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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)**

**REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

Reference is made to the circular of the Company dated 29 September 2021 (the “**Circular**”) in relation to, among other things, the continuing connected transactions entered into between the Company and its subsidiaries (collectively, the “**Group**”) on one hand and Alliance One Group on the other hand.

On 26 November 2021, the Company completed the acquisition (the “**Acquisition**”) of the entire issued and outstanding quotas of China Tabaco Internacional do Brasil Ltda. (中煙國際巴西有限公司) (“**CTIB**”) from China Tobacco International Group Limited (中煙國際集團有限公司) (“**CTIG**”), the controlling shareholder of the Company, pursuant to the terms and conditions of the Quota Purchase Agreement dated 23 September 2021 entered into by the Company and CTIG. CBT, a non-wholly owned subsidiary of CTIB, has historically entered into transactions with Alliance One International and its subsidiaries (including Alliance One Brazil) in relation to (i) the sale of tobacco transactions, and (ii) the purchase of agricultural materials, tobacco and services transactions in the ordinary course of its business. The Company has also historically entered into transactions with Alliance One International in relation to the sale and purchase of tobacco in the ordinary course of its business. Immediately upon closing of the Acquisition (the “**Closing**”) on 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. Accordingly, such existing transactions with Alliance One Group carried out by the Company and CBT have become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the Circular, to regulate such existing transactions with Alliance One Group following Closing and to comply with relevant requirements under the Listing Rules, on 23 September 2021, four framework agreements have been entered into, including (a) the Framework Tobacco Sales Agreement between the Company and Alliance One International, (b) the CBT Framework Tobacco Sales Agreement between CBT and Alliance One International, (c) the Framework Tobacco Purchase Agreement between the Company and Alliance One International and (d) the CBT Framework Tobacco and Services Purchase Agreement between CBT and Alliance One Brazil (collectively, the “**Connected Transactions Agreements**”). The initial term of each of the Connected Transactions Agreements commenced on 26 November 2021 and will end on 31 December 2022. For further details of the Acquisition and the Connected Transactions Agreements, please refer to the Circular.

Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Circular.

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

### **Existing annual caps**

As sale of tobacco transactions contemplated under both the Framework Tobacco Sales Agreement and the CBT Framework Tobacco Sales Agreement are conducted between the Group and the Alliance One Group, the sale of tobacco transactions are calculated on an aggregated basis. For the year ending 31 December 2022, the existing annual caps for the sale of tobacco transactions contemplated under the Framework Tobacco Sales Agreement and the CBT Framework Tobacco Sales Agreement are US\$76.0 million and US\$65.0 million, respectively, with an aggregated existing annual cap of US\$141.0 million.

### **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 period from the 26 November 2021 to 31 December 2021 and for the four months ended 30 April 2022, respectively.

	<b>For the period from 26 November 2021 to 31 December 2021 (US\$ million)</b>	<b>For the four months ended 30 April 2022 (US\$ million)</b>
Framework Tobacco Sales Agreement	2.3	32.1
CBT Framework Tobacco Sales Agreement	5.2	21.0
Total	7.5	53.1

Based on the information available to the Company, as at the date of this announcement, none of the existing annual caps for the year ending 31 December 2022 for sale of tobacco transactions (i) under the Framework Tobacco Sales Agreement and (ii) under the CBT Framework Tobacco Sales Agreement and (iii) on an aggregated basis has been exceeded.

## Revision of the annual caps

In view of various factors discussed below, the Board would like to adjust upward the existing annual caps for sale of tobacco transactions contemplated (i) under the Framework Tobacco Sales Agreement, (ii) under the CBT Framework Tobacco Sales Agreement and (iii) on an aggregated basis, each for the year ending 31 December 2022. The revised annual caps for the sale of tobacco transactions contemplated under the Framework Tobacco Sales Agreement and the CBT Framework Tobacco Sales Agreement for the year ending 31 December 2022 are US\$104.0 million and US\$79.0 million, respectively, with an aggregated revised annual cap of US\$183.0 million (collectively, the “**Revised Annual Caps for Sale of Tobacco Transactions**”).

