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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)

CONTINUING CONNECTED TRANSACTIONS
EXTENSION OF FRAMEWORK AGREEMENTS IN RELATION TO
SALE AND PURCHASE TRANSACTIONS WITH ALLIANCE ONE GROUP

BACKGROUND

Reference is made to the 2021 Circular and the December 2022 Announcement in respect of, among others, the Framework Agreements and the 2022 Extension Agreements.

Since 26 November 2021, CTIB has become a wholly-owned subsidiary of the Company, and Alliance One Brazil has become a connected person of the Company at the subsidiary level by virtue of holding 49% of the total issued share capital of CBT (a non-wholly-owned subsidiary of CTIB). Accordingly, transactions with Alliance One Group carried out by the Company and CBT constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On 23 September 2021, (i) the Company and Alliance One International entered into the Framework Tobacco Sales Agreement, (ii) CBT and Alliance One International entered into the CBT Framework Tobacco Sales Agreement, (iii) the Company and Alliance One International entered into the Framework Tobacco Purchase Agreement and (iv) CBT and Alliance One Brazil entered into the CBT Framework Tobacco and Services Purchase Agreement. The term of these four Framework Agreements have been extended pursuant to the 2022 Extension Agreements entered into on 29 December 2022.

EXTENSION OF THE FRAMEWORK AGREEMENTS

Pursuant to the terms of the Framework Agreements and the 2022 Extension Agreements, the term of each of the Framework Agreements will end on 31 December 2023 and the parties may further extend the term in writing after arm's length negotiation, subject to compliance with the Listing Rules and other applicable laws.

On 20 December 2023, the Group and the Alliance One Group entered into the 2023 Extension Agreements to extend the term of each of (i) the Framework Tobacco Sales Agreement, (ii) the CBT Framework Tobacco Sales Agreement, (iii) the Framework Tobacco Purchase Agreement and (iv) the CBT Framework Tobacco and Services Purchase Agreement, for a period of one year from 1 January 2024 to 31 December 2024.

Save for the extension of term, the transactions under each of (i) the Framework Tobacco Sales Agreement, (ii) the CBT Framework Tobacco Sales Agreement, (iii) the Framework Tobacco Purchase Agreement and (iv) the CBT Framework Tobacco and Services Purchase Agreement will be conducted on the same terms and pricing policies as disclosed in the 2021 Circular during the extended term.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CTIB is a wholly-owned subsidiary of the Company, and CBT is a non-wholly-owned subsidiary of the Company and is owned as to 51% by the Company through CTIB and 49% by Alliance One Brazil, a wholly-owned subsidiary of Alliance One International. As such, each of Alliance One International and Alliance One Brazil is a connected person of the Company at the subsidiary level by virtue of holding 49% of the total issued share capital of CBT, and the 2023 Extension Agreements as well as the transactions thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that (i) each of Alliance One International and Alliance One Brazil is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules and transactions carried out in the ordinary course of business of the Group under the Framework Agreements are continuing connected transactions of the Company under Chapter 14A of the Listing Rules; (ii) one or more of the applicable percentage ratios of the annual caps (on an aggregated basis) under the Listing Rules for both (a) the sale of tobacco transactions, and (b) the purchase of agricultural materials, tobacco and services transactions under the Framework Agreements are 5% or more; and (iii) the Board (including all the independent non-executive Directors) has approved the 2023 Extension Agreements and transactions thereunder (including the annual caps) and all the independent non-executive Directors have confirmed that the relevant terms of the 2023 Extension Agreements and the transactions thereunder (including the annual caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the 2023 Extension Agreements and the transactions thereunder (including the annual caps) are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

BACKGROUND

Reference is made to the 2021 Circular and December 2022 Announcement in respect of, among others, the Framework Agreements and the 2022 Extension Agreements.

