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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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

China Tobacco International (HK) Company Limited announces the audited consolidated financial results of the Group for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021 as set out below.

**FINANCIAL HIGHLIGHTS**

	<b>2022</b>	2021
	<b>HK\$</b>	HK\$
Revenue	<b>8,324,205,089</b>	8,064,115,900
Cost of sales	<b>(7,480,269,663)</b>	(7,618,887,148)
Gross profit	<b>843,935,426</b>	445,228,752
Other income/(loss), net	<b>43,990,697</b>	(18,014,336)
Share of profit of a joint venture	–	104,971,768
Gain on deemed disposal of a joint venture	–	405,991,184
Administrative and other operating expenses	<b>(187,254,172)</b>	(138,847,877)
Finance costs	<b>(85,042,976)</b>	(25,593,469)
Profit before taxation	<b>615,628,975</b>	773,736,022
Income tax	<b>(151,470,453)</b>	(56,374,178)
Profit after taxation	<b>464,158,522</b>	717,361,844

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022**

*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
<b>Revenue</b>	4	<b>8,324,205,089</b>	8,064,115,900
Cost of sales		<u><b>(7,480,269,663)</b></u>	<u>(7,618,887,148)</u>
<b>Gross profit</b>		<b>843,935,426</b>	445,228,752
Other income/(loss), net	5	<b>43,990,697</b>	(18,014,336)
Administrative and other operating expenses		<u><b>(187,254,172)</b></u>	<u>(138,847,877)</u>
<b>Profit from operations</b>		<b>700,671,951</b>	288,366,539
Finance costs	6(a)	<b>(85,042,976)</b>	(25,593,469)
Share of profit of a joint venture	6(d)	–	104,971,768
Gain on deemed disposal of a joint venture	6(d)	–	<u>405,991,184</u>
<b>Profit before taxation</b>	6	<b>615,628,975</b>	773,736,022
Income tax	7	<u><b>(151,470,453)</b></u>	<u>(56,374,178)</u>
<b>Profit for the year</b>		<u><b>464,158,522</b></u>	<u>717,361,844</u>
<b>Profit for the year attributable to:</b>			
Equity shareholders of the Company		<b>374,903,743</b>	702,829,173
Non-controlling interests		<u><b>89,254,779</b></u>	<u>14,532,671</u>
		<b>464,158,522</b>	717,361,844
<b>Earnings per share</b>			
Basic and diluted	10	<u><b>0.54</b></u>	<u>1.02</u>

	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiary	3,577,585	(5,475,179)
Exchange differences recycled upon deemed disposal of a joint venture	<u>—</u>	<u>(93,523,576)</u>
<b>Other comprehensive income for the year</b>	<u>3,577,585</u>	<u>(98,998,755)</u>
<b>Total comprehensive income for the year</b>	<u>467,736,107</u>	<u>618,363,089</u>
<b>Total comprehensive income for the year attributable to:</b>		
Equity shareholders of the Company	378,481,328	603,830,418
Non-controlling interests	<u>89,254,779</u>	<u>14,532,671</u>
	<u><u>467,736,107</u></u>	<u><u>618,363,089</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022***(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2022</b> <b>HK\$</b>	2021 HK\$
<b>Non-current assets</b>			
Property, plant and equipment		<b>42,748,062</b>	53,680,559
Intangible assets		<b>161,972,873</b>	192,570,760
Goodwill		<b>212,928,534</b>	212,928,534
Trade and other receivables		<b>44,310,196</b>	17,406,046
Deferred tax assets	<i>7(d)</i>	<b>8,480,877</b>	11,946,848
		<b>470,440,542</b>	488,532,747
<b>Current assets</b>			
Inventories		<b>2,509,288,286</b>	1,287,736,226
Current tax recoverable	<i>7(c)</i>	<b>1,964,563</b>	—
Trade and other receivables	<i>11</i>	<b>1,603,687,963</b>	1,331,329,168
Cash and cash equivalents		<b>1,785,139,287</b>	1,658,972,197
		<b>5,900,080,099</b>	4,278,037,591
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	<i>12</i>	<b>1,929,323,151</b>	1,322,388,606
Lease liabilities		<b>10,751,160</b>	10,511,729
Bank borrowings		<b>2,095,136,651</b>	1,291,803,591
Current tax payable	<i>7(c)</i>	<b>40,783,634</b>	67,989,055
		<b>4,075,994,596</b>	2,692,692,981
<b>Net current assets</b>		<b>1,824,085,503</b>	1,585,344,610
<b>Total assets less current liabilities</b>		<b>2,294,526,045</b>	2,073,877,357

	<i>Note</i>	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
<b>Non-current liabilities</b>			
Lease liabilities		<b>5,392,711</b>	11,695,591
Deferred tax liabilities	<i>7(d)</i>	<b>48,772,487</b>	76,187,420
Provision for reinstatement costs		<b>2,771,229</b>	2,655,129
		<u><b>56,936,427</b></u>	<u>90,538,140</u>
<b>NET ASSETS</b>		<u><b>2,237,589,618</b></u>	<u>1,983,339,217</u>
<b>Capital and reserves</b>			
Share capital		<b>1,403,721,280</b>	1,403,721,280
Reserves		<b>619,448,218</b>	358,552,490
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,023,169,498</b>	1,762,273,770
<b>Non-controlling interests</b>		<u><b>214,420,120</b></u>	<u>221,065,447</u>
<b>TOTAL EQUITY</b>		<u><b>2,237,589,618</b></u>	<u>1,983,339,217</u>

## NOTES

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

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

As CTIG and the Company are ultimately controlled by CNTC, the CTIB Acquisition was regarded as business combination under common control. To consistently apply the Group’s accounting policy for common control combination, the acquisition has been accounted for based on the principles of merger accounting as set out in Accounting Guideline 5, *Merger Accounting for Common Control Combinations* (“AG 5”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented.

