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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)

**(A) STATUS OF THE RESTRUCTURING TRANSACTIONS;
(B) FULFILMENT OF RESUMPTION GUIDANCE; AND
(C) RESUMPTION OF TRADING**

Financial adviser to the Company



**Lego Corporate
Finance Limited**
力高企業融資有限公司

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of China Wood International Holding Co., Limited (the “**Company**,” together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (i) the announcements of the Company dated 2 February 2021 and 5 February 2021 in relation to the appointment of the JPLs; (ii) the announcements of the Company dated 23 April 2021, 26 April 2021, 4 May 2021, 21 July 2021, 30 July 2021 and 21 October 2021 in relation to the Decision of the Stock Exchange on the Listing Rules 13.24; (iii) the announcements of the Company dated 25 October 2021 and 15 December 2021 in relation to the Resumption Guidance; (iv) the announcements of the Company dated 18 February 2022, 10 March 2022, 22 March 2022, 31 March 2022, 3 May 2022, 31 May 2022, 24 June 2022, 26 July 2022, 5 August 2022 and 30 August 2022 in relation to the implementation of the Scheme; and (v) the announcements of the Company dated 4 February 2022, 3 May 2022, 26 July 2022, 24 October 2022, 1 February 2023 and 28 April 2023 in relation to quarterly updates on the progress of resumption of trading in the Shares (collectively, the “**Announcements**”). Capitalised terms used herein shall have the same meanings as defined in the Announcements unless otherwise stated.

BACKGROUND OF THE SUSPENSION IN TRADING OF THE SHARES

As disclosed in the announcement of the Company dated 21 October 2021, the Company received a letter from the Stock Exchange notifying that the Company had not demonstrated to the Listing Review Committee’s satisfaction that the Company maintained a sufficient level of operations and assets under Rule 13.24 to warrant a continued listing of its shares. In arriving its decision, the Listing Review Committee considered, among other matters, as at the time of the review hearing on 28 September 2021 for the principal reasons as follow:

- the car rental business of the Group had been of minimal size since its commencement with minimal revenue. It had been loss making since 2016 financial year. The financial forecasts provided by the Company did not appear to be substantiated by signed contracts and the car rental business of the Group would in any case only operate on a small scale;
- the wood-related business of the Group only commenced in late FY2020. The expansion plans for this business were still being subject to negotiation with potential business partners. The Listing Review Committee questioned whether the forecast revenue could be met given the limited track record of this business, the lack of signed contracts and the uncertainties about the materialisation of the business plans, which cast doubt as to whether the Company’s forecasts were achievable. Even if the Company’s forecasts for FY2021 were met, the Listing Review Committee observed that the Company still expected net loss (after taxation) in FY2021;

- the Listing Review Committee further noted that some plans for further cooperation and acquisitions in relation to the wood-related business of the Group and the financial forecasts for FY2022 were dependent on the completion of the Restructuring by the end of FY2021. However, the Restructuring was still subject to negotiations, and when and whether it would be completed was unclear. While the Listing Review Committee noted the Company’s submission that it had not received objections from creditors as of the date of the review hearing, no agreement had been entered into regarding the proposed Scheme. Moreover, as the Company acknowledged at the review hearing, the allotment of New Shares, including to creditors for the debt-to-equity swap, was subject to the Listing Division’s approval and suspension in trading of the Shares would likely cause delays or necessitate changes to the Scheme. The Listing Review Committee also noted the Company’s explanation at the review hearing that the progress of the Restructuring depended on the applications to court, court hearings and approvals granted therein, and ideally the Restructuring could be completed in early FY2022. The Listing Review Committee therefore was of the view that whether the Restructuring could be completed by the end of FY2021 remained fraught with uncertainties and the Company might still be unable to complete its proposed business expansions and achieve its financial forecasts for FY2022; and
- the Listing Review Committee further observed that unless and until the Restructuring was completed, the Company would remain in net liabilities and net current liabilities positions, both of which exceeded HK\$1 billion as at 30 June 2021.