Since 26 November 2021, CTIB has become a wholly-owned subsidiary of the Company, and Alliance One Brazil has become a connected person of the Company at the subsidiary level by virtue of holding 49% of the total issued share capital of CBT (a non-wholly-owned subsidiary of CTIB). Accordingly, transactions with Alliance One Group carried out by the Company and CBT constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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EXTENSION OF THE FRAMEWORK AGREEMENTS

Pursuant to the terms of the Framework Agreements and the 2022 Extension Agreements, the term of each of the Framework Agreements will end on 31 December 2023 and the parties may further extend the term in writing after arm's length negotiation, subject to compliance with the Listing Rules and other applicable laws.

On 20 December 2023, the Group and the Alliance One Group entered into the 2023 Extension Agreements to extend the term of each of (i) the Framework Tobacco Sales Agreement, (ii) the CBT Framework Tobacco Sales Agreement, (iii) the Framework Tobacco Purchase Agreement and (iv) the CBT Framework Tobacco and Services Purchase Agreement, for a period of one year from 1 January 2024 to 31 December 2024.

Save for the extension of term, the transactions under each of (i) the Framework Tobacco Sales Agreement, (ii) the CBT Framework Tobacco Sales Agreement, (iii) the Framework Tobacco Purchase Agreement and (iv) the CBT Framework Tobacco and Services Purchase Agreement will be conducted on the same terms and pricing policies as disclosed in the 2021 Circular during the extended term. For principal terms of the Framework Agreements, please refer to the sections headed (i) "Continuing Connected Transactions – Framework Tobacco Sales Agreement – Principal terms", (ii) "Continuing Connected Transactions – CBT Framework Tobacco Sales Agreement – Principal terms", (iii) "Continuing Connected Transactions – Framework Tobacco Purchase Agreement – Principal terms", and (iv) "Continuing Connected Transactions – CBT Framework Tobacco and Services Purchase Agreement – Principal terms" of the 2021 Circular.

SALE OF TOBACCO TRANSACTIONS PURSUANT TO THE FRAMEWORK TOBACCO SALES AGREEMENT AND THE CBT FRAMEWORK TOBACCO SALES AGREEMENT

Historical transaction amounts

Below sets forth the historical amounts of the sale of tobacco transactions under the Framework Tobacco Sales Agreement and the CBT Framework Tobacco Sales Agreement which constituted connected transactions of the Company for the year ended 31 December 2022 and for the eleven months ended 30 November 2023, respectively.

	For the year ended 31 December 2022 <i>(US\$ million)</i>	For the eleven months ended 30 November 2023 <i>(US\$ million)</i>
Framework Tobacco Sales Agreement	78.40	48.98
CBT Framework Tobacco Sales Agreement	61.73	67.02
Total	140.13	116.00

Annual caps

The annual caps in respect of the sale of tobacco transactions under the Framework Tobacco Sales Agreement and the CBT Framework Tobacco Sales Agreement for the year ending 31 December 2024 which constituted connected transactions of the Company shall be the following:

	For the year ending 31 December 2024 <i>(US\$ million)</i>
Framework Tobacco Sales Agreement	85.02
CBT Framework Tobacco Sales Agreement	140.45
Total	225.47

The above annual caps for the sale of tobacco leaves for the year ending 31 December 2024 are determined with reference to the following factors:

- (a) the historical transaction volume and amounts in relation to the sale of tobacco leaves to Alliance One Group;
- (b) the expected demand for tobacco leaves of end customers who procure through the Alliance One Group, taking into account the number of end customers who had made purchases in the past, historical purchase amounts and the average historical growth rates in such end customers' demands;
- (c) the expected increase in the amount of tobacco leaves and tobacco products to be sold to the Alliance One Group, taking into account average historical growth rates in the sales volume;
- (d) the current and expected production capacity of tobacco leaves producers who supply to the Group, taking into account their historical performance and expected expansion in the number of tobacco leaves producers who may supply to the Group;
- (e) the expected cost of procurement from tobacco leaves producers, taking into account the average historical costs and expected increase in costs;
- (f) the expected increase in the unit selling price of the tobacco leaves sold to the Alliance One Group due to the scarcity of marketable tobacco leaves from Chinese Mainland, the increase in demand of overseas customers, increase in procurement costs and the trend of rising international tobacco leaves price;
- (g) for transactions under the CBT Framework Tobacco Sales Agreement, the sales volume is expected to increase in 2024. As the delivery of certain tobacco leaves sold in 2023 may be delayed until 2024, the overall delivery volume in 2024 is expected to increase compared to that in 2023.