The Revised Annual Caps for Sale of Tobacco Transactions are determined with reference to the following factors:

- (A) with respect to the Framework Tobacco Sales Agreement,
  - (i) the historical transaction amount of the sale of tobacco transactions under the Framework Tobacco Sales Agreement during the period from 1 January 2022 to 30 April 2022;
  - (ii) the existing order of approximately US\$27.0 million for tobacco leaves from Alliance One Group, which is expected to be shipped by 31 December 2022; and
  - (iii) the expected increasing demand for tobacco leaves from Alliance One Group, mainly due to the expected increasing demand from Alliance One Group’s customers in Southeast Asia.
  
- (B) with respect to the CBT Framework Tobacco Sales Agreement,
  - (i) the historical transaction amount of the sale of tobacco transactions under the CBT Framework Tobacco Sales Agreement during the period from 1 January 2022 to 30 April 2022;
  - (ii) the increase in sales prices of tobacco leaves that CBT sells to Alliance One Group under the CBT Framework Tobacco Sales Agreement, reflecting the increase in cost of sales borne by CBT; such increase in cost of sales mainly results from the increase in prices of green tobacco in Brazil, which is one of the primary raw materials of tobacco leaves; and
  - (iii) the increase in sales prices of tobacco leaves that CBT sells to Alliance One Group, which are in U.S. dollars, reflecting the currency appreciation of Brazilian reais against U.S. dollars.

Save for the Revised Annual Caps for Sale of Tobacco Transactions, all other terms of the Framework Tobacco Sales Agreement and the CBT Framework Tobacco Sales Agreement remain unchanged. For principal terms of the Framework Tobacco Sales Agreement and the CBT Framework Tobacco Sales Agreement, please refer to the sections headed “Continuing Connected Transactions – Framework Tobacco Sales Agreement – Principal terms” and “Continuing Connected Transactions – CBT Framework Tobacco Sales Agreement – Principal terms” of the Circular.

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

### **Existing annual caps**

As purchase of agricultural materials, tobacco and service transactions contemplated under both the Framework Tobacco Purchase Agreement and the CBT Framework Tobacco and Services Purchase Agreement are conducted between the Group and the Alliance One Group, the purchase of agricultural materials, tobacco and service transactions are calculated on an aggregated basis. For the year ending 31 December 2022, the existing annual caps for the purchase of agricultural materials, tobacco and service transactions contemplated under the Framework Tobacco Purchase Agreement and the CBT Framework Tobacco and Services Purchase Agreement are US\$264.4 million and US\$48.0 million, respectively, with an aggregated existing annual cap of US\$312.4 million.

### **Historical transaction amounts**

Below sets forth the historical amounts of the purchase of agricultural materials, tobacco and service 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 period from 26 November 2021 to 31 December 2021 and for the four months ended 30 April 2022, respectively.

	<b>For the period from 26 November 2021 to 31 December 2021 (US\$ million)</b>	<b>For the four months ended 30 April 2022 (US\$ million)</b>
Framework Tobacco Purchase Agreement	30.5	61.2
CBT Framework Tobacco and Services Purchase Agreement	1.5	9.6
Total	32.0	70.8

Based on the information available to the Company, as at the date of this announcement, none of the existing annual caps for the year ending 31 December 2022 for purchase of agricultural materials, tobacco and service transactions (i) under the Framework Tobacco Purchase Agreement and (ii) under the CBT Framework Tobacco and Services Purchase Agreement and (iii) on an aggregated basis for the year ending 31 December 2022 has been exceeded.

