中煙國際（香港）有限公司
China Tobacco International (HK) Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 6055)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

China Tobacco International (HK) Company Limited (the "**Company**") announces the audited financial results of the Company for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as set out below.

FINANCIAL HIGHLIGHTS

	2019	2018
	HK$	*HK$*
Revenue	**8,976,951,511**	7,032,670,812
Cost of sales	**(8,558,113,354)**	(6,659,756,824)
Gross profit	**418,838,157**	372,913,988
Other income, net	**26,509,025**	16,755,774
Administrative and other operating expenses	**(64,999,570)**	(64,981,196)
Finance costs	**(563,443)**	–
Profit before taxation	**379,784,169**	324,688,566
Income tax	**(60,858,699)**	(62,927,737)
Profit after taxation	**318,925,470**	261,760,829

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	Note	**2019** *HK$*	2018 *HK$*
Revenue	*4*	**8,976,951,511**	7,032,670,812
Cost of sales		**(8,558,113,354)**	(6,659,756,824)
Gross profit		**418,838,157**	372,913,988
Other income, net	*5*	**26,509,025**	16,755,774
Administrative and other operating expenses		**(64,999,570)**	(64,981,196)
Profit from operations		**380,347,612**	324,688,566
Finance costs	*6(a)*	**(563,443)**	–
Profit before taxation	*6*	**379,784,169**	324,688,566
Income tax	*7*	**(60,858,699)**	(62,927,737)
Profit and total comprehensive income for the year		**318,925,470**	261,760,829
Profit and total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**318,925,470**	259,483,752
Non-controlling interests		**–**	2,277,077
Profit and total comprehensive income for the year		**318,925,470**	261,760,829
Earnings per share			
Basic and diluted	*9*	**0.53**	0.52

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019 (Expressed in Hong Kong dollars)

	Note	2019 HK$	2018 HK$
Non-current assets			
Property and equipment		**41,010,570**	373,240
Rental deposit		**1,930,132**	–
		42,940,702	373,240
Current assets			
Inventories		**237,329,901**	1,037,959,651
Trade and other receivables	*10*	**851,545,243**	449,233,397
Cash and cash equivalents		**1,737,979,196**	650,995,191
		2,826,854,340	2,138,188,239
Current liabilities			
Trade and other payables	*11*	**1,153,175,011**	1,546,763,038
Lease liabilities		**7,546,348**	–
Current tax payable		**78,902,716**	18,044,017
		1,239,624,075	1,564,807,055
Net current assets		**1,587,230,265**	573,381,184
Total assets less current liabilities		**1,630,170,967**	573,754,424
Non-current liabilities			
Lease liabilities		**24,306,534**	–
Provision for reinstatement costs		**2,422,927**	–
		26,729,461	–
NET ASSETS		**1,603,441,506**	573,754,424
Capital and reserves			
Share capital		**1,403,721,280**	500,010,000
Reserves		**199,720,226**	73,744,424
TOTAL EQUITY		**1,603,441,506**	573,754,424

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 Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") after completion of its initial public offering ("**IPO**") on 12 June 2019 (the "**Listing Date**"). China Tobacco International Group Limited ("**CTIG**", formerly known as Tian Li International Company Limited), 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.

Pursuant to a corporate reorganisation (the "**Reorganisation**"), the Company commenced the following business operations (together, the "**Relevant Businesses**"), which were carried out by various subsidiaries of CNTC (the "**Operating Entities**") as divisions or smaller business components thereof prior to the Reorganisation:

- 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 the 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**");

- sales of China Tobacco's cigarettes 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 China Tobacco's cigarettes 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 financial statements of the Company for the year ended 31 December 2019, but is extracted from those financial statements.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results does not constitute the Company's statutory annual financial statements for those years.

Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company will deliver the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

As the Company was a private company in 2018, it is not required to deliver its 2018 financial statements to the Registrar of Companies, and has not done so.

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

The Relevant Businesses were carried out by the Company upon completion of the Reorganisation on 30 June 2018. Prior to the Reorganisation, the Relevant Businesses were carried out by Operating Entities as divisions or smaller business components thereof which the directors of the Company considered objectively distinguishable among the economic activities of the Operating Entities. The Operating Entities was not wholly owned by the CNTC and its subsidiaries (together, the "**CNTC Group**") and accordingly, the proportional interest of the non-controlling interests in the operating results and net assets attributable thereto is presented as attributable to the non-controlling interests in the financial statements.

The financial information for the year ended 31 December 2018 included in the financial statements as comparative information is prepared on the same basis as detailed in note 1.2 to the historical financial information set out in Appendix I to the Prospectus, reflecting the assets and liabilities associated with the Relevant Businesses and costs and expenses associated with the functions that would be necessary to operate independently. However, as the Relevant Businesses did not operate as a stand-alone entity prior to the completion of the Reorganisation, such comparative financial information may not necessarily reflect what the results of operations, financial position, and cash flows would have been had the Relevant Businesses operated as a separate entity from CNTC Group throughout the year ended 31 December 2018.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Company. None of these 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. Details of changes in accounting policies are discussed below for HKFRS 16.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 and remain substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Company has initially applied HKFRS 16 as from 1 January 2019. The Company has elected to use the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under HKAS 17. As the Company only had one short-term lease as at 1 January 2019, the initial adoption of HKFRS 16 had no impact on the Company's opening balances at 1 January 2019.

Further details of the nature and effect of the changes to previous accounting policies are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Company applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Company has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Company is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempted.

