156	
Postgraduate or above	12.69%
58	

* Independent Non-executive Directors of CTIHK and seasonal workers employed by CBT for less than six months are excluded.

Corporate Governance Report (Continued)

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and general meetings of the Company held for the year ended 31 December 2025 is set out in the table below:

Name of Directors	Attendance/Number of Meetings						
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Connected Transactions Control Committee	Strategic Development Committee	AGM
<i>Chairman of the Board and Non-Executive Director</i>							
Mr. SHAO Yan	15/15	–	1/1	2/2	–	–	1/1
<i>Executive Directors</i>							
Mr. DAI Jiahui	15/15	–	–	–	5/5	–	1/1
Mr. WANG Chengrui	15/15	–	–	–	–	–	1/1
Mr. XU Zengyun	15/15	–	–	–	–	–	1/1
Ms. MAO Zilu	15/15	–	–	–	–	–	1/1
<i>Independent Non-Executive Directors</i>							
Mr. CHOW Siu Lui	15/15	4/4	1/1	2/2	–	–	1/1
Mr. WANG Xinhua	15/15	4/4	1/1	2/2	5/5	–	1/1
Mr. QIAN Yi	15/15	–	–	–	5/5	–	1/1
Ms. HE Junhua	15/15	4/4	–	0/2*	5/5	–	1/1

* Ms. HE Junhua was appointed as a member of the Nomination Committee with effect from 31 December 2025. For details, please refer to the Company's announcement dated 31 December 2025.

Corporate Governance Report (Continued)

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2025.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group’s ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor’s Report on pages 87 to 91 of this annual report.

The basis on which we generate or preserve value over the longer term and the strategy for delivering our objectives are explained in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report.

AUDITOR’S REMUNERATION

An analysis of the remuneration that should be paid to the external auditor of the Company, KPMG, for the audit of the year ended 31 December 2025 and non-audit services is set out below:

Service Category	Fees Paid/Payable HK\$’000
Audit Service	2,472
Non-audit Services	929
– Interim review service	360
– Other assurance service and agreed upon procedures	569

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining an effective risk management and internal control systems to safeguard the Company’s assets and the interests of Shareholders, regularly reviews the effectiveness of the Group’s risk management and internal control systems, including finance, operation, compliance, ESG and other important aspects. The Board regularly discusses and reviews ESG risks, includes them in the Group’s risk assessment scope and risk management system, and advises on those issues that will significantly affect the operation of the Company or the interest of other stakeholders and provides anticipatory and mitigation plans. The Board reviewed the effectiveness of the risk management and internal control system of the Group in 2025, including review of the effectiveness of risk management, financial control, operational control and compliance control and the applicability of the company policies and review of sufficiency of resources, employee qualification and experience for accounting, internal control and financial reporting, ESG performance and reporting, as well as the adequacy of employee training and its budget.

Corporate Governance Report (Continued)

The main focus of our risk management and internal control systems is a clear delineation of the duties and terms of reference among Shareholders, the Board and the management, and authorisation of the standardized authorisation and appointment procedure set out in the management rules. The main purpose is to make reasonable (but not absolute) assurance on properly safeguarding of our assets against abuse, transactions being executed in accordance with the management's authorisation, the accounting records used for the preparation of financial information is reliable and appropriate, and free from material misstatement. The procedure aims to identify, assess and manage risks effectively instead of eliminating all the erroneous risks. The compliance department of the Company assumes the internal audit function, and assists the Audit Committee in carrying out the assessment of effectiveness of the Group's risk management and internal controls.

The Company has set up the inside information policy and procedure for the handling and dissemination of inside information. The inside information policy mainly focuses on the obligations of the Company, external communication guidelines and compliance and reporting procedures. The Company shall take all reasonable measures from time to time to ensure that proper safeguards in existence to prevent any breach of disclosure requirement.

The Board is of the view that the internal control procedures and risk management of the Group is effective and adequate. The Board will review the risk management and internal control systems of the Group annually.

COMPANY SECRETARY

Mr. WANG Chengrui, the Company's company secretary, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

Under Rule 3.28 of the Listing Rules, Mr. WANG Chengrui has been qualified to act as the company secretary of the Company by the Stock Exchange's confirmation in May 2022. Mr. WANG Chengrui has become the Company's sole Company Secretary on 12 June 2022 following the resignation of Mr. CHEUNG Kai Cheong Willie as a joint company secretary of the Company with effect from 12 June 2022.

In compliance with Rule 3.29 of the Listing Rules, Mr. WANG Chengrui has undertaken no less than 15 hours of relevant professional training for the year ended 31 December 2025, and his biography is set out in the section of "Directors and Senior Management" in this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, any declaration and payment as well as the amount of the dividends will be subject to the Articles of Association and the Companies Ordinance including the approval of the Shareholders. The Board of Directors considers multiple factors in formulating the Dividend Policy, including the Group's financial position, profitability, cash flow, and other factors deemed relevant by the Board, with the aim of maintaining a sound financial position while sharing the results of our operating gains with shareholders and continuously creating greater value for them. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

SHAREHOLDERS' RIGHTS

According to the Articles of Association and the Companies Ordinance, Shareholders holding the requisite voting rights may: (i) move a requisition to move a resolution at the AGM; (ii) move a requisition to convene an EGM; and (iii) propose a person for election as a Director at a general meeting. Such details and procedures are available in the Company's website.

Corporate Governance Report (Continued)

Requisition to Move a Resolution at an AGM

The Company holds a general meeting as its AGM every year. In accordance with section 615 of the Companies Ordinance, a requisition to move a resolution at the AGM may be submitted by any number of Shareholders representing not less than one-fortieth (1/40th) of the total voting rights of all Shareholders having the right to vote on that resolution at the AGM, or not less than 50 Shareholders having the right to vote on that resolution at the AGM. The requisition must identify the resolution and must be signed by all the requisitionists. The requisition must be deposited at the Registered Office (as defined below), for the attention of the company secretary, not later than 6 weeks before the AGM to which the request relates, or if later, when the notice of AGM is dispatched.

Requisition to Convene an EGM

Shareholders holding not less than one-twentieth (1/20th) of the total voting rights of all the members having a right to vote at general meetings of the Company can deposit a requisition to convene an EGM pursuant to sections 566 to 568 of the Companies Ordinance. The requisition must state the general nature of the business to be dealt with at the meeting, and must be signed by the requisitionists. The requisition must be deposited at the Company's Registered Office for the attention of the company secretary.

Proposing a Person for Election as a Director at a General Meeting

If a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she must give a written notice to that effect to the company secretary. The written notice must include the personal information of the person proposed for election as a Director as required by Rule 13.51(2) of the Listing Rules and be signed by such Shareholder and the person proposed for election as a Director indicating his/her willingness to be appointed or re-appointed and consent of publication of his/her personal information. Such notice shall be given within the seven-day period (or a longer period as may be determined by the Directors from time to time) commencing no earlier than the day after the despatch of the notice of such meeting and ending no later than seven days prior to the date appointed for such meeting.

For requesting the Company to circulate to Shareholders a statement with respect to a matter mentioned in a proposed resolution or any other business to be dealt with at a general meeting, Shareholders are requested to follow the requirements and procedures as set out in section 580 of the Companies Ordinance.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 1002, 10/F, Tower A, China Life Center,
One Harbour Gate, 18 Hung Luen Road,
Hung Hom, Kowloon, Hong Kong (the "Registered Office")
For the attention of the company secretary

Fax: +852 27031218

Email: ir@ctihk.com.hk

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Corporate Governance Report (Continued)

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Company's business performance and strategies. The Company's Shareholder Communication Policy stipulates the overall policy, shareholder inquiry, corporate communication, corporate website, shareholders' meeting, communication with the market and communication with the regulatory authority. The Shareholder Communication Policy will be regularly review to ensure the effectiveness of these policies. The Company has established a securities affairs department, dedicated to providing necessary information and services to, and communicate with, shareholders and investors and other participants in the capital market, to maintain an active dialogue with them and make sure they are fully informed of the Company's operation and development.

