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

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

China Tobacco International (HK) Company Limited announces the unaudited interim results of the Company for the six months ended 30 June 2021 together with the comparative figures for the six months ended 30 June 2020 as set out below.

FINANCIAL HIGHLIGHTS

Unit: HK\$

Items	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited)
Revenue	3,694,278,067	1,884,554,445
Cost of sales	(3,519,799,129)	(1,810,295,168)
Gross profit	174,478,938	74,259,277
Other income, net	5,858,251	18,066,021
Administrative and other operating expenses	(25,425,114)	(26,625,182)
Finance costs	(627,854)	(782,933)
Profit before taxation	154,284,221	64,917,183
Income tax	(24,605,785)	(7,708,489)
Profit after taxation	<u>129,678,436</u>	<u>57,208,694</u>

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the six months ended 30 June 2021 – unaudited (Expressed in Hong Kong dollars)*

		Six months ended 30 June	
		2021	2020
		HK\$	HK\$
	<i>Note</i>		
Revenue	4	3,694,278,067	1,884,554,445
Cost of sales		<u>(3,519,799,129)</u>	<u>(1,810,295,168)</u>
Gross profit		174,478,938	74,259,277
Other income, net	5	5,858,251	18,066,021
Administrative and other operating expenses		<u>(25,425,114)</u>	<u>(26,625,182)</u>
Profit from operations		154,912,075	65,700,116
Finance costs	6(a)	<u>(627,854)</u>	<u>(782,933)</u>
Profit before taxation	6	154,284,221	64,917,183
Income tax	7	<u>(24,605,785)</u>	<u>(7,708,489)</u>
Profit and total comprehensive income for the period		<u>129,678,436</u>	<u>57,208,694</u>
Earnings per share			
– Basic and diluted	9	<u>0.19</u>	<u>0.08</u>

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 – unaudited (Expressed in Hong Kong dollars)

		At 30 June 2021 HK\$	At 31 December 2020 HK\$
	Note		
Non-current assets			
Property and equipment		35,476,761	41,198,108
Rental deposit		1,930,132	1,930,132
		<u>37,406,893</u>	<u>43,128,240</u>
Current assets			
Inventories		117,926,119	1,623,114,353
Current tax recoverable		23,694,215	33,122,114
Trade and other receivables	10	485,450,042	332,176,280
Cash and cash equivalents		1,818,585,335	1,613,169,695
		<u>2,445,655,711</u>	<u>3,601,582,442</u>
Current liabilities			
Trade and other payables	11	768,211,778	2,028,677,576
Lease liabilities		7,603,243	7,546,348
		<u>775,815,021</u>	<u>2,036,223,924</u>
Net current assets		<u>1,669,840,690</u>	<u>1,565,358,518</u>
Total assets less current liabilities		<u>1,707,247,583</u>	<u>1,608,486,758</u>
Non-current liabilities			
Lease liabilities		14,674,704	17,983,165
Provision for reinstatement costs		2,597,079	2,539,029
		<u>17,271,783</u>	<u>20,522,194</u>
NET ASSETS		<u>1,689,975,800</u>	<u>1,587,964,564</u>
Capital and reserves			
Share capital		1,403,721,280	1,403,721,280
Reserves		286,254,520	184,243,284
TOTAL EQUITY		<u>1,689,975,800</u>	<u>1,587,964,564</u>

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company is engaged in the following business operations:

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

2 BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the unaudited interim financial report of the Company for the six months ended 30 June 2021 but is extracted from that unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Listing Rules 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 31 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual 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) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 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 HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Company. None of the developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented.

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Company are the Tobacco Leaf Products Export Business, the Tobacco Leaf Products Import Business, the Cigarettes Export Business and the New Tobacco Products Export 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	
	2021	2020
	HK\$	HK\$
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Export sales of tobacco leaf products	1,073,726,606	1,036,148,312
– Import sales of tobacco leaf products	2,568,781,581	794,487,140
– Export sales of cigarettes	27,559,862	49,277,555
– Sales of new tobacco products	23,747,880	3,628,404
– Others	462,138	1,013,034
	3,694,278,067	1,884,554,445

The Company recognises all its revenue point in time. The following table sets out information on the geographical locations of the Company's revenue from external customers based on the location at which the Company's products are distributed to the customers of the Company or the distributors.

