



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

INTERIM REPORT

聚焦·聚力·聚心

CONCENTRATION
COHESION
COMMITMENT

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Definitions

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

“2021-2024 Offshore Supply Framework Agreements”	the 2021-2024 offshore tobacco leaf products long-term supply framework agreements entered into between the Company, on one hand, and each of the relevant counterparties in the procurement transactions in the Tobacco Leaf Products Import Business, on the other hand, on 17 November 2021;
“2021-2024 Tobacco Leaf Products Export Agency Agreements”	the 2021-2024 tobacco leaf products export agency agreements entered into between the Company, on one hand, and each of the relevant counterparties in the Agency Business in the Sales of Tobacco Leaf Products, on the other hand, on 17 November 2021;
“Acquisition”	an acquisition by the Company of the entire issued and outstanding quotas of CTIB from CTIG pursuant to the terms and conditions of the Quota Purchase Agreement dated 23 September 2021 entered into by the Company and CTIG;
“Agency Business in the Sales 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 the State of North Carolina, United States in August 2018;
“Audit Committee”	the audit committee of the Board;
“Board” or “Board of Directors”	the board of Directors of the Company;
“CBT”	China Brasil Tabacos Exportadora S.A., a company incorporated in Brazil on 15 September 2011 with limited liability and owned as to 51% by China Tabaco Internacional do Brasil Ltda.;
“China” or “PRC”	the People’s Republic of China;
“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;

* is 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, United States and an indirectly wholly-owned subsidiary of CNTC;
“CTIB”	China Tabaco Internacional do Brasil Ltda., a company incorporated in Brazil on 6 June 2002 with limited liability;
“CTIG”	China Tobacco International Group Limited (中煙國際集團有限公司), the controlling shareholder of the Company;
“Directors”	the directors of the Company;
“EGM”	an 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;
“Latest Practicable Date”	15 September 2025, being the latest practicable date prior to the bulk printing and publication of this interim report;

Definitions (Continued)

“Listing Date”	12 June 2019, the date on which the Shares were listed on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended and supplemented or otherwise modified from time to time;
“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 the State 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 six months ended 30 June 2025;
“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;

Definitions (Continued)

“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 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
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)

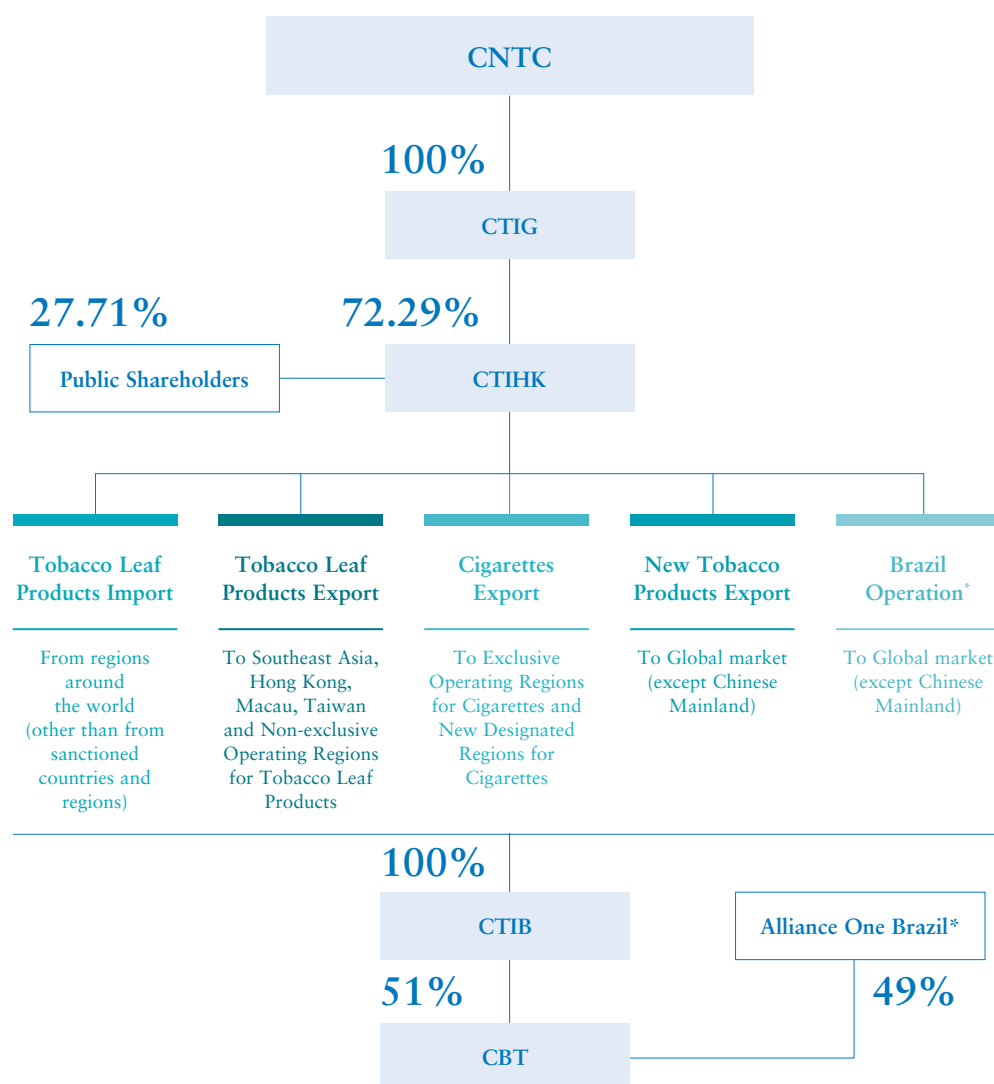
Stock Abbreviation Name:	CTIHK
Stock Code:	6055
Headquarters, Registered Office and Principal Place of Business:	Room 1002, 10/F, Tower A, China Life Center, One Harbour Gate, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong
Legal Adviser:	Linklaters
Auditor:	KPMG (Public Interest Entity Auditor registered 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

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 Investable Market 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, 35 cigarette brands, and 35 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!

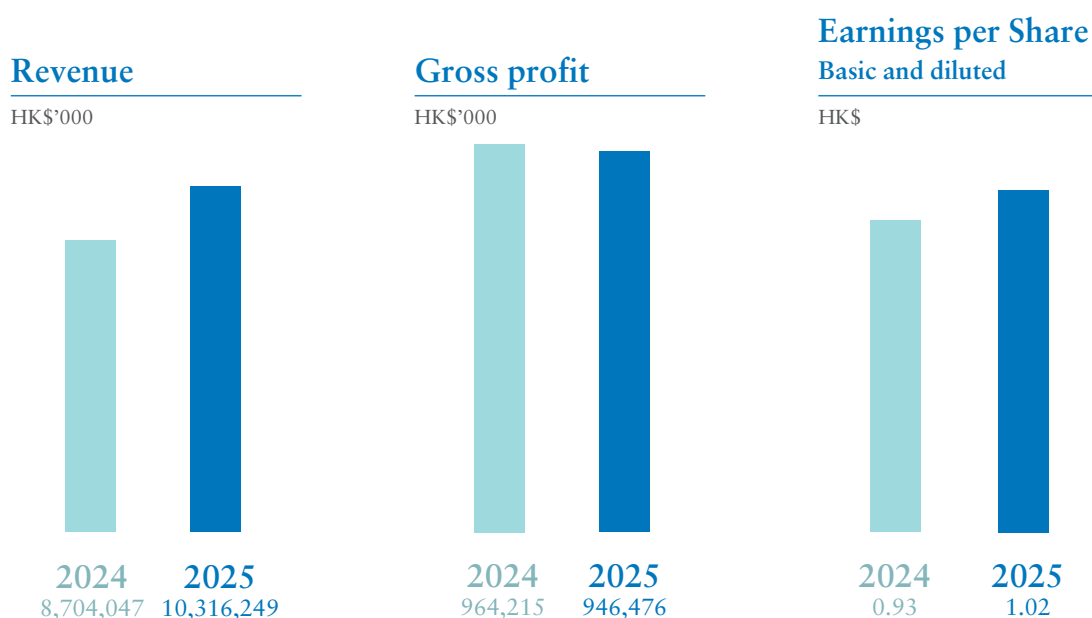


* This business segment of Brazil Operation is operated by CBT.