The Group places high importance on enhancing its corporate governance standards. The Company uses a number of formal channels to report to shareholders and investors on the performance and operations of the Company, including (1) the regular publication of our annual reports, interim reports and ESG reports; (2) convening general meetings; (3) organizing various types of investor meetings such as one-on-one discussions and conference calls; and (4) actively managing the Company's official website by regularly publishing press releases. By complementing such measures, the Company maintains close communication with shareholders and investors to timely deliver information on our operating conditions to the capital markets. Generally, when announcing interim results, annual results or any major transactions in accordance with the relevant regulatory requirements, the Company arranges analyst conferences and investor conferences to explain the relevant results or major transactions to the shareholders, investors and the general public, listens to their opinions and addresses any questions that they may have. Investors and other stakeholders can also actively communicate with the Company through investor relations email (ir@ctihk.com.hk) on the topics including but not limited to the results of the Company, any major transactions, and ESG issues.

The Company also attaches high importance to the general meetings, including AGMs and EGMs, and makes substantial efforts to enhance communications between the Board and the shareholders. At each general meeting, the Board always makes efforts to fully address questions raised by shareholders. In 2025, we held one AGM.

Channels	2025 Key Priorities
Investor Seminar (hosted by Company Secretary and Securities Affairs Department)	In 2025, our management organized and attended 231 conferences, and met with 348 investors and analysts.
Annual General Meeting	On 20 June 2025, over 97% of votes were cast in favor of each of the 7 shareholders' resolutions proposed at the AGM.
Corporate Communications	- Annual report, interim report and ESG report - Announcements, shareholder notices and circulars - Corporate governance report
Company Website	- Announcements, shareholder circulars and regular reports in accordance with the Listing Rules - Investor relations information, including but not limited to newest financial information, financial reports and investor calendar - ESG information, including but not limited to ESG policies - News, including but not limited to press releases of related business update and events

The Company has reviewed the current Shareholder Communication Policy and relevant work results during this year, and believes that the Shareholder Communication Policy is still practical and effective.

For the year ended 31 December 2025, the Company did not make any changes to the Articles of Association. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Corporate Governance Report (Continued)

2026 Key Shareholder Dates

Release of announcements of annual results and final dividend for the year ended 31 December 2025
5 March

Release of annual report for the year ended 31 December 2025
23 April

Closure of Register of Members
To determine the entitlement to attend and vote at the AGM:
Tuesday, 26 May 2026 to Friday, 29 May 2026 (both dates inclusive)

To determine the entitlement to the proposed final dividend:
Thursday, 4 June 2026 to Tuesday, 9 June 2026 (both days inclusive)

Annual general meeting
29 May

Payment of 2025 final dividend
26 June

Release of interim results for the six months ending 30 June 2026
Mid to late August

Release of interim report for the six months ending 30 June 2026
Early to mid September

Payment of 2026 interim dividend (if any)
Late September

Share Registrar
Computershare Hong Kong Investor Services Limited
Room 1712-1716, 17th Floor
Hopewell Centre
183 Queen’s Road East, Wanchai, Hong Kong

Investor Relations Contact
Email: ir@ctihk.com.hk

As of the Latest Practicable Date, except for the dates disclosed, all other dates are indicative and may be subject to change.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of the Directors’ knowledge, information and belief, the Company was in compliance with the minimum public float requirement under the Listing Rules by maintaining its public float at the level of at least 25% of its total issued Shares throughout the year ended 31 December 2025 and up to the Latest Practicable Date.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA TOBACCO INTERNATIONAL (HK) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Tobacco International (HK) Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 92 to 151, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (Continued)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA TOBACCO INTERNATIONAL (HK) COMPANY LIMITED *(Continued)*

(Incorporated in Hong Kong with limited liability)

Key audit matters *(Continued)*

Revenue Recognition	
Refer to note 4 to the consolidated financial statements and the accounting policy 3(p) on page 109.	
The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue principally comprises sales of tobacco leaf products, cigarettes and new tobacco products, which are recognised as revenue when the control of the goods is transferred to the Group's customers according to the terms of the sales and purchase agreements entered into between the Group and its customers. Contracts for different products with different types of customers have different terms. Such terms may affect the timing of the recognition of sales to these customers. Management evaluates the terms of each contract in order to determine the appropriate timing of revenue recognition. In addition, in some of these transactions, judgement is required to determine whether the Group has the control of the goods before delivering to the customers, and accordingly, whether the Group acts as a principal or an agent in such transactions. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing and amount of recognition of revenue by management to meet specific targets or expectations and significant judgement is involved in determining whether the Group acts as a principal or an agent in certain transactions.	Our audit procedures to assess revenue recognition included the following: - evaluating the design, implementation and, where applicable, operating effectiveness of key internal controls which govern the recognition and measurement of revenue; - inspecting the sale and purchase agreements, on a sample basis, for each major revenue stream, to understand the terms and evaluate the appropriateness of revenue recognition, measurement and presentation with reference to the requirements of the prevailing accounting standards, in particular whether the Group acted as a principal or an agent; - comparing, on a sample basis, revenue transactions recorded during the year with the underlying sale and purchase agreements, bills of lading, invoices, bank-in slips or other relevant supporting documents for settled balance and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition policies; - comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying sale and purchase agreements, bills of lading and other relevant supporting documents to determine whether the related revenue had been recognised in the appropriate financial year; - inspecting the sales ledger subsequent to the financial year and making enquiries of management to identify if any significant credit notes had been issued or sales returns had occurred, and inspecting relevant underlying documentation where necessary for the purpose of assessing if the related revenue had been accounted for in the appropriate financial year; and - inspecting post-closing adjustments to revenue during the financial year which met specific risk-based criteria, enquiring of management about the reasons for such adjustments and comparing details of the adjustments to relevant underlying documentation.

Independent Auditor's Report (Continued)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA TOBACCO INTERNATIONAL (HK) COMPANY LIMITED *(Continued)*

(Incorporated in Hong Kong with limited liability)

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the financial statements. We have performed an assurance engagement on the continuing connected transactions that forms part of the other information and provided a separate assurance practitioner's conclusion thereon that is included within the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report (Continued)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA TOBACCO INTERNATIONAL (HK) COMPANY LIMITED *(Continued)*

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA TOBACCO INTERNATIONAL (HK) COMPANY LIMITED *(Continued)*

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is GUO Xiaofei (practising certificate number: P07789).

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
5 March 2026

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Revenue	4	14,579,069	13,074,243
Cost of sales		(13,105,932)	(11,696,601)
Gross profit		1,473,137	1,377,642
Other income, net	5	157,277	120,374
Administrative and other operating expenses		(172,270)	(158,396)
Profit from operations		1,458,144	1,339,620
Finance costs	6(a)	(176,322)	(224,096)
Profit before taxation	6	1,281,822	1,115,524
Income tax	7	(234,677)	(212,722)
Profit for the year		1,047,145	902,802
Profit for the year attributable to:			
Equity shareholders of the Company		980,285	853,735
Non-controlling interests		66,860	49,067
		1,047,145	902,802
Earnings per Share			
Basic and diluted (HK\$)	11	1.42	1.23
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		5,133	(17,142)
Other comprehensive income for the year		5,133	(17,142)
Total comprehensive income for the year		1,052,278	885,660
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		985,418	836,593
Non-controlling interests		66,860	49,067
		1,052,278	885,660

The notes on pages 97 to 151 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 10.