## 2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group”).

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the 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.

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but such information is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and the Group will deliver the consolidated financial statements for the year ended 31 December 2022 in due course.

The Group’s auditor has reported on the consolidated financial statements of the Group for the years ended 31 December 2022 and 2021. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4 REVENUE AND SEGMENT REPORTING

### (a) Revenue

The principal activities of the Group are the Tobacco Leaf Products Export Business, the Tobacco Leaf Product 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:

	<b>2022</b>	2021
	<b>HK\$</b>	HK\$
<b>Revenue from contracts with customers within the scope of HKFRS15</b>		
Disaggregated by major products or service lines		
– Sales of tobacco leaf products	<b>8,089,658,973</b>	7,788,348,484
– Export sales of cigarettes	<b>123,867,563</b>	173,152,708
– Sales of new tobacco products	<b>110,133,441</b>	101,580,773
– Provision of services	<b>545,112</b>	1,033,935
	<b><u>8,324,205,089</u></b>	<b><u>8,064,115,900</u></b>

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 2022, revenue of HK\$6,338,680,898 (2021: HK\$6,119,869,497) to two customers (2021: two customers) has exceeded 10% of the Group's revenue.

### (b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Tobacco Leaf Products Export Business: export of tobacco leaf products to Southeast Asia, Hong Kong, Macau, and Taiwan.
- Tobacco Leaf Products Import Business: import of tobacco leaf products in Chinese Mainland from origin countries or regions around the world (other than from sanctioned countries and regions, including Zimbabwe).



- Cigarettes Export Business: export of cigarettes from CNTC Group directly to the duty-free outlets in Thailand, Singapore, Hong Kong, Macau, as well as duty-free outlets within the borders, but outside the customs area, of Chinese Mainland or sales of cigarettes from CNTC Group through distributors.
- New Tobacco Products Export Business: export of new tobacco products to overseas market worldwide.
- Brazil Operation Business: procurement, processing, sale of tobacco leaves and sale of agricultural materials inherent to tobacco production in Brazil and from Brazil to regions around the world (except China).

### ***Segment results, assets and liabilities***

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

Segment assets include primarily trade and other receivables and inventories. Segment liabilities include primarily trade and other payables and contract liabilities. The Group's all other assets and liabilities such as non-current assets (except for non-current trade and other receivable), cash and cash equivalents, 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.

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 2022 and 2021 is set out below.

	Tobacco Leaf Products Export Business HK\$	Tobacco Leaf Products Import Business HK\$	Cigarettes Export Business HK\$	New Tobacco Products Export Business HK\$	Brazil Operation Business HK\$	Unallocated HK\$	Total HK\$
<b>For the year ended 31 December 2022</b>							
Sale of goods	2,121,769,686	5,424,707,824	123,867,563	110,133,441	543,181,463	-	8,323,659,977
Service income	545,112	-	-	-	-	-	545,112
Reportable segment revenue	<u>2,122,314,798</u>	<u>5,424,707,824</u>	<u>123,867,563</u>	<u>110,133,441</u>	<u>543,181,463</u>	<u>-</u>	<u>8,324,205,089</u>
Reportable segment gross profit	<u>55,598,665</u>	<u>649,718,061</u>	<u>12,949,422</u>	<u>3,173,882</u>	<u>122,495,396</u>	<u>-</u>	<u>843,935,426</u>
Interest income						31,757,469	31,757,469
Other corporate income						692,981	692,981
Depreciation and amortisation						(50,247,589)	(50,247,589)
Finance costs						(85,042,976)	(85,042,976)
Other corporate expenses						(125,466,336)	(125,466,336)
Profit before taxation							615,628,975
Income tax expense							(151,470,453)
Profit for the year							<u>464,158,522</u>
<b>As at 31 December 2022</b>							
Reportable segment assets	<u>54,507,475</u>	<u>3,541,489,777</u>	<u>43,379,917</u>	<u>2,278,256</u>	<u>705,921,187</u>	<u>2,022,944,029</u>	<u>6,370,520,641</u>
Reportable segment liabilities	<u>101,620,067</u>	<u>1,731,280,160</u>	<u>4,283,225</u>	<u>12,390,817</u>	<u>16,543,583</u>	<u>2,266,813,171</u>	<u>4,132,931,023</u>

	Tobacco Leaf Products Export Business HK\$	Tobacco Leaf Products Import Business HK\$	Cigarettes Export Business HK\$	New Tobacco Products Export Business HK\$	Brazil Operation Business HK\$	Unallocated HK\$	Total HK\$
<b>For the year ended 31 December 2021</b>							
Sale of goods	2,295,812,457	5,177,853,318	173,152,708	101,580,773	314,142,279	–	8,062,541,535
Service income	1,033,935	–	–	–	540,430	–	1,574,365
Reportable segment revenue	<u>2,296,846,392</u>	<u>5,177,853,318</u>	<u>173,152,708</u>	<u>101,580,773</u>	<u>314,682,709</u>	<u>–</u>	<u>8,064,115,900</u>
Reportable segment gross profit	<u>62,753,171</u>	<u>315,995,156</u>	<u>11,704,545</u>	<u>3,439,535</u>	<u>51,336,345</u>	<u>–</u>	<u>445,228,752</u>
Interest income						12,421,873	12,421,873
Other corporate income						36,159	36,159
Depreciation and amortisation						(44,556,155)	(44,556,155)
Finance costs						(25,593,469)	(25,593,469)
Share of profit of a joint venture						104,971,768	104,971,768
Gain on deemed disposal of a joint venture						405,991,184	405,991,184
Other corporate expenses						(124,764,090)	(124,764,090)
Profit before taxation							773,736,022
Income tax expense							(56,374,178)
Profit for the year							<u>717,361,844</u>
<b>As at 31 December 2021</b>							
Reportable segment assets	<u>58,385,059</u>	<u>2,160,480,944</u>	<u>29,661,555</u>	<u>–</u>	<u>366,085,955</u>	<u>2,151,956,825</u>	<u>4,766,570,338</u>
Reportable segment liabilities	<u>193,651,551</u>	<u>1,075,407,524</u>	<u>9,634,764</u>	<u>11,473,410</u>	<u>14,900,716</u>	<u>1,478,163,156</u>	<u>2,783,231,121</u>

