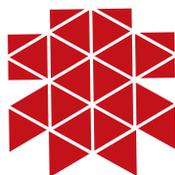


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CHINA WOOD
中木國際

CHINA WOOD INTERNATIONAL HOLDING CO., LIMITED

中木國際控股有限公司

(Joint Provisional Liquidators appointed)

(For restructuring purposes only)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1822)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$145.4 million for the year ended 31 December 2022 (2021: approximately HK\$116.1 million).
- The Group's net loss attributable to owners of the Company for the year ended 31 December 2022 amounted to approximately HK\$150.1 million (2021: approximately HK\$274.6 million).
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of China Wood International Holding Co., Limited (the “**Company**”) hereby announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022, together with the comparative audited figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	5	145,378	116,067
Cost of sales and services rendered		<u>(121,266)</u>	<u>(101,651)</u>
Gross profit		24,112	14,416
Other income, gains and (losses), net	6	3,139	(48,192)
Allowances for expected credit losses (“ECLs”) on trade, loan and other receivables, net		(35,578)	(2,850)
Provision for financial guarantee		(1,000)	(2,000)
Selling and distribution expenses		(981)	(386)
Administrative expenses		(22,443)	(15,762)
Other expenses		<u>–</u>	<u>(101,823)</u>
Loss from operations		(32,751)	(156,597)
Finance costs	7	<u>(113,738)</u>	<u>(117,730)</u>
Loss before tax	8	(146,489)	(274,327)
Income tax expense	9	<u>(3,913)</u>	<u>(233)</u>
Loss for the year		<u>(150,402)</u>	<u>(274,560)</u>
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>11,369</u>	<u>(2,760)</u>
Other comprehensive income for the year, net of tax		<u>11,369</u>	<u>(2,760)</u>
Total comprehensive income for the year		<u>(139,033)</u>	<u>(277,320)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(150,133)	(274,550)
Non-controlling interests		(269)	(10)
		(150,402)	(274,560)
 Total comprehensive income			
for the year attributable to:			
Owners of the Company		(138,035)	(277,210)
Non-controlling interests		(998)	(110)
		(139,033)	(277,320)
 Loss per share			
Basic (HK dollar)	<i>10</i>	(0.44)	(0.80)
Diluted (HK dollar)		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		19,121	22,994
Right-of-use assets		505	1,907
Goodwill		–	–
Intangible assets		22,434	24,351
Interest in an associate		–	–
Deferred tax assets		5,780	6,183
Financial assets at fair value through profit or loss (“FVTPL”)	<i>11</i>	12,255	12,794
		60,095	68,229
Current assets			
Inventories		14,887	70,457
Trade receivables	<i>12</i>	68,591	33,200
Loan receivable	<i>13</i>	–	–
Prepayments, deposits and other receivables		48,463	56,400
Restricted bank balances		59	–
Cash and bank balances		4,060	2,539
		136,060	162,596

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities			
Trade payables	14	57,621	96,675
Other payables and accruals		647,535	556,225
Bank and other borrowings		846,873	797,978
Lease liabilities		785	1,362
Financial guarantee	15	36,000	35,000
Tax payable		3,758	–
		<u>1,592,572</u>	<u>1,487,240</u>
Net current liabilities		<u>(1,456,512)</u>	<u>(1,324,644)</u>
Total assets less current liabilities		<u>(1,396,417)</u>	<u>(1,256,415)</u>
Non-current liabilities			
Lease liabilities		209	1,028
Deferred tax liabilities		6,226	6,376
		<u>6,435</u>	<u>7,404</u>
NET LIABILITIES		<u><u>(1,402,852)</u></u>	<u><u>(1,263,819)</u></u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	16	68,515	68,515
Reserves		(1,462,535)	(1,324,500)
		<u>(1,394,020)</u>	<u>(1,255,985)</u>
Non-controlling interests		<u>(8,832)</u>	<u>(7,834)</u>
CAPITAL DEFICIENCY		<u><u>(1,402,852)</u></u>	<u><u>(1,263,819)</u></u>

NOTES

1. CORPORATE INFORMATION

(i) General information

China Wood International Holding Co., Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. During the reporting period, the Company’s principal place of business in Hong Kong is located at 1601, 16/F, Sun House, 90 Connaught Road Central, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company and the Group is principally engaged in (i) wood-related business, including the processing and distribution of furniture wood, and the manufacturing and sales of antique-style wood furniture and other wooden products; and (ii) car rental business in the PRC.

As at 31 December 2022, the directors of the Company are of the opinion that Sino Merchant Car Rental Limited (“**Sino Merchant**”), a company incorporated in the British Virgin Islands (“**BVI**”), is the immediate and ultimate holding company of the Company; Ms. Deng Shufen and Ms. Liu Jiangyuan, the shareholders of Sino Merchant, are the ultimate controlling parties of the Company.

(ii) Appointment of the joint provisional liquidators for restructuring purposes only

Having explored different options to restructure the debts of the Company, the Board decided to implement a management led restructuring under a court-supervised provisional liquidation regime pursuant to the laws of the Cayman Islands, commonly known as a “light touch” provisional liquidation, which provides a statutory moratorium prohibiting the commencement or continuance of any proceedings against the Company without the leave of the Grand Court of the Cayman Islands (the “**Cayman Court**”) in the Cayman Islands.

To facilitate the Company’s financial restructuring, on 2 February 2021, Osman Mohammed Arab and Lai Wing Lun at RSM Corporate Advisory (Hong Kong) Limited, and Martin Nicholas John Trott of R&H Restructuring (Cayman) Ltd., were appointed as joint provisional liquidators (“**JPLs**”) of the Company (for restructuring purposes) on a light touch basis for restructuring purposes was presented and filed with the Cayman Court by the Company.

The application for the appointment of JPL (the “**JPL Application**”) was heard before the Cayman Court on 2 February 2021 (Cayman Islands time). The Cayman Court made the orders as sought by the Company under the JPL Application, inter alia, (i) Osman Mohammed Arab and Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Martin Nicholas John Trott of R&H Restructuring (Cayman) Ltd., were appointed as JPLs of the Company on a light touch basis for restructuring purposes. Please refer to the announcements of the Company dated 2 February 2021 and 5 February 2021 for details.

(iii) Restructuring

On 28 January 2022, the Company's solicitors has taken out an ex parte originating summons with the High Court of the Hong Kong Special Administrative Region (the "**Hong Kong Court**") for the hearing on 8 February 2022 of an application by the Company for an order to convene a meeting of the creditors (the "**Scheme Meeting**") of the Company to consider and, if thought fit, approve, with or without modification, a scheme of arrangement (the "**Scheme**") proposed by the Company, pursuant to section 670 of the Companies Ordinance (Cap. 622). By an order of the Hong Kong Court, the Scheme Meeting was convened on 11 March 2022.

On 16 February 2022 (after trading hours), the Company, the JPLs, the Investor and Mr. Lyu NingJiang entered into the conditional restructuring agreement, pursuant to which the Company will carry out the Restructuring Transactions involving (i) the Capital Reorganisation; (ii) the Investor's Subscription; and (iii) the Scheme. Please refer to the announcement of the Company dated 10 March 2022 for details of the Restructuring Agreement and the Restructuring Transactions.