	Six months ended 30 June	
	2021	2020
	HK\$	HK\$
Mainland China of the PRC	2,589,392,730	824,043,482
Republic of Indonesia	785,070,632	727,458,085
Republic of the Philippines	58,465,937	129,634,574
Hong Kong	31,126,330	124,349,155
Socialist Republic of Vietnam	199,248,334	47,516,006
Singapore	654,006	12,768,548
Others	30,320,098	18,784,595
	3,694,278,067	1,884,554,445

(b) Segment reporting

The Company 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 Company's most senior executive management for the purposes of resource allocation and performance assessment, the Company has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Tobacco Leaf Products Export Business: export of tobacco leaf products to Southeast Asia, Hong Kong, Macau, and Taiwan.
- Tobacco Leaf Products Import Business: import of tobacco leaf products in mainland China of the PRC from origin countries or regions around the world (other than from sanctioned countries and regions, including Zimbabwe).
- Cigarettes Export Business: export of cigarettes from CNTC Group directly to the duty-free outlets in Thailand, Singapore, Hong Kong, Macau, as well as duty-free outlets within the borders, but outside the customs area, of mainland China of the PRC or sales of cigarettes from CNTC Group through distributors.
- New Tobacco Products Export Business: export of new tobacco products to overseas market worldwide.

Segment results, assets and liabilities

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

Segment assets include primarily trade receivables, prepayments for goods, inventories and other receivables that are specifically attributed to individual segments. Segment liabilities include primarily trade and other payables and contract liabilities. The Company's all other assets and liabilities such as property and equipment, cash and cash equivalents 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 Company's reportable segments. Corporate income and expenses, net, mainly refers to interest income, net exchange gains/losses, administrative and other operating expenses and finance costs that are not considered specifically attributed to individual segments.

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

	Tobacco Leaf Products Export Business HK\$	Tobacco Leaf Products Import Business HK\$	Cigarettes Export Business HK\$	New Tobacco Products Export Business HK\$	Unallocated HK\$	Total HK\$
<i>For the six months ended 30 June 2021</i>						
Reportable segment revenue	<u>1,074,188,744</u>	<u>2,568,781,581</u>	<u>27,559,862</u>	<u>23,747,880</u>	<u>–</u>	<u>3,694,278,067</u>
Reportable segment gross profit	<u>27,701,717</u>	<u>144,302,938</u>	<u>1,748,103</u>	<u>726,180</u>	<u>–</u>	<u>174,478,938</u>
Other income, net					5,858,251	5,858,251
Depreciation					(5,723,034)	(5,723,034)
Other corporate expenses					(19,702,080)	(19,702,080)
Finance costs					(627,854)	(627,854)
Profit before taxation						154,284,221
Income tax expense						(24,605,785)
Profit for the period						<u>129,678,436</u>
<i>At 30 June 2021</i>						
Reportable segment assets	<u>82,570,711</u>	<u>474,935,685</u>	<u>34,623,180</u>	<u>873,600</u>	<u>1,890,059,428</u>	<u>2,483,062,604</u>
Reportable segment liabilities	<u>289,293,906</u>	<u>453,975,516</u>	<u>8,521,500</u>	<u>10,413,374</u>	<u>30,882,508</u>	<u>793,086,804</u>
	Tobacco Leaf Products Export Business HK\$	Tobacco Leaf Products Import Business HK\$	Cigarettes Export Business HK\$	New Tobacco Products Export Business HK\$	Unallocated HK\$	Total HK\$
<i>For the six months ended 30 June 2020</i>						
Reportable segment revenue	<u>1,037,161,346</u>	<u>794,487,140</u>	<u>49,277,555</u>	<u>3,628,404</u>	<u>–</u>	<u>1,884,554,445</u>
Reportable segment gross profit	<u>24,185,116</u>	<u>43,372,323</u>	<u>6,658,314</u>	<u>43,524</u>	<u>–</u>	<u>74,259,277</u>
Other income, net					18,066,021	18,066,021
Depreciation					(4,968,705)	(4,968,705)
Other corporate expenses					(21,656,477)	(21,656,477)
Finance costs					(782,933)	(782,933)
Profit before taxation						64,917,183
Income tax expense						(7,708,489)
Profit for the period						<u>57,208,694</u>
<i>At 31 December 2020</i>						
Reportable segment assets	<u>70,057,189</u>	<u>1,841,486,480</u>	<u>32,331,868</u>	<u>–</u>	<u>1,700,835,145</u>	<u>3,644,710,682</u>
Reportable segment liabilities	<u>157,155,156</u>	<u>1,840,174,420</u>	<u>405,600</u>	<u>15,235,740</u>	<u>43,775,202</u>	<u>2,056,746,118</u>