### ***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.

	<b>2022</b>	2021
	<b><i>HK\$</i></b>	<i>HK\$</i>
The PRC, excluding the SARs	<b>5,517,101,113</b>	5,327,675,032
Republic of Indonesia	<b>1,591,398,789</b>	1,608,539,708
Hong Kong	<b>79,457,350</b>	135,988,113
Republic of the Philippines	<b>199,911,957</b>	105,242,513
Socialist Republic of Vietnam	<b>292,111,142</b>	469,908,015
Brazil	<b>171,339,707</b>	117,480,855
Others	<b>472,885,031</b>	299,281,664
	<b><u>8,324,205,089</u></b>	<u>8,064,115,900</u>

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.

	<b>2022</b>	2021
	<b><i>HK\$</i></b>	<i>HK\$</i>
Hong Kong	<b>18,700,740</b>	29,983,987
Brazil	<b>398,948,729</b>	429,195,866
	<b><u>417,649,469</u></b>	<u>459,179,853</u>

## 5 OTHER INCOME/(LOSS), NET

	2022 HK\$	2021 HK\$
Net exchange gains/(losses)	11,540,247	(30,472,368)
Interest income	31,757,469	12,421,873
Government grant ( <i>note</i> )	568,000	—
Others	124,981	36,159
	<u>43,990,697</u>	<u>(18,014,336)</u>

*Note:* In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Special Administrative Region Government. The purpose of the funding is to provide financial support to employer to retain their current employees or hire more employees when the business revives. Under the terms of the grant, the Group is required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month. No such funding was received in 2021.

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs

	2022 HK\$	2021 HK\$
Interest on bank borrowings	78,964,322	24,298,958
Interest on lease liabilities	729,729	1,178,411
Interest accrued on provision	116,100	116,100
Other finance cost	5,232,825	—
	<u>85,042,976</u>	<u>25,593,469</u>

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

	2022 HK\$	2021 HK\$
Salaries, wages and other benefits	100,717,596	76,033,457
Contributions to defined contribution retirement plans	2,386,690	2,207,038
	<u>103,104,286</u>	<u>78,240,495</u>

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.

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**

	<b>2022</b>	2021
	<b>HK\$</b>	HK\$
Depreciation		
– owned property and equipment	<b>9,731,226</b>	8,629,315
– right-of-use assets	<b>9,588,724</b>	8,854,713
	<b>19,319,950</b>	17,484,028
Auditors’ remuneration		
– audit services	<b>3,060,128</b>	2,217,075
– tax services	–	439,756
– other services	<b>310,000</b>	2,305,000
	<b>3,370,128</b>	4,961,831
Amortisation of intangible assets	<b>30,927,639</b>	27,072,127
Expense related to short-term lease	<b>459,928</b>	409,417
Gain on disposal of property, plant and equipment and intangible assets	–	(2,946)
Impairment losses reversed on trade and other receivables	<b>(277,753)</b>	(110,518)
Cost of inventories <sup>#</sup>	<b>7,480,269,663</b>	7,618,887,148

<sup>#</sup> *Cost of inventories includes HK\$45,401,491 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.*

**(d) CBT Step Acquisition**

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

**7 INCOME TAX**

**(a) Income tax in the statement of profit or loss and other comprehensive income represents:**

	<b>2022</b>	2021
	<b>HK\$</b>	<b>HK\$</b>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	<b>50,770,813</b>	51,768,704
<b>Current tax – Overseas</b>		
Provision for the year	<b>124,648,602</b>	39,983,003
<b>Deferred tax</b>		
Origination and reversal of temporary difference ( <i>note 7(d)</i> )	<b>(23,948,962)</b>	(35,377,529)
	<b><u>151,470,453</u></b>	<b><u>56,374,178</u></b>

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 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 2022 as this concession has been taken elsewhere in the larger group to which the Group belongs.

The provision for Hong Kong Profits Tax for 2022 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021/22 subject to a maximum reduction of HK\$10,000 for each business (2021: a maximum reduction of HK\$10,000 was granted for the year of assessment 2020/21 and was taken into account in calculating the provision for 2021).

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 2022 and 2021.

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

	2022 HK\$	2021 HK\$
Profit before taxation	<u>615,628,975</u>	<u>773,736,022</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	147,931,857	204,599,621
Tax effect of non-deductible expenses	7,680,671	3,011,141
Tax effect of non-taxable income	(8,681,193)	(149,732,966)
Tax effect of unused tax losses not recognised	6,443,128	–
Others	<u>(1,904,010)</u>	<u>(1,503,618)</u>
	<u><u>151,470,453</u></u>	<u><u>56,374,178</u></u>

The Group has not recognised deferred tax assets in respect of tax loss of HK\$18,950,365 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.

