

IPO FACT SHEET
China Tobacco International (HK) Company Limited (6055)
ISSUE STATISTICS

Offer Size:	HK\$646.7m - HK\$813.3m
Placement Tranche:	166,670,000 Shares
Price:	HK\$3.88 - HK\$4.88
Board lot:	1,000
Entry fee:	HK\$4,929.17
Historical PE	9.88x – 12.43x
Net tangible asset per share:	HK\$1.758 - HK\$2.000
Market Cap (post-IPO):	HK\$2,586.70m- HK\$3,253.40m
Open:	27 May 2019
Close:	12.00 noon on 31 May 2019
Trading:	12 Jun 2019
Sponsor:	China International Capital Corporation Hong Kong Securities Limited and China Merchants Securities (HK) Co., Limited

Year ended 31 Dec	(HKD'000)	yoy % chg
Revenue		
2017	7,806,936.0	23.7%
2018	7,032,671.0	-9.9%
Profit for the year		
2017	347,614.0	2.8%
2018	261,761.0	-24.7%

BACKGROUND

- Established in 2004 and headquartered in Hong Kong, they are the designated offshore platform of China Tobacco International for capital markets operation and international business expansion.
- China Tobacco International is a wholly-owned subsidiary of CNTC and is in charge of the management and operation of the international businesses of CNTC by organizing the trade of tobacco products and overseeing the operation of the offshore subsidiaries and foreign investments of CNTC.
- CNTC Group are the only entities under the State Monopoly Regime to engage in the production, sale, and import and export businesses of tobacco monopoly commodities in the PRC.
- In 2018, their Company underwent the Reorganization, whereby Relevant Businesses previously conducted by various CNTC entities, including, among others, Tianli, were transferred to their Company.
- In accordance with the authorization by STMA and the relevant laws, regulations and rules, they are principally engaged in the following businesses:
 - Tobacco Leaf Products Import Business
 - Tobacco Leaf Products Export Business
 - Cigarettes Export Business
 - New Tobacco Products Export Business

BUSINESS STRATEGIES

- Expand their sources of supply of tobacco leaf products in the Tobacco Leaf Products Import Business.
- Deepen business relationship and achieve higher market share in the Tobacco Leaf Products Export Business.
- Increase the market share of their duty-free cigarettes by strategically expanding their sales channels, optimizing their product portfolio and expanding their geographical coverage.
- Enhance the quality of their new tobacco products and increase market share in the new tobacco products market.

COMPETITIVE STRENGTHS

- They are the exclusive operating entity with respect to their current business.
- They believe their business will continue to benefit from opportunities arising from the sustainable development prospects of China's tobacco industry as well as the stable growth potential of tobacco markets in Southeast Asia and other international Markets.
- Their well-established business model as well as the long-standing relationships with their business partners laid a solid foundation for their further global expansion in other markets.
- They have a strong bargaining power with their suppliers and customers and maintain abundant cash flows.
- Benefiting from the strong growth potential of the new tobacco product market, they are well-positioned to further expand their export and sales business of new tobacco product, as they are the only entity authorized to operate such business overseas.
- They are led by an experienced management team.

KEY RISKS

- They heavily rely on the State Monopoly Regime and any material changes in or the abolition of the State Monopoly Regime would have a material adverse impact on their business operations.
- They are dependent on the Framework Agreements and the Non-Compete Undertaking.
- Their business performance may be materially and adversely affected by global tobacco-control campaigns and consumers' increased health concerns.
- Tighter import and export controls and additional trade restrictions could materially and adversely affect their business, financial condition and results of operation.
- Their revenue is subject to seasonality fluctuations.
- As they generate a substantial portion of their revenues from a limited number of customers, any adverse change in their business relationships with such customers or in the operations or financial conditions of such customers may materially and adversely affect their business, results of operations and financial conditions.
- Risks and uncertainties associated with doing business in Southeast Asia may materially and adversely affect their business and prospects.
- Their business performance may be materially and adversely affected by changes in consumer preferences and spending habits.
- Their Historical Financial Information included in this prospectus may not be indicative of their future performance.
- Any change in the tobacco regulatory laws, regulations and rules in the PRC, Hong Kong or any other countries or regions where they do business may have a material and adverse impact on their business operations.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
To be gradually used for making investments and acquisitions that are complementary to their business.	294.4	45.0%
To be used to support the ongoing growth of their business.	130.8	20.0%
To be used for strategic business cooperation with other international tobacco companies.	130.8	20.0%
To be used for general working capital purposes.	65.4	10.0%
To be used to improve their management of purchase and sales resources and optimize their operational management, primarily by developing their data analytics system and their platform for integrated management of business and financial operations.	32.7	5.0%
Total:	654.1	100.0%

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