Consolidated statement of financial position at 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment	13	95,540	78,409
Intangible assets	14	69,410	100,267
Goodwill	15	212,929	212,929
Trade and other receivables	17	38,743	37,012
Deferred tax assets	7(e)	64,972	15,746
		481,594	444,363
Current assets			
Inventories	16	4,062,068	5,425,745
Current tax recoverable	7(d)	29,311	33,380
Trade and other receivables	17	1,087,677	1,055,593
Cash and cash equivalents	18	279,029	517,466
Short-term bank deposits	18	3,033,694	2,340,108
		8,491,779	9,372,292
Current liabilities			
Trade and other payables and contract liabilities	19	2,233,889	3,553,458
Lease liabilities	21	18,612	9,747
Bank borrowings	20	2,765,608	2,947,744
Current tax payable	7(d)	35,263	23,532
		5,053,372	6,534,481
Net current assets		3,438,407	2,837,811
Total assets less current liabilities		3,920,001	3,282,174
Non-current liabilities			
Lease liabilities	21	36,886	22,828
Deferred tax liabilities	7(e)	24,168	68,384
Provision for reinstatement costs		3,692	3,692
Pillar Two tax liabilities	7(d)	8,785	–
		73,531	94,904
NET ASSETS		3,846,470	3,187,270

Consolidated statement of financial position at 31 December 2025 (Continued)

(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Capital and reserves	22		
Share capital		1,403,721	1,403,721
Reserves		2,241,031	1,601,453
Total equity attributable to equity shareholders of the Company		3,644,752	3,005,174
Non-controlling interests		201,718	182,096
TOTAL EQUITY		3,846,470	3,187,270

Approved and authorised for issue by the board of directors on 5 March 2026.

DAI Jiahui
Director

WANG Chengrui
Director

The notes on pages 97 to 151 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company					Non-controlling interests	Total
		Share capital	Merger reserve	Exchange reserve	Retained earnings	Sub-total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2024		1,403,721	(365,934)	(120,676)	1,576,560	2,493,671	201,621	2,695,292
Profit for the year		–	–	–	853,735	853,735	49,067	902,802
Other comprehensive income:		–	–	(17,142)	–	(17,142)	–	(17,142)
Total comprehensive income		–	–	(17,142)	853,735	836,593	49,067	885,660
Dividend approved in respect of the prior year	10(b)	–	–	–	(221,338)	(221,338)	–	(221,338)
Dividend declared in respect of the current year	10(a)	–	–	–	(103,752)	(103,752)	–	(103,752)
Dividends to non-controlling interests		–	–	–	–	–	(68,592)	(68,592)
Balance at 31 December 2024		1,403,721	(365,934)	(137,818)	2,105,205	3,005,174	182,096	3,187,270
Balance at 1 January 2025		1,403,721	(365,934)	(137,818)	2,105,205	3,005,174	182,096	3,187,270
Profit for the year		–	–	–	980,285	980,285	66,860	1,047,145
Other comprehensive income:		–	–	5,133	–	5,133	–	5,133
Total comprehensive income		–	–	5,133	980,285	985,418	66,860	1,052,278
Dividend approved in respect of the prior year	10(b)	–	–	–	(214,421)	(214,421)	–	(214,421)
Dividend declared in respect of the current year	10(a)	–	–	–	(131,419)	(131,419)	–	(131,419)
Dividends to non-controlling interests		–	–	–	–	–	(47,238)	(47,238)
Balance at 31 December 2025		1,403,721	(365,934)	(132,685)	2,739,650	3,644,752	201,718	3,846,470

The notes on pages 97 to 151 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Operating activities			
Cash generated from operations	18(b)	1,341,587	832,639
– Hong Kong Profits tax paid		(151,032)	(151,268)
– Overseas tax paid		(155,153)	(51,932)
Net cash generated from operating activities		1,035,402	629,439
Investing activities			
Payment for purchase of property, plant and equipment		(7,133)	(18,995)
Placement of short-term bank deposits with maturity more than 3 months		(693,586)	(578,960)
Interest received		173,426	137,966
Net cash used in investing activities		(527,293)	(459,989)
Financing activities			
Proceeds from new bank borrowings	18(c)	2,674,620	3,003,000
Repayment of bank borrowings	18(c)	(2,816,929)	(2,577,528)
Interest and other borrowing costs paid	18(c)	(194,847)	(165,412)
Capital element of lease rental paid	18(c)	(11,978)	(13,136)
Interest element of lease rental paid	18(c)	(2,271)	(221)
Dividends paid to equity shareholders of the Company		(345,840)	(325,090)
Dividends paid to non-controlling interests	18(c)	(54,099)	(85,622)
Net cash used in financing activities		(751,344)	(164,009)
Net (decrease)/increase in cash and cash equivalents		(243,235)	5,441
Cash and cash equivalents at the beginning of the year		517,466	570,808
Effect of foreign exchange rate changes		4,798	(58,783)
Cash and cash equivalents at the end of the year		279,029	517,466

The notes on pages 97 to 151 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

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 Stock Exchange of Hong Kong Limited (the “Stock Exchange”) after completion of its initial public offering (“IPO”) 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 (together, the “Relevant Businesses”):

- export of tobacco leaf products to Southeast Asia, Hong Kong, Macau, Taiwan and Non-exclusive Operating Regions for Tobacco Leaf Products (the “Tobacco Leaf Products Export Business”);
- import of tobacco leaf products in the Chinese Mainland from origin countries or regions around the world (other than from sanctioned countries and regions) (the “Tobacco Leaf Products Import Business”);
- export of cigarettes to Exclusive Operating Regions for Cigarettes and New Designated Regions for Cigarettes from CNTC Group directly or through distributors (the “Cigarettes Export Business”);
- export of new tobacco products to the global market (except the Chinese Mainland) (the “New Tobacco Products Export Business”); and
- procurement, processing, sale of tobacco leaves and procurement of agricultural materials inherent to tobacco production in Republic of Brazil (“Brazil”) and from Brazil to regions around the world (except the Chinese Mainland) (the “Brazil Operation Business”).

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed in note 3.

The HKICPA has issued certain new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3(u).

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION (Continued)

(c) Changes in accounting policies

The Group has applied amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the HKICPA to these financial statements report for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

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

3 MATERIAL ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(a) Subsidiaries and non-controlling interests *(Continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(f)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(b) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 3(f)(iii)).

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 3(f)(iii)).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write-off the cost or valuation of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Leasehold improvements	5 years
– Furniture, fixtures and equipment	5 years
– Office equipment	3 to 5 years
– Hardware	5 years
– Motor vehicles	4 years
– Right-of-use assets	Over the lease terms

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES (Continued)

(d) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 3(f)(iii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Software	5 years
– Portfolio of producers	7 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(e) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Leased assets *(Continued)*

As a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 3(c) and 3(f)(iii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES (Continued)

(f) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including cash and cash equivalents, short-term bank deposits, and trade and other receivables). Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES (Continued)

(f) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES (Continued)

(f) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 180 days past due when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within “trade and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The amount initially recognised as deferred income is subsequently amortised in profit or loss over the term of the guarantee as income.

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 3(f)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Credit losses and impairment of assets *(Continued)*

(iii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(h) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 3(p)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 3(i)).

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES (Continued)

(i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due. Receivables, including short-term advances to producers in cash or agricultural inputs, which are settled through the delivery of tobacco are stated at amortised cost (see note 3(f)(i)).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL (see note 3(f)(i)).

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 3(r)).

(l) Trade and other payables (other than refund liabilities)

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3(f)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(m) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(n) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Income tax *(Continued)*

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(o) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES (Continued)

(p) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

The Group typically offers a right of return to certain customer(s). Such rights of return give rise to variable consideration. The Group uses an expected value approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of goods, the Group recognises revenue after taking into account adjustment to transaction price arising from returns as mentioned above. A refund liability is recognised for the expected returns, and is included in other payables. A right to recover returned goods and corresponding adjustment to cost of sales are also recognised for the right to recover products from customers.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Revenue and other income *(Continued)*

(ii) Provision of services

Revenue is recognised in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. The fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party and is recognised upon provision of the specified goods or services by the other party.