* Alliance One Brazil is an indirectly wholly-owned subsidiary of Pyxus (OTC: PYYX).

* The section in green represents all the businesses of the Group.

Financial Highlights



	For the six months ended 30 June 2025 (unaudited) HK\$'000	For the six months ended 30 June 2024 (unaudited) HK\$'000	Year-on-year change(%)
Operating Results			
Revenue	10,316,249	8,704,047	18.5%
Gross profit	946,476	964,215	-1.8%
Profit for the period attributable to Equity shareholders of the Company	706,353	643,341	9.8%
Earnings per Share			
Basic and diluted (HK\$)	1.02	0.93	
Interim dividend per Share (HK\$)	0.19	0.15	
Financial Position			
Cash and cash equivalents and short-term bank deposits	3,975,052	2,808,865	41.5%
Net assets	3,700,825	3,143,484	17.7%
Financial Ratios			
Return of equity	21.7%	23.8%	-2.1pp
Current ratio	1.52	1.42	10pp

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 is pleased to announce that it has resolved to distribute an interim dividend of HK\$0.19 per Share, reflecting a year-on-year growth of 26.7%. The Group will continuously create more value for its Shareholders.

Management Discussion and Analysis

In the first half of 2025, amid a complex and volatile international political and economic environment, the Group adhered to its development philosophy of “respect market, respect rules, respect investors”, advanced high-quality business development, systematically enhanced corporate governance level, and achieved a year-on-year growth in overall performance. The Group recorded cumulative revenue of HK\$10.32 billion, representing a year-on-year increase of 18.5%; and realized the profit attributable to equity shareholders of the Company for the Reporting Period of HK\$706.4 million, up by 9.8% year-on-year. The main operational and developmental achievements of the Group in the first half of the year are as follows:

- In terms of Tobacco Leaf Products Import Business, we closely monitored changes in the international trade environment, proactively communicated with suppliers and domestic customers, formulated and efficiently implemented risk response strategies, effectively ensuring the timely and orderly arrival of imported tobacco leaves from relevant countries to meet domestic production needs. We continued to enhance synergy with our subsidiaries and strengthened the expansion of the raw tobacco market to ensure a stable supply of imported tobacco leaf raw materials.
- In terms of Tobacco Leaf Products Export Business, we actively responded to trends in international tobacco leaf supply and demand and dynamically optimized pricing strategies to continuously improve business profitability. We strengthened supply coordination among subsidiaries, enhanced cross-country supply control capabilities, and significantly increased sales volume of Brazilian tobacco leaf products. We also deepened cooperation with suppliers and customers across the industrial chain, expanded the coverage of long-term supply agreements with key customers, actively developed business in non-exclusive operating regions to further consolidate our core competitive advantages.
- In terms of Cigarettes Export Business, we continued to expand our proprietary business scale and enhance profitability. We deepened collaboration with duty-free retailers, accurately assessed sales trends, tapped into channel potential to strengthen growth momentum. We also continuously optimized our business structure and product portfolio and increased the introduction of new products to enhance brand influence.
- In terms of New Tobacco Products Export Business, we proactively addressed challenges brought by geopolitical conflicts and changes in regulatory policies in target markets, and strived to mitigate the adverse effects of major shifts in the global supply chain. We also guided suppliers to accelerate product innovation, technological research and development, and improvements in production and manufacturing equipment, while continuously strengthening overseas intellectual property protection and refining its global trademark layout for our brands to respond to changes in regulatory policies and adjustments in product entry requirements.
- In terms of Brazil Operations Business, we continued to expand our raw tobacco procurement areas and systematically increased the scale of raw tobacco sourcing for non-China market to effectively strengthen our resource integration and allocation capabilities in the Brazilian market. We seized the market development opportunities and actively expanded our sales regions and customer base to build a diversified market structure. We also continuously improved CBT’s ESG effectiveness, achieving the supply of products to more multinational tobacco companies.
- In terms of operational management, we upheld lean management, promoted integration between business and finance, improved capital utilization and income, reasonably controlled operating costs, increased resource allocation efficiency, continuously strengthened system development, and enhanced risk prevention and control mechanisms to ensure sustained high-quality development of the Group.

Management Discussion and Analysis (Continued)

- In terms of human resource management, we expanded our professional talent pool to effectively support business expansion needs. We improved the human resources management system, optimized employee career development plans, built a more comprehensive internal training system to enhance employee overall quality. We also focused on corporate culture development and employee relations management, expanded the office space, optimized the working environment to enhance employees' sense of belonging and cohesion.
- In terms of ESG management, we initially established an ESG strategy framework supported by four pillars, “Green Development”, “People-Centric”, “Community Engagement” and “Supply Chain Management” to systematically enhance our ESG effectiveness. We coordinated and promoted the implementation of “Social Responsibility Programs”, “Green Commitment Programs” and “Green Pulsation Programs” to continuously strengthen our integrated ESG development level. We also significantly improved the quality of ESG information disclosure, gaining recognition from international rating agencies and achieving continuous improvement in our ESG ratings.

BUSINESS OPERATION REVIEW

Core Businesses

Tobacco Leaf Products Import Business

For the six months ended 30 June 2025, the import volume of tobacco leaf products of the Group reached 97,881 tons, representing an increase of 2,360 tons or 2.5% on a year-on-year basis. The operating revenue reached HK\$8,398.9 million, representing an increase of HK\$1,596.7 million or 23.5% on a year-on-year basis. The gross profit reached HK\$687.2 million, representing a decrease of HK\$57.6 million or 7.7% on a year-on-year basis. The increase in the revenue was mainly attributable to the overall unit selling price of the tobacco leaf products increased during the Reporting Period on a year-on-year basis. The decrease in the gross profit was due to the supply and demand dynamics. The procurement cost of tobacco leaf products from CBT increased more than the increase in unit selling price during the Reporting Period, which led to a year-on-year decrease in gross profit margin.

Import volume

97,881 tons ↑ 2.5%

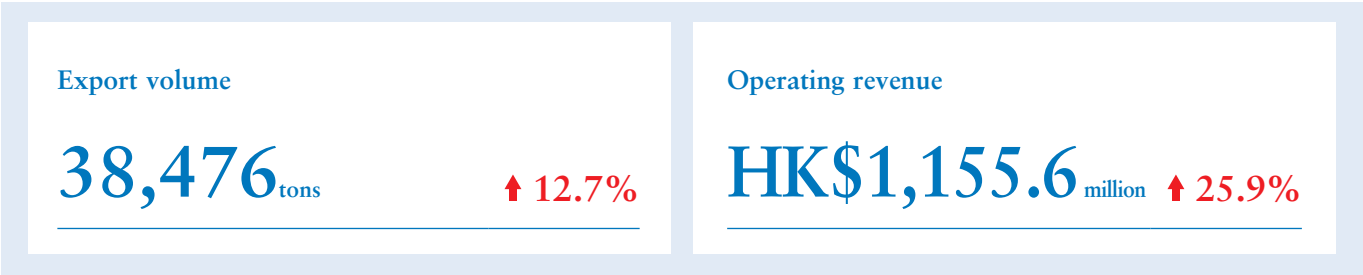
Operating revenue

HK\$8,398.9 million ↑ 23.5%

Management Discussion and Analysis (Continued)