5 OTHER INCOME, NET

	Six months ended 30 June	
	2021	2020
	HK\$	HK\$
Net exchange losses	–	(133,047)
Interest income	5,858,251	18,199,068
	<u>5,858,251</u>	<u>18,066,021</u>

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2021	2020
	HK\$	HK\$
Interest on lease liabilities	569,804	724,881
Interest on provision for reinstatement costs	58,050	58,052
	<u>627,854</u>	<u>782,933</u>

(b) Other items

	Six months ended 30 June	
	2021	2020
	HK\$	HK\$
Depreciation		
– owned property and equipment	2,147,584	1,393,255
– right-of-use assets	3,575,450	3,575,450
	<u>5,723,034</u>	<u>4,968,705</u>
Expenses related to a short-term lease	–	650,080
Cost of inventories	3,519,799,129	1,810,295,168
	<u>3,519,799,129</u>	<u>1,810,295,168</u>

7 INCOME TAX

Income tax for the six months ended 30 June 2021 and 2020 represents provision of Hong Kong Profits Tax for the periods.

The provision for Hong Kong Profits Tax for current reporting period is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the six months ended 30 June 2021.

8 DIVIDENDS

Final dividend attributable to owners of the Company in respect of 2020 of HK\$4 cents per share (2019: HK\$16 cents per share) amounting to a total of HK\$27,667,200 (2019: HK\$110,668,800) was approved by the shareholders at the Annual General Meeting on 21 May 2021 and paid during the six months ended 30 June 2021.

The Directors do not recommend a payment of any other interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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 2021 of HK\$129,678,436 (six months ended 30 June 2020: HK\$57,208,694) and the weighted average of 691,680,000 ordinary shares (six months ended 30 June 2020: 691,680,000 shares) in issue during the interim period.

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

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2021 HK\$	At 31 December 2020 HK\$
Trade receivables	433,031,181	281,150,912
Bills receivable	27,491,829	31,414,996
	<u>460,523,010</u>	<u>312,565,908</u>
Deposits, prepayments and other receivables	24,927,032	19,610,372
	<u>485,450,042</u>	<u>332,176,280</u>

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

The carrying amounts of the Company's trade and other receivables were not materially different from their fair values as at 31 December 2020 and 30 June 2021.

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

	At 30 June 2021 HK\$	At 31 December 2020 HK\$
Within 30 days	16,761,345	48,722,054
31 to 90 days	60,715,587	255,099,118
Over 90 days	383,046,078	8,744,736
	<u>460,523,010</u>	<u>312,565,908</u>

Trade receivables and bills receivable are normally due within 30 to 180 days from the date of billing.

The aging analysis of trade receivable by due date is as follows:

	At 30 June 2021 HK\$	At 31 December 2020 HK\$
Not past due	440,108,171	296,495,657
1 to 30 days past due	14,220,835	16,070,251
31 to 90 days past due	3,471,452	—
Over 90 days past due	2,722,552	—
	<u>460,523,010</u>	<u>312,565,908</u>

Trade receivables and bills receivable are normally due within 30 to 180 days from the date of billing.

11 TRADE AND OTHER PAYABLES

	At 30 June 2021 HK\$	At 31 December 2020 HK\$
Trade payables	723,605,990	1,909,490,319
Contract liabilities	37,101,975	100,000,929
Other payables and accruals	7,503,813	19,186,328
	<u>768,211,778</u>	<u>2,028,677,576</u>

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 2021 HK\$	At 31 December 2020 HK\$
Within 30 days	133,300,622	681,068,703
31 to 90 days	211,074,491	1,148,955,750
Over 90 days	379,230,877	79,465,866
	<u>723,605,990</u>	<u>1,909,490,319</u>