Overall, the Listing Review Committee was of the view that the Company had not demonstrated that it was carrying out a business with a sufficient level of operations and assets as required under Rule 13.24. The Listing Review Committee noted that the Company would still have a remedial period of 18 months to implement its business plan and improve its operations and financial position to re-comply with Rule 13.24.

Accordingly, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 22 October 2021.

As disclosed in the announcements of the Company dated 25 October 2021 and 15 December 2021, the Company has been notified by the Stock Exchange of the Resumption Guidance as follows:

- (i) demonstrate its compliance with Rule 13.24 of the Listing Rules (“**Resumption Guidance 1**”); and
- (ii) re-comply with Rules 3.10(1) and 3.21 the Listing Rules (“**Resumption Guidance 2**”).

(A) STATUS OF THE RESTRUCTURING TRANSACTIONS

As disclosed in the announcement and the circular of the Company dated 10 March 2022 and 5 August 2022 respectively, the Company, the JPLs, the Investor and Mr. Lyu have entered into the conditional Restructuring Agreement on 16 February 2022, pursuant to which the Company will carry out the Restructuring Transactions involving (i) Capital Reorganisation; (ii) Investor’s Subscription; and (iii) the Scheme.

Capital Reorganisation

The Board proposed the Capital Reorganisation involving: (i) Share Premium Cancellation in relation to the cancellation of the entire amount standing to the credit of the share premium account of the Company to set off against part of the total accumulated losses of the Company as at 31 December 2021; (ii) Capital Reduction by cancelling the paid-up capital of the Company to the extent of HK\$0.19 on each of the then issued Shares such that the par value of each issued Share will be reduced from HK\$0.20 to HK\$0.01; and (iii) cancellation of the existing unissued share capital of the Company in its entirety and increase the authorised share capital of the Company to HK\$200,000,000 divided into 20,000,000,000 New Shares.

With all the conditions precedent for the Capital Reorganisation having fulfilled (including: (a) granting of the order from the Grand Court confirming the Capital Reduction dated 14 April 2023; (b) due registration of the copy of the order of the Grand Court and the minute approved by the Grant Court by the Registrar of Companies in the Cayman Islands dated 1 May 2023; and (c) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the New Shares dated 16 May 2023), the Capital Reorganisation will become effective on 17 May 2023.

The authorized share capital of the Company is now HK\$200,000,000 divided into 20,000,000,000 New Shares of HK\$0.01 each and the issued and fully paid-up capital of the Company is HK\$3,425,728.57 divided into 342,572,857 New Shares of HK\$0.01 each.

The New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

From 9:00 a.m. on 25 May 2023 to 4:30 p.m. on 4 July 2023, Shareholders may submit their existing certificates for the ordinary Shares (in yellow or blue colour) to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong to exchange for certificates for the New Shares (in green colour) for free. The different colours of the share certificates are for distinguishing the New Shares of different par value to the existing par value of the ordinary Shares. Thereafter, certificates for the ordinary Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) by the Shareholders for each certificate issued or cancelled, whichever is higher.

All existing certificates of the ordinary Shares will continue to be evidence of entitlement to such ordinary Shares and be valid for delivery, transfer and settlement purpose.

Investor's Subscription

Pursuant to the terms of the Restructuring Agreement in relation to the Investor's Subscription, the Investor conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 2,260,980,856 New Shares at the issue price of HK\$0.044 per New Share.

With all the conditions precedent for the Investor's Subscription having fulfilled (including: (a) the Capital Reorganisation having become effective; (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Investor's Subscription Shares dated 16 May 2023; and (c) the Scheme having become unconditional (see below)), the Investor's Subscription has become unconditional.

The Investor's Subscription is expected to be completed at the same time of the allotment and issue of the Scheme Shares, which is expected to be on or before 31 December 2023. Upon completion of the Investor's Subscription, the payment liability of the Investor under the Funding Agreement shall be discharged in full, and any remaining outstanding amount and interest accrued respectively thereunder pursuant to the terms thereof shall be repaid by the Company to the Investor in cash as soon as practicable after completion of the Investor's Subscription.

The Scheme

The Scheme is legally binding on the Company and its Creditors and it involves: (i) the Cash Bonus; (ii) the Scheme Shares Issue; and (iii) the Disposal.

