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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)**

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO  
THE DECISION OF THE STOCK EXCHANGE  
ON LISTING RULE 13.24**

Reference is made to the announcement of China Wood International Holding Co., Limited (the “**Company**”) dated 23 April 2021 (the “**Announcement**”) in relation to the decision of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) that the Company has failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company would like to provide supplemental information in respect of the factors considered by the Stock Exchange in arriving the Decision as set out in the Letter, which are as follows:

1. The Company's shares were listed on the GEM of the Stock Exchange in December 2009 and its listing has been transferred to the Main Board of the Stock Exchange since June 2011. Based on the Company's financial statements, the Company is principally engaged in:
  - (a) Provision of car rental services (the “**Car Rental Business**”) (since 2014);
  - (b) Trading of materials (the “**Materials Trading Business**”) (since its initial public offering and reported as a separate segment since 2013);
  - (c) Financial services and investment holdings (the “**Financial Services and Investment Business**”) (since 2015); and
  - (d) Provision of other services such as fund administration and public relations and property investment (the “**Provision of Services and Property Investment Business**”) (since 2017).
2. The financial performance of the Company has been deteriorating. The Company has been loss making for the past seven years. The Company operates the Car Rental Business and the Materials Trading Business as its primary business operations. As explained below, the Car Rental Business has all along been small since its commencement in the financial year ended 31 December 2014. The Materials Trading Business has no substance and has been substantially scaled down. The situation does not appear to be a temporary downturn or decline. The Company plans to expand the Car Rental Business and develop its wood business (the “**Wood Business**”) but such business plans are preliminary and without any signed contracts or track record to support. The Stock Exchange is concerned that the Company's businesses are not viable and sustainable.

## **CAR RENTAL BUSINESS**

3. The Car Rental Business recorded revenue of less than HK\$28 million since its commencement in the financial year ended 31 December 2014. Apart from a minimal segment profit of HK\$0.3 million in the financial year ended 31 December 2019, this business has been loss making since the financial year ended 31 December 2016. It is unclear whether and how the car leasing agreement with Beijing DeRunFeng (a company owned by Mr. Hu Yong Gang, a non-executive Director) which added 16 vehicles to the fleet of the Car Rental Business would substantially improve this business. Further, the Company's plan to expand into the leasing of new energy vehicles is preliminary and generic without details. The projected revenue of HK\$25 million is not substantiated by signed contracts and in any event, continues to be small.

## **MATERIALS TRADING BUSINESS**

4. The Stock Exchange has concerns that the Materials Trading Business is not a business of substance having regard to its business model and limited customer base. The Company added limited value to the non-ferrous metal materials it sourced for its customers as no further processing is required. For each of the financial year ended 31 December 2017 to the financial year ended 31 December 2019, more than 99% of revenue was derived from four customers, which were either in the process of dissolution or were unable to be contacted.
5. Certain proposed trading arrangements are still under negotiation with an independent third party. The Company submitted that the negotiation is prolonged as the planned trading volume of the Company is not sizeable enough to meet the requirements of the counterparty and the financial position of the Group is not satisfactory. It is uncertain whether such proposed trading arrangements will materialise. The projected turnover of HK\$100 million is not supported by any signed contracts. In any event, the projected profit of HK\$2 million (based on the projected annual turnover of HK\$100 million with an expected net margin of around 2%) would still be small.

## **WOOD BUSINESS**

6. The Wood Business commenced in the financial year ended 31 December 2020 and generated a minimal revenue of HK\$1.2 million in the financial year ended 31 December 2020. This business has a limited track record. The business plan for this segment appears to be preliminary without any concrete details and the expected revenue of HK\$29 million in the financial year ending 31 December 2021 is not substantiated by any signed contracts.

## **OTHER BUSINESSES**

7. The Provision of Services and Property Investment Business and the Financial Services and Investment Business appeared to have ceased and the Company did not provide any specific plans for these businesses.

## **IMPACT OF COVID-19**

8. The Company alleged that its business and expansion plans had been affected by the outbreak of COVID-19. However, as mentioned above, the financial performance of the Company has been deteriorating and the Company has been loss making over the past seven years. The situation does not appear to be a temporary downturn or decline. The business plans submitted by the Company are preliminary and generic without concrete details. The Company has failed to substantiate that, but for COVID-19, it would have been able to substantially improve its business operations.

## **LEVEL OF ASSETS**

9. As of 31 December 2020, the Company recorded net liabilities of HK\$986 million and net current liabilities of HK\$1,090 million and the Company's auditors has issued a disclaimer opinion due to material uncertainties on going concern. The Stock Exchange considers that the Company does not have sufficient assets to meet the Rule 13.24 requirements.

Further announcements will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules. Shareholders who have any queries about the implication of the Decision are advised to obtain appropriate professional advice.

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

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, 26 April 2021

*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. An Dong and Mr. Wan ManWah as independent non-executive directors.*