As the Company only had one short-term lease as at 1 January 2019 which was continued to be recognised in a similar way as under HKAS 17, there were no newly capitalised leases upon the initial adoption of HKFRS 16.

c. Impact on the financial result and cash flows of the Company

Except for the short-term lease that the Company elects to use the lessee recognition exemption, the Company also entered into a 5-year lease agreement during the year ended 31 December 2019 as a lessee which is capitalised as required under HFKRS 16.

After the initial recognition of right-of-use assets and lease liabilities in relation to the capitalised lease, the Company recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. There is no significant impact on the reported profit from operations in the Company's statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the statement of cash flows, payments for short-term leases and leases of low-value assets which the Company elects to use the lessee recognition exemption are classified as operating cash out flows. For all the other capitalised leases, the Company is required to split rentals paid into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the statement of cash flows.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Company are the Tobacco Leaf Products Export Business, the Tobacco Leaf Product Import Business, the Cigarettes Export Business and New Tobacco Product 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:

	2019	2018
	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	**2,154,191,004**	1,175,598,610
– Import sales of tobacco leaf products	**4,630,885,448**	4,338,424,169
– Export sales of cigarettes	**2,161,363,346**	1,497,865,043
– Export sales of new tobacco products	**26,819,668**	16,890,641
– Others	**3,692,045**	3,892,349
	8,976,951,511	7,032,670,812

The Company recognises all its revenue point in time. Disaggregation of revenue by geographic markets is further disclosed in note 4(b).

During the year ended 31 December 2019, revenue to one (2018: one) customer amounted to HK$4,638,635,226 (2018: HK$4,342,316,518) has exceeded 10% of the Company's revenue.

(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: this segment sells the tobacco leaf products to customers in the Southeast Asia, Hong Kong, Macau, and Taiwan.

- Tobacco Leaf Products Import Business: this segment imports tobacco leaf products to mainland China of the PRC from origin countries or regions around the world except for from countries or regions currently under international sanctions.

- Cigarettes Export Business: this segment exports cigarettes to duty-free outlets in Thailand, Singapore, Hong Kong, Macau and duty-free outlets within the borders, but outside the customs area, of mainland China of the PRC.

- New Tobacco Product Export Business: this segment export of new tobacco products from mainland China of the PRC 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 and inventories. Segment liabilities include primarily trade payables and contract liabilities. The Company's all other assets and liabilities such as property and equipment, cash and cash equivalents, short-term bank deposits, other receivables/payables, lease liabilities, provision for reinstatement costs and assets/liabilities associated with deferred or current taxes are not considered specifically attributed to individual segments. These assets and liabilities are classified as corporate assets/liabilities and are managed on a central basis.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit, i.e. reportable segment revenue less cost of sales directly associated therewith. In addition to receiving segment information concerning gross profit, management is provided with segment information concerning revenue. There is no inter-segment revenue between the Company's reportable segments. Other income and expenses, net, mainly refers to interest income, net exchange gains/losses, administrative and other operating expenses 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 years ended 31 December 2019 and 2018 is set out below.

For the year ended 31 December 2019	**Tobacco Leaf Products Export Business** *HK$*	**Tobacco Leaf Products Import Business** *HK$*	**Cigarettes Export Business** *HK$*	**New Tobacco Product Export Business** *HK$*	**Unallocated** *HK$*	**Total** *HK$*
Reportable segment revenue	**2,157,883,049**	**4,630,885,448**	**2,161,363,346**	**26,819,668**	**–**	**8,976,951,511**
Reportable segment gross profit	**53,959,206**	**259,713,459**	**104,317,640**	**847,852**	**–**	**418,838,157**
Interest income					**26,458,024**	**26,458,024**
Other corporate income					**51,001**	**51,001**
Depreciation					**(2,583,397)**	**(2,583,397)**
Finance costs					**(563,443)**	**(563,443)**
Other corporate expenses					**(62,416,173)**	**(62,416,173)**
Profit before taxation						**379,784,169**
Income tax expense						**(60,858,699)**
Profit for the year						**318,925,470**
As at 31 December 2019						
Reportable segment assets	**172,710,056**	**799,982,942**	**102,413,797**	**–**	**1,794,688,247**	**2,869,795,042**
Reportable segment liabilities	**312,991,813**	**824,287,400**	**4,796,089**	**537,030**	**123,741,204**	**1,266,353,536**

For the year ended 31 December 2018	Tobacco Leaf Products Export Business *HK$*	Tobacco Leaf Products Import Business *HK$*	Cigarettes Export Business *HK$*	New Tobacco Product Export Business *HK$*	Unallocated *HK$*	Total *HK$*
Reportable segment revenue	1,179,490,959	4,338,424,169	1,497,865,043	16,890,641	–	7,032,670,812
Reportable segment gross profit	38,716,488	220,706,667	113,318,753	172,080	–	372,913,988
Interest income					17,899,724	17,899,724
Other corporate income					44,800	44,800
Depreciation					(2,951,612)	(2,951,612)
Other corporate expenses					(63,218,334)	(63,218,334)
Profit before taxation						324,688,566
Income tax expense						(62,927,737)
Profit for the year						261,760,829
As at 31 December 2018						
Reportable segment assets	82,832,521	1,338,164,511	57,739,644	–	659,824,803	2,138,561,479
Reportable segment liabilities	172,444,429	1,320,277,179	22,219,514	3,646,500	46,219,433	1,564,807,055

Geographical information

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.