With all the conditions precedent for the Scheme having fulfilled (including: (a) the Capital Reorganisation having become effective; (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Scheme Shares dated 16 May 2023; and (c) the Investor's Subscription having become unconditional (see above)), the Scheme has become unconditional.

(i) Cash Bonus

Under the Scheme and subject to the terms thereof, HK\$50 million of the total proceeds from the Investor's Subscription will be utilised to be distributed to the Creditors with Admitted Claims on a pro-rata basis for their Admitted Claim.

(ii) Scheme Shares Issue

Under the Scheme, the Company will allot and issue the Scheme Shares to the Creditors to compromise, discharge and/or settle the debts owing by the Company to the Creditors in full. After the adjudication for the Admitted Claims is completed, the Company will implement the Scheme Shares Issue, under which it is estimated that the Company will allot and issue, in aggregate, up to a maximum of 823,739,687 New Shares where the Creditors will receive 1 New Share for every HK\$1.80 in the amount of the Admitted Claims due to them by the Company for settlement of the debts of the Creditors in accordance with the terms of the Scheme, and upon which all the debts of the Creditors will be discharged and extinguished and the Creditors will not be allowed to make any claim against the Company in respect of their debts. The actual number of Scheme Shares to be issued will be subject to the notices of claim filed in accordance with the terms of the Scheme, the final determination by the adjudicator of the Admitted Claims appointed under the Scheme, which will be after the effective date of the Scheme, and in turn is subject to the timetable and actual development of the Scheme.

(iii) Disposal

Under the Scheme, the Excluded Companies of the Group are to be disposed of to the Scheme Company. As a result, all the account receivables and the debts of the Group at the level of the Excluded Companies will be handled by the Scheme Administrator(s) who shall recover the Transferred Claims and realise the assets of the Excluded Companies for the benefit of the Creditors subject to the Excluded Companies' own liabilities, or dispose of the Excluded Companies for the benefit of the Creditors.

Effect on the Shareholding Structure of the Company

The table below sets forth the shareholding structure of the Company (i) as at the date hereof; and (ii) immediately after completion of the issue of the Investor's Subscription Shares and the Scheme Shares in full:

Name of Shareholder	As at the date hereof		Immediately after completion of the issue of the Investor's Subscription Shares and the Scheme Shares in full	
	<i>New Shares</i>	<i>%</i>	<i>New Shares</i>	<i>%</i>
The Investor and its concert parties	–	–	2,260,980,856	66.0
Sino Merchant Car Rental Limited (<i>Note 1</i>)	174,961,694	51.1	174,961,694	5.1
Creditors (<i>Note 2</i>)	–	–	823,739,687	24.0
Dundee Greentech Limited (<i>Note 3</i>)	39,475,000	11.5	39,475,000	1.2
Existing public shareholders	<u>128,136,163</u>	<u>37.4</u>	<u>128,136,163</u>	<u>3.7</u>
Total	<u><u>342,572,857</u></u>	<u><u>100.0</u></u>	<u><u>3,427,293,400</u></u>	<u><u>100.0</u></u>

Notes:

1. *Sino Merchant Car Rental Limited is a company incorporated in the BVI and the issued share capital of which is owned as to 60% by Ms. Deng Shufen and 40% by Ms. Liu Jianguan. Ms. Deng Shufen and Ms. Liu Jianguan are deemed to be interested in all the shares and underlying shares in which Sino Merchant is interested by virtue of the SFO.*
2. *None of the Creditors are Shareholders and it is not expected that any Creditor would become a substantial Shareholder as a result of the Restructuring Transactions.*
3. *Dundee Greentech Limited is a company incorporated in the BVI, the entire issued share capital of which is held by Mr. Liu Hailong.*

Timetable:

Effective date of the Capital Reorganisation	17 May 2023
Dealing in New Shares commences.	9:00 a.m. on 17 May 2023
First day of free exchange of existing share certificates for new share certificates for New Shares	25 May 2023
Latest time for free exchange of existing share certificates for the New Shares	4:30 p.m. on 4 July 2023

(B) FULFILMENT OF THE RESUMPTION GUIDANCE

The Board is pleased to announce that the Company has fulfilled the Resumption Guidance, details of which are set out below:

Resumption Guidance 1 – demonstrate its compliance with Rule 13.24 of the Listing Rules

In response to the Resumption Guidance 1, the Company has been continuously expanding its core business, and has viable plan and business development to maintain sufficient level of operations and tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated in compliance with the requirements under Rule 13.24 of the Listing Rules.