(iii) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(q) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Translation of foreign currencies *(Continued)*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non-controlling interests shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(s) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Related parties *(Continued)*

(2) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(u) Accounting judgements and estimates

Notes 15 and 23 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

	2025 HK\$'000	2024 HK\$'000
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregated by major products or service lines		
– Sales of tobacco leaf products	12,843,816	11,363,153
– Sales of cigarettes	1,666,267	1,573,644
– Sales of new tobacco products	64,273	135,184
– Provision of services	4,713	2,262
	14,579,069	13,074,243

The Group recognises all its revenue point in time. Disaggregation of revenue by geographic markets is further disclosed in note 4(b).

During the year ended 31 December 2025, revenue of approximately HK\$9,588,829,000 (2024: approximately HK\$8,256,471,000) to one customer (2024: one customer) has exceeded 10% of the Group's revenue.

Details of concentration risks arising from these customers are set out in note 23(a).

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 segment.

- Tobacco Leaf Products Export Business: export of tobacco leaf products to Southeast Asia, Hong Kong, Macau, Taiwan and Non-exclusive Operating Regions for Tobacco Leaf Products.
- Tobacco Leaf Products Import Business: import of tobacco leaf products in the Chinese Mainland from origin countries or regions around the world (other than from sanctioned countries and regions).
- Cigarettes Export Business: export of cigarettes to Exclusive Operating Regions for Cigarettes and New Designated Regions for Cigarettes from CNTC Group directly or through distributors.
- New Tobacco Products Export Business: export of new tobacco products to the global market (except the Chinese Mainland).
- Brazil Operation Business: procurement, processing, sale of tobacco leaves and procurement of agricultural materials inherent to tobacco production in Brazil and from Brazil to regions around the world (except the Chinese Mainland).

Segment results, assets and liabilities

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

Segment assets include primarily trade and other receivables and inventories. Segment liabilities include primarily trade and other payables and contract liabilities. The Group's all other assets and liabilities such as non-current assets (except for goodwill and non-current trade and other receivables), cash and cash equivalents, short-term bank deposits, lease liabilities, provision for reinstatement 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.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results, assets and liabilities (Continued)

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 directly associated therewith. In addition to receiving segment information concerning gross profit, management is provided with segment information concerning revenue. There is no inter-segment revenue between the Group's reportable segments. Other corporate income and expenses, net, mainly refers to net exchange gains/losses, administrative and other operating expenses that are not considered specifically attributed to individual segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below.

For the year ended 31 December 2025	Tobacco Leaf Products Export Business HK\$'000	Tobacco Leaf Products Import Business HK\$'000	Cigarettes Export Business HK\$'000	New Tobacco Products Export Business HK\$'000	Brazil Operation Business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Sale of goods	2,476,732	9,538,150	1,666,267	64,273	828,934	-	14,574,356
Service income	4,713	-	-	-	-	-	4,713
Reportable segment revenue	2,481,445	9,538,150	1,666,267	64,273	828,934	-	14,579,069
Reportable segment gross profit	156,641	772,089	380,510	3,410	160,487	-	1,473,137
Interest income						163,301	163,301
Other corporate income						-	-
Depreciation and amortisation						(55,764)	(55,764)
Finance costs						(176,322)	(176,322)
Other corporate expenses						(122,530)	(122,530)
Profit before taxation							1,281,822
Income tax expense							(234,677)
Profit for the year							1,047,145
As at 31 December 2025							
Reportable segment assets	110,555	4,158,101	281,332	23,134	761,033	3,639,218	8,973,373
Reportable segment liabilities	208,787	1,919,301	17,678	24,695	17,238	2,939,204	5,126,903

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results, assets and liabilities (Continued)

For the year ended 31 December 2024	Tobacco Leaf Products Export Business HK\$'000	Tobacco Leaf Products Import Business HK\$'000	Cigarettes Export Business HK\$'000	New Tobacco Products Export Business HK\$'000	Brazil Operation Business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Sale of goods	2,059,282	8,254,248	1,573,644	135,184	1,049,623	–	13,071,981
Service income	2,262	–	–	–	–	–	2,262
Reportable segment revenue	2,061,544	8,254,248	1,573,644	135,184	1,049,623	–	13,074,243
Reportable segment gross profit	83,859	825,563	277,414	7,026	183,780	–	1,377,642
Interest income						147,537	147,537
Other corporate income						2,965	2,965
Depreciation and amortisation						(54,545)	(54,545)
Finance costs						(224,096)	(224,096)
Other corporate expenses						(133,979)	(133,979)
Profit before taxation							1,115,524
Income tax expense							(212,722)
Profit for the year							902,802
As at 31 December 2024							
Reportable segment assets	146,656	5,338,190	226,496	11,580	956,125	3,137,608	9,816,655
Reportable segment liabilities	229,422	3,184,720	17,054	18,696	55,434	3,124,059	6,629,385

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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.

	2025 HK\$'000	2024 HK\$'000
The PRC, excluding the SARs	10,953,396	9,553,618
Republic of Indonesia	1,818,595	1,504,296
Brazil	514,958	264,418
Socialist Republic of Vietnam	369,848	350,748
Hong Kong	333,661	286,720
Republic of the Philippines	63,438	124,014
The Republic of Korea	48,301	–
Republic of Paraguay	36,699	53,186
The Republic of Poland	35,524	23,991
Kingdom of Belgium	33,021	162,730
Arab Republic of Egypt	13,716	356,079
Others	357,912	394,443
	14,579,069	13,074,243

The following table sets out information on the geographical location of the Group's property, plant and equipment, intangible assets, and goodwill ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	2025 HK\$'000	2024 HK\$'000
Hong Kong	50,520	31,922
Brazil	327,359	359,683
	377,879	391,605

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OTHER INCOME, NET

	2025 HK\$'000	2024 HK\$'000
Net exchange losses	(6,024)	(30,128)
Interest income	163,301	147,537
Others	–	2,965
	157,277	120,374

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2025 HK\$'000	2024 HK\$'000
Interest on bank borrowings (note 18(c))	155,020	207,189
Interest on lease liabilities (note 18(c))	2,271	221
Interest accrued on provision	226	153
Other finance cost	18,805	16,533
	176,322	224,096

(b) Staff costs (including directors' emoluments)

	2025 HK\$'000	2024 HK\$'000
Salaries, wages and other benefits	122,267	104,429
Contributions to defined contribution retirement plans	3,061	2,902
	125,328	107,331

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately, there is no forfeited contribution that may be used by the Group to reduce the existing level of contribution.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs (including directors' emoluments) (Continued)

In addition, as stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by the municipal government of Beijing for its staff. The Group is required to make contributions to such retirement plans. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

Furthermore, the Group's Brazilian subsidiaries offer a defined contribution pension plan to their employees. They have no legal or constructive obligations to pay further contributions if the fund does not have sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The payments to defined contribution pension plans are recognised as expenses when the services that grant right to these payments are rendered. The Group's portion may correspond to up to 250% of the contribution made by the employee, according to a scale of age and salary bands that vary from 1% to 6% of the employee's compensation. Contributions to the plan vest immediately.

(c) Other items

	2025 HK\$'000	2024 HK\$'000
Depreciation (note 13)		
– owned property and equipment	9,719	11,875
– right-of-use assets	15,171	11,771
	24,890	23,646
Auditors' remuneration		
– audit services	2,472	2,211
– other services	929	580
	3,401	2,791
Amortisation of intangible assets (note 14)	30,874	30,899
Expense related to short-term lease (note 13(b))	1,536	2,326
Impairment losses recognised on trade and other receivables	5,381	807
Cost of inventories [#]	13,065,093	11,657,430

[#] Cost of inventories includes approximately HK\$62,694,000 (2024: approximately HK\$54,919,000) relating to staff costs, depreciation and amortisation expenses, which total amount is also included in the respective total amounts disclosed separately above or in note 6(c) for each of these types of expenses.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2025 HK\$'000	2024 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	162,763	126,350
Pillar Two income taxes (note 7(c))	8,785	–
Current tax – Overseas		
Provision for the year	156,571	–
Deferred tax		
Origination and reversal of temporary difference (note 7(e))	(93,442)	86,372
	234,677	212,722

The provision for Hong Kong Profits Tax for 2025 is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the year. The Group is not eligible for 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government in 2025 and 2024 as this concession has been taken elsewhere in the larger group to which the Group belongs.