	2019 **HK$**	2018 *HK$*
The PRC, excluding the SARs	**6,407,789,249**	5,251,409,240
Republic of Indonesia	**1,488,492,999**	694,906,233
Hong Kong	**381,613,948**	472,549,459
Republic of the Philippines	**249,447,126**	107,245,661
Socialist Republic of Vietnam	**167,598,119**	169,424,864
Singapore	**138,951,196**	154,326,215
Thailand	**35,785,422**	65,651,189
Others	**107,273,452**	117,157,951
	8,976,951,511	7,032,670,812

The Company carries out its operations in Hong Kong and all of the Company's non-current assets are located in Hong Kong.

5 OTHER INCOME, NET

	2019 **HK$**	2018 *HK$*
Net exchange gains/(losses)	**51,001**	(1,188,750)
Interest income	**26,458,024**	17,899,724
Rental income	**–**	44,800
	26,509,025	16,755,774

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2019	2018
	HK$	*HK$*
Interest on lease liabilities	**524,741**	–
Interest accrued on provision	**38,702**	–
	563,443	–

(b) Staff costs (including directors' emoluments)

	2019	2018
	HK$	*HK$*
Salaries, wages and other benefits	**24,911,889**	24,678,348
Contributions to defined contribution retirement plans	**1,862,446**	1,235,611
	26,774,335	25,913,959

The Company operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

In addition, as stipulated by the regulations of the PRC, the Company participates in various defined contribution retirement plans organised by municipal government of Beijing for its staff. The Company is required to make contributions to such retirement plans. The Company has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

(c) Other items

	2019	2018
	HK$	*HK$*
Depreciation		
– owned property and equipment *(note i)*	**199,764**	2,951,612
– right-of-use assets *(note i)*	**2,383,633**	–
	2,583,397	2,951,612
Expense related to short-term lease	**3,920,933**	–
Total minimum lease payments for lease previously classified as operating lease under HKAS 17 *(note i)*	**–**	1,950,240
Cost of inventories	**8,558,113,354**	6,659,756,824
Listing expenses	**15,803,852**	20,681,203
Auditors' remuneration	**2,188,200**	1,170,000
Corporate overhead *(note ii)*	**–**	1,832,586

Notes:

i. The Company has initially applied HKFRS 16 using the modified retrospective approach and exempted from adjusting opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Company as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 3.

ii. Corporate overhead represents selling, administrative and operating expenses that could not be specifically identified to be related to the Relevant Businesses and are allocated to the Relevant Businesses on the basis as set out in note 3.

7 INCOME TAX

	2019	2018
	HK$	*HK$*
Current tax		
Provision for Hong Kong Profits Tax for the year	**60,858,699**	38,440,539
Provision for PRC Corporate Income Tax for the year	**–**	24,365,055
	60,858,699	62,805,594
Deferred tax		
Origination and reversal of temporary differences	**–**	122,143
Income tax expense	**60,858,699**	62,927,737

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% of the estimated assessable profits for the year. The Company is not eligible for 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government in 2019 as this concession has been taken elsewhere in the group to which the Company belongs.

The provision for Hong Kong Profits Tax for 2019 has taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of $20,000 for each business (2018: a maximum reduction of $30,000 was granted for the year of assessment 2017-18 and was taken into account in calculating the provision for 2018).

In accordance with relevant PRC rules and regulations, the PRC Corporate Income Tax rate of 25% is applicable to the Relevant Businesses that were historically carried out in the PRC prior to the Reorganisation.

8 DIVIDENDS AND DEEMED DISTRIBUTION

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

	2019 HK$	2018 HK$
Final dividend proposed after the end of the reporting period of HK16 cents per ordinary share	**110,668,800**	–
	110,668,800	–

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Special dividend declared and paid to CTIG

On 17 May 2019, CTIG, the then sole shareholder of the Company, passed a resolution for the Company to distribute, subject to certain conditions precedent (the "**Conditions Precedent**"), a special cash dividend amounting to 100% of the Company's distributable reserves at 31 May 2019 to CTIG. The special cash dividend was determined to be HK$192,949,668 with reference to the Company's financial statements for the five months ended 31 May 2019 prepared in accordance with HKFRSs. The special dividend has been fully paid during the year ended 31 December 2019.

(c) Deemed distribution

Deemed distribution represents the net amount of assets and liabilities of the Relevant Businesses distributed to or contributed from CNTC and non-controlling interests for no monetary consideration. The assets and liabilities distributed to or contributed from CNTC and the non-controlling interests during the year ended 31 December 2018 represent certain assets and liabilities historically associated with the Relevant Businesses but were retained by CNTC and non-controlling interests.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$318,925,470 (2018: HK$259,483,752) and the weighted average of 605,140,055 ordinary shares in issue during year ended 31 December 2019 (2018: 500,010,000 shares).

For the purpose of calculating the basic earnings per share for the year ended 31 December 2018, the 500,000,000 ordinary shares issued on 26 June 2018 are considered to have increased the number of shares outstanding without a corresponding change in resource of the Company. Accordingly, these ordinary shares are treated as if they had been issued since the beginning of the earliest period presented.