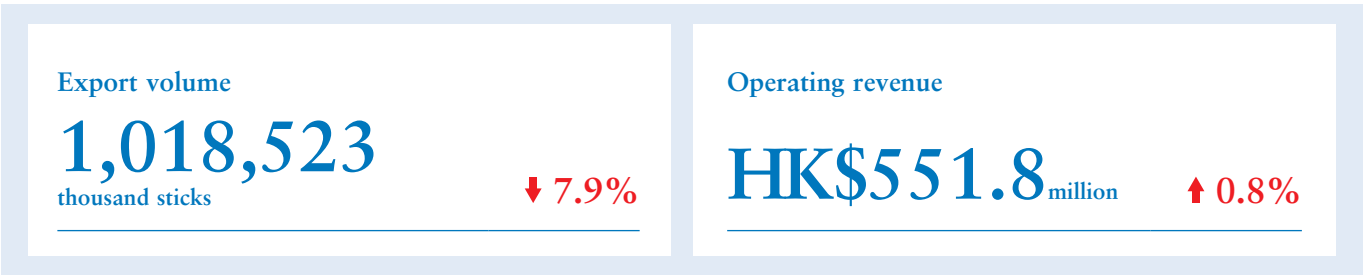
Tobacco Leaf Products Export Business

For the six months ended 30 June 2025, the export volume of tobacco leaf products of the Group reached 38,476 tons, representing an increase of 4,347 tons or 12.7% on a year-on-year basis. The operating revenue reached HK\$1,155.6 million, representing an increase of HK\$237.9 million or 25.9% on a year-on-year basis. The gross profit reached HK\$63.1 million, representing an increase of HK\$35.0 million or 124.1% on a year-on-year basis. The significant increase in the results was mainly attributable to: (1) strengthening connectivity between supply and demand, actively expanding into new markets and acquiring new customers, resulting in a year-on-year increase in the export volume of tobacco leaf products; and (2) accurately assessing market supply and demand dynamics, continuously optimizing pricing strategies, effectively raising the overall unit selling price and gross profit margin of tobacco leaf products during the Reporting Period, which contributed to a significant year-on-year growth in both revenue and gross profit of the Tobacco Leaf Products Export Business.



Cigarettes Export Business

For the six months ended 30 June 2025, the export volume of cigarettes of the Group reached 1,018,523 thousand sticks, representing a decrease of 87,122 thousand sticks or 7.9% on a year-on-year basis. The operating revenue reached HK\$551.8 million, representing an increase of HK\$4.5 million or 0.8% on a year-on-year basis. The gross profit reached HK\$141.8 million, representing an increase of HK\$20.4 million or 16.8% on a year-on-year basis. The decrease in the export volume, while the increase in the revenue and gross profit was mainly attributable to (1) shipping arrangement which led to a slight decrease in the sales volume on a year-on-year basis; and (2) the continuous expansion of our proprietary business, driven by ongoing efforts to strengthen the development of proprietary channels and the introduction of new products that align with market demand, which effectively enhanced the profitability of the Cigarettes Export Business.



Management Discussion and Analysis (Continued)

New Tobacco Products Export Business

For the six months ended 30 June 2025, the export volume of new tobacco products of the Group reached 81,330 thousand sticks, representing a decrease of 153,610 thousand sticks or 65.4% on a year-on-year basis. The operating revenue reached HK\$14.6 million, representing a decrease of HK\$28.9 million or 66.5% on a year-on-year basis. The gross profit reached HK\$0.8 million, representing a decrease of HK\$1.3 million or 62.4% on a year-on-year basis. The decrease in the results was mainly due to: (1) the adverse impact of geopolitical conflicts on the supply chain, resulting in reduced outbound shipment volume in key markets; and (2) changes in regulatory policies in target markets, where suppliers' manufacturing equipment failed to timely meet product market access requirements, significantly reducing the efficiency of product market access in the target markets.

Export volume

81,330 thousand sticks ↓ 65.4%

Operating revenue

HK\$14.6 million ↓ 66.5%

Brazil Operation Business

For the six months ended 30 June 2025, the export volume of tobacco leaf products to areas outside China from CBT, a non-wholly-owned subsidiary of CTIB, reached 7,928 tons, representing a decrease of 4,232 tons or 34.8% on a year-on-year basis. The operating revenue reached HK\$195.3 million, representing a decrease of HK\$197.9 million or 50.3% on a year-on-year basis. The gross profit was HK\$53.6 million, representing a decrease of HK\$14.2 million or 21.0% on a year-on-year basis. The decrease in the results was mainly due to: (1) extreme weather condition during the production and cultivation period, the amount of tobacco leaf products available for sale during the Reporting Period has decreased on a year-on-year basis; and (2) significant changes in product structure compared with the same period last year, namely, the sales volume of tobacco leaf by-products with higher gross profit level but lower unit sale price has increased significantly year-on-year in sales proportion.

Export volume

7,928 tons ↓ 34.8%

Operating revenue

HK\$195.3 million ↓ 50.3%

Management Discussion and Analysis (Continued)

PROSPECTS FOR THE SECOND HALF OF 2025

In the second half of 2025, we will step on the strategic position of “capital markets operation and international business expansion platform”, continue to unite our efforts, strive with determination, and embrace a forward-looking, proactive, and competitive mindset. We will focus on high-quality business development, and enhance corporate governance effectiveness, creating long-term and sustainable returns to our shareholders. To achieve these goals, we will prioritize advancement in the following key areas:

- We will uphold the “organic and inorganic growth” development strategy, fully leveraging the advantages of our international capital platform to aggregate industry resources, actively explore potential market opportunities to continuously strengthen the Group’s core competitiveness.
- We will continue to enhance the resilience of the supply chain, proactively respond to fluctuations in global tobacco leaf supply to strengthen the stability of high-quality imported tobacco leaf supply. We will enhance our international tobacco leaf resource allocation capabilities, expand business development opportunities. We will refine our differentiated and customized service system, and optimize product pricing strategies to further improve profitability in the tobacco leaf business.
- We will intensify market research and insight analysis in the cigarettes duty-free market and strengthen collaborative marketing with duty-free retailers to increase sales volume. We will continuously refine our business structure to further tap the potential of existing channels, enhance brand portfolio effectiveness to improve overall profitability. We will also deepen strategic cooperation with Chinese cigar enterprises, accelerate the international expansion of Chinese cigars, strengthen the global brand influence of Chinese cigars to cultivate new business growth drivers.
- We will proactively respond to major changes in the global supply chain amid geopolitical tensions, strengthen collaboration across both production and sales to improve supply chain efficiency. We will accelerate innovation and technological research and development in new tobacco products, enhance the manufacturing capabilities of suppliers, and speed up product iteration and upgrades to strengthen product competitiveness. Additionally, we will optimize cooperation models and pricing strategies with key customers in priority markets and intensify branding efforts for key brands to enhance brand influence.
- We will adhere to the “three enhancements and one control” development approach, continue to optimize Brazilian raw tobacco procurement areas and strengthen cooperation with tobacco farmers to secure a stable supply of raw tobacco. We will actively expand sales channels, explore new markets and customers, and broaden our sales coverage. Furthermore, we will enrich our product portfolio to increase cigar leaf sales volume and grow our market share.
- We will continue building a systematic ESG performance evaluation framework, enhance self-assessment mechanisms for ESG outcomes, and enrich ESG-related management policies to elevate the Group’s ESG level. We will actively respond to the new climate-related disclosure requirements of the Stock Exchange and conduct comprehensive greenhouse gas emissions inventory across all three scopes to establish a green and low-carbon value chain system. We will also deepen corporate social responsibility practices, engage in community care initiatives, organize employee volunteer activities, and strengthen our commitment to social contribution.

Management Discussion and Analysis (Continued)

- We will accelerate digital transformation, optimize comprehensive management processes, and enhance human resources information management to systematically improve corporate governance effectiveness and decision-making capabilities. We will strengthen analytical and forecasting capabilities, focus on controlling financing costs, and continue advancing refined capital management. Besides, internal control mechanisms will be further refined to enhance our risk prevention capacities. We will dynamically optimize the employee career development framework, continue implementing the mentorship program, and progressively complete the establishment of an internal training system. We will also deepen employee care, and refine performance and incentive systems to create motivation and a supportive environment for employee growth.

FINANCIAL REVIEW

Revenue, Cost of Sales and Gross Profit

For the six months ended 30 June 2025, the Group's revenue increased by 18.5% to HK\$10,316.2 million (2024: HK\$8,704.0 million) as compared with the same period in 2024, cost of sales increased by 21.1% to HK\$9,369.8 million (2024: HK\$7,739.8 million) as compared with the same period in 2024, and gross profit decreased by 1.8% to HK\$946.5 million (2024: HK\$964.2 million) as compared with the same period in 2024. The increase in the revenue of the Group was mainly driven by the growth in the Tobacco Leaf Products Import Business, the Cigarettes Export Business and the Tobacco Leaf Products Export Business. The decrease in the gross profit was mainly attributable to the Tobacco Leaf Products Import Business and Brazil Operation Business.