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, the Company proactively explored the business development and operational models under the normalisation of pandemic when facing complex and the evolving COVID-19 pandemic. The Company has continually improved its risk prediction and emergency handling capacity, consistently maintained its strategic focus, and promoted its healthy and continuous development. In respect of corporate governance, we strived to establish a process-oriented self-sustaining management system and risk prevention and control system, building a forward-looking “resilient enterprise”. In respect of capital operation, we conducted project selection and implementation in line with the established target and direction, strived to promote the substantial transformation of operation throughout industrial chain. In respect of innovative business, we continued to improve our abilities to carry out research and development, branding, and channel resource integration of new tobacco business. We also strengthened market expansion, optimized business structure and diversified business risk. In respect of traditional business, we focused on strengthening coordination and control abilities of supply chains under the pandemic to maintain our current market advantage. In respect of company operation, we continued to promote “lean management” and proactively applied informative and digital Internet technology that brought costs and expenses under effective control. In terms of social responsibility, we provided pandemic protection and care for our employee in response to the call of the government while proactively meeting the new requirements of the Stock Exchange, to improve the level of the environmental, social and governance (“ESG”) of the Company in respect of identification, evaluation and management of material ESG matters, optimisation of ESG structure, identification and management of climate change risks, etc. In terms of the career development of employees, the Company set up an employee development system with multiple career paths and established a comprehensive incentive-oriented remuneration system, so as to grow with its employee.

FINANCIAL REVIEW

Revenue and Cost of Sales

For the six months ended 30 June 2021, the Company’s revenue increased by 96.03% to HK\$3,694.3 million (2020: HK\$1,884.6 million) as compared with the same period in 2020, and costs increased by 94.43% to HK\$3,519.8 million (2020: HK\$1,810.3 million) as compared with the same period in 2020. It was because the Company maintained close communication with the upstream and downstream of the industrial chain and maximised its efforts to mitigate the impact of the COVID-19 pandemic on the supply chain of import and export business of tobacco leaves. Meanwhile, the Company further expanded New Tobacco Leaf Products Business, resulting in a significant increase in revenue from relevant business in the first half of 2021.

Gross Profit

For the six months ended 30 June 2021, the Company's gross profit increased by 134.86% to HK\$174.5 million (2020: HK\$74.3 million) as compared with the same period in 2020, which was mainly due to the substantial increase in the amount of tobacco leaf products imported.

Other Income, Net

For the six months ended 30 June 2021, the Company's other income, net decreased by 67.40% to HK\$5.9 million (2020: HK\$18.1 million) as compared with the same period in 2020, which was mainly due to the constant decrease in the bank deposit interest rate, resulting in a significant decrease in interest income.

Administrative and Other Operating Expenses

For the six months ended 30 June 2021, the Company's administrative and other operating expenses decreased by 4.51% to HK\$25.4 million (2020: HK\$26.6 million) as compared with the same period in 2020. It consisted of staff cost of HK\$15.2 million, depreciation of HK\$5.7 million and legal and professional fees of HK\$2.8 million. It was because the Company have vigorously promoted "reducing costs and increasing efficiency" to better control expenses, so that the administrative and other operating expenses remained stable with a decline as compared with the same period in 2020.

Finance Costs

For the six months ended 30 June 2021, the Company's finance costs decreased by 25.00% to HK\$0.6 million (2020: HK\$0.8 million) as compared with the same period in 2020. The expenses were primarily interest on lease liabilities.

Profit and Total Comprehensive Income for the Period

For the six months ended 30 June 2021, the Company's net profit increased by 126.75% to HK\$129.7 million (2020: HK\$57.2 million) as compared with the same period in 2020. The significant increase in net profit was mainly due to increases in gross profit of the import and export business of tobacco leaves and New Tobacco Products Export Business and the effective control of expenses.

BUSINESS OPERATION REVIEW

Core Business

Tobacco Leaf Products Export Business

For the six months ended 30 June 2021, the export volume of tobacco leaf products of the Company reached 43,715 tons, representing an increase of 5,677 tons or 14.92% on a year-on-year basis. The operating revenue reached HK\$1,074.2 million, representing an increase of HK\$37.0 million or 3.57% on a year-on-year basis. The gross profit reached HK\$27.7 million, representing an increase of HK\$3.5 million or 14.46% on a year-on-year basis. The increase in the results was mainly because the Company has actively adjusted its business strategy to provide tobacco leaf products tailored to the market with high cost-effectiveness ratio. Meanwhile, we seized the window of opportunity when the pandemic had eased and the supply chain had recovered in certain Southeast Asian countries at the beginning of the year, and speeded up shipment. In addition, we further optimised the structure of product sales to enhance the overall level of business's gross profit.