PURCHASE OF AGRICULTURAL MATERIALS, TOBACCO AND SERVICES TRANSACTIONS PURSUANT TO THE FRAMEWORK TOBACCO PURCHASE AGREEMENT AND THE CBT FRAMEWORK TOBACCO AND SERVICES PURCHASE AGREEMENT

Historical transaction amounts

Below sets forth the historical amounts of the purchase of agricultural materials, tobacco and services transactions under the Framework Tobacco Purchase Agreement and the CBT Framework Tobacco and Services Purchase Agreement which constituted connected transactions of the Company for the year ended 31 December 2022 and the eleven months ended 30 November 2023, respectively.

	For the year ended 31 December 2022 <i>(US\$ million)</i>	For the eleven months ended 30 November 2023 <i>(US\$ million)</i>
Framework Tobacco Purchase Agreement	165.86	243.28
CBT Framework Tobacco and Services Purchase Agreement	47.83	42.49
Total	<u>213.69</u>	<u>285.78</u>

Annual caps

The annual caps in respect of the purchase of agricultural materials, tobacco and services transactions under the Framework Tobacco Purchase Agreement and the CBT Framework Tobacco and Services Purchase Agreement which constituted connected transactions of the Company for the year ending 31 December 2024 shall be the following:

	For the year ending 31 December 2024 <i>(US\$ million)</i>
Framework Tobacco Purchase Agreement	366.00
CBT Framework Tobacco and Services Purchase Agreement	<u>48.55</u>
Total	<u><u>414.55</u></u>

The above annual caps for the purchase of agricultural materials, tobacco leaves and processing services for the year ending 31 December 2024 are determined with reference to the following factors:

- (a) the historical transaction volume and amounts in relation to the purchased agricultural materials, tobacco leaves and processing services, including the historical seasonal trend that the majority of tobacco leaves purchases will be concentrated during the year end, due to the growth and shipping cycle of tobacco leaves;
- (b) the expected demand for tobacco leaf products of end customers, taking into account average historical growth rates in demands and their current and expected requirements in relation to the quality and grade of tobacco leaf products, as well as their production plans and orders for the year ahead;
- (c) in relation to the purchase of agricultural materials and tobacco leaves, the current and expected production capacity of Alliance One Group, taking into account its historical production volume and production quality;
- (d) for transactions under the Framework Tobacco Purchase Agreement, as the international shipping situation is projected to gradually normalize in 2024, the tobacco products planned to be shipped in 2024 is expected to arrive on schedule; and
- (e) in relation to the transactions under the CBT Framework Tobacco and Services Purchase Agreement, in relation to processing services, the current and expected processing capacity of Alliance One Brazil, taking into account its current processing capability and expected expansion in processing facilities, as well as the CBT's expected demand of such services, taking into account an expected increase of 5% to 10% of tobacco producers engaged by CBT in 2024.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 EXTENSION AGREEMENTS

The Directors (including all the independent non-executive Directors) are of the view that: (i) in respect of the Group's import businesses, as the Group has established a long-term and stable procurement relationship with the relevant counterparties of the procurement transactions under the tobacco leaf products import business, entering into the 2023 Extension Agreements will help the Group meet the domestic market demand for overseas tobacco leaf products; and (ii) in respect of the Group's export businesses and operations in Brazil, a long-term and stable sales relationship with the relevant counterparties of the sales transactions under the tobacco leaf products export business can help the Group further develop its business in the future, which can also generate more revenue for the Group by satisfying the overseas demand for tobacco leaf products in the global markets.