At the Scheme Meeting convened and held on 11 March 2022, the Scheme was approved by the requisite statutory majorities of the creditors. On 22 March 2022, the Company's solicitors received a letter from the Hong Kong Court informing that Mr. Justice Harris will make an order to sanction the Scheme without modification. The sealed sanction order was delivered to the Registrar of Companies in Hong Kong for registration on 26 April 2022.

As announced in the announcement of the Company dated 10 March 2022 and the circular in relation to the Restructuring Transactions and the Whitewash Waiver dated 5 August 2022, the Funding Agreement dated 31 December 2020 was entered into between the Company as the borrower and the investor as the lender to provide the funding for the Company to continue and further develop its business. On 17 October 2022, the Funding Agreement, the terms and funding already provided and to be provided thereunder, have been sanctioned by the Cayman Court.

All the proposed resolutions in relation to the Capital Reorganisation, the Investor's Subscription, the Scheme, and the Whitewash Waiver were duly passed by the Shareholders or the Independent Shareholders (as the case may be) at the extraordinary general meeting held on 30 August 2022, and the Executive Director of the Corporate Finance Department of SFC has granted the Whitewash Waiver on 22 August 2022 subject to, among other matters, no acquisition or disposal of voting rights being made by the Investor and its concert parties between the date of the announcement of the Investor's Subscription and the completion of the Investor's Subscription. Please refer to the circular of the Company dated 5 August 2022 and the announcement of the Company dated 30 August 2022 for details.

The legal adviser of the Company as to Cayman Islands law is preparing the petition to be made to the Cayman Court for an order confirming the capital reorganisation.

The Capital Reorganisation, the Investor's Subscription, and the Scheme are conditional upon the satisfaction of the conditions set out in the paragraphs headed "Conditions for Capital Reorganisation", "Conditions of the Investor's Subscription" and "Conditions precedent to the Scheme" in the circular of the Company dated 5 August 2022. Please refer to the circular of the Company dated 5 August 2022 for details.

(iv) Suspension of trading in the shares of the Company

The Board has appointed a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as the financial adviser to the Company on matters relating to the resumption of trading in the shares of the Company on the Stock Exchange. The Company has submitted a resumption plan to the Stock Exchange on 16 March 2023 to address the Resumption Guidance. The Company is working closely with its professional advisers and taking appropriate steps to fulfill the conditions in the Resumption Guidance as stated in the Company's announcement dated 25 October 2021 and will update the shareholders and potential investors of the Company on, among others, the progress as and when appropriate.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

Going concern assumption

The Group incurred a loss of HK\$150,402,000 for the year ended 31 December 2022 and as at 31 December 2022, the Group had net current liabilities and net liabilities of HK\$1,456,512,000 and HK\$1,402,852,000 respectively. The bank and other borrowings, and provision of claims of the Group amounted to HK\$846,873,000 and HK\$287,924,000, respectively, as of 31 December 2022. Furthermore, the Group recorded net operating cash outflow for the year ended 31 December 2022 with the Group's total cash and bank balances remaining at a low level of HK\$4,060,000 as of 31 December 2022.

As of 31 December 2022 and up to the approval date on these consolidated financial statements, the Group had the following major outstanding claims recorded by the Group (“**Claims**”):

- (i) Other borrowings amounted to approximately HK\$784,786,000 in default (the “**Defaulted Borrowings**”);
- (ii) Bank borrowings amounted to approximately HK\$14,101,000 in default and demanded by a bank for repayment (the “**Demanded Bank Loan**”);
- (iii) Borrowing of approximately HK\$11,371,000 in default and under a court order to repay the principal together with penalty and accrued interest thereon (the “**Claimed Loan**”);
- (iv) Provision for claims of HK\$200,000,000 in respect of claims by liquidators of a fund being wound up (the “**Claim Provision**”); and
- (v) Liquidated claims of approximately HK\$87,924,000 in relation to three litigations against the Group in prior years in which the Group was ordered by various court orders to settle during the years ended 31 December 2020, 2021, and 2022 (the “**Legal Provision**”).

As of the date of approval on these consolidated financial statements, the Group did not settle the amounts of the Defaulted Borrowings, the Demanded Bank Loan, the Claimed Loan, the Claim Provision and the Legal Provision. The Defaulted Borrowings, the Demanded Bank Loan, the Claimed Loan and the Claim Provision will be dealt with by the Restructuring that includes Capital Reorganisation, the Investor’s Subscription, the Scheme, and the Whitewash Waiver as disclosed in note 1 to the consolidated financial statements. The Legal Provision will be settled by internal financial resources generated from the Group’s future operations.

The aforementioned conditions indicate the existence of material uncertainties which cast significant doubts regarding the Group’s ability to continue as a going concern. Given these circumstances, the management of the Company has given careful consideration to the restructuring plans, future liquidity and performance of the Group, and the available sources of financing to determine whether the Group will have sufficient financial resources to continue as a going concern. To mitigate the Group’s liquidity pressure and improve its cashflows, management has implemented or will adopt certain plans and measures, including ongoing negotiation and implementation of the restructuring plans, as well as the following:

- (i) the Group will complete the pending conditions of Capital Reorganisation;
- (ii) the Group will fulfill the conditions precedent to the Investor’s Subscription;
- (iii) the Group will fulfill the conditions precedent to the Scheme to become effective;

- (iv) the Company will fulfill all resumption guidance and resume trading of its shares on the Stock Exchange and the Stock Exchange will grant the listing approval of any issuance of new securities by the Company; and
- (v) the Group will continue to take proactive measures to improve operating cash flow by controlling administrative costs and containing capital expenditure.

Management has prepared cash flow projections that cover a period of not less than twelve months from 31 December 2022. The directors are of the opinion that, after considering the abovementioned restructuring plans, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amendments.

(b) **New and revised HKFRSs in issue but not yet effective**

The Group has not early applied new standards, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning on 1 January 2022. These new standards, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SEGMENT INFORMATION

The Group has four operating segments as follows:

1. Car rental segment – primarily engages in the provision of car rental services;
2. Wood-related business segment – primarily engages in the processing and distribution of furniture wood, and the manufacturing and sales of antique-style wood furniture and other wooden products;
3. Financing services and investments segment – primarily engages in money lending business through the provision of loans and financial investment holding; and
4. Others segment – engages in provision of other services, such as public relations and property investment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which exclude unallocated interest income, unallocated other income and gains, unallocated depreciation, unallocated finance costs as well as corporate and other unallocated expenses.