Tobacco Leaf Products Import Business

For the six months ended 30 June 2021, the import volume of tobacco leaf products of the Company reached 56,022 tons, representing an increase of 43,744 tons or 356.28% on a year-on-year basis. The operating revenue reached HK\$2,568.8 million, representing an increase of HK\$1,774.3 million or 223.32% on a year-on-year basis. The gross profit reached HK\$144.3 million, representing an increase of HK\$100.9 million or 232.49% on a year-on-year basis. The significant increase in the results was mainly due to the fact that the Company spared no efforts to mitigate the impact of the COVID-19 pandemic on supply chain logistics by close communication with upstream and downstream of the industrial chain, enabling imported tobacco leaf products delayed in shipment in 2020 to arrive successively in the first half of 2021.

Cigarettes Export Business

For the six months ended 30 June 2021, the export volume of cigarettes of the Company reached 80,020 thousand sticks, representing a decrease of 47,025 thousand sticks or 37.01% on a year-on-year basis. The operating revenue reached HK\$27.6 million, representing a decrease of HK\$21.7 million or 44.02% on a year-on-year basis. The gross profit reached HK\$1.7 million, representing a decrease of HK\$4.9 million or 74.24% on a year-on-year basis. The significant decrease in Cigarettes Export Business was mainly due to the continued implementation of travel restriction and border control under the COVID-19 pandemic, which resulted in a significant drop in the customer traffic in duty-free shops in areas administered by the Company.

New Tobacco Products Export Business

For the six months ended 30 June 2021, the export volume of new tobacco products of the Company reached 102,400 thousand sticks, representing an increase of 86,500 thousand sticks or 544.03% on a year-on-year basis. The operating revenue reached HK\$23.7 million, representing an increase of HK\$20.1 million or 554.50% on a year-on-year basis. The gross profit reached HK\$0.73 million, representing an increase of HK\$0.68 million or 1,568.46% on a year-on-year basis. The significant increase in the results was mainly because the Company has seized the favourable market opportunities arising from worldwide vigorous development of new tobacco and established a rapid coordination and response system from the demand side to the supply side, so as to further developed the current market potential and strived to expand the unexplored new markets and channels.

PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the second half of 2021, although the impact of the COVID-19 pandemic on global shipping logistics still remains highly uncertain, which may impact the Company's related business segments, the Company will continue implementing the dual wheel driving development model of "pursuing exogenous and endogenous growth" (外延與內生), enhancing its advantages, promoting innovative business development, and improving the Company's operational quality. In respect of capital operation, we will continue to conduct project selection and implementation in line with the established target and direction, and strive to promote a substantial transformation of operation throughout industrial chain. In respect of the import and export business of tobacco leaves, we will focus on stabilising supply chains to meet market demands. In respect of the Cigarettes Export Business, we will pay close attention to changes of the pandemic and the border control policy and strengthened communication and collaboration with the upstream and downstream to reserve power for post-pandemic business development. In respect of the new tobacco products business, we will continue to improve the coordinating and responding speed from the demand side to the supply side, consolidating current market results while focusing on the exploration of potential customers and cooperation projects.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend a payment of any interim dividend for the six months ended 30 June 2021 to the Shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Total assets of the Company amounted to HK\$2,483.1 million as at 30 June 2021 (as at 31 December 2020: HK\$3,644.7 million). The Company had cash and cash equivalents of HK\$1,818.6 million as at 30 June 2021 (as at 31 December 2020: HK\$1,613.2 million). The Board is of the opinion that the Company has sufficient resources to support its operations and meet its foreseeable capital expenditures. Total liabilities of the Company amounted to HK\$793.1 million as at 30 June 2021 (as at 31 December 2020: HK\$2,056.8 million).

As at 30 June 2021, the Company had a gearing ratio (being lease liabilities divided by shareholders' equity) of 0.01 (as at 31 December 2020: 0.01).

As at 30 June 2021, the Company had a current ratio (being the current assets divided by the current liabilities) of 3.2 (as at 31 December 2020: 1.8).

SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Company did not hold any significant investments.

MATERIAL ACQUISITION AND DISPOSAL

The Company did not conduct any material acquisition or disposal of any subsidiary, associate or joint venture during the six months ended 30 June 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Company did not have other plans for material investments and capital assets.

