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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)

(1) QUARTERLY UPDATE
(2) ANNOUNCEMENT PURSUANT TO RULE 3.7 OF
THE TAKEOVERS CODE

This announcement is made by China Wood International Holding Co., Limited (the “**Company**”, collectively with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 3.7 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”).

Reference is made to the announcements of the Company dated 2 February 2021, 25 October 2021, 15 December 2021 and 23 December 2021 (the “**Announcements**”) in relation to, among other matters, the appointment of the JPLs and the Resumption Guidance. Capitalised terms used herein shall have the same meanings as defined in the Announcements unless otherwise stated.

QUARTERLY UPDATE

On 25 October 2021, the Company has been notified by the Stock Exchange of the following guidance for resumption of trading in the shares of the Company:

demonstrate compliance with Rule 13.24.

On 14 December 2021, the Company received a letter from the Stock Exchange setting out the following additional resumption guidance:

re-comply with Rules 3.10(1) and 3.21 the Listing Rules.

Compliance with Rule 13.24

The Company is continuing with its wood business and car rental business in the PRC. The Directors anticipated that there will be strong demand in the market for the Group's wood products and the Group plan to expand downstream in its wood business in the future. The Directors consider that with the anticipated growth of the Group's wood business, the Company would be able to demonstrate to the Stock Exchange its compliance with Rule 13.24.

Re-compliance with Rules 3.10(1) and 3.21

Following the appointment of Mr. So Yin Wai as an independent non-executive Director, a member of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee, all with effect from 23 December 2021, The Company has re-complied with Rules 3.10(1) and 3.21.

RESTRUCTURING

On 28 January 2022, the Company's solicitor has taken out an ex parte originating summons with the High Court of the Hong Kong Special Administrative Region (the "**Court**") for the hearing on 8 February 2022 of an application by the Company for an order to convene a meeting of the creditors 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).

The Scheme would involve the Company, the JPLs, a white knight investor (the “**Investor**”) and Mr. Lyu NingJiang (“**Mr. Lyu**”), an executive Director and the chairman of the Company, entering into a restructuring agreement (the “**Restructuring Agreement**”) which sets out the principal terms of the transactions, including (i) capital reorganisation of the Company, (ii) subscription (the “**Subscription**”) of Shares by the Investor, (iii) the implementation of the Scheme (including the issue of shares to scheme creditors, a cash bonus distribution and disposal of certain subsidiaries of the Company).

If any creditor under the Scheme is a shareholder of the Company, the implementation of the Scheme may constitute a special deal under the Takeovers Code and appropriate disclosures and relevant requirements for special deal will be made in accordance with the provisions of the Takeovers Code accordingly.

Capital Reorganisation

The proposed capital reorganisation of the Company to be implemented which involves:

- (a) applying the credit of the share premium account of the Company to set off against part of the total accumulated losses of the Company;
- (b) the issued share capital of the Company be reduced by cancelling the paid-up capital of the Company;
- (c) immediately following the Capital Reduction, cancellation of the existing unissued share capital of the Company after the completion of the Capital Reduction.

Subscription of shares by the Investor

The Investor will provide further funding for the Company’s restructuring and future operation and pursuant to the proposed Scheme, the Investor will subscribe for up to a maximum of 66% of the issued share capital of the Company as enlarged by the subscription (the “**Investor’s Subscription Shares**”).

Implementation of the Scheme

Cash Bonus

Under the Scheme and subject to the terms thereof, part of the Investor's subscription, will be utilised to distribute to the scheme creditors with admitted claims on a pro-rata basis, which serve as a bonus to the creditors and provide an incentive to the creditors for their support of the Scheme.

The Scheme

The Company proposed to allot and issue the new Shares (the "**Scheme Shares**") to compromise, discharge and/or settle the debts owing by the Company to the creditors in full. Assuming the Scheme is approved by the creditors and is implemented as proposed, upon completion of the Scheme, the Scheme Shares will represent approximately 24.0% of the share capital of the Company as enlarged by the allotment and issue of the Investor's Subscription Shares and the Scheme Shares.

The Disposal

The Company will transfer the equity interests of certain subsidiaries (the "**Excluded Companies**") which are directly or indirectly held by the Company, all cash and all cash equivalents held by the Excluded Companies, all inter-companies loans due from the Excluded Companies to the Company and the subsidiaries remaining in the Group and all causes of action and claims which the Company or the Excluded Companies has or may have against any person and the rights and obligations in respect of the litigations or any potential litigations involved under the name of the Company and the Excluded Companies whether known or not known as at the Completion Date, will be transferred at a nominal value to a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle to be held and controlled by the administrator(s) of the Scheme for the benefit of the creditors.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Assuming the Scheme has been approved by the creditors of the Company and implemented as proposed, following the implementation of the Scheme in full, the Investor will be interested in a maximum 66% of the enlarged issued share capital of the Company immediately upon the completion of the Scheme.