Segment assets exclude certain financial assets at FVTPL, tax recoverable, cash and bank balances, restricted bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Car rental		Wood-related business		Financing services and investments		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales of goods	-	-	133,049	104,406	-	-	-	-	133,049	104,406
Car rental income	11,901	11,177	-	-	-	-	-	-	11,901	11,177
Service income	-	-	-	-	-	-	428	484	428	484
Revenue	<u>11,901</u>	<u>11,177</u>	<u>133,049</u>	<u>104,406</u>	<u>-</u>	<u>-</u>	<u>428</u>	<u>484</u>	<u>145,378</u>	<u>116,067</u>
Segment results	(1,318)	(67,029)	17,459	8,597	1,038	(86,859)	(9,946)	(13,218)	7,233	(158,509)
Unallocated interest income									19	210
Unallocated depreciation on property, plant and equipment									(32)	(139)
Unallocated allowances for ECLs on other receivables									(35,578)	(769)
Unallocated provision for financial guarantee									(1,000)	(2,000)
Corporate and other unallocated expenses									(12,778)	(7,842)
Unallocated finance costs									(104,353)	(105,278)
Loss before tax									<u>(146,489)</u>	<u>(274,327)</u>
Segment assets	46,275	55,064	96,508	113,274	12,770	13,309	87	88	155,640	181,735
Corporate and other unallocated assets									40,515	49,090
Total assets									<u>196,155</u>	<u>230,825</u>
Segment liabilities	104,069	121,863	188,869	268,667	40,950	40,950	2,509	2,508	336,397	433,988
Corporate and other unallocated liabilities									1,262,610	1,060,656
Total liabilities									<u>1,599,007</u>	<u>1,494,644</u>
Other segment information:										
Finance costs	127	2,724	-	-	-	-	9,258	9,728	9,385	12,452
Depreciation on property, plant and equipment	8,869	5,325	-	-	-	-	-	-	8,869	5,325
Depreciation on right-of-use assets	939	1,052	-	116	-	-	-	-	939	1,168
Impairment of right-of-use assets	-	244	-	-	-	-	-	-	-	244
Impairment of intangible assets	-	7,462	-	-	-	-	-	-	-	7,462
Capital expenditure	<u>11,044</u>	<u>18,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>459</u>	<u>11,044</u>	<u>18,173</u>

	The PRC		Hong Kong		Total	
	2022	2021	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	<u>145,378</u>	<u>116,067</u>	<u>-</u>	<u>-</u>	<u>145,378</u>	<u>116,067</u>
Non-current assets	<u>60,072</u>	<u>67,799</u>	<u>23</u>	<u>430</u>	<u>60,095</u>	<u>68,229</u>
Non-current assets (excluding financial instruments)	<u>47,817</u>	<u>55,005</u>	<u>23</u>	<u>430</u>	<u>47,840</u>	<u>55,435</u>

Revenue from major customers

Revenues from customers of corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	16,776	40,336
Customer B	11,991	18,850
Customer C	<u>23,667</u>	<u>-</u>

5. REVENUE

Disaggregation of revenue from contract with customers by major products or service line for the year are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
Contracts with customers within the scope of HKFRS 15:		
Sales of goods	133,049	104,406
Service income	<u>428</u>	<u>484</u>
	133,477	104,890
Other sources:		
Car rental income	<u>11,901</u>	<u>11,177</u>
	<u>145,378</u>	<u>116,067</u>

The Group derives revenue from the transfer of goods and services at a point in time and over time in the above major product line and geographical regions:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Time of revenue recognition:		
At a point in time	133,049	104,406
Over time	<u>428</u>	<u>484</u>
	<u>133,477</u>	<u>104,890</u>
Geographical market:		
The PRC	<u>133,477</u>	<u>104,890</u>

6. OTHER INCOME, GAINS AND (LOSSES), NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income		
Bank interest income	19	2
Government grants (<i>note i</i>)	65	–
Other interest income	–	322
Others (<i>note ii</i>)	3,925	19
	<u>4,009</u>	<u>343</u>
Gains and (losses), net		
Loss on disposal of items of property, plant and equipment, net	(1,822)	(2,177)
Fair value gains/(losses) on financial assets at FVTPL	975	(46,362)
(Loss)/gain on termination of leases, net	(23)	4
	<u>(870)</u>	<u>(48,535)</u>
	<u><u>3,139</u></u>	<u><u>(48,192)</u></u>

note :

- (i) The government grants for the year ended 31 December 2022 represents the grants in relation to the Employment Support Scheme of which the Group has complied with all the attached conditions and accordingly, such grants were recognised as other income during the year.
- (ii) Other income mainly included gross margin on metal trading of approximately HK\$3,100,000 (2021: HK\$Nil) and forfeiture of car rental receipts on early termination of contracts by client of approximately HK\$716,000 (2021: HK\$Nil).

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on lease liabilities	136	229
Interests on bank and other borrowings	113,184	117,445
Bank charges	418	56
	<u>113,738</u>	<u>117,730</u>

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	121,193	95,467
Depreciation on property, plant and equipment (<i>note a</i>)	8,901	5,464
Depreciation on right-of-use assets (<i>note a</i>)	939	1,168
Auditor's remuneration		
– audit services	1,050	1,070
– non-audit services	210	186
Employee benefit expenses (including directors' emoluments):		
Wages, salaries, allowances, bonuses and benefits in kind	6,150	4,084
Pension scheme contributions (defined contribution schemes) (<i>note b</i>)	767	261
	<u>6,917</u>	<u>4,345</u>
Exchange (gains)/losses, net	(21)	9
Fair value (gains)/losses on financial assets at FVTPL (<i>note c</i>)	(975)	46,362
Allowances for ECLs on trade receivables	–	1,020
Allowances for ECLs on other receivables	35,578	1,830
Provision for financial guarantee	1,000	2,000
Provision for claims (<i>note e</i>)	–	93,949
Impairment of right-of-use assets (<i>note d</i>)	–	244
Impairment of intangible assets (<i>note e</i>)	–	7,462
Write-off of property, plant and equipment (<i>note e</i>)	–	35
Loss on disposal of items of property, plant and equipment, net (<i>note c</i>)	1,822	2,177
Loss/(gain) on termination of leases, net (<i>note c</i>)	<u>23</u>	<u>(4)</u>

notes:

- (a) Depreciation on property, plant and equipment and right-of-use assets of approximately HK\$8,320,000 (2021: HK\$5,195,000) and HK\$875,000 (2021: HK\$1,052,000) respectively are included in cost of sales and services rendered.

- (b) As at 31 December 2022 and 2021, the Group had no forfeited contributions available to reduce its contributions to its pension schemes in future years.
- (c) The amount is included in other income, gains and (losses), net.
- (d) The amount is included in administrative expenses.
- (e) The amount is included in other expenses.

9. INCOME TAX EXPENSE

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — PRC Enterprise Income Tax		
Charge for the year	3,510	218
Deferred tax	403	15
	<hr/>	<hr/>
Income tax expense	<u>3,913</u>	<u>233</u>

Under the two-tiered profits rates regime, profits not exceeding HK\$2 million of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% based on the assessable profit in accordance with the tax rules and regulations in the PRC (2021: 25%).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Except for PRC Enterprise Income Tax, no provision of Hong Kong Profits Tax, and any other tax has been provided in the consolidated financial statements (2021: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of basic loss per share is based on:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company and loss for the purpose of calculating basic loss per share	<u>(150,133)</u>	<u>(274,550)</u>
	Number of shares	
	2022	2021
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purpose of calculating basic loss per share	<u>342,572,857</u>	<u>342,572,857</u>

(b) Diluted loss per share

No diluted loss per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2022 and 2021.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current financial assets designated at FVTPL		
Unlisted equity investments		
Zhongxin (Heilongjiang) Internet Microfinance Co., Ltd.* <i>(note i)</i>	–	–
Zuoshishi Technology Service (Beijing) Company Limited* <i>(note ii)</i>	11,225	11,045
Spring Power Holdings Limited <i>(note iii)</i>	1,030	1,749
	<u>12,255</u>	<u>12,794</u>

* *For identification purposes only*

- (i) As at 31 December 2022 and 2021, the Group has 2% of the issued share capital of an unlisted company incorporated in the PRC principally engaged in internet microfinance business.