Revenue

HK\$10,316.2 million **↑ 18.5%**

Other Income, Net

For the six months ended 30 June 2025, the Group's other income, net increased by 5.2% to HK\$72.0 million (2024: HK\$68.4 million) as compared with the same period in 2024, which was mainly due to increase in interest income driven by an increase in short-term bank deposits.

Administrative and Other Operating Expenses

For the six months ended 30 June 2025, the Group's administrative and other operating expenses increased by 6.1% to HK\$79.5 million (2024: HK\$74.9 million) as compared with the same period in 2024, which included staff cost of HK\$34.2 million, depreciation and amortisation of intangible assets of HK\$20.9 million and professional fees of HK\$4.8 million. The increase in administrative and other operating expenses was mainly due to expansion of the Group's business activities, resulting in increase in staff costs and professional fees.

Finance Costs

For the six months ended 30 June 2025, the Group's finance costs decreased significantly by 28.2% to HK\$82.9 million (2024: HK\$115.5 million) as compared with the same period in 2024. The expenses were primarily interest on bank borrowings. The significant decrease in finance costs was mainly due to the decrease of CBT bank borrowings balance and the bank borrowings interest rates.

Finance costs

HK\$82.9 million **↓ 28.2%**

Management Discussion and Analysis (Continued)

Profit and Profit Attributable to Equity Shareholders of the Company for the Reporting Period

For the six months ended 30 June 2025, the Group's profit increased by 6.3% to HK\$722.6 million (for the six months ended 30 June 2024: HK\$679.7 million) as compared with the same period in 2024. Profit attributable to equity shareholders of the Company increased by 9.8% to HK\$706.4 million (for the six months ended 30 June 2024: HK\$643.3 million) as compared with the same period in 2024. The increase in profit for the Reporting Period and profit attributable to equity shareholders of the Company for the Reporting Period was primarily driven by strong performance in the Cigarettes Export Business and the Tobacco Leaf Products Export Business, along with a reduction in finance costs.

Earnings per Share

The calculation of basic earnings per Share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2025 of HK\$706.4 million (for the six months ended 30 June 2024: HK\$643.3 million) and the weighted average of 691,680,000 ordinary Shares (for the six months ended 30 June 2024: 691,680,000 ordinary Shares) in issue during the Reporting Period. For the six months ended 30 June 2025, the Group's earnings per Share was HK\$1.02 (for the six months ended 30 June 2024: HK\$0.93).

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

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2025, total assets of the Group amounted to HK\$10,002.8 million (as at 31 December 2024: HK\$9,816.7 million). As at 30 June 2025, the Group had cash and cash equivalents and short-term bank deposits of HK\$3,975.1 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 30 June 2025, total liabilities of the Group amounted to HK\$6,301.9 million (as at 31 December 2024: HK\$6,629.4 million).

The Group adopts conservative treasury policies and implements strict cash risk management. The Group's cash and cash equivalents and short-term bank deposits are mainly in U.S. dollars and Hong Kong dollars. Surplus cash is generally placed in short term deposits denominated in U.S. dollars and Hong Kong dollars.

As at 30 June 2025, the Group had a gearing ratio (being borrowings and lease liabilities divided by total equity) of 0.69 (as at 31 December 2024: 0.94). As at 30 June 2025, the Group had a current ratio (being the current assets divided by the current liabilities) of 1.52 (as at 31 December 2024: 1.43).

Net Current Assets

As at 30 June 2025, net current assets of the Group amounted to HK\$3,244.1 million (as at 31 December 2024: HK\$2,837.8 million).

Foreign Exchange Risk

The Group entered into transactions primarily in U.S. dollars and Real. The functional currency of CBT is U.S. dollars. Actual payments received by CBT are made in U.S. dollars, but majority of costs and expenses are paid by CBT in Real. During the six months ended 30 June 2025, 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.

Management Discussion and Analysis (Continued)

Pledge of Assets

As at 30 June 2025, the Group did not pledge any assets (as at 31 December 2024: nil).

Contingent Liabilities

As at 30 June 2025, the Group did not have significant contingent liabilities (as at 31 December 2024: nil).

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 the six months ended 30 June 2025, 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\$8,402.8 million and HK\$302.5 million, respectively, accounting for approximately 81.5% and 2.9% of our total revenue, respectively, during the Reporting Period. The total procurement of the Continuing Connected Transactions at Issuer Level and the Continuing Connected Transactions at Subsidiary Level was HK\$1,985.1 million and HK\$1,056.6 million, respectively, accounting for approximately 27.4% and 14.6% 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 30 June 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:

$$P = A \times 1.06$$

Where

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

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

The price at which we procure tobacco leaf products from overseas suppliers is determined through arm’s length negotiation with (i) independent third party suppliers, or (ii) connected persons, including CTI North America, taking into consideration factors including current international market condition, relationship with the suppliers, 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\$8,398.9 million, accounting for 100% of the total revenue of our Tobacco Leaf Products Import Business.

Review of Continuing Connected Transactions (Continued)

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

We conduct our Tobacco Leaf Products Export Business in our ordinary course of business. Connected transactions contemplated under our Tobacco Leaf Products Export Business include the procurement of tobacco leaf products from certain entities under CNTC, including the import-export companies and industrial companies. To facilitate the above transactions, as of 30 June 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 Hunan Import and Export Co., Ltd* (中國煙草湖南進出口有限責任公司)
China Tobacco Zhejiang Industrial Co., Ltd* (浙江中煙工業有限責任公司)	China Tobacco Fujian Import and Export Co., Ltd* (中國煙草福建進出口有限責任公司)
China Tobacco Yunnan Industrial Co., Ltd* (雲南中煙工業有限責任公司)	China Tobacco Guizhou Import and Export Co., Ltd* (中國煙草貴州進出口有限責任公司)
China Tobacco Fujian Industrial Co., Ltd* (福建中煙工業有限責任公司)	China Tobacco Liaoning Import and Export Company* (中國煙草遼寧進出口公司)
China Tobacco Yunnan Import and Export Co., Ltd* (中國煙草雲南進出口有限公司)	China Tobacco Heilongjiang Import and Export Co., Ltd* (中國煙草黑龍江進出口有限責任公司)
China Tobacco Sichuan Import and Export Co., Ltd* (中國煙草四川進出口有限責任公司)	Xinjiang Tobacco Import and Export Co., Ltd* (新疆煙草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)	Zhejiang Tobacco Import and Export Co., Ltd* (浙江煙草進出口有限公司)
China Tobacco Guangdong Import and Export Co., Ltd* (中國煙草廣東進出口有限公司)	Shenzhen Tobacco Import and Export Co., Ltd* (深圳煙草進出口有限公司)
China Tobacco Henan Import and Export Co., Ltd* (中國煙草河南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 Hubei Import and Export Co., Ltd* (中國煙草湖北進出口有限責任公司)	Viniton 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 formula in similar transactions and therefore our procurement has been conducted based on normal commercial terms. The pricing formula is shown as below:

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

Where

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

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

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

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)

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

Transaction Amount during the Reporting Period

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\$1,080.2 million, accounting for 98.9% of the total purchase of our Tobacco Leaf Products Export Business.

(C) Procurement Transactions in the Cigarettes Export Business

As of 30 June 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 Henan Industrial Co., Ltd* (河南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 Zhejiang Industrial Co., Ltd* (浙江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)	Shenzhen Tobacco Industrial Co., Ltd* (深圳煙草工業有限責任公司)

* for identification only

Review of Continuing Connected Transactions (Continued)

China Tobacco Hubei Industrial Co., Ltd* (湖北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 Hunan Industrial Co., Ltd* (湖南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 Guizhou Industrial Co., Ltd* (貴州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 Shaanxi Industrial Co., Ltd* (陝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)
China Tobacco Guangdong Industrial Co., Ltd* (廣東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)
Hongta Liaoning Tobacco Co., Ltd* (紅塔遼寧煙草有限責任公司)	China Tobacco Jiangxi Industrial Co., Ltd* (江西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)	Inner Mongolia Kunming Cigarette Limited Liability Company* (內蒙古昆明捲煙有限責任公司)
China Tobacco Shandong Industrial Co., Ltd* (山東中煙工業有限責任公司)	China Tobacco 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.