The provision for Hong Kong Profits Tax for 2025 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2024/25 subject to a maximum reduction of HK\$1,500 for each business (2024: a maximum reduction of HK\$3,000).

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 2025 and 2024. In November 2025, Brazil enacted Law 15,270/2025, under which dividend to non-resident investors shall be generally subject to withholding tax of 10% starting from 31 January 2026. Accordingly, withholding tax was provided for Group's portion of the undistributed profits of subsidiaries in Brazil, to the extent they are expected to be distributed in the foreseeable future, at tax rate of 10%.

As disclosed in note 7(c), the Group is also liable to Pillar Two income taxes.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX (Continued)

(b) Reconciliation between tax expense and accounting profit at an applicable tax rate:

	2025 HK\$'000	2024 HK\$'000
Profit before taxation	1,281,822	1,115,524
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	245,245	214,054
Tax effect of non-deductible expenses	803	16,824
Tax effect of non-taxable income	(29,619)	(24,478)
Tax effect of unused tax loss not recognised	2,760	5,568
Current income tax impact arising from Pillar Two model rules (note 7(c))	8,785	–
Withholding tax on undistributed profits	6,780	–
Others	(77)	754
	234,677	212,722

In accordance with the accounting policy set out in note 3(n), the Group has not recognised deferred tax assets in respect of tax loss of approximately HK\$60,048,000 (2024: approximately HK\$51,930,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax loss does not expire under current legislation. The Group has also not recognised deferred tax liabilities on certain undistributed profits of subsidiaries in Brazil as they are not expected to be distributed in the foreseeable future.

(c) Pillar Two income taxes

The Group is part of a multinational enterprise group which is subject to the Global Anti-Base Erosion Model Rules (“Pillar Two model rules”) published by the Organisation for Economic Co-operation and Development.

From 1 January 2025, the Group is liable to Pillar Two income taxes in Hong Kong SAR and Brazil with the relevant legislations becoming effective.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX (Continued)

(d) Tax payable/(recoverable) in the consolidated statement of financial position represents:

	2025 HK\$'000	2024 HK\$'000
Current		
Provision for Hong Kong Profits Tax for the year	162,763	126,350
Provisional Hong Kong Profits Tax paid	(126,088)	(101,141)
	36,675	25,209
Balance of Hong Kong Profit Tax provision relating to prior years	(1,412)	(1,677)
	35,263	23,532
Non-current		
Provision for Pillar Two income taxes (note 7(c))	8,785	–
	44,048	23,532
Balance of profit tax in Hong Kong	44,048	23,532
Balance of tax in Brazil	(29,311)	(33,380)
	14,737	(9,848)
Representing		
Current tax recoverable	(29,311)	(33,380)
Current tax payable	35,263	23,532
Pillar Two tax liabilities	8,785	–
	14,737	(9,848)

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX (Continued)

(e) Deferred tax assets and liabilities recognised:

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

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from	Unrealised profits HK\$'000	Fair value adjustments in relation to business combination HK\$'000	Others HK\$'000	Total HK\$'000
As at 1 January 2024	(25,080)	46,953	(55,607)	(33,734)
Charged/(credited) to profit or loss (note 7(a))	9,334	(12,093)	89,131	86,372
As at 31 December 2024 and 1 January 2025	(15,746)	34,860	33,524	52,638
Credited to profit or loss (note 7(a))	(8,141)	(10,692)	(74,609)	(93,442)
As at 31 December 2025	(23,887)	24,168	(41,085)	(40,804)

(ii) Reconciliation to the consolidated statement of financial position

	2025 HK\$'000	2024 HK\$'000
Net deferred tax assets in the consolidated statement of financial position	64,972	15,746
Net deferred tax liabilities in the consolidated statement of financial position	(24,168)	(68,384)
	40,804	(52,638)

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fee HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Retirement scheme contributions HK\$'000	2025 Total HK\$'000
Non-executive director					
Shao Yan	-	-	-	-	-
Executive directors					
Dai Jiahui	-	3,093	572	112	3,777
Wang Chengrui	-	2,639	486	112	3,237
Xu Zengyun	-	2,756	486	112	3,354
Mao Zilu	-	2,849	486	112	3,447
Independent non-executive directors					
Chow Siu Lui	360	-	-	-	360
Wang Xinhua	360	-	-	-	360
Qian Yi	360	-	-	-	360
He Jun Hua	360	-	-	-	360
	1,440	11,337	2,030	448	15,255

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (Continued)

	Directors' fee HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Retirement scheme contributions HK\$'000	2024 Total HK\$'000
Non-executive director					
Shao Yan	–	–	–	–	–
Executive directors					
Dai Jiahui	–	2,806	558	109	3,473
Wang Chengrui	–	2,687	843	109	3,639
Xu Zengyun	–	2,434	843	109	3,386
Mao Zilu	–	2,693	787	109	3,589
Independent non-executive directors					
Chow Siu Lui	360	–	–	–	360
Wang Xinhua	360	–	–	–	360
Chau Kwok Keung (resigned on 17 May 2024)	136	–	–	–	136
Qian Yi	360	–	–	–	360
He Jun Hua (appointed on 17 May 2024)	225	–	–	–	225
	1,441	10,620	3,031	436	15,528

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Four of the five individuals (2024: four) with the highest emoluments of the Group for the year ended 31 December 2025 are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the five individuals are as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries, allowances and benefits in kind	11,575	10,960
Discretionary bonuses	3,727	5,309
Retirement scheme contributions	602	646
	15,904	16,915

The emoluments of the above individuals with the highest emoluments other than the directors are within the following band:

Remuneration Band (HK\$)	2025	2024
2,500,001-3,000,000	–	1
2,000,001-2,500,000	1	–

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2025 \$'000	2024 \$'000
Interim dividend declared and paid of HK19 cents per ordinary share (2024: HK15 cents)	131,419	103,752
Final dividend proposed after the end of the reporting period of HK33 cents per ordinary share (2024: HK31 cents per ordinary share)	231,285	214,421
	362,704	318,173

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2025 \$'000	2024 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK31 cents per share (2024: HK32 cents per share)	214,421	221,338

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately HK\$980,285,000 (2024: approximately HK\$853,735,000) and the weighted average of 691,680,000 ordinary shares in issue during the year ended 31 December 2025 (2024: 691,680,000 shares).

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

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INVESTMENT IN SUBSIDIARIES

The following list contains the particulars of all subsidiaries of the Company. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Form of business structure	Particulars of issued and paid up capital	Proportion of ownership interest and voting right held by the Group		Principal activities
				Held by the Company	Held by the a subsidiary	
China Tabaco Internacional do Brasil Ltda. (“CTIB”)	Brazil	Incorporated	38,561,000 shares	100%	–	Investment holding
China Brasil Tabacos Exportadora S.A. (“CBT”)	Brazil	Incorporated	39,702,000 shares	–	51%	Procurement, processing, sale and export of tobacco leaves and the procurement of agricultural materials inherent to tobacco production

CBT is considered to have a material non-controlling interest. The summarised financial information presented below represents the amounts before any intra-group elimination and is modified for fair value adjustments to the net assets of CBT as a result of combination.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INVESTMENT IN SUBSIDIARIES (Continued)