The management engaged an independent qualified professional valuer to determine the fair value of this investment by applying the asset-based approach as at 31 December 2022 and 2021. Under the asset-based approach, the fair value of this investment refers to the fair values of various assets and liabilities on the statement of financial position of the investment as at the valuation date with reference to publicly available information of comparable companies.

- (ii) As at 31 December 2022 and 2021, the Group had 11% of the issued share capital of an unlisted company incorporated in the PRC principally engaged in the innovation service for start-up technology companies and related investment activities.

The management engaged an independent qualified professional valuer to determine the fair value of this investment by applying the income approach as at 31 December 2022 and 2021. The income approach measures the value of this investment by the present value of its future economic benefits.

- (iii) As at 31 December 2022 and 2021, the Group had 2.9% of the issued share capital of an unlisted company incorporated in the BVI. The investee is an investment holding company, with a major subsidiary, Hanson Robotics Limited, engaged in development and manufacture of humanlike robots.

As at 31 December 2022 and 2021, the management engaged an independent qualified professional valuer to determine the fair value of this investment. The valuer adopted the market approach to determine the valuation parameters derived from market prices and financial data of listed companies in a similar business and with a similar business model as that of the company being valued for the equity interest in this unlisted company.

- (iv) The fair values of these unlisted equity investments are measured using valuation technique with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy.

12. TRADE RECEIVABLES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	902,363	867,318
Less: Allowances for ECLs	<u>(833,772)</u>	<u>(834,118)</u>
	<u>68,591</u>	<u>33,200</u>

The Group's trading terms with its customers are mainly on credit with credit period generally ranging from 30 to 90 days, or could be longer under certain circumstances. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Overdue trade receivables are interest-bearing.

The Group generally does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

As at 31 December 2022, certain of the Group's other borrowings were secured by the Group's pledged trade receivables of gross amount of approximately HK\$600,639,000 (2021: HK\$600,639,000).

The ageing analysis of trade receivables based on the invoice date, and net of allowance for ECLs, is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	<u>68,591</u>	<u>33,200</u>

The carrying amounts of the Group's trade receivables are denominated in RMB.

13. LOAN RECEIVABLE

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan receivable	15,629	15,629
Less: Allowances for ECLs	<u>(15,629)</u>	<u>(15,629)</u>
Current portion	<u>–</u>	<u>–</u>

The loan receivable was made to an independent borrower and was secured by (i) the pledge of an aircraft leased to the borrower by a company wholly owned by the borrower's sole director; and (ii) 49% issued share capital of the borrower. The loan receivable, bears interest at 15% per annum and is repayable with a maturity period of 18 months from the date of agreement, was due on 21 March 2019. The borrower has defaulted in repayment on due date of 21 March 2019.

As at 31 December 2022, the allowances for ECLs in respect of the loan receivable was HK\$15,629,000 (2021: HK\$15,629,000).

14. TRADE PAYABLES

The ageing analysis of trade payables based on the invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	4,236	16,434
31 to 60 days	5,345	19,608
61 to 180 days	5,743	60,529
181 to 365 days	42,202	–
Over 365 days	95	104
	<u>57,621</u>	<u>96,675</u>

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days after the month-end statement.

15. FINANCIAL GUARANTEE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fair value of financial guarantee	<u>36,000</u>	<u>35,000</u>

As at 31 December 2022, the Group provided a corporate guarantee in favour of an independent third party in respect of a loan facility granted to an associate of the Group up to an aggregate amount of approximately HK\$204,960,000 (2021: HK\$204,960,000), of which approximately HK\$36,166,000 (2021: HK\$36,166,000) has been utilised.

During the year ended 31 December 2022, the loss allowances in respect of the financial guarantee of HK\$36,000,000 (2021: HK\$35,000,000) in accordance with ECL model was made under HKFRS 9. The additional allowances for ECL of approximately HK\$1,000,000 (2021: HK\$2,000,000) has been recognised in the consolidated statement of profit or loss.

16. SHARE CAPITAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised:		
1,000,000,000 (2021: 1,000,000,000) ordinary shares of HK\$0.20 (2021: HK\$0.20) each	<u><u>200,000</u></u>	<u><u>200,000</u></u>
Issued and fully paid:		
342,572,857 (2021: 342,572,857) ordinary shares of HK\$0.20 (2021: HK\$0.20) each	<u><u>68,515</u></u>	<u><u>68,515</u></u>

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The externally imposed capital requirement for the Group is to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Company reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

Breaches in meeting the financial covenants would permit the lenders to immediately call borrowings. During the years ended 31 December 2022 and 2021, the Group breached certain financial covenants.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022:

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Wood International Holding Co., Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Material uncertainties relating to going concern

As disclosed in note 2 to the consolidated financial statements, the Group incurred a loss of HK\$150,402,000 for the year ended 31 December 2022 and as at 31 December 2022, the Group had net current liabilities and net liabilities of HK\$1,456,512,000 and HK\$1,402,852,000 respectively. The bank and other borrowings, and provision of claims of the Group amounted to HK\$846,873,000 and HK\$287,924,000, respectively, as of 31 December 2022. Furthermore, the Group recorded net operating cash outflow for five consecutive years with the Group's total cash and bank balances remaining at a low level of HK\$4,060,000 as of 31 December 2022.

As of 31 December 2022 and up to the approval date on these consolidated financial statements, the Group had the following major outstanding claims recorded by the Group (“**Claims**”):

- (i) Other borrowings amounted to approximately HK\$784,786,000 in default (the “**Defaulted Borrowings**”);
- (ii) Bank borrowings amounted to approximately HK\$14,101,000 in default and demanded by a bank for repayment (the “**Demanded Bank Loan**”);
- (iii) Borrowing of approximately HK\$11,371,000 in default and under a court order to repay the principal together with penalty and accrued interest thereon (the “**Claimed Loan**”);
- (iv) Provision for claims of HK\$200,000,000 in respect of claims by liquidators of a fund being wound up (the “**Claim Provision**”); and
- (v) Liquidated claims of approximately HK\$87,924,000 in relation to three litigations against the Group in prior years in which the Group was ordered by various court orders to settle during the years ended 31 December 2020, 2021, and 2022 (the “**Legal Provision**”).