(c) Current tax (recoverable)/payable in the consolidated statement of financial position represents:

	2022 HK\$	2021 HK\$
Provision for Hong Kong Profits Tax for the year	50,770,813	51,768,704
Provisional Hong Kong Profits Tax paid	<u>(52,304,009)</u>	<u>(12,327,605)</u>
	(1,533,196)	39,441,099
Balance of Hong Kong Profit Tax provision relating to prior years	<u>(431,367)</u>	<u>93,938</u>
Balance of profit tax in Hong Kong	(1,964,563)	39,535,037
Balance of tax in Brazil	<u>40,783,634</u>	<u>28,454,018</u>
	<u>38,819,071</u>	<u>67,989,055</u>
Representing		
Current tax recoverable	(1,964,563)	–
Current tax payable	<u>40,783,634</u>	<u>67,989,055</u>
	<u><u>38,819,071</u></u>	<u><u>67,989,055</u></u>



(d) **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 <i>HK\$</i>	Fair value adjustments in relation to business combination <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
As at 1 January 2021	(11,332,219)	–	–	(11,332,219)
Arising from CBT Acquisition	–	100,821,852	8,800,604	109,622,456
Credited to profit or loss ( <i>note 7(a)</i> )	(614,629)	(33,848,994)	(913,910)	(35,377,533)
Exchange adjustments	–	1,327,868	–	1,327,868
As at 31 December 2021 and 1 January 2022	(11,946,848)	68,300,726	7,886,694	64,240,572
Charged/(credited) to profit or loss ( <i>note 7(a)</i> )	3,465,971	(10,655,674)	(16,759,259)	(23,948,962)
As at 31 December 2022	<u>(8,480,877)</u>	<u>57,645,052</u>	<u>(8,872,565)</u>	<u>40,291,610</u>

(ii) **Reconciliation to the consolidated statement of financial position**

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Net deferred tax assets recognised in the consolidated statement of financial position	8,480,877	11,946,848
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(48,772,487)</u>	<u>(76,187,420)</u>
	<u>(40,291,610)</u>	<u>(64,240,572)</u>

8 **DIVIDENDS**

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

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Final dividend proposed after the end of the reporting period of HK20 cents (2021: HK17 cents) per ordinary share	<u>138,336,000</u>	<u>117,585,600</u>

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

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK17 cents per ordinary share (2021: HK4 cents)	<u>117,585,600</u>	<u>27,667,200</u>

9 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\$374,903,743 (2021: HK\$702,829,173) and the weighted average of 691,680,000 ordinary shares in issue during year ended 31 December 2022 (2021: 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.

10 TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Trade receivables	1,378,793,270	1,094,240,070
Bills receivable	<u>2,713,800</u>	<u>10,932,019</u>
	<b>1,381,507,070</b>	1,105,172,089
Deposits, prepayments and other receivables	76,264,046	151,030,618
Advances to producers	141,844,751	88,003,391
VAT recoverable	<u>48,382,292</u>	<u>4,529,116</u>
	<b>1,647,998,159</b>	1,348,735,214
Represented by:		
– Current portion	1,603,687,963	1,331,329,168
– Non-current portion	<u>44,310,196</u>	<u>17,406,046</u>
	<u><b>1,647,998,159</b></u>	<u><b>1,348,735,214</b></u>

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

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

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:

	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
Within 30 days	<b>167,240,726</b>	60,270,811
31 to 90 days	<b>999,542,232</b>	468,052,294
Over 90 days	<b>214,724,112</b>	576,848,984
	<b><u>1,381,507,070</u></b>	<u>1,105,172,089</u>

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

	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
Not past due	<b>1,290,410,086</b>	1,068,884,646
Past due 1 to 30 days	<b>53,549,430</b>	22,659,503
Past due 31 to 90 days	<b>35,525,714</b>	5,876,442
Past due 91 to 180 days	<b>2,021,840</b>	7,751,498
	<b><u>1,381,507,070</u></b>	<u>1,105,172,089</u>

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

## 12 TRADE AND OTHER PAYABLES

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Trade payables	1,815,743,333	1,219,958,648
Contract liabilities	27,929,929	34,219,041
Dividends payables to non-controlling interests	50,964,124	39,609,601
Other payables and accruals	<u>33,872,545</u>	<u>28,116,351</u>
Financial liabilities measured at amortised cost	1,928,509,931	1,321,903,641
Financial guarantees issued	<u>813,220</u>	<u>484,965</u>
	<u><u>1,929,323,151</u></u>	<u><u>1,322,388,606</u></u>

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

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

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Within 30 days	384,964,173	386,282,580
31 to 90 days	1,123,840,632	815,813,846
Over 90 days	<u>306,938,528</u>	<u>17,862,222</u>
	<u><u>1,815,743,333</u></u>	<u><u>1,219,958,648</u></u>

Certain producers of CBT obtained financing from financial institutions under the rural credit policies that are implemented through a system managed by the Central Bank of Brazil (Banco Central do Brasil). CBT issued guarantees to these financial institutions with respect to the financing they provided to such producers. As at 31 December 2022, the maximum guaranteed amounted to US\$9,100,858 (equivalent to HK\$70,986,692) (31 December 2021: US\$5,537,734 (equivalent to HK\$43,194,322)).