Amount recognised in CBT's books	2025 HK\$'000	2024 HK\$'000
Current assets	3,117,517	3,460,338
Non-current assets	126,460	79,579
Current liabilities	(2,876,906)	(3,201,523)
Non-current liabilities	(2,315)	(34,439)
	364,756	303,955
Fair value adjustments recognised as a result of the CBT Step Acquisition	46,915	67,670
Net assets of CBT	411,671	371,625
NCI percentage	49%	49%
Carrying amount of NCI	201,718	182,096
Revenue	3,195,931	3,465,978
Profit for the period	136,455	100,134
Total comprehensive income	136,455	100,134
Profit allocated to NCI	66,860	49,067
Dividend declared to NCI	47,238	68,592
Cash flows from operating activities	217,489	(199,370)
Cash flows from investing activities	(5,466)	(18,022)
Cash flows from financing activities	(260,692)	82,260

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT

a. Reconciliation of carrying amount

	Leasehold improvements HK\$'000	Furniture, fixture, machinery and equipment HK\$'000	Office equipment HK\$'000	Hardware HK\$'000	Motors vehicles HK\$'000	Construction in progress HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
At 1 January 2024	14,287	27,654	5,152	1,854	16,102	1,737	47,370	114,156
Addition	43	8	154	500	859	17,374	32,476	51,414
Modification	-	-	-	-	-	-	7,184	7,184
Disposal	-	-	(35)	(67)	-	-	(35,755)	(35,857)
Transfers	1,221	15,111	-	-	-	(16,332)	-	-
Exchange adjustment	-	-	(122)	(12)	(63)	-	-	(197)
At 31 December 2024	15,551	42,773	5,149	2,275	16,898	2,779	51,275	136,700
At 1 January 2025	15,551	42,773	5,149	2,275	16,898	2,779	51,275	136,700
Addition	-	507	1,361	1,051	-	4,197	35,054	42,170
Modification	-	-	-	-	-	-	(153)	(153)
Disposal	-	-	-	(422)	-	-	(4,839)	(5,261)
Transfers	1,457	4,802	769	(52)	-	(6,976)	-	-
Exchange adjustment	-	-	27	69	(9)	-	-	87
At 31 December 2025	17,008	48,082	7,306	2,921	16,889	-	81,337	173,543
Acc. Depreciation								
At 1 January 2024	(10,038)	(10,101)	(4,755)	(1,050)	(6,540)	-	(38,207)	(70,691)
Charge for the year	(3,524)	(4,844)	(190)	(326)	(2,991)	-	(11,771)	(23,646)
Disposal	-	-	35	67	-	-	35,755	35,857
Exchange adjustment	-	-	114	12	63	-	-	189
At 31 December 2024	(13,562)	(14,945)	(4,796)	(1,297)	(9,468)	-	(14,223)	(58,291)
At 1 January 2025	(13,562)	(14,945)	(4,796)	(1,297)	(9,468)	-	(14,223)	(58,291)
Charge for the year	(1,249)	(4,512)	(467)	(474)	(3,017)	-	(15,171)	(24,890)
Disposal	-	-	-	422	-	-	4,839	5,261
Exchange adjustment	-	-	(51)	(2)	(30)	-	-	(83)
At 31 December 2025	(14,811)	(19,457)	(5,314)	(1,351)	(12,515)	-	(24,555)	(78,003)
Net Book Value at								
At 31 December 2024	1,989	27,828	353	978	7,430	2,779	37,052	78,409
At 31 December 2025	2,197	28,625	1,992	1,570	4,374	-	56,782	95,540

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

b. Right-of-use assets

The right-of-use assets represented the right to use the properties as its office through tenancy agreements. The lease runs for an initial period of two to five years with fixed lease payments.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 HK\$'000	2024 HK\$'000
Depreciation charge of right-of-use assets (note 6(c))	15,171	11,771
Interest on lease liabilities (note 6(a))	2,271	221
Expense relating to short-term lease (note 6(c))	1,536	2,326

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(d) and 21, respectively.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INTANGIBLE ASSETS

	Software HK\$'000	Portfolio of producers HK\$'000	Total HK\$'000
Cost:			
At 1 January 2024	959	219,210	220,169
Additions	57	–	57
31 December 2024	1,016	219,210	220,226
At 1 January 2025	1,016	219,210	220,226
Additions	17	–	17
31 December 2025	1,033	219,210	220,243
Accumulated amortisation:			
At 1 January 2024	(574)	(88,486)	(89,060)
Charge for the year	(141)	(30,758)	(30,899)
31 December 2024	(715)	(119,244)	(119,959)
At 1 January 2025	(715)	(119,244)	(119,959)
Charge for the year	(115)	(30,759)	(30,874)
31 December 2025	(830)	(150,003)	(150,833)
Net book value			
31 December 2024	301	99,966	100,267
31 December 2025	203	69,207	69,410

The amortisation charge for the year is included in “Administrative and other operating expenses” and “Cost of sales” in the consolidated statement of profit or loss and other comprehensive income.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 GOODWILL

	HK\$'000
Cost and carrying amount	
At 31 December 2024, 1 January 2025 and 31 December 2025	212,929

Goodwill is derived from the step acquisition of CBT and has been allocated to the Group's CGU identified according to operating segments, namely the Tobacco Leaf Products Import Business of approximately HK\$154,373,000 and Brazil Operation Business of approximately HK\$58,556,000, respectively, for impairment assessment purposes.

The recoverable amount of the CGU is determined based on the value-in-use calculations. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets prepared by management covering a five-year period.

The key assumptions used in estimating the recoverable amount are as follows:

	2025	2024
Weighted average annual revenue growth rate during the forecast period (note (i))	5.9%	6.8%
Gross profit margin	21.6%	21.5%
Growth rate beyond the forecast period (note (ii))	3.5%	3.5%
Pre-tax discount rate	13.4%	13.4%

- (i) The weighted average annual revenue growth rate is derived from the projected long-term inflation rate and the expected rate of revenue increase in tobacco products market of Brazil.
- (ii) Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate which is consistent with the forecasts included in industry reports and generally in line with the assumption used in 2024.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INVENTORIES

As at the end of each reporting period, inventories in the consolidated statement of financial position comprise the following:

	2025 HK\$'000	2024 HK\$'000
Tobacco leaf products	3,814,891	5,241,829
Cigarettes	247,177	183,916
	4,062,068	5,425,745

The analysis of the amounts of inventories recognised as an expense and included in profit or loss is as follows:

	2025 HK\$'000	2024 HK\$'000
Carrying amount of inventories sold	13,065,093	11,657,430

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 TRADE AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables	675,813	610,985
Bills receivable	11,306	127,855
	687,119	738,840
Deposits, prepayments and other receivables	131,258	101,912
Advances to producers	254,931	201,438
VAT recoverable	53,112	50,415
	1,126,420	1,092,605
Represented by:		
– Current portion	1,087,677	1,055,593
– Non-current portion	38,743	37,012
	1,126,420	1,092,605

Apart from certain other tax recoverable, advances to producers and rental deposits, 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 infrastructure. The recovery of these advances may be renegotiated for future harvests due to specific situations and/or default of the producers in the settlement of their short-term debt. Advances to producers are measured under HKFRS 9 and assessed for ECL in accordance with the policy set out in note 3(f)(i).

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:

	2025 HK\$'000	2024 HK\$'000
Within 30 days	480,650	71,136
31 to 90 days	141,474	401,163
Over 90 days	64,995	266,541
	687,119	738,840

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 TRADE AND OTHER RECEIVABLES (Continued)

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

	2025 HK\$'000	2024 HK\$'000
Not past due	604,948	701,531
Past due 1 to 30 days	40,676	2,037
Past due 31 to 90 days	34,085	35,122
Past due over 90 days	7,410	150
	687,119	738,840

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. Further details on the Group's credit policy are set out in note 23(a).