As of the date of approval on these consolidated financial statements, the Group did not settle the amounts of the Defaulted Borrowings, the Demanded Bank Loan, the Claimed Loan, the Claim Provision and the Legal Provision. The Defaulted Borrowings, the Demanded Bank Loan, the Claimed Loan and the Claim Provision will be dealt with by the restructuring that includes capital reorganisation, the investor’s subscription, the scheme of arrangement with creditors, and the whitewash waiver as disclosed in note 1 to the consolidated financial statements. The Legal Provision will be settled by internal financial resources generated from the Group’s future operations.

The aforementioned conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. Given these circumstances, the management of the Company has given careful consideration to the restructuring plans, future liquidity and performance of the Group, and the available sources of financing to determine whether the Group will have sufficient financial resources to continue as a going concern. To mitigate the Group's liquidity pressure and improve its cashflows, management has implemented or will adopt certain plans and measures, including ongoing negotiation and implementation of the restructuring plans, as well as the following:

- (i) the Group will complete the pending conditions of capital reorganisation;
- (ii) the Group will fulfill the conditions precedent to the investor's subscription;
- (iii) the Group will fulfill the conditions precedent to the scheme of arrangement with creditors to become effective;
- (iv) the Company will fulfill all resumption guidance and resume trading of its shares on the Stock Exchange and the Stock Exchange will grant the listing approval of any issuance of new securities by the Company; and
- (v) the Group will continue to take proactive measures to improve operating cash flows by controlling administrative costs and containing capital expenditure.

As a results of above multiple uncertainties, the potential interactions of these uncertainties, and the possible cumulative effect thereof, we are unable to form an opinion as to whether the going concern basis of preparation is appropriate.

Should the Group fail to achieve the abovementioned restructuring, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2022 (the “**Year**”), the outbreak of the novel coronavirus (“**COVID-19**”) continued to rage around the world, with continued emergence of new variants during the Year, slowing down the economic growth of the PRC. At the same time, there has been slump in activities in the retail sector and property sector during the Year, driven by the resurgence of the COVID-19, tightening government policy and multiple lockdowns in the PRC. As a result, the business environment in which the Group operates remains to be challenging and tough during the Year.

Wood-related Business

During the Year, the Company has exerted considerable efforts in further developing its core wood-related business, including wood management, distribution and processing of wood and timber products by expanding its business to the downstream of the supply chain into antique-style wood furniture manufacturing, processing, and sales, for which the products are primarily made of red mahogany wood and yellow sandalwood.

It is the Group’s intention to venture into an eco-friendly industry for the benefit and well-being of society, all mankind, and their descendants. The Directors believe that by taking part in the development of an environment-focused wood industry, it will be meaningful and beneficial to the future of the Group and society as a whole.

With the continuous efforts of the Company and the valuable expertise and extensive business connections brought to the Group by Mr. Lyu NingJiang, the revenue generated from the wood-related business has increased substantially from approximately HK\$104.4 million in 2021 to approximately HK\$133.0 million in the Year.

Processing and distribution of furniture wood

Since late 2020, the Group has established China Wood Green Resources (Shenzhen) Co., Limited* 中木綠色資源(深圳)有限公司 (“**CWGreen**”), a wholly-owned subsidiary of the Group, as the main operating company to develop the Group’s core wood-related business, which is principally engaged in the provision of comprehensive supply chain management services and the processing and distribution of a variety of furniture woods, which mainly comprise of red mahogany wood, sandalwood, rosewood, pine wood, and fir wood, sourced in the PRC and overseas.

The Group’s revenue generated from the processing and distribution of furniture wood for the Year amounted to approximately HK\$120.4 million (2021: approximately HK\$104.4 million).

Manufacturing and sales of antique-style wood furniture and other wooden products

In addition to the processing and distribution of furniture wood business, CWGreen has further tapped into the downstream sector of the wood-related business, being the manufacturing and sales of antique-style wood furniture and other wooden products in 2022. The antique-style wood furniture is mostly made of red mahogany wood as raw material, which is professionally designed by the in-house product design and development department of the Group. Such wood furniture is considered to be high-end with artistic value, which is primarily treated as decorative arts with practical functions. As such, both general consumers and art collectors in the market are attracted to the Group’s antique-style wood furniture. Besides, the Group also designs common indoor wood products made of less expensive wood materials, which offer affordable pricing to the general consumers and enable the Group to expand and diversify its customer base.

The Group’s revenue generated from the manufacturing and sales of antique-style wood furniture and other wooden products amounted to approximately HK\$12.6 million for the Year (2021: HK\$Nil).

Car Rental Business

The Car Rental Business has been one of the core businesses of the Group since 2014. Beijing Tu An Car Rental Services Limited* (北京途安汽車租賃有限責任公司) (“**Beijing Tu An**”), an indirect wholly-owned subsidiary of the Company, has been responsible for operating the Group’s car rental services business in the PRC.

* For identification purposes only

The normal rental terms of Beijing Tu An's car fleet with its customers ranges from three months to two years or longer. Premium customers of Beijing Tu An would specify the brand and model of the rented car and Beijing Tu An would acquire the rented car according to premium customers' requirements. By the end of the contractual term, Beijing Tu An will retain the right to dispose of the used car and keep the proceed, as income. The rental charged by Beijing Tu An to its customers is made with reference to current rental rates for each particular car models and adjusted according to the then prevailing market condition.

In 2021, Beijing Tu An has entered into a vehicles rental agreement in Beijing (the "VRA") with 北京德潤豐汽車租賃有限公司 ("Beijing DeRunFeng"), a company founded and owned by the non-executive Director, Mr. Hu YongGang, for the supply of its existing car fleet to Beijing Tu An to further develop its business. Under the VRA, Beijing Tu An has leased from Beijing DeRunFeng a total of sixteen (16) premium executive cars together with vehicle licenses for Beijing Tu An's car rental business to let out to its customers.

For the Year, the car rental business segment of the Group recorded a revenue of approximately HK\$11.9 million (2021: approximately HK\$11.2 million).

FUTURE OUTLOOK

Since 2020, the Group has been continuously developing its core wood-related business, which included the processing and distribution of furniture wood business, and manufacturing and sales of antique style wood furniture and other wooden products. The Directors believe that the Group has accumulated its experience and expertise in the wood-related business, and will continue to develop and expand its operations in the foreseeable future.

The Group plans to increase market penetration of its antique-style wood furniture and other wooden products by diversifying its sales and distribution channels.

The Directors also plan to deploy additional marketing and promotional expenses for the Group's products to further tap into and enhance brand awareness on various online platforms in the PRC.

The Group will continue to explore potential opportunities for any strategic cooperation with market players such as China Construction Eighth Engineering Division Corp. Ltd.* (中建八局發展建設有限公司), which is an enterprise approved by the Ministry of Housing and Urban-Rural Development of the PRC as a qualified enterprise for new housing construction, and Qingdao Hisense Real Estate Co. Ltd.* (青島海信房地產股份有限公司), one of the leading property developers originated in the Shandong province, in the mid-stream to downstream of the industry supply chain, such as real estate developers, high-end furniture brand retailers, logistics management services providers, as well as management expertise to further expand the Group's wood-related business.