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 2022 and 2021, all the opening contract liabilities have been recognised as revenue during the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, the Group stuck to its strategic focus, tackled risk challenges, seized market opportunities, strengthened coordination across its supply chain, and controlled operation costs. As a result, its overall results maintained steady growth, demonstrating the Group’s resilience and vitality in development. In terms of capital operation, the Group strengthened exchanges and cooperation with leading multinational tobacco companies, proactively pursued and screened potential merge and acquisition targets, and carried out close and effective communication on the practical experience of capital operation in the international tobacco market. In terms of post-investment management, the Group focused on strengthening the building of CTIB’s post-investment management system, enhanced coordination between post-investment management and business operations, and significantly improved the profitability of the Tobacco Leaf Products Business. In terms of New Tobacco Products Export Business, the Group effectively coped with the impact of geopolitical conflicts by innovating and optimising supply chain and settlement models. It accelerated the process of global trademark registration, protecting the intellectual property rights of its own brands and trademarks. The Group actively explored new market opportunities, expedited new product upgrading, optimised product portfolios and increased the proportion of sales of self-owned and self-operated brands. In terms of Tobacco Leaf Products Import Business, the Group maintained close contact with the upstream and downstream of the business chain and relevant stakeholders to keep improving the stability of the supply chain. The Group proactively captured the opportunity to upgrade cigar consumption in China market, continued to optimise our ability to respond to market demands, and actively explored new business growth opportunities while consolidating our existing market advantages to continuously improve our profitability. In addition, the Group closely monitored the changes in epidemic prevention restriction policies, tracked the flow of people and consumption dynamics in the duty-free cigarette market. It deepened its market segmentation, optimised its self-operated business portfolio, and increased the proportion of new self-operated business, to actively prepare for the recovery of business in the post-pandemic era. In terms of Brazil Operation Business, the Group expanded and consolidated its farmer base, optimised regional distributions, and improved quality control over tobacco leaves. It also intensified efforts to develop markets beyond China and created room for new business growth. In terms of operation management, the Group continued to implement “lean management” to effectively reduce operational costs and enhance capital efficiency. It established and improved a new mechanism for selecting and attracting talents and comprehensively implemented policies to invigorate its talent team. It built an operational management system based on the ISO quality system. The Group created an all-round, three-dimensional risk prevention and control system by strengthening internal and external linkages. We further raised our employees’ compliance awareness through professional trainings in respect of connected transactions and disclosure of inside information. In terms of social responsibility, in our active response to the call of the government, we provided pandemic prevention and care for our employees and took the initiative to donate funds and participate in the distribution of pandemic supplies to support Hong Kong’s anti-pandemic initiatives.

## **BUSINESS OPERATION REVIEW**

### **Core Businesses**

#### ***Tobacco Leaf Products Export Business***

For the year ended 31 December 2022, the export volume of tobacco leaf products of the Group reached 95,531 tons, representing a decrease of 6,132 tons or 6% on a year-on-year basis. The operating revenue reached HK\$2,122.3 million, representing a decrease of HK\$174.5 million or 8% on a year-on-year basis. The gross profit reached HK\$55.6 million, representing a decrease of HK\$7.2 million or 11% on a year-on-year basis. The decline in results was mainly due to: (1) weakened demand for cigarettes in the Southeast Asian market as a result of an increase in tobacco taxes and the impact of the COVID-19; and (2) a limited supply of Chinese Mainland tobacco leaves available for export.

#### ***Tobacco Leaf Products Import Business***

For the year ended 31 December 2022, the import volume of tobacco leaf products of the Group reached 91,964 tons, representing a decrease of 5,284 tons or 5% on a year-on-year basis. The operating revenue reached HK\$5,424.7 million, representing an increase of HK\$246.9 million or 5% on a year-on-year basis. The gross profit reached HK\$649.7 million, representing an increase of HK\$333.7 million or 106% on a year-on-year basis. The decline in the import volume was mainly due to the instability of supply chain caused by the COVID-19. The year-on-year increase in gross profit was mainly due to: (1) the acquisition of CTIB Group helped the Group achieve the vertical integration of supply chain, which improved the business profitability; (2) the higher proportion of cigar tobacco leaves sold with high unit price as a result of greater demand from Chinese Mainland customers for cigar tobacco leaves; (3) under the existing pricing policies, the increase in the unit purchase price of tobacco leaf products from relevant importing countries led to the corresponding increase in the unit selling price, thus driving the year-on-year increase in gross profit; and (4) the impact of time factor as the Group only started to consolidate CBT's results from 31 March 2021 when control over CBT was obtained.

#### ***Cigarettes Export Business***

For the year ended 31 December 2022, the export volume of cigarettes of the Group reached 383,307 thousand sticks, representing a decrease of 80,153 thousand sticks or 17% on a year-on-year basis. The operating revenue reached HK\$123.9 million, representing a decrease of HK\$49.3 million or 28% on a year-on-year basis. The gross profit reached HK\$12.9 million, representing an increase of HK\$1.2 million or 11% on a year-on-year basis. Impacted by a more severe COVID-19 pandemic, the number of people entering and leaving China and related areas has not yet recovered, resulting in a drop in duty-free cigarette sales and operating revenue in these areas. The year-on-year increase in gross profit of the Cigarettes Export Business was mainly because: (1) the scale of proprietary business increased year-on-year after brand optimisation and the introduction of new series of product; and (2) the increase in demand for higher margin products from customers, which in turn drove up the gross profit.