FOREIGN EXCHANGE RISK

The Company was not exposed to any significant currency risks during the six months ended 30 June 2021. The Company entered into transactions in U.S. dollars and did not enter into any hedging arrangements during the six months ended 30 June 2021.

PLEDGE OF ASSET

As at 30 June 2021, the Company did not pledge any assets (31 December 2020: Nil).

CONTINGENT LIABILITIES

As at 30 June 2021, the Company did not have significant contingent liabilities.

EMPLOYEES

As at 30 June 2021, the Company had 27 (31 December 2020: 29) employees in Hong Kong. The Company seeks to remunerate our employees on a market-competitive basis and has established internal policies with respect to employee compensation for our local employees. The remuneration package of all our employees comprises basic salary, performance-related bonus and certain other employee benefits. We review the remuneration package of our employees annually, considering factors such as years of service, relevant professional experience and performance evaluations. We provide induction training to all employees to familiarize them with our business operations and the tobacco industry. We provide additional professional training specific to our employees' job responsibilities during their course of employment on an ad hoc basis.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no major event after 30 June 2021 that is required to be disclosed by the Company.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

On the Listing Date, the Company issued 166,670,000 Shares at a price of HK\$4.88 per Share pursuant to the initial public offering of the Shares, the total gross proceeds of which amounted to approximately HK\$813 million, and the Shares were listed on the Main Board of the Stock Exchange (the “**Listing**”). The closing price on the Listing Date is 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 issuance of 25,000,000 Shares pursuant to the exercise of the over-allotment option and net of underwriting fees and relevant expenses) (the “**Net Proceeds**”) amounted to approximately HK\$904 million. The net price to the Company (which was calculated by dividing the Net Proceeds by the number of Shares issued in connection with the initial public offering of the Shares) was approximately HK\$4.72 per Share. The Net Proceeds have been and will continue to be used in a manner consistent with that set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The use of Net Proceeds during the period from the Listing Date up to 30 June 2021 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 2021 (HK\$ million)	Amount utilised for the six months ended 30 June 2021 (HK\$ million)	Unutilised amount as at 30 June 2021 (HK\$ million)	Expected timeline
Making investments and acquisitions that are complementary to the Company's business	45%	406.8	400.7	1.3	399.4	Remainder to be utilised by 30 June 2022.
Supporting the ongoing growth of the Company's business	20%	180.8	177.1	0.1	177.0	Remainder to be utilised by 30 June 2022.
Strategic business cooperation with other international tobacco companies, including to jointly explore and develop emerging tobacco markets	20%	180.8	180.6	–	180.6	Remainder to be utilised by 30 June 2022.
General working capital	10%	90.4	–	–	–	Not applicable.
Improving the Company's management of purchase and sales resources and optimizing the Company's operational management	5%	45.2	29.9	–	29.9	Remainder to be utilised by 30 June 2022.
Total	100%	904.0	788.3	1.4	786.9	

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

During the six months ended 30 June 2021, the Company did not issue any equity securities (including securities convertible into equity securities).

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

During the six months ended 30 June 2021, the Company did not purchase, sell or redeem any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee reviewed the unaudited interim results of the Company for the six months ended 30 June 2021 and the accounting principles and practices adopted by the Company, 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 2021, the Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2021.

PUBLICATION OF 2021 INTERIM RESULTS AND 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.ctihk.com.hk/>. The interim report of the Company for the six months ended 30 June 2021 will be despatched to the Shareholders and be available on the websites of the Stock Exchange and the Company in due course.

DEFINITIONS

“Audit Committee”	the audit committee of the Board;
“Board”	the board of Directors of the Company;
“China” or “PRC”	the People’s Republic of China;
“CNTC”	China National Tobacco Corporation* (中國煙草總公司), an enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company;
“China Tobacco” or “CNTC Group”	CNTC and its subsidiaries;
“Company”, “we” or “our”	China Tobacco International (HK) Company Limited (中煙國際(香港)有限公司) (stock code: 6055), a company incorporated in Hong Kong with limited liability;
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“Directors”	the directors of the Company;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Date”	12 June 2019, the date on which the Shares were listed on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;

“Prospectus”	the prospectus dated 28 May 2019 issued by the Company;
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“U.S. dollar”	United States dollars, the lawful currency of the United States of America;
“%”	percent.

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

The English translation of an entity or company's name in Chinese which is marked with “” is for identification purpose only. If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.*

Hong Kong, 31 August 2021

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