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\$303.1 million, accounting for approximately 99.4% of the total purchase of our Cigarettes Export Business.

Review of Continuing Connected Transactions (Continued)

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

As of 30 June 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 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 Sichuan Industrial Co., Ltd* (四川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)	China Tobacco Anhui Industrial Co., Ltd* (安徽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 Jiangsu Industrial Co., Ltd* (江蘇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 Zhejiang Industrial Co., Ltd* (浙江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 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)	China Tobacco Guangxi Industrial Co., Ltd* (廣西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)	Inner Mongolia Kunming Cigarette Limited Liability Company* (內蒙古昆明捲煙有限責任公司)
China Tobacco Jilin Industrial Co., Ltd* (吉林煙草工業有限責任公司)	China Tobacco Guizhou Industrial Co., Ltd* (貴州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 Fujian Industrial Co., Ltd* (福建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)	

* for identification only

Review of Continuing Connected Transactions (Continued)

Pricing Policies

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

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

Where

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

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

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.

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 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\$13.8 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.

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.

Review of Continuing Connected Transactions (Continued)

Parties

- (in relation to the Offshore Supply Framework Agreements) the Company and each of CTI North America, CTI Argentina and CBT
- (in relation to the 2021-2024 Offshore Supply Framework Agreements) the Company and each of CTI North America and CBT
- (in relation to the 2024-2026 Offshore Supply Framework Agreement) the Company and CTI North America

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

Pricing Policies

The procurement of tobacco leaf products (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 and 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 circulars dated 14 December 2021 and 1 November 2024.

Annual Caps

The transaction amount of the continuing connected transactions under the 2024-2026 Offshore Supply Framework Agreement for the period from 17 November 2024 to 31 December 2024 and the years ending 31 December 2025 and 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\$575.7 million, accounting for 10.1% 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*)	Golden Leaf (Macau) Tobacco's Manufacturing Ltd. (金葉捲煙廠(澳門)有限公司*)
Bang Kang Cigarette Factory, Myanmar (緬甸邦康煙廠*)	Hong Kong Hongta International Tobacco Company Limited. (香港紅塔國際煙草有限公司*)
Lao-China Hongta Good Luck Tobacco Co., Ltd. (老撾寮中紅塔好運煙草有限公司*)	

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 and the Company's circulars 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 and the years ending 31 December 2025 and 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\$3.9 million, accounting for approximately 0.3% 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 previously 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 also previously 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 29 December 2022, the Group and the Alliance One Group entered into extension agreements to extend the term of each of the Alliance One Connected Transactions Agreements, for a period of one year from 1 January 2023 to 31 December 2023. On 20 December 2023, the Group and Alliance One Group entered into the extension agreements to further extend the term of each of the Framework Tobacco Sales Agreement, the Framework Tobacco Purchase Agreement, the CBT Framework Tobacco Sales Agreement and the CBT Framework Tobacco and Services Purchase Agreement, for a period of one year from 1 January 2024 to 31 December 2024. On 10 October 2024, the Group and Alliance One Group entered into the extension agreements to further extend the term of each of the Framework Tobacco Sales Agreement, the Framework Tobacco Purchase Agreement, the CBT Framework Tobacco Sales Agreement and the CBT Framework Tobacco and Services Purchase Agreement, for a period of one year from 1 January 2025 to 31 December 2025. Save for the extension of term, 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 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) and the transactions contemplated thereunder 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 and 10 October 2024.

Review of Continuing Connected Transactions (Continued)

(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 provided 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 29 December 2022, the term of the Framework Tobacco Sales Agreement was extended for a period of one year from 1 January 2023 to 31 December 2023. On 20 December 2023, the term of the Framework Tobacco Sales Agreement was further extended for a period of one year from 1 January 2024 to 31 December 2024. On 10 October 2024, the term of the Framework Tobacco Sales Agreement was further extended for a period of one year from 1 January 2025 to 31 December 2025.

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 and 10 October 2024.

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.

Review of Continuing Connected Transactions (Continued)

Annual Caps

The transaction amount of the sale of tobacco transactions under the Framework Tobacco Sales Agreement for the year ended 31 December 2024 and the year ending 31 December 2025 is expected not to exceed US\$85.0 million (equivalent to HK\$663.2 million) and US\$89.9 million (equivalent to HK\$701.0 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\$237.5 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 provided 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 leaf products; and (ii) tobacco leaf products 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 29 December 2022, the term of the CBT Framework Tobacco Sales Agreement was extended for a period of one year from 1 January 2023 to 31 December 2023. On 20 December 2023, the term of the CBT Framework Tobacco Sales Agreement was further extended for a period of one year from 1 January 2024 to 31 December 2024. On 10 October 2024, the term of the CBT Framework Tobacco Sales Agreement was further extended for a period of one year from 1 January 2025 to 31 December 2025.

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 and 10 October 2024.

Parties

CBT and Alliance One International

Review of Continuing Connected Transactions (Continued)

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 2024 and the year ending 31 December 2025 is expected not to exceed US\$140.5 million (equivalent to HK\$1,095.5 million) and US\$154.2 million (equivalent to HK\$1,203.1 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\$64.9 million.

(iii) Framework Tobacco Purchase Agreement

As part of the Group's import business and in order to meet the demand of its end customers for high quality grades of tobacco leaves, the Company procures tobacco leaves from various suppliers in the ordinary course of its business, including from Alliance One International, who procures tobacco leaves from tobacco farmers and processes 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 29 December 2022, the term of the Framework Tobacco Purchase Agreement was extended for a period of one year from 1 January 2023 to 31 December 2023. On 20 December 2023, the term of the Framework Tobacco Purchase Agreement was further extended for a period of one year from 1 January 2024 to 31 December 2024. On 10 October 2024, the term of the Framework Tobacco Purchase Agreement was further extended for a period of one year from 1 January 2025 to 31 December 2025.

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 and 10 October 2024.

Review of Continuing Connected Transactions (Continued)

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.

Annual Caps

The transaction amount of the purchase of tobacco transactions under the Framework Tobacco Purchase Agreement for the year ended 31 December 2024 and the year ending 31 December 2025 is expected not to exceed US\$366.0 million (equivalent to HK\$2,854.8 million) and US\$331.4 million (equivalent to HK\$2,585.1 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\$974.7 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 leaf products; 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

Review of Continuing Connected Transactions (Continued)

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 29 December 2022, the term of the CBT Framework Tobacco and Services Purchase Agreement was extended for a period of one year from 1 January 2023 to 31 December 2023. On 20 December 2023, the term of the CBT Framework Tobacco and Services Purchase Agreement was further extended for a period of one year from 1 January 2024 to 31 December 2024. On 10 October 2024, the term of the CBT Framework Tobacco and Services Purchase Agreement was further extended for a period of one year from 1 January 2025 to 31 December 2025.

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 and 10 October 2024.

Parties

CBT and Alliance One Brazil

Pricing Policies

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

- (a) In respect of the purchase of agricultural materials, a fixed margin of approximately 2.5% is added to Alliance One Brazil's procurement price of the agricultural materials, representing Alliance One Brazil's expenses for the administration, loading, handling, 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 six months ended 30 June 2025, a fixed fee of approximately R\$1.192 is charged for each kilogram of tobacco leaves processed, respectively, 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.

Review of Continuing Connected Transactions (Continued)

Annual Caps

The transaction amount of the purchase of tobacco and services transactions under the CBT Framework Tobacco and Services Agreement for the year ended 31 December 2024 and the year ending 31 December 2025 is expected not to exceed US\$48.6 million (equivalent to HK\$378.7 million) and US\$38.7 million (equivalent to HK\$302.2 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\$81.9 million.