### ***New Tobacco Products Export Business***

For the year ended 31 December 2022, the export volume of new tobacco products of the Group reached 502,390 thousand sticks, representing an increase of 47,620 thousand sticks or 10% on a year-on-year basis. The operating revenue reached HK\$110.1 million, representing an increase of HK\$8.6 million or 8% on a year-on-year basis. The gross profit reached HK\$3.2 million, representing a decrease of HK\$0.3 million or 8% on a year-on-year basis. The increase in sales volume and revenue was mainly attributable to the Group's extra efforts in market expansion into emerging markets including the Middle East, Western and Eastern Europe. Meanwhile, the Group accelerated product iteration and upgrading to adapt to changes in market demand in a timely manner. The decrease in gross profit was mainly because the Group adopted a more flexible pricing strategy and invested more marketing resources to acquire more market share.

### ***Brazil Operation Business***

For the year ended 31 December 2022, the export volume of tobacco leaf products to areas outside China from CBT, a non-wholly-owned subsidiary of CTIB, reached 29,247 tons, representing an increase of 7,253 tons or 33% on a year-on-year basis. The operating revenue reached HK\$543.2 million, representing an increase of HK\$228.5 million or 73% on a year-on-year basis. The gross profit reached HK\$122.5 million, representing an increase of HK\$71.2 million or 139% on a year-on-year basis. The significant increase in the sales volume, operating revenue and gross profit was mainly due to: (1) an increase of 15% in the number of contract farmers thanks to the Group's efforts to expand and consolidate its farmer base, optimised regional distributions, and improved quality control over tobacco leaves; (2) intensified efforts to develop markets beyond China and created room for new business growth; and (3) the impact of time factor as the Group only started to consolidate CBT's results from 31 March 2021 when control over CBT was obtained.

### **OUTLOOK FOR 2023**

In 2023, the Group will seize the opportunity of relaxed anti-COVID-19 policy in Chinese Mainland to continue implementing the dual model driving development of "pursuing exogenous and endogenous growth", while enhancing its unique advantages, with a focus on promoting the development of the New Tobacco Products Export Business and the recovery of the Cigarettes Export Business, to continuously improve the Group's operational quality. In terms of capital operation, the Group will further optimise the Group's position in the value chain and supply chain by continuous tracking and selection of quality assets based on new development trend; the Group will continuously strengthen strategic cooperations with multinational tobacco companies jointly to explore the possibility and feasibility of merge and acquisition opportunities. In terms of Tobacco Leaf Products Export & Import Business, we will collaborate seamlessly with both suppliers and customers and keep increasing the stability of our supply chain to ensure sufficient supplies to key customers, which continuously improves customer satisfaction. We will strengthen cooperation with large and medium-sized tobacco leaf suppliers to gain better control over distribution channels. Besides, we will seize opportunities from the cigar market growth in China by expansion of new markets to improve business profitability. For the Cigarettes Export Business, the

Group will adjust sales strategies, optimise the product mix, and strengthen brand marketing and promotion to adapt the changes of demand and consumption behaviour in the post-COVID-19 era, to further expand the scale of proprietary business and new sales channels. Strategic cooperations will be established with well-known duty-free operators to achieve win-win results. For New Tobacco Products Export Business, we will continuously increase investment in brand building, consolidate existing markets, and develop new markets, to strengthen the competitiveness and market share of the Group's own brands in the international market. For the Brazil operation business, we will actively explore the demand for Brazil's tobacco leaves in markets other than China in an effort to create new momentum of profit growth through continuous improvement of tobacco leaves quality.

## **FINANCIAL REVIEW**

### **Revenue and Cost of Sales**

For the year ended 31 December 2022, the Group's revenue increased by 3% to HK\$8,324.2 million (2021: HK\$8,064.1 million) as compared with the same period in 2021, and costs decreased by 2% to HK\$7,480.3 million (2021: HK\$7,618.9 million) as compared with the same period in 2021. The increase in revenue and decrease in costs were mainly because: (1) the growth of the Tobacco Leaf Products Import Business and the New Tobacco Products Export Business drove the increase of the Group's overall revenue; (2) the Group integrated its supply chain vertically through the acquisition of CTIB and its non-wholly-owned subsidiary CBT, leading to lower procurement costs of imported tobacco leaves; and (3) the cost of cigarette sales was reduced through optimisation of brands and the increase in demand for higher margin products from customers.

### **Gross Profit**

For the year ended 31 December 2022, the Group's gross profit increased by 90% to HK\$843.9 million (2021: HK\$445.2 million) as compared with the same period in 2021, which was mainly due to: (1) the Group's better business profitability as it integrated its supply chain vertically through the acquisition of CTIB and its non-wholly-owned subsidiary, CBT; (2) better profitability of the Tobacco Leaf Products Import Business thanks to expanded cigar tobacco leaf imports; (3) the year-on-year growth of self-operated cigarette business; and (4) the impact of time factor as the Group only started to consolidate CBT's results from 31 March 2021 when control over CBT was obtained.

### **Other Income/(Losses), Net**

For the year ended 31 December 2022, the Group's other income (net) amounted to HK\$44.0 million (2021: other losses (net) of HK\$18.0 million), which was mainly due to: (1) a significant increase in interest income driven by a higher benchmark interest rate for US dollar; and (2) a shift from exchange losses for the same period in 2021 to exchange gains. We implemented "lean management" to enhance capital management efficiency.



## **Administrative and Other Operating Expenses**

For the year ended 31 December 2022, the Group's administrative and other operating expenses increased by 35% to HK\$187.3 million (2021: HK\$138.8 million) as compared with the same period in 2021. Such increase in administrative and other operating expenses were mainly due to: (1) a rise in transportation costs driven by a year-on-year increase in CBT's shipments and fuel prices; and (2) the impact of time factor as the Group only started to consolidate CBT's results from 31 March 2021 when control over CBT was obtained.