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

	2019 HK$	2018 HK$
Trade receivables	**814,838,610**	415,252,168
Bills receivable	**18,524,160**	2,492,006
	833,362,770	417,744,174
Deposits, prepayments and other receivables	**18,182,473**	31,489,223
	851,545,243	449,233,397

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

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:

	2019	2018
	HK$	*HK$*
Within 30 days	**212,398,323**	25,440,219
31 to 90 days	**217,283,725**	381,284,182
Over 90 days	**403,680,722**	11,019,773
	833,362,770	417,744,174

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

11 TRADE AND OTHER PAYABLES

	2019	2018
	HK$	*HK$*
Trade payables	**1,114,070,042**	1,486,372,646
Contract liabilities	**28,542,290**	32,214,976
Other payables and accruals	**10,562,679**	28,175,416
	1,153,175,011	1,546,763,038

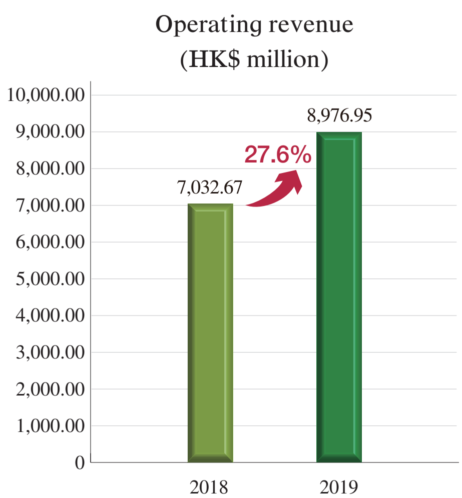
As at the end of each reporting period, the ageing analysis of trade payables based on the invoice date is as follows:

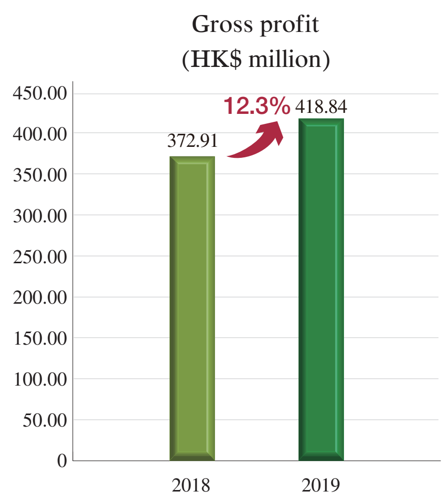
	2019	2018
	HK$	*HK$*
Within 30 days	**243,685,927**	728,090,410
31 to 90 days	**343,882,360**	656,215,239
Over 90 days	**526,501,755**	102,066,997
	1,114,070,042	1,486,372,646

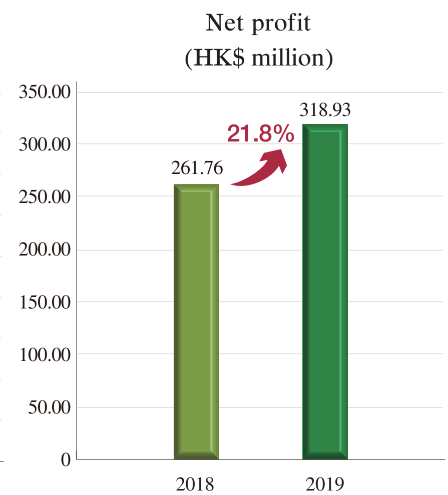
MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW FOR THE YEAR

For the year of 2019 (the “**Year**”), the Company strived to expand its operational scale, continued to optimise its business procedures and enhanced its operational quality with a market-oriented philosophy, and achieved breakthrough in various business segments. Revenue for the Year reached HK$8,976.95 million, representing an increase of HK$1,944.28 million or 27.6% on a year-on-year basis; gross profit reached HK$418.84 million, representing an increase of HK$45.93 million or 12.3% on a year-on-year basis. Profit for the year attributable to owners of the Company was HK$318.93 million, representing an increase of HK$57.17 million or 21.8% on a year-on-year basis.







Tobacco Leaf Products Export Business

- *OPERATION INITIATIVES*

1. **Accurate coordination of supply and demand and elevated efficiency of business expansion.** With in-depth analysis of the demands and price sensitivity for tobacco leaf product categories in Southeast Asian market and leveraging rich variety and high quality-price ratio advantages of domestic tobacco, we improved satisfaction levels at both supply and demand ends and achieved comprehensive breakthroughs regarding the number of customers, business contracts, and shipments.

2. **Deepening our partnerships with a focus on key markets and customers.** The Company focused on key markets and customers resources such as Indonesia and Vietnam, strengthened market search and communication and further consolidated our dominant position in key markets while stabilizing market foundation.

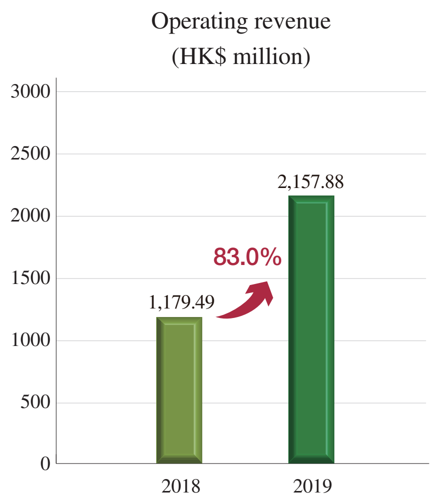
3. **Exploring potential customers and expanding our market share.** The Company has been actively expanding potential market demand and customer resources in Southeast Asia. Throughout the Year, the Company acquired new customers with newly contracted export volume amounting to 5,905 tons, accounting for 5.48% of total contracted volume for the Year and shipment volume amounting to 2,630 tons, accounting for 3.08% of total shipment volume for the Year.