FINANCIAL RESTRUCTURING

Appointment of the Joint Provisional Liquidators for restructuring purpose in Cayman Islands

Having explored different options to restructure the debts of the Company, the Board decided to implement a management led restructuring under a court-supervised provisional liquidation regime pursuant to the laws of the Cayman Islands, commonly known as a “light touch” provisional liquidation, which provides a statutory moratorium prohibiting the commencement or continuance of any proceedings against the Company without the leave of the Grand Court of the Cayman Islands (the “**Cayman Court**”) in the Cayman Islands.

Accordingly, in order to facilitate the Company's financial restructuring, a winding up petition together with an application for the appointment (the “**JPL Application**”) of joint and several provisional liquidators (the “**JPLs**”) of the Company (for restructuring purposes) on a light touch approach for restructuring purposes was presented and filed with the Cayman Court by the Company.

The JPL Application was heard before the Cayman Court on 2 February 2021 (Cayman Islands time). The Cayman Court made the orders as sought by the Company under the JPL Application, inter alia, (i) Osman Mohammed Arab and Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Martin Nicholas John Trott of R&H Restructuring (Cayman) Ltd., were appointed as JPLs of the Company on a light touch approach for restructuring purpose. Please refer to the announcements of the Company dated 2 February 2021 and 5 February 2021 for details.

* *For identification purposes only*

On 28 January 2022, the Company's solicitors has taken out an ex parte originating summons with the High Court of the Hong Kong Special Administrative Region (the "**Hong Kong Court**") for the hearing on 8 February 2022 of an application by the Company for an order to convene a meeting of the creditors (the "**Scheme Meeting**") of the Company to consider and, if thought fit, approve, with or without modification, a scheme of arrangement (the "**Scheme**") proposed by the Company, pursuant to section 670 of the Companies Ordinance (Cap. 622). By an order of the Hong Kong Court, the Scheme Meeting was to be convened on 11 March 2022.

On 16 February 2022 (after trading hours), the Company, the JPLs, the Investor and Mr. Lyu have entered into the conditional Restructuring Agreement, pursuant to which the Company will carry out the Restructuring Transactions involving (i) the Capital Reorganisation; (ii) the Investor's Subscription; and (iii) the Scheme. Please refer to the announcement of the Company dated 10 March 2022 for details of the Restructuring Agreement and the Restructuring Transactions.

At the Scheme Meeting convened and held on 11 March 2022, the Scheme was approved by the requisite statutory majorities of the creditors. On 22 March 2022, the Company's solicitors received a letter from the Hong Kong Court informing that Mr. Justice Harris will make an order to sanction the Scheme without modification. The sealed sanction order was delivered to the Registrar of Companies in Hong Kong for registration on 26 April 2022.

As announced in the announcement of the Company dated 10 March 2022 and the circular in relation to the Restructuring Transactions and the Whitewash Waiver dated 5 August 2022, the Funding Agreement dated 31 December 2020 was entered into between the Company as the borrower and the Investor as the lender to provide the funding for the Company to continue and further develop its business. On 17 October 2022, the Funding Agreement, the terms and funding already provided and to be provided thereunder, have been sanctioned by the Cayman Court.

All the proposed resolutions in relation to the Capital Reorganisation, the Investor's Subscription, the Scheme, and the Whitewash Waiver were duly passed by the Shareholders or the Independent Shareholders (as the case may be) at the extraordinary general meeting held on 30 August 2022, and the Executive Director of the Corporate Finance Department of SFC has granted the Whitewash Waiver on 22 August 2022 subject to, among other matters, no acquisition or disposal of voting rights being made by the Investor and its concert parties between the date of the announcement of the Investor's Subscription and the completion of the Investor's Subscription. Please refer to the circular of the Company dated 5 August 2022 and the announcement of the Company dated 30 August 2022 for details.

The legal adviser of the Company as to Cayman Islands law is preparing the petition to be made to the Cayman Court for an order confirming the Capital Reorganisation.

FINANCIAL REVIEW

Results of the Group

Revenue

During the year ended 31 December 2022, the Group recorded a revenue of approximately HK\$145.4 million, which represented an increase of approximately 25% as compared to the revenue of approximately HK\$116.1 million as recorded for the year ended 31 December 2021. The increase was mainly resulted from the increase in turnover on wood-related business from approximately HK\$104.4 million for the year ended 31 December 2021 to approximately HK\$133.0 million for the year ended 31 December 2022.

Cost of sales and services rendered

Cost of sales and services rendered of the Group grew by approximately 19% from approximately HK\$101.7 million for the year ended 31 December 2021 to approximately HK\$121.3 million for the year ended 31 December 2022. The increase was mainly attributable to the increase in sales volume of wood products during the year.

Gross profit and margin

The Group recorded a gross profit of approximately HK\$24.1 million for the year ended 31 December 2022, representing an increase of approximately 67% as compared to the gross profit recorded in the prior year. The gross profit margin increased from 12.4% for the year ended 31 December 2021 to 16.6% for the year ended 31 December 2022.

Other income, gains and (losses), net

Other income, gains and (losses), net of the Group improved, from net losses of approximately HK\$48.2 million for the year ended 31 December 2021 to net gain of approximately HK\$3.1 million for the year ended 31 December 2022. The difference was primarily due to the net effect of the (i) fair value gains on financial assets at fair value through profit or loss (“FVTPL”) of approximately HK\$1.0 million for the Year (2021: losses of approximately HK\$46.4 million); and (ii) loss on disposal of items of property, plant and equipment, net of approximately HK\$1.8 million for the Year (2021: approximately HK\$2.2 million).

Allowances for expected credit losses (“ECLs”) on trade, loan and other receivables, net

For the year ended 31 December 2022, the Group had recorded allowances for “expected credit losses” (“ECLs”) on trade, loan and other receivables of approximately HK\$35,578,000 (2021: approximately HK\$2,850,000) in total which is mainly comprising of allowances for ECLs on trade receivables of HK\$Nil (2021: approximately HK\$1,020,000); and allowances for ECLs on other receivables of approximately HK\$35,578,000 (2021: approximately HK\$1,830,000).

To properly account for the risk adhered to those long outstanding trade, loan and other receivables as, the management of the Company has engaged an independent valuer to assess the risk of potential losses based on the management’s estimate of the lifetime ECLs, which are estimated by taking into account the credit loss experience, ageing of the trade receivables, debtors’ settlement records and financial status, expected timing and amount of realisation of outstanding balances and ongoing business relationship with debtors. The management also considered forward-looking information that may impact the debtors’ abilities to repay the outstanding balances in order to estimate the allowances for ECLs on trade receivables.

There has been no significant changes in inputs and assumption applied in 2022 as compared with those applied in 2021.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately HK\$0.4 million during the year ended 31 December 2021 to approximately HK\$1.0 million for the year ended 31 December 2022. The increase was mainly due to the increase in selling and distribution staff costs incurred in facilitating business operations in the PRC and the marketing and promotional expenses incurred in online platforms.

Administrative expenses

Administrative expenses of the Group increased by approximately 42% from approximately HK\$15.8 million for the year ended 31 December 2021 to approximately HK\$22.4 million for the year ended 31 December 2022. The increase was mainly due to professional costs incurred in respect of Scheme and application for resumption.