## **Finance costs**

For the year ended 31 December 2022, the Group's finance costs increased by 232% to HK\$85.0 million (2021: HK\$25.6 million) as compared with the same period in 2021. The expenses were primarily interest on bank borrowings and other finance costs. The significant increase in finance costs was mainly due to: (1) an increase in the size, cycle and interest rate of CBT's bank loans; and (2) the impact of time factor as the Group only started to consolidate CBT's results from 31 March 2021 when control over CBT was obtained.

## **Gain on Deemed Disposal of a Joint Venture**

For the year ended 31 December 2021, gain on deemed disposal of a joint venture relates to the CBT Step Acquisition, as detailed in note 6(d).

## **Share of Profit from a Joint Venture**

The share of profit from a joint venture refers to the proportion of the Group's equity in CBT's results prior to the CBT Step Acquisition completed on 31 March 2021. CBT became a consolidated subsidiary of the Group upon completion of the step acquisition. This item no longer existed after the completion of the reorganization of the CTIB Group on 31 March 2021.

## **Profit and Total Comprehensive Income for the Year**

For the year ended 31 December 2022, profit for the year attributable to equity holders of the Company increased by 26% to HK\$374.9 million (2021: HK\$296.8 million) as compared with the same period in 2021, excluding the gain on deemed disposal of joint venture. Excluding gain on deemed disposal of a joint venture, the Group's profit for the year increased by 49% to HK\$464.2 million (2021: HK\$311.4 million) as compared to the same period in 2021. The year-on-year increase in profit for the year was mainly due to the following reasons: (1) a significant year-on-year increase in the gross profit margin of the Tobacco Leaf Products Import Business due to the gradually emerging vertical integration effect of the supply chain upon acquisition of CTIB; (2) a significant year-on-year increase in the revenue and gross profit margin of the Brazil Operation Business, as a result of the Group's proactive efforts; (3) the overall improvement in the gross profit of the Group's business due to the expansion of cigar leaf imports; and (4) the impact of time factor as the Group only started to consolidate CBT's results from 31 March 2021 when control over CBT was obtained.

## **Earnings per Share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Group of HK\$374,903,743 (2021: HK\$702,829,173) and the weighted average of 691,680,000 ordinary shares (2021: 691,680,000 shares) in issue during the year ended 31 December 2022. For the year ended 31 December 2022, the Group's earnings per share were HK\$0.54. For the year ended 31 December 2021, the Group's earnings per share were HK\$0.43 when excluding gain from deemed disposal of a joint venture; and earnings per share is HK\$1.02 when including gain on deemed disposal of a joint venture.

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

## **Net Current Assets**

As at 31 December 2022, net current assets of the Group amounted to HK\$1,824.1 million (as at 31 December 2021: HK\$1,585.3 million).

## **Significant Investments**

During the year ended 31 December 2022, 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 twelve months ended 31 December 2022.

## **Capital Expenditures**

Save as disclosed in this results announcement, at 31 December 2022, the Group had no plan relating to material investments and capital assets.

## **INDEBTEDNESS**

### **Borrowings**

As at 31 December 2022, all of the bank borrowings were unsecured, carried at amortised cost and expected to be settled within one year. All of the bank borrowings bore fixed interest and the weighted average interest rates were 4.75% per annum (as at 31 December 2021: 2.78% per annum).

### **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 2022, the Group had no significant contingent liabilities (as at 31 December 2021: nil).

### **Pledge of Assets**

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

### **Liquidity, Financial Resources and Gearing Ratio**

As at 31 December 2022, total assets of the Group amounted to HK\$6,370.5 million (as at 31 December 2021: HK\$4,766.6 million) and cash and cash equivalents of HK\$1,785.1 million (as at 31 December 2021: HK\$1,659.0 million). The Board is of the opinion that the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures. As at 31 December 2022, total liabilities of the Group amounted to HK\$4,132.9 million (as at 31 December 2021: HK\$2,783.2 million).

As at 31 December 2022, the Group had a gearing ratio (being borrowings and lease liabilities divided by total equity) of 0.94 (as at 31 December 2021: 0.66).

As at 31 December 2022, the Group had a current ratio (being current assets divided by the current liabilities) of 1.45 (as at 31 December 2021: 1.59).

## EMPLOYEES

As at 31 December 2022, the Group had 31 (as at 31 December 2021: 30) employees in Hong Kong and 214 (as at 31 December 2021: 181) employees (excluding seasonal workers) in Brazil.

The Group seeks to remunerate its employees on a market-competitive basis and has established internal policies with respect to employee compensation for its local employees. The remuneration package of all its employees comprises basic salary, performance-related bonus and certain other employee benefits. The Group reviews the remuneration package of its employees annually in reference to the pay trend of the Hong Kong and Brazil markets with consideration of factors such as years of service, relevant professional experience, and performance evaluations.

The Group provides induction training to all employees to familiarize them with its business operations and the tobacco industry. The Group provides additional professional training specific to its employees' job responsibilities during their course of employment on an ad hoc basis.

## 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 Share of the Company, the total gross proceeds of which amounted to approximately HK\$813 million. The closing price on the Listing Date was HK\$5.35 per Share. On 4 July 2019, the Company issued 25,000,000 Shares at a price of HK\$4.88 per Share pursuant to the full exercise of over-allotment option relating to the Listing by China International Capital Corporation Hong Kong Securities Limited and China Merchants Securities (HK) Co., Limited, the total gross proceeds of which amounted to approximately HK\$122 million. The net proceeds from the Listing (including the net proceeds from the issue of the 25,000,000 Shares pursuant to the exercise of the over-allotment option and net of underwriting fees and relevant expenses) (the “**Net Proceeds**”) amounted to approximately HK\$904 million. The net price to the Company (which was calculated by dividing the Net Proceeds by the number of Shares issued in connection with the initial public offering of Shares) was approximately HK\$4.72 per Share. The Net Proceeds have been and will continue to be used in a manner consistent with that set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the announcement of the Company dated 27 June 2022 in relation to update on expected timeline for use of proceeds.