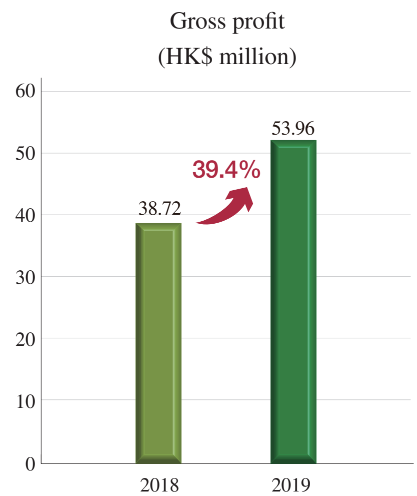
- *REVIEW OF RESULTS*

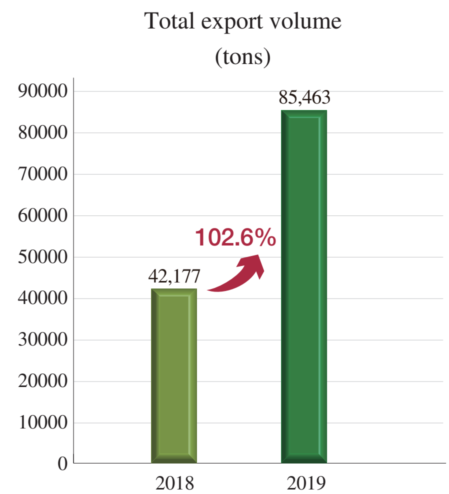
  - The export volume reached 85,463 tons, representing an increase of 43,286 tons or 102.6% on a year-on-year basis.

  - The operating revenue reached HK$2,157.88 million, representing an increase of HK$978.39 million or 83.0% on a year-on-year basis.

  - Gross profit reached HK$53.96 million, representing an increase of HK$15.24 million or 39.4%.







Tobacco Leaf Products Import Business

- *OPERATION INITIATIVES*

  1. **Optimizing workflow.** By actively coordinating upstream and downstream companies within the business chain, the Company improved the efficiency of order execution, goods delivery, and the settlement of funds, thereby optimizing the workflow comprehensively.

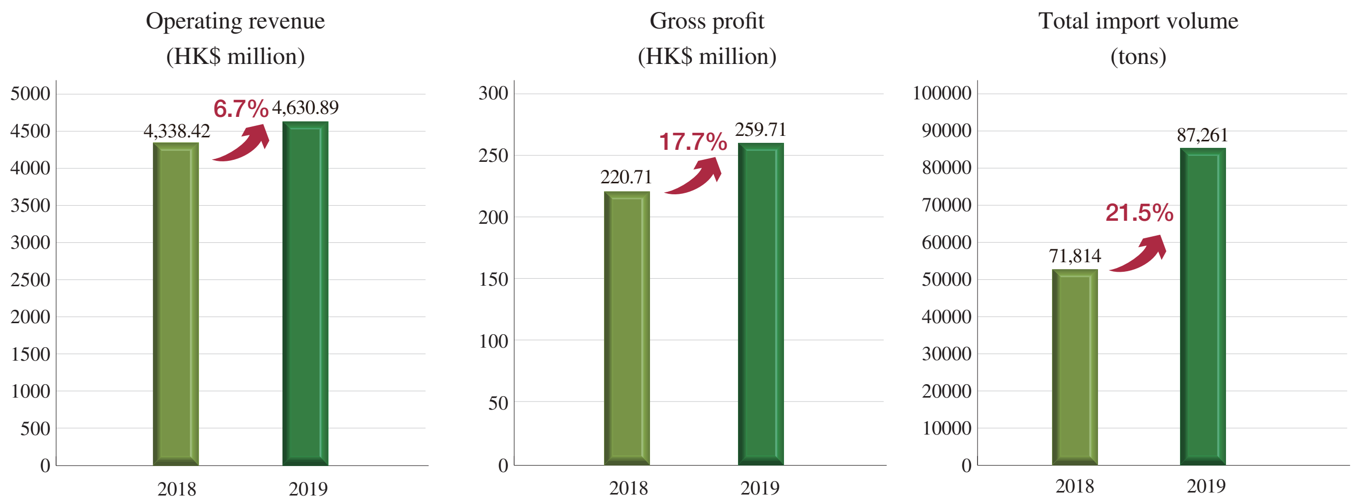
  2. **Expanding sources of high-quality raw materials.** Based on the characteristics of domestic market demand, we actively expanded the quantity and source of global high-quality tobacco raw materials to cope with the adverse effects of Sino-US trade friction.

- *REVIEW OF RESULTS*

  - The import volume reached 87,261 tons, representing an increase of 15,447 tons or 21.5% on a year-on-year basis.

  - The operating revenue reached HK$4,630.89 million, representing an increase of HK$292.47 million or 6.7% on a year-on-year basis.

  - The gross profit reached HK$259.71 million, representing an increase of HK$39.00 million or 17.7%.



Cigarettes Export Business

- *OPERATION INITIATIVES*

  1. **Developing a new cooperation model.** Continuously enhancing direct communication and cooperation with duty-free operators, the Company has launched direct cooperation with Dufry, one of the largest international duty-free operators, in Hong Kong to realize direct operation of all Chinese cigarette brands in a new channel, the duty-free shop in High Speed Rail Hong Kong West Kowloon Station.

