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

UPDATE ON EXPECTED TIMELINE FOR USE OF PROCEEDS

Reference is made to the prospectus of China Tobacco International (HK) Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 May 2019 (the “**Prospectus**”) and the annual report of the Company for the year ended 31 December 2021 published on 27 April 2022 (the “**2021 Annual Report**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the 2021 Annual Report.

STATUS AND EXPECTED TIMELINE FOR USE OF PROCEEDS

As disclosed in the 2021 Annual Report, the net proceeds from the Listing received by the Company (including the net proceeds from the issue of 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\$904.0 million.

As at the date of this announcement, the Group had utilised HK\$439.8 million of the Net Proceeds, representing approximately 48.7% of the Net Proceeds. The amount of the unutilised Net Proceeds is HK\$464.2 million, representing approximately 51.3% of the Net Proceeds. As at the date of this announcement, the Net Proceeds have been used in a manner consistent with that set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

For the reasons set out in the paragraph headed “Reasons for Extending the Expected Timeline for Use of Proceeds” below, the board of directors of the Company (the “**Board**”) has resolved to extend the expected timeline of the use of the unutilised Net Proceeds as below.

The table below sets forth the allocation and status of utilisation of the Net Proceeds as at the date of this announcement and the updated expected timeline of the use of the unutilised Net Proceeds:

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

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

REASONS FOR EXTENDING THE EXPECTED TIMELINE FOR USE OF PROCEEDS

As disclosed in the 2021 Annual Report, facing the complex and evolving COVID-19 pandemic, the Group proactively explored the business development and group operating models under the normalisation of the pandemic. Although the Company has been actively seeking merger and acquisition opportunities that are in line with the Group's strategy, continuously identifying, analysing and contacting potential merger and acquisition targets, and has used approximately 80% of the Net Proceeds allocated to "making investments and acquisitions that are complementary to the Group's business" as disclosed in the Prospectus for the acquisition of 100% equity interest of China Tobacco International Brazil Limited (中煙國際巴西有限公司) in 2021, the rest approximately 20% remains unutilised since no other suitable targets have been identified so far. Bearing unforeseen circumstances and adaptability of business to the COVID-19 pandemic, the Company expects that additional time is required for the investment in and acquisition of well-known cigarette brands, new tobacco products or sales channels that are complementary to the Group's business.

Moreover, due to the impact of the COVID-19 pandemic and its related policy restrictions on international travel activities, the Group's overseas promotion activities, establishment of overseas branches, expansion of new markets and other business development plans and cooperation plans with other international tobacco companies have been affected. In addition, in order to respond to the adverse impact of the COVID-19 pandemic flexibly, the Group has proactively implemented various measures of reducing costs and enhancing efficiency to reduce its internal management-related expenses. As a result, the Group has not fully utilized and expect not to fully utilize, the Net Proceeds allocated to "strategic business cooperation with other international tobacco companies, including to jointly explore and develop emerging tobacco markets", "supporting the ongoing growth of the Group's business" and "improving the Group's management of purchase and sales resources and optimizing the Group's operational management" as disclosed in the Prospectus on or before 30 June 2022.

Notwithstanding the foregoing, as the situation of the COVID-19 pandemic improves, the Group is committed to using the unutilised Net Proceeds of HK\$464.2 million towards its various business objectives as set out in the Prospectus. Accordingly, the Board decided to extend the initial expected timeline for unutilised Net Proceeds as above.

The Board considers that the extension of the expected timeline for full utilisation of the Net Proceeds will not have any material adverse impact on the existing business and operations of the Group and is in the best interest of the Company and the Shareholders as a whole. Save as disclosed in this announcement, there are no other changes to the plan for utilising the Net Proceeds.

The Board will continuously assess the plans for the use of the unutilised Net Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions in order to strive for a better performance of the Group.

The shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 27 June 2022

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