Under Rule 26.1 of the Takeovers Code, the acquisition of 30% or more of the voting rights in the Company by the Investor would trigger an obligation on the Investor to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or acquired by the Investor), unless a whitewash waiver (the “**Whitewash Waiver**”) is granted by the Executive Director (the “**Executive**”) of the Securities and Futures Commission (the “**SFC**”). The Company and/or the Investor may apply to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The grant of the Whitewash Waiver may be a condition to the implantation of the Restructuring Agreement, in which case, the Restructuring Agreement will not proceed if the Whitewash Waiver is not granted.

IMPLICATIONS UNDER THE LISTING RULES

The Investor’s Subscription Shares and the Scheme Shares will be allotted and issued pursuant to a specific mandate to be obtained upon approval by the Shareholders at a general meeting of the Company.

Upon the Scheme becoming effective, the Excluded Companies will be transferred to a special purpose vehicle, a company to be formed and controlled by the administrators of the Scheme. Accordingly, the Excluded Companies to be transferred under the Scheme may constitute a notifiable transaction and/or a connected transaction under Chapter 14 and 14A of the Listing Rules and the Company will make further announcement and/or seek for Shareholders’ approval in accordance with the requirements of the Listing Rules.

MONTHLY ANNOUNCEMENTS

In accordance with Rule 3.7 of the Takeovers Code, monthly update announcement(s) will be made by the Company until an announcement of firm intention to make the offer under Rule 3.5 of the Takeovers Code is released, or a decision not to proceed with the Scheme is made. Further announcement(s) will also be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

DEALINGS IN SHARES

For the purpose of the Takeovers Code, the offer period in relation to the Company commences on the date of this announcement. As of the date of this announcement, the Company has 342,572,857 Shares in issue and three convertible bonds in the aggregate principal amount of HK\$400,000,000 which have all been matured and overdue. Save as disclosed, there are no other relevant securities as defined in Note 4 to Rule 22 of the Takeovers Code.

RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

The associates (as defined in the Takeovers Code including but not limited to any person holding 5% or more of a class of relevant securities) of the Company and the Investor are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code. In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

Warning

The Scheme is subject to among others, the entering into of the Restructuring Agreement the approval of the Court and/or the Grand Court of the Cayman Islands, the SFC, the Stock Exchange, the creditors of the Scheme and Shareholders and it may or may not materialise. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).

LITIGATION INVOLVING A SUBSIDIARY OF THE COMPANY

References are made to the litigation labelled as “Claim 1” under the section headed “Contingent liabilities” in the Annual Report of the Company for the year ended 31 December 2020 and in the Interim Report of the Company for the six months ended 30 June 2021.

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 (北京市朝陽區人民法院) (the “**Court**”). The Group has engaged a competent legal advisor to act for its interests in respect of the Action.

In January 2022, the Group received a judgement (“**Judgement**”) from the Court that the defendant is required to pay RMB37.0 million plus approximately RMB7.5 million of damages from breach of contract. The Group has appealed to the Beijing No. 3 Intermediate People’s Court (北京市第三中級人民法院) against the Judgement.

The Company will publish announcement(s) to update its shareholders of any major progress to the above matters as and when appropriate.

BUSINESS OPERATIONS

The Group is principally engaged in (i) sale and distribution of furniture wood, manufacturing and sales of antique style wood furniture and imported timber flooring processing businesses; and (ii) car rental business in the PRC.

As at the date of this announcement, the Group is focusing on its wood business and the business operations of the Group are continuing as usual in all material respects. In view of the development in the previous months, the Company remains confident and optimistic in the prospect of its business, and will continue with its strategic plan to venture downstream into furniture and wood flooring business. In addition, the Company has been engaging in close discussion with major players in the forestry and wood industry in the PRC for the purposes to, *inter alia*, establishing long-term strategic business relationship and securing the stable and sustainable demands of its goods. The Board will continue to assess and monitor the impact of the suspension of trading (if any) on the operations and financial performance of the Company.

CONTINUED SUSPENSION OF TRADING OF THE SHARES

At the request of the Company, trading in the Shares 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. Further announcement(s) will be made by the Company as and when appropriate and in compliance with the requirements under the Listing Rules and the Takeovers Code.

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, 4 February 2022

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. So Yin Wai as independent non-executive directors.

The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.