Sufficient Operations of the Group

The Company 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.

The below table sets forth the selected information from the consolidated statements of profits or loss and other comprehensive income of the Group for the respective years as indicated:

	For the year ended 31 December		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Revenue	24,304	116,067	145,378
Gross Profit	4,398	14,416	24,112
Loss before tax for the year	(1,107,371)	(274,327)	(146,489)
Loss for the year	(1,064,419)	(274,560)	(150,402)
Adjusted (loss)/profit for the year <i>(note)</i>	(55,382)	(67,315)	5,110

Note: Being the profit/(loss) excluding the non-recurring expenses incurred in relation to the preparation of the resumption and Restructuring.

The Board considers that the Group has a sufficient level of operations based on the factors as set out below:

- the Group has been operating with solid businesses and continued to further develop and expand its businesses, particularly in the wood-related business. Since 2020, the Group has developed the processing and distribution of furniture wood business, which mainly comprise the procession and distribution of a variety of furniture woods, including red mahogany wood, sandalwood, rosewood, pine wood and fir wood. Since 2022, the Group has strategically ventured into the downstream sector of the wood-related business, being the manufacturing and sales of antique style wood furniture and other wooden products. 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;
- the revenue generated from the wood-related business of the Group represented approximately 3.1%, 90.0% and 91.6% of the total revenue of the Group for the years ended 31 December 2020, 2021 and 2022 (“FY2020”, “FY2021” and “FY2022”), respectively;

- the revenue generated from the wood-related business of the Group has substantially increased from approximately HK\$0.7 million in FY2020 to approximately HK\$104.4 million in FY2021, which represented a substantial growth of approximately 14,814.3% as compared to that of FY2020;
- the revenue generated from the wood-related business of the Group has further increased from approximately HK\$104.4 million in FY2021 to approximately HK\$133.0 million in FY2022, which represented a substantial growth of approximately 27.4% as compared to that of FY2021;
- the Board is of the view that the continuous and substantial increase in the revenue contribution from the wood-related business demonstrated a solid and sustainable growth of business performance of the Group in the segment;
- although it is the Directors' business plan and strategy to focus the Group's resources and efforts in expanding the wood-related business, the Group has continued to operate in the car rental business by providing comprehensive car rental services to retail and corporate customers in the PRC to fulfil the needs of leisure and business transportation;
- the gross profit of the Group has increased from approximately HK\$4.4 million for FY2020 to approximately HK\$14.4 million for FY2021, which represented an increase of approximately 227.3%;
- the gross profit of the Group has further increased from approximately HK\$14.4 million for FY2021 to approximately HK\$24.1 million for FY2022, which represented an increase of approximately 67.4%;
- the gross profit margin of the Group has increased from approximately 12.4% for FY2021 to approximately 16.6% for FY2022;
- the Group has recorded a net loss of approximately HK\$1,064.4 million for FY2020, which was substantially decreased by approximately 74.2% to approximately HK\$274.6 million for FY2021. The non-recurring expenses incurred in relation to the preparation of the resumption and Restructuring amounted to approximately HK\$207.2 million for FY2021. With the assumption that such non-recurring expenses are excluded, the adjusted net loss of the Group would be approximately HK\$67.3 million for FY2021;