18 CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS

(a) Cash and cash equivalents and short-term bank deposits comprise:

	2025 HK\$'000	2024 HK\$'000
Cash at bank and on hand	173,184	364,268
Bank certificates of deposits	105,845	153,198
Cash and cash equivalents	279,029	517,466
Short-term bank deposits with original maturity more than 3 months	3,033,694	2,340,108
	3,312,723	2,857,574

At 31 December 2025 and 2024, bank certificates of deposits included in cash and cash equivalents had original maturity of 3 months or less and were held for the purpose of meeting short-term cash commitments.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS (Continued)

(b) Reconciliation of profit before taxation to cash used in operations:

	Note	2025 HK\$'000	2024 HK\$'000
Operating activities			
Profit before taxation		1,281,822	1,115,524
Adjustments for:			
Depreciation and amortisation	6(c)	55,764	54,545
Interest income	5	(163,301)	(147,537)
Finance costs	6(a)	157,517	207,563
Impairment losses recognised on trade and other receivables		5,381	807
Exchange difference		(4)	(21,235)
Operating profit before changes in working capital		1,337,179	1,209,667
Increase in trade and other receivables		(49,321)	(117,242)
Decrease/(increase) in inventories		1,363,677	(2,452,095)
(Decrease)/increase in trade and other payables		(1,309,948)	2,192,309
Cash generated from operations		1,341,587	832,639

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities.

	Dividends payables to non-controlling interests (note 19) HK\$'000	Bank borrowings (note 20) HK\$'000	Lease liabilities (note 21) HK\$'000	Total HK\$'000
At 1 January 2024	53,618	2,480,495	9,668	2,543,781
Changes from financing cash flows:				
Proceeds from new bank borrowings	–	3,003,000	–	3,003,000
Repayment of bank borrowings	–	(2,577,528)	–	(2,577,528)
Interest and other borrowing costs paid	–	(165,412)	–	(165,412)
Capital element of lease rentals paid	–	–	(13,136)	(13,136)
Interest element of lease rentals paid	–	–	(221)	(221)
Dividend distribution	(85,622)	–	–	(85,622)
Total changes from financing cash flows	(85,622)	260,060	(13,357)	161,081
Other changes:				
Lease modification (note 13(a))	–	–	7,184	7,184
Dividend declared	68,592	–	–	68,592
Initial recognition of lease	–	–	28,859	28,859
Interest expense (note 6(a))	–	207,189	221	207,410
Exchange gain	(12,751)	–	–	(12,751)
Total other changes	55,841	207,189	36,264	299,294
At 31 December 2024	23,837	2,947,744	32,575	3,004,156
At 1 January 2025	23,837	2,947,744	32,575	3,004,156
Changes from financing cash flows:				
Proceeds from new bank borrowings	–	2,674,620	–	2,674,620
Repayment of bank borrowings	–	(2,816,929)	–	(2,816,929)
Interest and other borrowing costs paid	–	(194,847)	–	(194,847)
Capital element of lease rentals paid	–	–	(11,978)	(11,978)
Interest element of lease rentals paid	–	–	(2,271)	(2,271)
Dividend distribution	(54,099)	–	–	(54,099)
Total changes from financing cash flows	(54,099)	(337,156)	(14,249)	(405,504)
Other changes:				
Lease modification (note 13(a))	–	–	(153)	(153)
Dividend declared	47,238	–	–	47,238
Initial recognition of lease	–	–	35,054	35,054
Interest expense (note 6(a))	–	155,020	2,271	157,291
Exchange gain	2,878	–	–	2,878
Total other changes	50,116	155,020	37,172	242,308
At 31 December 2025	19,854	2,765,608	55,498	2,840,960

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS (Continued)

(d) Total cash outflow for leases

Amounts included in the statement of cash flow for leases comprise the following:

	2025 HK\$'000	2024 HK\$'000
Within operating cash flows	1,536	2,326
Within financing cash flows	14,249	13,357
	15,785	15,683

19 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Trade payables	2,117,477	3,419,802
Dividends payables to non-controlling interests	19,854	23,837
Other payables and accruals	65,022	81,154
Financial liabilities measured at amortised cost	2,202,353	3,524,793
Contract liabilities	31,536	28,665
	2,233,889	3,553,458

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand. Included in trade payables were certain amounts due to the non-controlling interests of CBT as set out in further details in note 24(a).

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 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:

	2025 HK\$'000	2024 HK\$'000
Within 30 days	1,118,050	2,192,797
31 to 90 days	917,796	1,040,799
Over 90 days	81,631	186,206
	2,117,477	3,419,802

The Group requires advance from certain customers when they place the purchase orders which are recognised as contract liabilities until the control over underlying goods has been transferred. For the years ended 31 December 2025 and 2024, all the opening contract liabilities have been recognised as revenue during the year.

In the ordinary course of business, the Group may receive quality claims made by the end customers from time to time. As at 31 December 2025 and 2024, management believes such quality claims will not have a material adverse effect on the financial performance of the Group.

20 BANK BORROWINGS

	2025 HK\$'000	2024 HK\$'000
Bank borrowings	2,765,608	2,947,744

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 31 December 2025 were 6.60% (2024: 7.76%) per annum.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 LEASE LIABILITIES

At 31 December 2025, the lease liabilities were repayable as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	18,612	9,747
After 1 year but within 2 years	14,716	6,467
After 2 years but within 5 years	22,170	16,361
	55,498	32,575

22 CAPITAL AND RESERVES

(a) Movements in components of equity of the Company

	Note	Share capital HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2024		1,403,721	1,208,207	2,611,928
Profit and total comprehensive income for the year		–	848,567	848,567
Dividend	10	–	(325,090)	(325,090)
Balance at 31 December 2024		1,403,721	1,731,684	3,135,405
Balance at 1 January 2025		1,403,721	1,731,684	3,135,405
Profit and total comprehensive income for the year		–	1,010,531	1,010,531
Dividend	10	–	(345,840)	(345,840)
Balance at 31 December 2025		1,403,721	2,396,375	3,800,096

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CAPITAL AND RESERVES (Continued)

(b) Share capital

	2025		2024	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	691,680,000	1,403,721	691,680,000	1,403,721

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.

(c) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(q).

(ii) Merger reserve

The merger reserve arose from the acquisition of subsidiaries under common control and the acquisition is accounted for by applying principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CAPITAL AND RESERVES (Continued)

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions affecting the Group.

The Group monitors its capital structure on the basis of an adjusted net debt-to capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings and lease liabilities) less cash and cash equivalents and short-term bank deposits. The Group defines "capital" as including all components of equity.

As at 31 December 2025, the Group did not have any net debt as the Group's total debt as defined above was lower than the aggregate amount of cash and cash equivalent and short-term bank deposits. As at 31 December 2024, the Group's net debt-to-capital ratio was 4%.

The Group is not subject to any externally imposed capital requirements.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, and advances to producers. The Group's exposure to credit risk arising from cash and cash equivalents, short-term bank deposits and bills receivable is limited because the counterparties are all banks, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2025, 44% (2024: 51%) of the total trade receivables were due from the Group's largest customer and 79% (2024: 90%) of the total trade receivables were due from the Group's five largest customers.

Prior to the Group's commencement of substantive operation, the Relevant Businesses were carried out by other entities controlled CNTC, the Group's ultimate parent. As such, most of the Group's customers have long established relationships with CNTC Group. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments to the CNTC Group when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within 30 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is assessed individually based on actual historical loss experience and taking into account of differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

As at 31 December 2025 and 2024, the Group assessed the expected loss rates for trade receivables to be immaterial. As such, no loss allowance has been recognised in accordance with HKFRS 9 as at 31 December 2025 and 2024.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

Advances to producers

Individual credit risk evaluations are performed on producers to whom the Group grants advances. These evaluations focus on the producer's past history of supplying tobacco products and current production and financial information in respect of the producer, and take into account information pertaining to the economic environment.