## Revision of the annual caps

In view of various factors discussed below, the Board would like to adjust upward the existing annual caps (i) for purchase of agricultural materials, tobacco and service transactions contemplated under the CBT Framework Tobacco and Services Purchase Agreement and (ii) accordingly, for purchase of agricultural materials, tobacco and service transactions contemplated under the Framework Tobacco Purchase Agreement and the CBT Framework Tobacco and Services Purchase Agreement on an aggregated basis, each for the year ending 31 December 2022. The existing annual cap for the purchase of tobacco leaves transactions contemplated under the Framework Tobacco Purchase Agreement for the year ending 31 December 2022 remains unchanged. The revised annual caps (i) for purchase of agricultural materials, tobacco and service transactions contemplated under the CBT Framework Tobacco and Services Purchase Agreement and (ii) accordingly, for purchase of agricultural materials, tobacco and service transactions contemplated under the Framework Tobacco Purchase Agreement and the CBT Framework Tobacco and Services Purchase Agreement on an aggregated basis for the year ending 31 December 2022 (the “**Revised Annual Caps for Purchase of Tobacco and Services Transactions**”, together with the Revised Annual Caps for Sale of Tobacco Transactions, the “**Revised Annual Caps**”) are US\$75.2 million and US\$339.6 million, respectively.

The Revised Annual Caps for Purchase of Tobacco and Services Transactions are determined with reference to the following factors:

- (i) the historical transaction amount of the purchase of agricultural materials, tobacco and service transactions contemplated under the CBT Framework Tobacco and Services Purchase Agreement during the period from 1 January 2022 to 30 April 2022;
- (ii) the increase in prices of fertilizers, which are one of the primary agricultural materials that CBT procures from Alliance One Group under the CBT Framework Tobacco and Services Purchase Agreement; such increase in prices of fertilizers mainly results from interruptions in international logistics involved in the supply of the fertilizers due to the impact of the COVID-19 pandemic and the Russia-Ukraine war, where a significant portion of such fertilizers is sourced from Russia; and
- (iii) the increase in purchase prices of tobacco leaves and services that CBT procures from Alliance One Group, reflecting the currency appreciation of Brazilian reais against U.S. dollars.

Save for the Revised Annual Caps for Purchase of Tobacco and Services Transactions, all other terms of the Framework Tobacco Purchase Agreement and the CBT Framework Tobacco and Services Purchase Agreement remain unchanged. For principal terms of the Framework Tobacco Purchase Agreement and the CBT Framework Tobacco and Services Purchase Agreement, please refer to the sections headed “Continuing Connected Transactions – Framework Tobacco Purchase Agreement – Principal terms” and “Continuing Connected Transactions – CBT Framework Tobacco and Services Purchase Agreement – Principal terms” of the Circular.

## LISTING RULE 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 transactions contemplated under the Connected Transactions Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, the Company shall re-comply with the announcement and independent shareholders' approval requirements (as applicable) before the existing annual caps for the Connected Transactions Agreements are exceeded. 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 Connected Transactions Agreements are continuing connected transactions of the Company under Chapter 14A of the Listing Rules; (ii) one or more of the applicable percentage ratios of the annual caps (on an aggregated basis) under the Listing Rules for both (a) the sale of tobacco transactions, and (b) the purchase of agricultural materials, tobacco and service transactions under the Connected Transactions Agreements are 5% or more; and (iii) the Board (excluding Mr. Shao Yan but including the independent non-executive Directors) have approved the Revised Annual Caps and confirmed that the relevant terms of the Connected Transactions Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Revised 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.

Mr. Shao Yan, a non-executive Director and chairman of the Board, who also concurrently holds executive positions at China Tobacco International Group Limited (中煙國際集團有限公司), the controlling shareholder of the Company, has abstained from voting on the board resolution to approve the Revised Annual Caps. All remaining Directors (including all the independent non-executive Directors) do not have a material interest in the Connected Transactions Agreements and the transactions contemplated thereunder and they unanimously approved the resolution approving the Revised Annual Caps. The Board (excluding Mr. Shao Yan but including the independent non-executive Directors) considers that the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole.



## 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 China from origin countries or regions around the world (other than from sanctioned countries and regions, including Republic of Zimbabwe); (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 China 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 China).

### 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 sale of agricultural materials inherent to tobacco production.

### Alliance One International

Alliance One International is a company organized under the laws 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 and is principally engaged in the production, processing, procurement and sale of tobacco leaves. As at the date of this announcement, Pyxus is a company incorporated under the laws 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 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.

By order of the board of directors of  
**China Tobacco International (HK) Company Limited**  
**Shao Yan**  
*Chairman*

Hong Kong, 30 May 2022

*As at the date of this announcement, the board of directors of the Company 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.*