- the Group has recorded a net loss of approximately HK\$274.6 million for FY2021, which was further decreased by approximately 45.2% to approximately HK\$150.4 million for FY2022. The non-recurring expenses incurred in relation to the preparation of the resumption and Restructuring amounted to approximately HK\$155.5 million for FY2022. With the assumption that such non-recurring expenses are excluded, the adjusted net profit of the Group would be approximately HK\$5.1 million for FY2022;
- the Directors are of the view that the Group would have been able to achieve better financial results for FY2020, FY2021 and FY2022 had there been no drastic unforeseen circumstances caused by the COVID-19 in the relevant years. The Directors are confident that the Group will be able to get back on track and have its business performance improved with the gradual recovery from the impacts of COVID-19 and the relaxation of anti-pandemic measures in the PRC and other overseas countries; and
- to the best of the knowledge of the Directors based on the information available as at the date of this announcement, subject to the successful implementation of the business plan by the Group for the continuous development of the wood-related business and barring unforeseen circumstances, it is currently anticipated that the Group will be able to achieve revenue of over HK\$300 million for the year ending 31 December 2023, for which over 30% of such estimated revenue is substantiated by sales orders materialised or confirmed with the customers of the Group.

For further details of the financial information and business performance of the Group, please refer to the annual report of the Company for FY2021 and FY2022. As at the date of this announcement, the businesses of the Group continue to operate as usual in all material respects.

Sufficient Assets of the Group

The below table sets forth the selected information from the consolidated statement of financial position of the Group for the respective dates as indicated:

	As at 31 December		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Non-current assets	103,509	68,229	60,095
Current assets	59,702	162,596	136,060
Current liabilities	(1,149,214)	(1,487,240)	(1,592,572)
Net current liabilities	(1,089,512)	(1,324,644)	(1,456,512)
Non-current liabilities	(496)	(7,404)	(6,435)
Total assets	163,211	230,825	190,375
Net liabilities	(986,499)	(1,263,819)	(1,402,852)
Adjusted net asset value after the scheme become effective and the Restructuring Transaction are completed (<i>note</i>)			64,436

Note: The figure is based on the estimation of the management of the Group.

As at 31 December 2022, the total assets of the Group amounted to approximately HK\$190.4 million, with tangible assets of approximately HK\$167.9 million, which mainly comprised property, plant and equipment of approximately HK\$19.1 million, inventories of approximately HK\$14.9 million, trade receivables of approximately HK\$68.6 million and prepayments, deposits and other receivables of approximately HK\$48.5 million, and intangible assets, which mainly represented the licenses in relation to the car rental business of the Group, of approximately HK\$22.4 million. After the Scheme become effective and the completion of the Restructuring Transactions, the financial position of the Group is expected to turn around to net assets position, and the disclaimer of opinion in the auditor's report of the Group's annual report for FY2022 in relation to the Group's going concern is expected to be removed in the Company's consolidated financial statements for the year ending 31 December 2023.

In light of the abovementioned factors, the Board is of the view that the Group has a viable and sustainable business with a sufficient level of operations and assets of sufficient value to support its operations to meet the requirements under Rule 13.24 of the Listing Rules and warrant the continued listing of the Shares on the Stock Exchange. Accordingly, the Company is of the view that it has fulfilled this Resumption Guidance 1.

Resumption Guidance 2 – re-comply with Rules 3.10(1) and 3.21 the Listing Rules

As disclosed in the Company’s announcements dated 27 January 2023, the Board announced that Mr. Chan Lik Shan (“**Mr. Chan**”) has been appointed as an independent non-executive Director, a member of the nomination committee, audit committee and remuneration committee of the Company, all with effect from 27 January 2023.

Following the appointment of Mr. Chan, the Board comprises three independent non-executive Directors and the Company has met the requirements of having at least three independent non-executive Directors on the Board under Rule 3.10(1) of the Listing Rules and the audit committee of the Company also comprises three independent non-executive Directors as members to comply with Rule 3.21 of the Listing Rules.

Based on the foregoing, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 2.

(C) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 9:00 a.m. on 22 October 2021. Based on the reasons as disclosed above, the Board is of the view that all the Resumption Guidance has been fulfilled. Accordingly, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 17 May 2023.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

By order of the Board
China Wood International Holding Co., Limited
中木國際控股有限公司

(Joint Provisional Liquidators appointed)

(For restructuring purposes only)

Lyu NingJiang

Chairman and Executive Director

Hong Kong, 16 May 2023

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