The Directors (including all the independent non-executive Directors) are of the view that the 2023 Extension Agreements are entered into in the ordinary and usual course of business of the Group and are on normal commercial terms or better, and the terms of the 2023 Extension Agreements (including the annual caps) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

To the best knowledge of the Company, none of the Directors has any material interest in the 2023 Extension Agreements and the transactions thereunder and therefore no Director was required to abstain from voting on the Board resolutions approving the 2023 Extension Agreements and the transactions thereunder (including the annual caps). The Directors (including all the independent non-executive Directors) have unanimously approved the resolution approving the 2023 Extension Agreements and the transactions thereunder (including the annual caps).

LISTING RULES IMPLICATIONS

As at the date of this announcement, CTIB is a wholly-owned subsidiary of the Company, and CBT is a non-wholly-owned subsidiary of the Company and is owned as to 51% by the Company through CTIB and 49% by Alliance One Brazil, a wholly-owned subsidiary of Alliance One International. As such, each of Alliance One International and Alliance One Brazil is a connected person of the Company at the subsidiary level by virtue of holding 49% of the total issued share capital of CBT, and the 2023 Extension Agreements and the transactions thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that (i) each of Alliance One International and Alliance One Brazil is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules and transactions carried out in the ordinary course of business of the Group under the Framework Agreements are continuing connected transactions of the Company under Chapter 14A of the Listing Rules; (ii) one or more of the applicable percentage ratios of the annual caps (on an aggregated basis) under the Listing Rules for both (a) the sale of tobacco transactions, and (b) the purchase of agricultural materials, tobacco and services transactions under the Framework Agreements are 5% or more; and (iii) the Board (including all the independent non-executive Directors) has approved the 2023 Extension Agreements and transactions thereunder (including the annual caps) and all the independent non-executive Directors have confirmed that the relevant terms of the 2023 Extension Agreements and the transactions thereunder (including the annual caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the 2023 Extension Agreements and the transactions thereunder (including the annual caps) are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

INFORMATION ON THE PARTIES

The Company

As at the date of this announcement, the Company is principally engaged in the following businesses: (i) export of tobacco leaf products to Southeast Asia, Hong Kong, Macau, and Taiwan; (ii) import of tobacco leaf products in Chinese Mainland from origin countries or regions around the world (other than from sanctioned countries and regions); (iii) export of cigarettes from CNTC Group directly to the duty-free outlets in the Kingdom of Thailand, the Republic of Singapore, Hong Kong, Macau, as well as duty-free outlets within the borders, but outside the customs area, of Chinese Mainland or sales of cigarettes from CNTC Group through distributors; (iv) export of new tobacco products to overseas market worldwide; and (v) procurement, processing, sale of tobacco leaves and procurement of agricultural materials inherent to tobacco production in Brazil and from Brazil to regions around the world (except Chinese Mainland).

CBT

CBT is a company incorporated under the laws of Brazil on 15 September 2011. As at the date of this announcement, CBT is a non-wholly-owned subsidiary of the Company and is owned as to 51% by the Company through its wholly-owned subsidiary, CTIB, and 49% by Alliance One Brazil, a wholly-owned subsidiary of Alliance One International. As at the date of this announcement, CBT is principally engaged in the procurement, processing, sale and export of tobacco leaves and the procurement of agricultural materials inherent to tobacco production.

Alliance One International

Alliance One International is a company organized under the laws of the State of North Carolina, United States in August 2018. As at the date of this announcement, Alliance One International is an indirectly wholly-owned subsidiary of Pyxus International, Inc. (formerly known as and successor of Alliance One International Inc.) and is principally engaged in the production, processing, procurement and sale of tobacco leaves. As at the date of this announcement, Pyxus International, Inc. is a company incorporated under the laws of the State of Virginia, United States in August 2020 and trading on the New York OTC Market (OTC: PYYX) and is principally engaged in providing tobacco agricultural products, ingredients and related services. Alliance One International is a connected person of the Company at the subsidiary level by virtue of holding 49% of the total issued share capital of CBT.