(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 the European region, which does 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, the Company entered into the Tobacco Leaf Products Export Framework Agreement (Non-exclusive Operating Region) (“**2023 Tobacco Leaf Products Export Framework Agreement**”) with China Tobacco Yunnan Import and Export Co., Ltd* (中國煙草雲南進出口有限公司) on 25 August 2023 for a term of three years commencing from 25 August 2023 to 24 August 2026 in relation to the procurement of tobacco leaf products from China Tobacco Yunnan Import and Export Co., Ltd as part of the Company’s tobacco leaf products export business in the European region. 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, to (i) expand the Company’s onward sales and export of tobacco leaf products procured from the relevant entities under CNTC to regions additional to those contemplated under the 2023 Tobacco Leaf Products Export Framework Agreement as part of the Company’s tobacco leaf products export business; and (ii) revise the term and corresponding annual caps for the existing continuing connected transactions under the 2023 Tobacco Leaf Products Export Framework Agreement. Since then, all procurement transactions for the export of tobacco leaf products to Non-exclusive Operating Regions for Tobacco Leaf Products, including those for European regions, are governed by the Framework Agreements on Tobacco Leaf Products Export to New Regions.

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

Review of Continuing Connected Transactions (Continued)

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 Hunan Import and Export Co., Ltd* (中國煙草湖南進出口有限責任公司)
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 Fujian Import and Export Co., Ltd* (中國煙草福建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 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)

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:

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

where:

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

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

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

Review of Continuing Connected Transactions (Continued)

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.

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 years ending 31 December 2025 and 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\$73.1 million and HK\$87.8 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\$12.3 million.

(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, 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)	China Tobacco Jiangsu Industrial Co., Ltd* (江蘇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)	Shanghai Tobacco Group Co., Ltd* (上海煙草集團有限責任公司)
China Tobacco Henan Industrial Co., Ltd* (河南中煙工業有限責任公司)	China Tobacco 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)	

* 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.

Review of Continuing Connected Transactions (Continued)

(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.

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 year ended 31 December 2024, the years ending 31 December 2025 and 2026 shall not exceed US\$7.8 million (equivalent to HK\$60.7 million), US\$8.5 million (equivalent to HK\$66.3 million), US\$9.4 million (equivalent to HK\$73.3 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 HK\$nil.

Save as disclosed above, none of the other related party transactions set out in the note 16 of the financial statements constitutes connected transactions or continuing connected transactions that are required to be disclosed under Chapter 14A of the Listing Rules. Save as disclosed in this interim 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 30 June 2025.

Review of Continuing Connected Transactions (Continued)

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.

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 circulars 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 and 10 October 2024 and circular dated 29 September 2021.

The Continuing Connected Transactions of type H above in relation to the 2023 Tobacco Leaf Products Export Framework Agreement and 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 and 27 November 2024.

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.

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)

As disclosed in the Company's announcement dated 29 August 2025 (the "Announcement"), 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. These products are sourced by the Group from Mainland China, Alliance One International, LLC., and other potential independent third-party suppliers for distribution in the Tobacco Leaf Products Export Business. 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 with the relevant buyers, for the time being including Bang Kang Cigarette Factory, Myanmar, Viniton Group Co., Ltd. and Lao-China Hongta Good Luck Tobacco Co., Ltd., in relation to the sales of tobacco leaf products from the Group to relevant offshore entities under CNTC as part of the Tobacco Leaf Products Export Business. For further details, please refer to the Announcement. To supplement on the Announcement, (i) Hein Yun Virginia Tobacco Industries Co., Ltd. is held as to 50% by Aung Myint and 50% by Kyauk Kyone Tan; and (ii) there have been no historical transactions conducted under the offshore sales of tobacco leaf products framework agreement as of the date of the Announcement.

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 conducted by the Group during the Reporting Period (the "Continuing Connected Transactions"). 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 and I (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 interim 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\$4,265.1 million, HK\$584.9 million, HK\$214.6 million and HK\$8.2 million, respectively, representing not less than 50% of the total sales transaction amount of each type of transactions during the Reporting Period.

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

Review of Continuing Connected Transactions (Continued)

REVIEW OPINIONS OF THE INDEPENDENT FINANCIAL ADVISER

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

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

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

Other Information

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.19 per Share for the six months ended 30 June 2025 (for the six months ended 30 June 2024: HK\$0.15 per Share).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 11 September 2025 to Tuesday, 16 September 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim 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, 10 September 2025. The interim dividend is expected to be paid on or about Friday, 26 September 2025 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 16 September 2025.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the six months ended 30 June 2025.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not conduct any material acquisition or disposal of any subsidiary, associate or joint venture during the six months ended 30 June 2025.

CAPITAL EXPENDITURES

Save as disclosed in this interim report, the Group had no plan relating to material investments and capital assets during the six months ended 30 June 2025.

EMPLOYEES

As at 30 June 2025, the Group had 56 (as at 31 December 2024: 53) employees in Hong Kong and 256 (as at 31 December 2024: 265) employees (excluding seasonal workers) in Brazil. For the six months ended 30 June 2025, the staff cost incurred by the Group amounted to HK\$62.5 million (2024: HK\$63.1 million). The Group seeks to remunerate our employees on a market-competitive basis and has established internal policies with respect to employee compensation for our local employees. The remuneration package of all 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.

EVENTS AFTER THE REPORTING PERIOD

The Board has resolved to declare an interim dividend of HK\$0.19 per Share for the six months ended 30 June 2025. Details of the interim dividend proposed are given in note 8 of the financial statements.

Save as disclosed above, there is no major event after 30 June 2025 that is required to be disclosed by the Group.

Other Information (Continued)

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

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

The use of Net Proceeds during the period from the Listing Date up to 30 June 2025 is set out as follows:

Use of Net Proceeds	Approximate percentage of total amount	Actual amount of Net Proceeds (HK\$ million)	Unutilised amount as at 1 January 2025 (HK\$ million)	Amount utilised during the period from 1 January 2025 to 30 June 2025 (HK\$ million)	Unutilised amount as at 30 June 2025 (HK\$ million)	Expected timeline for utilising the remaining Net Proceeds (as disclosed in an announcement of the Company dated 27 June 2025)
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	4.1	161.0	Remainder to be utilised by 30 June 2027.
Strategic business cooperation with other international tobacco companies, including to jointly explore and develop emerging tobacco market	20%	180.8	178.6	0.7	177.9	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	9.3	420.3	

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.

Other Information (Continued)

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

As at 30 June 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 six months ended 30 June 2025 was the Company, any of its holding companies, or any of its holding companies' subsidiaries a party for any arrangement to enable the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 30 June 2025, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long Positions in the Shares and Underlying Shares of the Company

Nature of interest			Ordinary shares held	Percentage of the total number of issued shares 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 30 June 2025, the Company had 691,680,000 Shares in issue.

Apart from the foregoing, as at 30 June 2025, no other person (other than a Director or the chief executive of the Company) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Other Information (Continued)

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

During the annual general meeting of the Company dated 20 June 2025, Mr. Shao Yan was re-elected as non-executive Director, and Mr. Wang Chengrui and Ms. Mao Zilu were re-elected as executive Directors. For details, please refer to the relevant circular and announcement of the Company dated 24 April 2025 and 20 June 2025, respectively.

Save as disclosed above and in the relevant circular and announcements of the Company dated 24 April 2025 and 20 June 2025, respectively, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

During the six months ended 30 June 2025, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2025 and the accounting principles and practices adopted by the Group, and discussed internal control and financial report matters.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 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. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2025.

APPENDIX D2 TO THE LISTING RULES

According to paragraph 40 of Appendix D2 to the Listing Rules headed "Disclosure of Financial Information", save as disclosed in this report, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix D2 has not been changed significantly from the information disclosed in the 2024 annual report of the Company.

Review Report of the Independent Auditors



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

Introduction

We have reviewed the interim financial report set out on pages 50 to 69 which comprises the consolidated statement of financial position of China Tobacco International (HK) Company Limited and its subsidiaries as of 30 June 2025 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim financial reporting* as issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion, based on our review, on this interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* as issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2025 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 *Interim financial reporting*.