The Group measures loss allowances for advances to producers at an amount equal to 12-month ECLs, unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

	2025 HK\$'000	2024 HK\$'000
Gross amount	267,814	208,940
ECL	(12,883)	(7,502)
	254,931	201,438

Movement in the loss allowance account in respect of these financial assets during the year is as follows:

	2025 HK\$'000	2024 HK\$'000
Balance at 1 January	7,502	6,695
Impairment losses recognised	5,381	807
Balance at 31 December	12,883	7,502

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	2025				Carrying amount at 31 December HK\$'000
	Contractual undiscounted cash outflow			Total HK\$'000	
	More than 1 year but	More than 2 years but			
	Within 1 year HK\$'000	within 2 years HK\$'000			
Trade payables	2,117,477	–	–	2,117,477	2,117,477
Dividend payables to non-controlling interests	19,854	–	–	19,854	19,854
Bank borrowings	2,816,590	–	–	2,816,590	2,765,608
Other payables and accruals	65,022	–	–	65,022	65,022
Lease liabilities	20,791	16,238	23,143	60,172	55,498
	5,039,734	16,238	23,143	5,079,115	5,023,459

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

	2024				Carrying amount at 31 December HK\$'000
	Contractual undiscounted cash outflow				
		More than 1 year but	More than 2 years but		
	Within 1 year	within 2 years	within 5 years	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade payables	3,419,802	–	–	3,419,802	3,419,802
Dividend payables to non-controlling interests	23,837	–	–	23,837	23,837
Bank borrowings	2,991,993	–	–	2,991,993	2,947,744
Other payables and accruals	81,154	–	–	81,154	81,154
Lease liabilities	11,063	7,490	17,461	36,014	32,575
	6,527,849	7,490	17,461	6,552,800	6,505,112

(c) Interest rate risk

The Group's interest rate risk arises primarily from CBT's borrowings, which were issued at fixed rates and expose CBT to fair value interest rate risk. At the end of each reporting period, the fair value of CBT's financial assets and financial liabilities measured at amortised cost, including the bank borrowings, was not considered to be significantly different from their carrying amounts as most of them were short-term in nature.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily Brazilian Reais (“R\$”).

(i) Exposure to currency risk

The following table details the Group’s exposure at the end of each of the reporting period to currency risk arising from recognised assets or liabilities denominated in R\$. For presentation purposes, the amounts of the exposure are shown in HK\$, translated using the spot rate at the end of each of the reporting period.

	2025 HK\$'000	2024 HK\$'000
Trade and other receivables	346,765	270,391
Cash and cash equivalents	107,057	156,179
Trade and other payables	(82,543)	(223,862)
Current tax recoverable	29,311	33,380
	400,590	236,088

(ii) Sensitivity analysis

It is estimated that if R\$ had strengthened by 10% against the HK\$ with all other variables held constant, this would have increased/decreased the Group’s retained earnings as at 31 December 2025 and 2024 and profit for the year then ended by approximately HK\$26,439,000 and HK\$15,582,000 respectively.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2024.

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 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, 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.

(a) Transactions with the CNTC Group and other related parties

	2025 HK\$'000	2024 HK\$'000
– Sales of tobacco leaf products to China Tobacco International Inc. (“CTI”)	9,538,150	8,254,248
– Sales of tobacco leaf products to Pyxus	822,229	1,149,652
– Sales of new tobacco products to an associate of the CNTC Group	–	14,011
– Sales of tobacco leaf products to other fellow subsidiaries	46,015	–
– Commission income from fellow subsidiaries	4,664	2,222
– Procurement of tobacco leaf products from fellow subsidiaries	2,862,417	2,554,924
– Procurement of cigarettes from fellow subsidiaries	1,339,723	1,360,064
– Procurement of new tobacco products from fellow subsidiaries	60,863	128,158
– Procurement of tobacco leaf products and services from Pyxus	1,946,498	2,713,198

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

During the year ended 31 December 2025, sales of nil (2024: HK\$14,011,000) in respect of New Tobacco Product 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. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed “Continuing Connected Transactions” of the Report of the Directors.

As at 31 December 2025 and 2024, balances arising from the above transactions, which are unsecured and interest-free, are included in the following account captions as summarised below:

	2025 HK\$'000	2024 HK\$'000
Trade receivables from:		
– fellow subsidiaries	300,842	70,164
– Pyxus	128,759	470,743
Prepayments for goods to:		
– fellow subsidiaries	7,758	25,906
Trade payables to:		
– fellow subsidiaries	244,856	480,971
– Pyxus	819,943	1,108,652
Other payables and accruals, including contract liabilities and dividends payables		
– fellow subsidiaries	2,483	4,773
– Pyxus	19,854	23,837

(b) Key management personnel remuneration

All members of key management personnel are the directors of the Group and their remuneration is disclosed in note 8.

(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)

(Expressed in Hong Kong dollars unless otherwise indicated)

25 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Interest in a subsidiary		494,634	494,634
Property and equipment		50,520	31,922
Trade and other receivables		3,486	1,643
		548,640	528,199
Current assets			
Inventories		3,009,330	4,278,329
Trade and other receivables		497,005	311,456
Cash and cash equivalents		171,959	358,258
Short-term bank deposits		3,033,694	2,340,108
		6,711,988	7,288,151
Current liabilities			
Trade and other payables		3,359,696	4,626,552
Lease liabilities		11,744	5,257
Current tax payable		35,263	23,532
		3,406,703	4,655,341
Net current assets		3,305,285	2,632,810
Total assets less current liabilities		3,853,925	3,161,009
Non-current liabilities			
Lease liabilities		34,572	21,912
Provision for reinstatement costs		3,692	3,692
Pillar Two tax liabilities		8,785	–
Deferred tax liabilities		6,780	–
		53,829	25,604
NET ASSETS		3,800,096	3,135,405
Capital and reserves			
Share capital	22(b)	1,403,721	1,403,721
Reserves		2,396,375	1,731,684
TOTAL EQUITY		3,800,096	3,135,405

Approved and authorised for issue by the board of directors on 5 March 2026.

DAI Jiahui
Director

WANG Chengrui
Director

Notes to the financial statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

26 IMMEDIATE AND ULTIMATE PARENTS

At 31 December 2025 and 2024, the directors consider the immediate parent and ultimate parent of the Company to be CTIG and CNTC, respectively. CTIG is incorporated in Hong Kong and CNTC is established in the PRC. Neither of them produces financial statements available for public use. The PRC government is the ultimate controlling party of the Company.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures</i> – <i>Contracts referencing nature dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures</i> – <i>Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 18, *Presentation and disclosure in financial statements*

HKFRS 18 will replace HKAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

Financial Summary

	As at				
	31 December 2025 HK\$'000	31 December 2024 HK\$'000	31 December 2023 HK\$'000	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Non-current assets	481,594	444,363	526,783	470,441	488,533
Current assets	8,491,779	9,372,292	6,213,612	5,900,080	4,278,038
Total assets	8,973,373	9,816,655	6,740,395	6,370,521	4,766,571
Current liabilities	5,053,372	6,534,481	3,997,613	4,075,995	2,692,693
Non-current liabilities	73,531	94,904	47,490	56,936	90,538
Total liabilities	5,126,903	6,629,385	4,045,103	4,132,931	2,783,231
Net assets	3,846,470	3,187,270	2,695,292	2,237,590	1,983,340
	For the year ended				
	31 December 2025 HK\$'000	31 December 2024 HK\$'000	31 December 2023 HK\$'000	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Revenue	14,579,069	13,074,243	11,836,221	8,324,205	8,064,116
Gross profit	1,473,137	1,377,642	1,088,324	806,389	445,229
Profit before taxation	1,281,822	1,115,524	859,059	615,629	773,736
Profit for the year attributable to equity shareholders of the Company	980,285	853,735	598,773	374,905	702,829
Earnings per Share					
Basic and diluted (HK\$)	1.42	1.23	0.87	0.54	1.02
Dividend per Share (HK\$)	0.52	0.46	0.32	0.20	0.17

Note:

The consolidated results of the Group for the year ended 31 December 2022 have been restated for the reclassification of freight charge during the year. No retrospective adjustments for reclassification were made on the financial figures for year 2021.

Dividend per share for the year ended 31 December 2025 and 2024 includes interim and final dividend of the financial year.