  2. **Constantly enriching distributed product specifications.** After the Shares were listed on the Main Board of the Stock Exchange (the "**Listing**"), the new product specifications of China Tobacco in the Company's operating area were issued and directly sold through the Company. Fifteen new product specifications were launched in the market channels of the Company throughout the year, effectively ameliorating some of the aging product portfolios and further improving the profitability of the Company.

  3. **Strengthening the construction of market terminals.** We have been fully involved in the recruitment and management of sales promotion personnel in duty-free cigarette shops, the design and production of display cabinets, the display of cigarettes and other market terminal construction, and continuously improved the market information collection capacity and channel control.

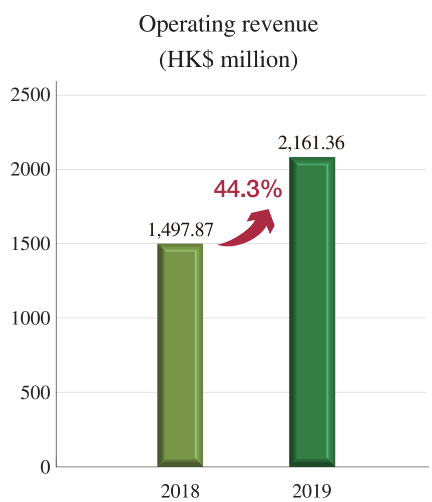
- *REVIEW OF RESULTS*

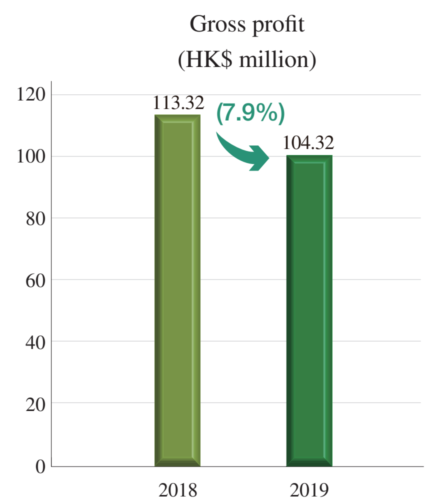
  - The export volume reached 5,505,817,500 sticks, representing an increase of 860,717,500 sticks or 51.0% on a year-on-year basis.

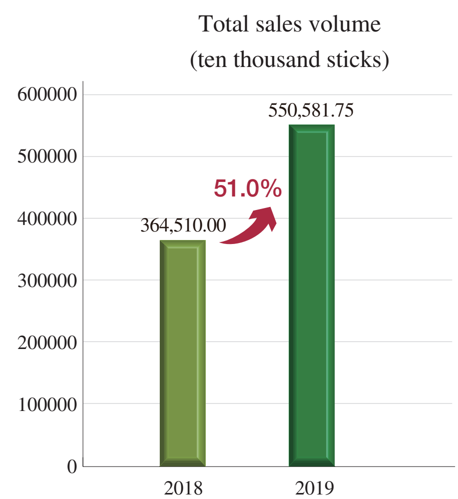
  - The operating revenue reached HK$2,161.36 million, representing an increase of HK$663.49 million or 44.3% on a year-on-year basis.

  - The gross profit reached HK$104.32 million, representing a decrease of HK$9.00 million or 7.9%.

  - The distributed products covered a total of 350 duty-free sales terminals in the operating area, representing an increase of 5 outlets on a year-on-year basis, with distributed products of 34 brands and 161 specifications.







New Tobacco Products Export Business

- *OPERATION INITIATIVES*

  1. **Leveraging the exclusive strengths in the industry for international market expansion**. Following the business reorganisation in 2018, the Company leveraged on its exclusive strengths, participated several industry exchange sessions and international tobacco exhibitions, actively conducted field trips, continuously integrated resources within the new tobacco products industry and strived to identify potential cooperation partners.

  2. **Actively transforming business models and developing the proprietary business.** Persisting in the independent development of channels, the Company innovated the mechanism for acquiring customers, carefully selected partners with distribution channels and marketing investment strength in the target markets, and promoted the transformation of new tobacco business from distribution to proprietary model.

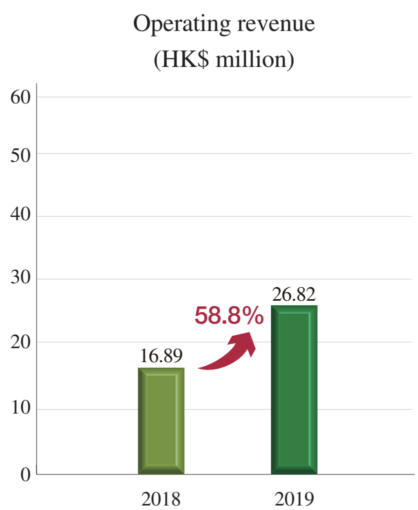
- *REVIEW OF RESULTS*

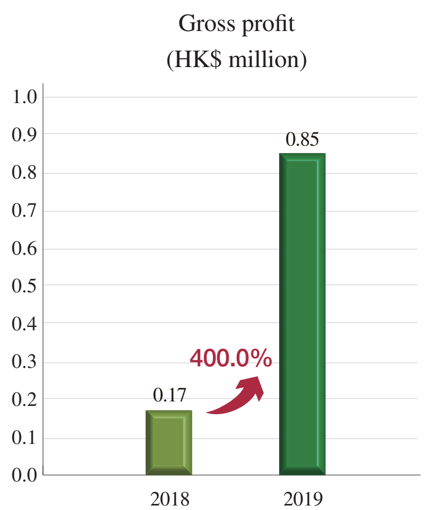
    - The export volume reached 107,550,000 sticks, representing an increase of 52,700,000 sticks or 96.1% on a year-on-year basis.