KPMG
Certified Public Accountants

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

22 August 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2025 – unaudited

	Note	Six months ended 30 June	
		2025 HK\$'000	2024 HK\$'000
Revenue	4	10,316,249	8,704,047
Cost of sales		(9,369,773)	(7,739,832)
Gross profit		946,476	964,215
Other income, net	5	71,973	68,426
Administrative and other operating expenses		(79,450)	(74,862)
Profit from operations		938,999	957,779
Finance costs	6(a)	(82,902)	(115,463)
Profit before taxation	6	856,097	842,316
Income tax	7	(133,537)	(162,614)
Profit for the period		722,560	679,702
Profit for the period attributable to:			
Equity shareholders of the Company		706,353	643,341
Non-controlling interests		16,207	36,361
		722,560	679,702
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements		5,416	(10,172)
Other comprehensive income for the period		5,416	(10,172)
Total comprehensive income for the period		727,976	669,530
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		711,769	633,169
Non-controlling interests		16,207	36,361
		727,976	669,530
Earnings per Share			
Basic and diluted (HK\$)	9	1.02	0.93

The notes on pages 56 to 69 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2025 – unaudited

	Note	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Non-current assets			
Property, plant and equipment		104,858	78,409
Intangible assets		84,839	100,267
Goodwill		212,929	212,929
Trade and other receivables	11	66,986	37,012
Deferred tax assets		64,525	15,746
		534,137	444,363
Current assets			
Inventories	10	3,289,012	5,425,745
Current tax recoverable		–	33,380
Trade and other receivables	11	2,204,559	1,055,593
Cash and cash equivalents	12	1,231,374	517,466
Short-term bank deposits	12	2,743,678	2,340,108
		9,468,623	9,372,292
Current liabilities			
Trade and other payables and contract liabilities	13	3,575,577	3,553,458
Lease liabilities		17,793	9,747
Bank borrowings	14	2,491,975	2,947,744
Current tax payable		139,200	23,532
		6,224,545	6,534,481
Net current assets		3,244,078	2,837,811
Total assets less current liabilities		3,778,215	3,282,174
Non-current liabilities			
Lease liabilities		42,670	22,828
Deferred tax liabilities		30,915	68,384
Provision for reinstatement costs		3,805	3,692
		77,390	94,904

Consolidated Statement of Financial Position (Continued)

As at 30 June 2025 – unaudited

	Note	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
NET ASSETS		3,700,825	3,187,270
Capital and reserves	15		
Share capital		1,403,721	1,403,721
Reserves		2,098,801	1,601,453
Total equity attributable to equity shareholders of the Company		3,502,522	3,005,174
Non-controlling interests		198,303	182,096
TOTAL EQUITY		3,700,825	3,187,270

The notes on pages 56 to 69 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2025 – unaudited

	Attributable to equity shareholders of the Company					Non-	Total
	Share capital HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	controlling interests 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 period	–	–	–	643,341	643,341	36,361	679,702
Other comprehensive income	–	–	(10,172)	–	(10,172)	–	(10,172)
Total comprehensive income	–	–	(10,172)	643,341	633,169	36,361	669,530
Dividends approved in respect of prior year (note 8)	–	–	–	(221,338)	(221,338)	–	(221,338)
Balance at 30 June 2024	1,403,721	(365,934)	(130,848)	1,998,563	2,905,502	237,982	3,143,484

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2025 – unaudited

	Attributable to equity shareholders of the Company					Non-	Total
	Share capital HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	controlling interests HK\$'000	
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 period	–	–	–	706,353	706,353	16,207	722,560
Other comprehensive income	–	–	5,416	–	5,416	–	5,416
Total comprehensive income	–	–	5,416	706,353	711,769	16,207	727,976
Dividends approved in respect of prior year (note 8)	–	–	–	(214,421)	(214,421)	–	(214,421)
Balance at 30 June 2025	1,403,721	(365,934)	(132,402)	2,597,137	3,502,522	198,303	3,700,825

The notes on pages 56 to 69 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2025 – unaudited

	Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
Operating activities		
Cash generated from operations	1,712,180	470,339
Income tax paid	(70,736)	(55,736)
Net cash generated from operating activities	1,641,444	414,603
Investing activities		
Payment for purchase of property and equipment	(2,800)	(14,370)
Payment for purchase of intangible assets	–	(36)
Placement of short-term bank deposits with maturity more than 3 months	(403,570)	(336,150)
Interest received	29,361	14,906
Net cash used in investing activities	(377,009)	(335,650)
Financing activities		
Proceeds from new bank borrowings	2,464,020	2,901,600
Repayment of bank borrowings	(2,816,929)	(2,485,080)
Dividends paid to equity shareholders of the Company	–	(221,338)
Other cash flows arising from financing activities	(192,867)	(151,147)
Net cash (used in)/generated from financing activities	(545,776)	44,035
Net increase in cash and cash equivalents	718,659	122,988
Cash and cash equivalents at 1 January	517,466	570,808
Effect of foreign exchange rate changes	(4,751)	17,771
Cash and cash equivalents at 30 June	1,231,374	711,567

The notes on pages 56 to 69 form part of this interim financial report.

Notes to the Financial Statements

1 GENERAL INFORMATION

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

The Company and its subsidiaries (collectively the “Group”) are engaged in the following business operations (together, the “Relevant Business”):

- 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 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 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 Chinese Mainland) (the “Brazil Operation Business”).

Notes to the Financial Statements (Continued)

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 22 August 2025.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2024 that is included in the interim financial report as comparative information does not constitute the Group’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (“Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the HKICPA to this interim financial report for the current accounting period. The amendments do not have a material impact on this interim report 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.

Notes to the Financial Statements (Continued)

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of tobacco leaf products	9,745,783	8,112,880
– Sales of cigarettes	551,775	547,323
– Sales of new tobacco products	14,598	43,517
– Provision of service	4,093	327
	10,316,249	8,704,047

The Group recognises all its revenue point in time.

Geographical information

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

	Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
Chinese Mainland	8,836,606	7,256,648
Republic of Indonesia	927,803	716,963
Hong Kong	162,462	94,137
Brazil	141,299	200,339
Socialist Republic of Vietnam	125,180	131,777
Republic of the Philippines	23,747	18,803
Arab Republic of Egypt	13,716	48,608
United Arab Emirates	–	58,942
Others	85,436	177,830
	10,316,249	8,704,047

Notes to the Financial Statements (Continued)

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

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

- Tobacco Leaf Products Export Business: export of tobacco leaf products to Southeast Asia, Hong Kong, Macau, Taiwan and Non-exclusive Operating Regions for Tobacco Leaf Products.
- Tobacco Leaf Products Import Business: import of tobacco leaf products to Chinese Mainland from origin countries or regions around the world (other than from sanctioned countries and regions).
- Cigarettes Export Business: export of cigarettes to the 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 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 region around the world (except 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 a non-current assets, cash and cash equivalents, lease liabilities, provision for restatement costs, other payables not related to business, borrowings and assets/liabilities associated with deferred or current taxes are not considered specifically attributed to individual segments. These assets and liabilities are classified as corporate assets/liabilities and are managed on a central basis.

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

Notes to the Financial Statements (Continued)

4 REVENUE AND SEGMENT REPORTING *(continued)*

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

	Tobacco Leaf Products Export Business HK\$'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
<i>For the six months ended 30 June 2025</i>							
Reportable segment revenue	1,155,640	8,398,894	551,775	14,598	195,342	–	10,316,249
Reportable segment gross profit	63,129	687,162	141,831	780	53,574	–	946,476
Other income, net						71,973	71,973
Depreciation and amortisation						(26,402)	(26,402)
Other corporate expenses						(53,048)	(53,048)
Finance costs						(82,902)	(82,902)
Profit before taxation							856,097
Income tax							(133,537)
Profit for the period							722,560
<i>As at 30 June 2025</i>							
Reportable segment assets	191,616	4,306,869	230,342	1,459	940,884	4,331,590	10,002,760
Reportable segment liabilities	376,165	2,756,577	116,369	6,604	58,617	2,987,603	6,301,935

Notes to the Financial Statements (Continued)