Alliance One Brazil

Alliance One Brazil is a company incorporated under the laws of Brazil on 28 October 1971. As at the date of this announcement, Alliance One Brazil is a wholly-owned subsidiary of Alliance One International and is principally engaged in the growing, procurement, processing and sale of tobacco leaves. Alliance One Brazil is a connected person of the Company at the subsidiary level by virtue of holding 49% of the total issued share capital of CBT.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“2021 Circular”	the circular of the Company dated 29 September 2021 in respect of, among others, the Framework Agreements
“2022 Extension Agreements”	collectively, the extension agreements dated 29 December 2022 entered into between the Group and the Alliance One Group to extend the term of each of (i) the Framework Tobacco Sales Agreement, (ii) the CBT Framework Tobacco Sales Agreement, (iii) the Framework Tobacco Purchase Agreement and (iv) the CBT Framework Tobacco and Services Purchase Agreement for a period of one year from 1 January 2023 to 31 December 2023
“2023 Extension Agreements”	collectively, the extension agreements dated 20 December 2023 entered into between the Group and the Alliance One Group to extend the term of each of (i) the Framework Tobacco Sales Agreement, (ii) the CBT Framework Tobacco Sales Agreement, (iii) the Framework Tobacco Purchase Agreement and (iv) the CBT Framework Tobacco and Services Purchase Agreement for a period of one year from 1 January 2024 to 31 December 2024
“Alliance One Brazil”	Alliance One Brasil Exportadora de Tabacos Ltda., a company incorporated in Brazil on 28 October 1971 with limited liability
“Alliance One Group”	Alliance One International and its subsidiaries, including Alliance One Brazil
“Alliance One International”	Alliance One International, LLC, a company organized under the laws of the State of North Carolina, United States in August 2018
“Board”	the board of Directors of the Company
“Brazil”	the Federative Republic of Brazil
“CBT”	China Brasil Tabacos Exportadora S.A., a company incorporated in Brazil on 15 September 2011 with limited liability

“CBT Framework Tobacco and Services Purchase Agreement”	the framework agreement dated 23 September 2021 in relation to the continuing connected transactions for the purchase of agricultural materials, tobacco and services entered into between CBT and Alliance One Brazil
“CBT Framework Tobacco Sales Agreement”	the framework agreement dated 23 September 2021 in relation to the continuing connected transactions for the sale of tobacco entered into between CBT and Alliance One International
“Chinese Mainland”	PRC excluding Hong Kong, Macau Special Administrative Region and Taiwan
“CNTC”	China National Tobacco Corporation* (中國煙草總公司), an enterprise incorporated in the PRC, and the ultimate controlling shareholder of the Company
“CNTC Group”	CNTC and its subsidiaries
“Company”	China Tobacco International (HK) Company Limited (中煙國際(香港)有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 6055)
“CTIB”	China Tabaco Internacional do Brasil Ltda. (中煙國際巴西有限公司), a company incorporated in Brazil on 6 June 2002 with limited liability and a wholly-owned subsidiary of the Company
“CTIG”	China Tobacco International Group Limited (中煙國際集團有限公司), the controlling shareholder of the Company and a wholly-owned subsidiary of CNTC
“December 2022 Announcement”	the announcement of the Company dated 29 December 2022 in respect of, among others, the 2022 Extension Agreements
“Directors”	the directors of the Company
“Framework Agreements”	collectively, (i) the Framework Tobacco Sales Agreement, (ii) the CBT Framework Tobacco Sales Agreement, (iii) the Framework Tobacco Purchase Agreement and (iv) the CBT Framework Tobacco and Services Purchase Agreement

“Framework Tobacco Purchase Agreement”	the framework agreement dated 23 September 2021 in relation to the continuing connected transactions for the purchase of tobacco entered into between the Company and Alliance One International
“Framework Tobacco Sales Agreement”	the framework agreement dated 23 September 2021 in relation to the continuing connected transactions for the sale of tobacco entered into between the Company and Alliance One International
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percent.

* *for identification purpose only*

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

Hong Kong, 20 December 2023

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