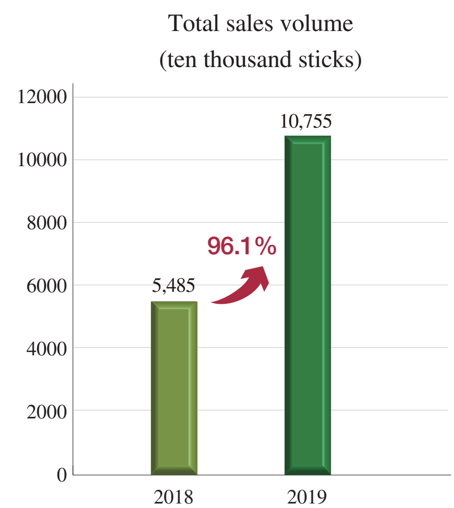
    - The operating revenue reached HK$26.82 million, representing an increase of HK$9.93 million or 58.8% on a year-on-year basis.

    - the gross profit reached HK$0.85 million, representing an increase of HK$0.68 million or 400.0%.

    - The number of brands on sale increased to 11, representing an increase of 7, specifications of products on sale increased to 35, representing an increase of 14 on a year-on-year basis, while business coverage reached 15 countries and regions, representing an increase of 11 on a year-on-year basis.







OUTLOOK FOR THE YEAR OF 2020

2020 is a year of both challenges and opportunities. In respect of external environment, the stability of economic and trading environment will continue to be challenged by major domestic and international events including trade frictions between China and the US, and the new coronavirus epidemic. In respect of industry outlook, the supervision and regulation of tobacco industry in each country and region are full of uncertainties. The business needs of our partners and clients may also change. In respect of the business development, the Company's tobacco leaf products import and export businesses are at a relatively high level, and the further increase in the trading amount is under pressure. The Company will continue to follow its business development philosophy of "pursuing both endogenous and exogenous growth," actively grasp the market opportunities, continuously assess and timely take active measures to cope with potential impact of the new coronavirus epidemic on the Company's management and business operation (particularly the cigarettes export business) with an aim of gaining sustained growth and optimal value for shareholders.

In respect of capital project planning, the Company will keep track of the global tobacco market and make investments and acquisitions which may complement our strategies and business in due course.

In respect of tobacco leaf products export business, the Company will maintain close collaboration with clients in response to the potential downward risks caused by the possible tax rise in Indonesian market and take advantage of Vietnam's favorable policy to abandon border trading by increasing our export sales to Vietnamese market. Moreover, the Company will strengthen cooperation with suppliers in search of marketable supplies and further explore the emerging business model of "global sourcing, global selling" to pursue new business growth points.

In respect of tobacco leaf products import business, the Company will pay more attention to domestic demand and actively explore sources of marketable goods. Meanwhile, the Company will closely monitor the changes in the trade friction between China and the US to ensure the Company's business stability in the region.

In respect of cigarettes export business, the Company will take robust action to cope with the potential adverse impact on business operations arising from the new coronavirus epidemic; further improve on the direct cooperation with duty-free operators, keep up with market trends and consumption trends, and increase marketing efforts targeting end consumers; negotiate with operators who will participate in the hand over of duty-free shops, and stabilize our existing market share.

In respect of new tobacco products export business, the Company will actively explore the market, take efforts to commence proprietary business, prudently control risks, closely monitor various regions' regulations on new tobacco products, and pay close attention to product flows and patent risks.

FINANCIAL REVIEW

Revenue and Cost of Sales

As of 31 December 2019, the Company's revenue was HK$8,976.95 million, representing an increase of HK$1,944.28 million or 27.6% on a year-on-year basis; the Company's cost of sales was HK$8,558.11 million, representing an increase of HK$1,898.35 million or 28.5% on a year-on-year basis.

The increase in revenue and cost of sales on a year-on-year basis was mainly due to: 1. the increase in the amount of tobacco leaf products import; 2. an increase in demand from major tobacco leaf importing countries in Southeast Asia; and 3. the growth of the Cigarettes Export Business and the New Tobacco Products Export Business.

Gross Profit

For the year ended 31 December 2019, the Company's gross profit was HK$418.84 million, representing an increase of HK$45.93 million or 12.3% on a year-on-year basis.

The increase in gross profit on a year-on-year basis was mainly due to: 1. the increase in the amount of tobacco leaf products import; and 2. strong demand for tobacco leaf products produced in China from major tobacco leaf importing countries in Southeast Asia resulting in a significant increase of tobacco leaf products export.

Administrative and Other Operating Expenses

As of 31 December 2019, the Company's administrative and other operating expenses was HK$65.00 million, representing an increase of HK$18,374 or 0.03% on a year-on-year basis.

Other Income, Net

As of 31 December 2019, the Company's other income, net was HK$26.51 million, representing an increase of HK$9.75 million or 58.2% on a year-on-year basis.

The increase in other income, net was mainly due to: 1. the increase in interest rates of the Company's deposit after market-oriented negotiation; and 2. the increase of the Company's reserve funds.

Profit for the Year

For the year ended 31 December 2019, the Company's profit after taxation was HK$318.93 million, representing an increase of HK$57.17 million or 21.8% on a year-on-year basis.

The increase in profit after taxation was mainly due to growth in respective business segments and an increase in interest income as well as effective cost control.

Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$318,925,470 (2018: HK$259,483,752) and the weighted average of 605,140,055 ordinary shares (2018: 500,010,000 shares) in issue during the year ended 31 December 2019.

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

Net Current Assets

As at 31 December 2019, net current assets of the Company amounted to HK$1,587.23 million (as at 31 December 2018: HK$573.38 million).

Significant Investments, Acquisitions and Disposals

The Company did not conduct any material acquisition or disposal of any subsidiary, associate or joint venture for the year ended 31 December 2019.

Capital Expenditures

As at 31 December 2019, the Company had no plan relating to material investments and capital assets.

INDEBTEDNESS

Borrowings

As at 31 December 2019, the Company did not have any bank borrowing (as at 31 December 2018: nil).

Exposure to Fluctuations in Exchange Rates

The Company was not exposed to any significant currency risks as of 31 December 2019. The Company entered into transactions primarily in U.S. dollars and did not enter into any hedging arrangements.

Contingent Liabilities

As at 31 December 2019, the Company had no significant contingent liabilities.

Pledge of Assets

As at 31 December 2019, the Company did not pledge any assets (as at 31 December 2018: nil).

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2019, total assets of the Company amounted to HK$2,869.80 million (as at 31 December 2018: HK$2,138.56 million) and cash and cash equivalents of HK$1,737.98 million. The Board is of the opinion that the Company has sufficient resources to support its operations and meet its foreseeable capital expenditures. As at 31 December 2019, total liabilities of the Company amounted to HK$1,266.35 million (as at 31 December 2018: HK$1,564.81 million).

As at 31 December 2019, the Company had a gearing ratio (being lease liabilities divided by shareholders' equity) of 0.02 (as at 31 December 2018: not applicable).

As at 31 December 2019, the Company had a current ratio (being current assets divided by the current liabilities) of 2.3 (as at 31 December 2018: 1.4).

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 shares of the Company, the total gross proceeds of which amounted to approximately HK$813 million. 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 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 of the Company) 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 31 December 2019 and the expected timeline of the unutilised amount of the use of Net Proceeds are set out as follows:

Use of Net Proceeds	Approximate percentage of total amount	Actual amount of Net Proceeds *(HK$ million)*	Amount utilised as at 31 December 2019 *(HK$ million)*	Unutilised amount as at 31 December 2019 *(HK$ million)*	Expected timeline
Making investments and acquisitions that are complementary to the Company's business	45%	406.8	–	406.8	As of the date of this announcement, the Company had no finalised or definitive plan for investment or acquisition.
Supporting the ongoing growth of the Company's business	20%	180.8	1.1	179.7	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	0.2	180.6	Remainder to be utilised by 30 June 2022.
General working capital	10%	90.4	90.4	–	–
Improving the Company's management of purchase and sales resources and optimizing the Company's operational management	5%	45.2	6.8	38.4	Remainder to be utilised by 30 June 2022.
Total	100%	904.0	98.5	805.5	

EMPLOYEE

As at 31 December 2019, the Company had 30 (31 December 2018: 27) employees in Hong Kong.

The Company seeks to remunerate its employees on a market-competitive basis and have established internal policies with respect to employee compensation for its local employees. The remuneration package of all its employees comprises basic salary, performance-related bonus and certain other employee benefits. The Company reviews the remuneration package of its employees annually, considering factors such as years of service, relevant professional experience and performance evaluations.

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

PROPOSED FINAL DIVIDEND

The Board recommends a final dividend of HK$0.16 per share for the year ended 31 December 2019 (2018: Nil).

OTHER INFORMATION

Annual General Meeting

The AGM will be held on 28 May 2020. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 25 May 2020 to 28 May 2020, both dates inclusive, during which period no transfer of its Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of its Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 22 May 2020.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high corporate governance standards. For the period from the Listing Date to 31 December 2019, the Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2019.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate Directors' securities transactions. All Directors have confirmed, following specific enquiries by the Company, that they had complied with the required standards set out in the Model Code throughout the period from the Listing Date to 31 December 2019.

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

During the year ended 31 December 2019, the Company did not purchase, sell or redeem any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2019 and has recommended for the Board's approval thereof.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Company's statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's independent auditor, KPMG, Certified Public Accountants, to the amounts as set out in the Company's audited financial statements for the year ended 31 December 2019 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's independent auditor.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no major event after 31 December 2019 that is required to be disclosed by the Company.

PUBLICATION OF 2019 ANNUAL RESULTS AND 2019 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.ctihk.com.hk. The annual report of the Company for the year ended 31 December 2019 will be dispatched to the Shareholders and be available on the websites of the Stock Exchange and the Company in due course.

DEFINITIONS

"AGM"	annual general meeting of the Company;
"Audit Committee"	the audit committee of the Board;
"Board"	the board of Directors of the Company;
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"China" or "PRC"	the People's Republic of China; for the purpose of this announcement only, references to "China" or the "PRC" do not include Hong Kong, Macau and Taiwan;

“Company”	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;
“Directors”	directors of the Company;
“FY”	financial year;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK$”	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, as amended and supplemented from time to time;
“Macau”	the Macau Special Administrative Region of the PRC;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
“Prospectus”	the prospectus dated 28 May 2019 published by the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“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; and
“%”	percent.

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

Hong Kong, 14 February 2020

As at the date of this announcement, the Board comprises Mr. Shao Yan as Chairman and non-executive Director, Mr. Zhang Hongshi, Ms. Yang Xuemei 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.