4 REVENUE AND SEGMENT REPORTING *(continued)*

	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
<i>For the six months ended 30 June 2024</i>							
Reportable segment revenue	917,781	6,802,187	547,323	43,517	393,239	–	8,704,047
Reportable segment gross profit	28,169	744,712	121,480	2,076	67,778	–	964,215
Other income, net						68,426	68,426
Depreciation and amortisation						(21,079)	(21,079)
Other corporate expenses						(53,783)	(53,783)
Finance costs						(115,463)	(115,463)
Profit before taxation							842,316
Income tax							(162,614)
Profit for the period							679,702
<i>As at 31 December 2024</i>							
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

5 OTHER INCOME, NET

	Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
Net exchange (losses)/gains	(8,967)	1,877
Interest income	80,940	66,549
	71,973	68,426

Notes to the Financial Statements (Continued)

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
Interest on bank borrowings	72,852	101,615
Interest on lease liabilities	946	70
Interest accrued on provision	113	58
Other finance cost	8,991	13,720
	82,902	115,463

(b) Other items

	Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
Depreciation		
– owned property and equipment	6,762	4,950
– right-of-use assets	4,195	3,575
	10,957	8,525
Amortisation of intangible assets	15,445	15,451
Expense related to short-term lease	1,001	1,290
Impairment losses reversed on trade and other receivables	(707)	(949)
Cost of inventories	9,359,356	7,715,854

Notes to the Financial Statements (Continued)

7 INCOME TAX

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

	Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
Current tax – Hong Kong Profits Tax	106,246	82,669
Current tax – Overseas	113,539	–
Deferred tax	(86,248)	79,945
	133,537	162,614

The provision for Hong Kong Profits Tax for the six months ended 30 June 2025 is calculated at 16.5% (six months ended 30 June 2024: 16.5%) of the estimated assessable profits for the period. The Group is not eligible for 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government in 2025 and 2024 as this concession has been taken elsewhere in the larger group to which the Group belongs.

Taxation for overseas subsidiaries includes corporate income tax and social contribution tax in Brazil. The applicable rates for corporate income tax and social contribution tax in Brazil are 25% and 9%, respectively during the six months ended 30 June 2025 and 2024.

(b) Pillar Two income tax

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 preliminarily assessed the potential impact of Pillar Two income tax expense and concluded that the effect on the consolidated financial statements to be immaterial. The Group has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and accounted for the tax as current tax when incurred.

8 DIVIDENDS

Final dividend attributable to equity shareholders of the Company in respect of 2024 of HK31 cents per share (2023: HK32 cents per share) amounting to a total of HK\$214,421,000 (2023: HK\$221,338,000) was approved by the shareholders of the Company at the annual general meeting of the Company on 20 June 2025 and paid on 18 July 2025.

Subsequent to the end of the Reporting Period, the Board has resolved to declare an interim dividend of HK19 cents per share amounting to HK\$131,419,000 for the six months ended 30 June 2025 (six months ended 30 June 2024: HK\$103,752,000).

Notes to the Financial Statements (Continued)

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2025 of HK\$706,353,000 (six months ended 30 June 2024: HK\$643,341,000) and the weighted average of 691,680,000 ordinary shares (six months ended 30 June 2024: 691,680,000 ordinary shares) in issue during the Reporting Period.

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

10 INVENTORIES

At 30 June 2025 and 31 December 2024, the Group's inventories comprise mainly of tobacco leaf products that were in the warehouse and in transit in the course of sales.

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Trade receivables	1,674,316	610,985
Bills receivable	20,214	127,855
	1,694,530	738,840
Deposits, prepayments and other receivables	319,987	101,912
Advances to producers	164,095	201,438
VAT and other tax recoverable	92,933	50,415
	2,271,545	1,092,605
Represented by:		
– Current portion	2,204,559	1,055,593
– Non-current portion	66,986	37,012
	2,271,545	1,092,605

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

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

Notes to the Financial Statements (Continued)

11 TRADE AND OTHER RECEIVABLES *(continued)*

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

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Within 30 days	1,611,415	71,136
31 to 90 days	34,421	401,163
Over 90 days	48,694	266,541
	1,694,530	738,840

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

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Not past due	1,613,320	701,531
Past due 1 to 30 days	26,715	2,037
Past due 31 to 90 days	50,668	35,122
Past due 91-180 days	3,827	150
	1,694,530	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.

Notes to the Financial Statements (Continued)

12 CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Cash at bank and on hand	640,552	364,268
Bank certificates of deposits	590,822	153,198
Cash and cash equivalents	1,231,374	517,466
Short-term deposits with original maturity more than 3 months	2,743,678	2,340,108
	3,975,052	2,857,574

At 30 June 2025 and 31 December 2024, bank certificates of deposits were with original maturity of less than 3 months and they were held for the purpose of meeting short-term cash commitments.

13 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Trade payables	3,083,873	3,419,802
Dividends payables	241,470	23,837
Other payables and accruals	67,100	81,154
Financial liabilities measured at amortised cost	3,392,443	3,524,793
Contract liabilities	183,134	28,665
	3,575,577	3,553,458

Notes to the Financial Statements (Continued)

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

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

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

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Within 30 days	2,025,067	2,192,797
31 to 90 days	841,930	1,040,799
Over 90 days	216,876	186,206
	3,083,873	3,419,802

In the ordinary course of business, the Group may receive quality claims made by the end customers from time to time. As at 30 June 2025, management believes such quality claims will not have a material adverse effect on the financial position or financial performance of the Group.

14 BANK BORROWINGS

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Bank borrowings	2,491,975	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 30 June 2025 were 6.05% per annum (31 December 2024: 7.76% per annum).

15 CAPITAL AND RESERVES

	No. of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January, 30 June and 31 December 2024 and 1 January and 30 June 2025	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.

Notes to the Financial Statements (Continued)

16 MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

	Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
– Sales of tobacco leaf products to a fellow subsidiary	8,398,894	6,802,187
– Sales of tobacco leaf products to Pyxus	302,461	429,689
– Sales of new tobacco products to an associate of the CNTC Group	–	4,835
– Commission income from fellow subsidiaries	3,928	225
– Commission income from an associate of the CNTC Group	152	72
– Procurement of tobacco leaf products from fellow subsidiaries	1,668,199	1,218,803
– Procurement of cigarettes from fellow subsidiaries	303,117	374,922
– Procurement of new tobacco products from fellow subsidiaries	13,818	41,441
– Procurement of tobacco leaf products and services from Pyxus	1,056,589	1,583,337

During the six months ended 30 June 2025, sales of new tobacco products of HK\$nil (six months ended 30 June 2024: HK\$4,835,000) and commission income of HK\$152,000 (six months ended 30 June 2024: HK\$72,000) were generated from an associate of the CNTC Group are not considered as connected persons defined under Chapter 14A of the Listing Rules. Except for such sales transactions, all the related party transactions above constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to the Financial Statements (Continued)

16 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

As at 30 June 2025 and 31 December 2024, balances arising from the above transactions, which are unsecured and interest-free, are included in the following financial statement captions as summarised below:

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Trade receivables from:		
– fellow subsidiaries	1,461,667	70,164
– Pyxus	64,407	470,743
Prepayments for goods to:		
– fellow subsidiaries	153,952	25,906
– Pyxus	46,924	–
Trade payables to:		
– fellow subsidiaries	848,743	480,971
– Pyxus	684,475	1,108,652
Other payables and accruals, including contract liabilities and dividends payables to:		
– fellow subsidiaries	18,188	4,773
– Pyxus	47,009	23,837

(b) Key management personnel remuneration

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

	Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
Directors' fees	720	721
Salaries, allowances and benefits in kind	3,384	4,574
Retirement scheme contributions	426	274
	4,530	5,569

(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.

Financial Summary

	Six months ended				
	30 June	30 June	30 June	30 June	30 June
	2025	2024	2023	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	10,316,249	8,704,047	7,743,999	3,869,412	3,813,759
Gross profit	946,476	964,215	745,345	439,618	188,194
Profit from operations	938,999	957,779	698,038	399,333	111,115
Profit before taxation	856,097	842,316	625,673	369,208	615,260
Profit for the period attributable to Equity shareholders of the Company	706,353	643,341	456,952	218,978	615,776
Earnings per Share					
Basic and diluted (HK\$)	1.02	0.93	0.66	0.32	0.89

Note:

The consolidated results of the Group for the six months ended 30 June 2021 have been restated for the common control transactions in 2021.