The use of Net Proceeds during the period from the Listing Date up to 31 December 2022 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)	Amount		Unutilised amount as at 31 December 2022 (HK\$ million)	Expected timeline
			Unutilised amount as at 1 January 2022 (HK\$ million)	utilised during the year ended 31 December 2022 (HK\$ million)		
Making investments and acquisitions that are complementary to the Group's business	45%	406.8	81.4	–	81.4	Remainder to be utilised by 30 June 2023.
Supporting the ongoing growth of the Group's business	20%	180.8	176.6	1.7	174.9	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 2023.
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	29.9	7.4	22.5	Remainder to be utilised by 30 June 2023.
<b>Total</b>	<b>100%</b>	<b>904.0</b>	<b>468.5</b>	<b>9.1</b>	<b>459.4</b>	

*Note:* The 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.

During the year ended 31 December 2022, the Group did not issue any equity securities (including securities convertible into equity securities).

## **PROPOSED FINAL DIVIDEND**

The Board recommends a final dividend of HK\$0.20 per share for the year ended 31 December 2022 (2021: HK\$0.17 per share), payable in Hong Kong dollars subject to the Shareholders' approval at the AGM. As at the date of this announcement, the Company has 691,680,000 Shares in issue. Based on the number of issued Shares as at the date of this announcement, the final dividend, if declared and paid, will amount to an aggregate amount of HK\$138,336,000.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023, 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, 14 June 2023. The final dividend is expected to be paid on or about Thursday, 29 June 2023 to the Shareholders whose name appear on the register of members of the Company on Tuesday, 20 June 2023.

## **OTHER INFORMATION**

### **Annual General Meeting**

The AGM will be held on Friday, 9 June 2023. 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.

### **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, 6 June 2023 to Friday, 9 June 2023, 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 Monday, 5 June 2023.

## **COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE**

The Board is committed to maintaining high corporate governance standards. For the year ended 31 December 2022, the Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2022.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the Directors' securities transactions. All Directors have confirmed, following specific enquiries by the Company, that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

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

During the year ended 31 December 2022, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chow Siu Lui, Mr. Wang Xinhua and Mr. Chau Kwok Keung. The chairman of the Audit Committee is Mr. Chow Siu Lui.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022. Based on its review and discussions with management, the Audit Committee was satisfied that the annual results were prepared in accordance with applicable accounting standards and fairly present the Group's consolidated financial position and results for the year ended 31 December 2022.

## **SCOPE OF WORK OF INDEPENDENT AUDITOR**

The financial figures in this announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Company's independent auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's independent auditor.

## **EVENTS AFTER THE REPORTING PERIOD**

As at the date of this announcement, there is no major event after 31 December 2022 that is required to be disclosed by the Company.

## **PUBLICATION OF 2022 ANNUAL RESULTS AND 2022 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the website of the Stock Exchange at <https://www.hkexnews.hk> and the website of the Company at <http://www.ctihk.com.hk>. The annual report of the Company for the year ended 31 December 2022 will be despatched to the Shareholders and be available on the websites of the Stock Exchange and the Company in due course.

### **DEFINITIONS**

“AGM”	the annual general meeting of the Company;
“Audit Committee”	the audit committee of the Board;
“Board”	the board of Directors;
“CBT”	China Brasil Tabacos Exportadora S.A., a company incorporated in Brazil on 15 September 2011 with limited liability;
“China” or “PRC”	the People’s Republic of China;
“China Tobacco” or “CNTC Group”	CNTC and its subsidiaries;
“Chinese Mainland”	PRC excluding Hong Kong SAR, Macau SAR 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;
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong;
“Company”, “we” or “our”	China Tobacco International (HK) Company Limited (中煙國際(香港)有限公司) (stock code: 6055), a company incorporated in Hong Kong with limited liability;
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“CTIB”	China Tabaco Internacional do Brasil Ltda. (中煙國際巴西有限公司), a company incorporated in Brazil on 6 June 2002 with limited liability;



“CTIB Group”	CTIB and its subsidiaries, including CBT;
“CTIG”	China Tobacco International Group Limited (中煙國際集團有限公司), the controlling shareholder of the Company;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“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 10 to the Listing Rules;
“Prospectus”	the prospectus dated 28 May 2019 issued by the Company;
“Real”	Brazilian real, the lawful currency of Brazil;
“Share(s)”	the ordinary share(s) of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“U.S. dollars” United States dollars, the lawful currency of the United States of America;  
and  
“%” percent.

*In this announcement, the English translation of an entity’s or a company’s name in Chinese which is marked with “\*” is for identification purpose only. If there is any inconsistency between the Chinese names of entities or companies established in the PRC and their English translations, the Chinese names shall prevail.*

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

Hong Kong, 9 March 2023

*As at the date of this announcement, the Board comprises Mr. Shao Yan, as Chairman and non-executive Director, Ms. Yang Xuemei, Mr. Wang Chengrui, Mr. Xu Zengyun and Ms. Mao Zilu as executive Directors, and Mr. Chow Siu Lui, Mr. Wang Xinhua, Mr. Chau Kwok Keung and Mr. Qian Yi as independent non-executive Directors.*