Finance costs

Finance costs decreased from approximately HK\$117.7 million for the year ended 31 December 2021 to approximately HK\$113.7 million for the year ended 31 December 2022.

Income tax expense

The Group recorded an income tax expense of approximately HK\$3.9 million for the year ended 31 December 2022 (2021: approximately HK\$0.2 million), mainly on operating profits of the Group's wood products business in the PRC.

Significant Investments Held

During the years ended 31 December 2022 and 2021, the Group had the following significant investments held with a value of 5 per cent. or more of the Group's total assets which were classified as financial assets at FVTPL:

Name of the investments	Investment costs (HK\$'000)	Fair value	Number of	Percentage	Performance/ Change in	Size as	Total amount
		as at 31 December 2022 (HK\$'000)	shares of investments held as at 31 December 2022	of investments held as at 31 December 2022 (%)	fair value for the year ended 31 December 2022 (HK\$'000)	compared to the Group's total assets as at 31 December 2022 (%)	of dividends received for the year ended 31 December 2022 (HK\$'000)
Zhongxin (Heilongjiang) Internet Microfinance Co., Ltd.*	111,750	-	N/A [#]	2	-	0	-
Zuoshishi Technology Service (Beijing) Company Limited*	67,050	11,225	N/A**	11	180	6	-
Spring Power Holdings Limited	23,474	1,030	498	3	(719)	1	-

Name of the investments	Investment costs (HK\$'000)	Fair value	Number of	Percentage	Performance/ Change in	Size as	Total amount
		as at 31 December 2021 (HK\$'000)	shares of investments held as at 31 December 2021	of investments held as at 31 December 2021 (%)	fair value for the year ended 31 December 2021 (HK\$'000)	compared to the Group's total assets as at 31 December 2021 (%)	of dividends received for the year ended 31 December 2021 (HK\$'000)
Zhongxin (Heilongjiang) Internet Microfinance Co., Ltd.*	111,750	-	N/A [#]	2	(4,744)	0	-
Zuoshishi Technology Service (Beijing) Company Limited*	67,050	11,045	N/A**	11	(32,221)	5	-
Spring Power Holdings Limited	23,474	1,749	498	3	(8,873)	1	-

[#] represented by RMB100,000,000 out of total registered capital of RMB5,272,000,000.

** represented by RMB1,029,963 out of total registered capital of RMB9,363,296.

* For identification purposes only.

Description of the investments

Zhongxin (Heilongjiang) Internet Microfinance Co., Ltd.* is an unlisted company established in the PRC which principally engaged in internet microfinance business. The industry of this company continued to be under stringent government reformation policies in China in recent years. In light of the deteriorating financial performance and the uncertainty in the debt collection rate, the valuation of this investment remained at HK\$Nil.

Zuoshishi Technology Service (Beijing) Company Limited* is an unlisted company established in the PRC which principally engaged in the provision of innovation service for start-up technology companies and related investment activities. The capital market in China has experienced high volatility during the Year as being affected by the global COVID-19 pandemic and similar fluctuations appeared in the capital market in the United States and Europe. GDP growth in China was significantly slowed down in years 2021 and 2022 which has hindered the future outlook of the business sector and affected the result of the valuation conducted by independent valuer.

Spring Power Holdings Limited is an unlisted company established in the British Virgin Islands that controls a group of companies principally engaged in the development and manufacturing of human like robots. The financial performance of this company has stabilized but still fell short of original projection and lowered the expectation to its future profitability and consequently affected the valuation conducted by independent valuer.

Share Consolidation

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 June 2020, the Company implemented the share consolidation of every twenty shares into one consolidated share (the “**Share Consolidation**”). The Share Consolidation was effected on 26 June 2020.

* *For identification purposes only*

Liquidity and Financial Position

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	136,060	162,596
Current liabilities	1,592,572	1,487,240
Current ratio	<u>0.09</u>	<u>0.11</u>

At 31 December 2022, cash and cash equivalents of the Group amounted to approximately HK\$4.1 million (2021: approximately HK\$2.5 million). As at 31 December 2022, the Group had bank and other borrowings amounted to approximately HK\$846.9 million (2021: approximately HK\$798.0 million).

On the basis of the considerations as disclosed in the note 2 of the consolidated financial statements of the Group for the year ended 31 December 2022, the Board is confident that the Group will have sufficient financial resources to meet its debt repayment and finance needs for its operations for the foreseeable future.

Gearing Ratio

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total bank and other borrowings	846,873	797,978
Total assets	196,155	230,825
Gearing ratio	<u>431.74%</u>	<u>345.71%</u>

The increase in the gearing ratio was mainly due to the increase in borrowings as a result of increased business activities for the year.

As at 31 December 2022, the maturity profile of the bank and other borrowings of the Group falling due within one year amounted to approximately HK\$846.9 million (2021: approximately HK\$798.0 million), of which bank and other borrowings of approximately HK\$54.5 million (2021: approximately HK\$59.2 million) were denominated in Renminbi.

Capital Structure

The capital of the Company comprises only ordinary shares. As at 31 December 2022, the total number of the ordinary shares of the Company was 342,572,857 (2021: 342,572,857) (with an aggregate nominal value of approximately HK\$68.5 million (2021: approximately HK\$68.5 million)).

Charges on the Group's Assets

At 31 December 2022, certain of the Group's other borrowings were secured by the Group's trade receivables of gross amount of approximately HK\$600.6 million (2021: approximately HK\$600.6 million).

Foreign Currency Exposure

The foreign currency exposure of the Group primarily arises from revenue or income generated, cost and expenses incurred and certain bank and other borrowings denominated in currencies other than the functional currency of the Group's operating units. For the Group's operating units that have United States dollar and Renminbi as their functional currencies, their foreign currency transactions and the units' monetary assets and liabilities denominated in foreign currencies that were translated at the functional currency rates of exchange ruling at 31 December 2022 were mainly denominated in Hong Kong dollars. The Group expected that the exposure to exchange rates fluctuation was not significant and therefore had not engaged in any hedging activities.

Contingent Liabilities

On 21 April 2020, a writ of summons was issued by an independent third party in Beijing, China as plaintiff against a wholly owned subsidiary of the Group namely (北京宜乘企業管理有限公司) as defendant (the "**Action**"). The plaintiff claimed for the repayment of principal and the accrued interests of a loan purportedly owed by the defendant to the plaintiff in the total amount of approximately RMB59.5 million since 2014 (the "**Purported Loan**"). The defendant has denied the existence of the Purported Loan and has requested forensic checks to be conducted to the loan agreement produced by the Plaintiff to the People's Court in Chaoyang District, Beijing (the "**Beijing Court**"). The Company has engaged a competent legal advisor to act for its interests in respect of the Action.

In January 2022, the Group received a judgement (the “**Judgement**”) from the Beijing Court and ordered that the defendant be required to pay a sum of approximately RMB37.0 million plus damages of RMB7.5 million for breach of contract. Immediately after the Judgement, the Group has made an appeal to the Beijing No. 3 Intermediate People’s Court (北京市第三中級人民法院) against the Judgement. In April 2022, the Beijing No. 3 Intermediate People’s Court dismissed the Group’s appeal against the Judgement.

A provision of claim in the amount of RMB44.5 million (equivalent to approximately HK\$54,490,000) was made during the year ended 31 December 2021.

Save as disclosed above, as at 31 December 2022, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the directors of the Company to be pending or threatened by or against any member of the Group.

Capital Commitments

As at the end of the reporting period, the Group had outstanding capital commitments amounted to approximately HK\$33.8 million (2021: approximately HK\$36.7 million).

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the disclosure in note 1 to the consolidated financial statements, in respect of (i) the appointment of the joint provisional liquidators for restructuring purposes only; (ii) restructuring; and (iii) suspension of trading in the shares of the Company. Further announcement(s) will be made by the Company to update the shareholders and investors of the Company in relation to any developments of the aforementioned matters.

COMPARATIVE FIGURES

Certain of the comparative figures have been restated to conform with current year’s presentation. The changes mainly included separate disclosure of “deferred tax assets” and “deferred tax liabilities”.

EMPLOYEES AND EMOLUMENT POLICY

At 31 December 2022, the Group employed a total of 64 (2021: 16) employees. Total costs including the emoluments of the directors of the Company, amounted to approximately HK\$6.9 million for the year (2021: approximately HK\$4.3 million). The emolument policy of the Group is determined with reference to the performance, qualifications and experience of individual employees (including Directors), as well as the results of the Group and the market conditions. The Group provides discretionary bonus, medical insurance, provident fund, education subsidy and training to its employees.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Save as disclosed in this announcement, the Group had no material acquisition or disposal of subsidiaries or associates during the year ended 31 December 2022. As at 31 December 2022, the Group had no specific plan for major investment or acquisition for major capital assets or other business. However, the Group will continue to identify new opportunities for business development.

REMOVAL OF AUDIT QUALIFICATION

In view of the circumstances disclosed in the “Basis for Disclaimer of Opinion” above, the Company, after discussing with the Company’s auditors, understands that the “Disclaimer of Opinion” in relation to the Group’s going concern, based on the current conditions and circumstances, will be removed in the Company’s consolidated financial statements for the year ending 31 December 2023 should the Group succeeds in completing the Restructuring.

SUSPENSION OF TRADING IN THE SHARES OF THE COMPANY

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 22 October 2021 and will remain suspended until further notice.

The Board has appointed a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as the financial adviser to the Company on matters relating to the resumption of trading in the shares of the Company on the Stock Exchange. The Company has submitted a resumption plan to the Stock Exchange on 16 March 2023 to address the Resumption Guidance. The Company is working closely with its professional advisers and taking appropriate steps to fulfill the conditions in the Resumption Guidance as stated in the Company's announcement dated 25 October 2021 and will update the shareholders and potential investors of the Company on, among others, the progress as and when appropriate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Corporate Governance Code (the "**Code**") as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Board reviews at least annually the corporate governance practices of the Company to ensure its continuous compliance with the Code, and make appropriate changes if considered necessary. The Company was in compliance with the applicable code provisions in the Code (the "**Code Provision**") for the year ended 31 December 2022 except for the deviation as disclosed below. The following sections set out the principles in the Code as they have been applied by the Company, including any deviations therefrom, for the year under review.

Board

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the internal control policies and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the shareholders' value.

As at the date of this announcement, the Board comprises one executive Directors, one non-executive Director and three independent non-executive Directors.

The Board is characterised by significant diversity and has a balance of skills and experience appropriate for the requirements of the business of the Company.

Chairman and Chief Executive Officer

Mr. Lyu NingJiang, being the chairman of the Company (the “**Chairman**”) is responsible for the overall strategic planning and management of the Group. Code Provision C.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lyu, being the Chairman, has also been appointed as the chief executive officer of the Group (the “**Chief Executive Officer**”) who will keep strong and consistent leadership to achieve strategic business growth of the Group to enable a better execution of long-term strategies. The Board believes that the roles of both chairman and chief executive officer vested in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. All the Board members will be ensured to keep abreast of adequate, complete and reliable information by Mr. Lyu on issues to be discussed at Board meetings. Moreover, the independent non-executive Directors (the “**INEDs**”) provide independent and professional opinion on issues addressed at Board meetings and therefore, the Board believes that there is a balance of power and authority governed by the current Board structure with more than half of them being the INEDs and does not intend to make significant change to the composition of the Board. The Board will continue to review the Board composition from time to time and shall make necessary changes when appropriate in a timely manner accordingly and inform the Company's shareholders.

Independent Non-Executive Directors

During the period from 26 May 2022 to 31 May 2022 and the period from 1 November 2022 to 31 December 2022, the Company failed to meet the following requirements of the Listing Rules as the resolution to re-elect Mr. An Dong as an independent non-executive Director was not passed at the annual general meeting held on 26 May 2022; and as a result of the resignation of Ms. Zhao Xiao Lian on 1 November 2022 respectively:

1. the board of directors must include at least three independent non-executive directors, under Rule 3.10(1) of the Listing Rules; and
2. the audit committee comprising non-executive directors only and with a minimum of three members under Rule 3.21 of the Listing Rules.

Pursuant to Rule 3.10A of the Listing Rules, the number of independent non-executive Directors of the Company shall represent not less than one-third of the Board throughout the Year.

On 27 January 2023, Mr. Chan Lik Shan was appointed as an Independent non-executive Director and there has been a sufficient number of Independent non-executive Directors. The Company has thereafter complied with the above requirements of the Listing Rules.

The Company has received from each of its independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the independent non-executive Directors are independent.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”). The Company periodically issues notices to the Directors reminding them of the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of results. The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the Model Code throughout the period under review.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) comprises all three INEDs, namely Mr. Zhao Xianming (chairman), Mr. Chan Lik Shan and Mr. So Yin Wai. The primary duties of the Audit Committee are to supervise the internal control policies, the financial reporting systems and procedures of the Company, to review the financial statements and reports of the Group, and to review the terms of engagement and scope of audit work of the external auditors. The audited financial statements of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee.

SCOPE OF WORK OF MCMILLAN WOODS (HONG KONG) CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditors, McMillan Woods (Hong Kong) CPA Limited (“**McMillan Woods**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods on the preliminary announcement.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting (the “**2022 AGM**”) of the Company for the year ended 31 December 2022 will be held on a date to be fixed by the Board, and a notice convening the 2022 AGM will be published and despatched to the shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.chinawoodint.com.hk) and the Stock Exchange (www.hkex.com.hk). The annual report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange within the prescribed period.

By order of the Board
China Wood International Holding Co., Limited
(Joint Provisional Liquidators appointed)
(For restructuring purposes only)
Lyu NingJiang
Chairman and Executive Director

Hong Kong, 28 March 2023

As at the date of this announcement, the Board comprises Mr. Lyu NingJiang (Chairman and CEO) as executive director; Mr. Hu YongGang as non-executive director; and Mr. Zhao XianMing, Mr. Chan Lik Shan and Mr. So Yin Wai as independent non-executive directors.