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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 2021**

### **FINANCIAL HIGHLIGHTS**

- The Group recorded a revenue of approximately HK\$116.1 million for the year ended 31 December 2021 (2020: approximately HK\$24.3 million).
- The Group's net loss attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately HK\$274.6 million (2020: approximately HK\$1,056.0 million).
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

The board of directors (the “**Board**”) 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 2021 together with the comparative audited figures for the year ended 31 December 2020.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	5	<b>116,067</b>	24,304
Cost of sales and services rendered		<u>(101,651)</u>	<u>(19,906)</u>
<b>Gross profit</b>		<b>14,416</b>	4,398
Other income, gains and (losses), net	6	<b>(48,192)</b>	(374,992)
Allowances for expected credit losses (“ECLs”) on trade, loan and other receivables, net		<b>(2,850)</b>	(348,305)
Provision for financial guarantee		<b>(2,000)</b>	(7,200)
Selling and distribution expenses		<b>(386)</b>	(2,922)
Administrative expenses		<b>(15,762)</b>	(44,617)
Other expenses		<u>(101,823)</u>	<u>(212,513)</u>
<b>Loss from operation</b>		<b>(156,597)</b>	(986,151)
Finance costs	7	<b>(117,730)</b>	(120,129)
Share of results of joint ventures		<u>–</u>	<u>(1,091)</u>
<b>Loss before tax</b>	8	<b>(274,327)</b>	(1,107,371)
Income tax (expense)/credit	9	<b>(233)</b>	42,952
<b>Loss for the year</b>		<u><b>(274,560)</b></u>	<u>(1,064,419)</u>
<b>Other comprehensive income, net of tax</b>			
Items that may be subsequently reclassified to profit or loss			
Exchange difference arising on translation of foreign operations		<b>(2,760)</b>	(1,206)
Exchange difference reclassified to profit or loss on disposal of foreign operations		<u>–</u>	<u>(149)</u>
<b>Other comprehensive income for the year</b>		<u><b>(2,760)</b></u>	<u>(1,355)</u>
<b>Loss and total comprehensive income for the year</b>		<u><b>(277,320)</b></u>	<u>(1,065,774)</u>

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

*For the year ended 31 December 2021*

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
<b>Owners of the Company</b>		<b>(274,550)</b>	(1,055,985)
<b>Non-controlling interests</b>		<u>(10)</u>	<u>(8,434)</u>
		<b><u>(274,560)</u></b>	<b><u>(1,064,419)</u></b>
 <b>Loss and total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>(277,210)</b>	(1,056,804)
Non-controlling interests		<u>(110)</u>	<u>(8,970)</u>
		<b><u>(277,320)</u></b>	<b><u>(1,065,774)</u></b>
 <b>Loss per share attributable to owners of the Company</b>			
Basic and diluted (HK dollar)	<i>10</i>	<b><u>(0.80)</u></b>	<b><u>(3.09)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2021*

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>22,994</b>	12,742
Right-of-use assets		<b>1,907</b>	1,018
Goodwill		–	–
Intangible assets		<b>24,351</b>	31,082
Interest in an associate		–	–
Deferred tax assets		–	35
Financial assets at fair value through profit or loss (“FVTPL”)	<i>11</i>	<b>12,794</b>	58,632
		<b>62,046</b>	103,509
<b>Current assets</b>			
Inventories		<b>70,457</b>	6,497
Trade receivables	<i>12</i>	<b>33,200</b>	956
Loan receivable	<i>13</i>	–	–
Prepayments, deposits and other receivables		<b>56,400</b>	47,450
Tax recoverable		–	–
Restricted bank balances		–	1,467
Bank balances		<b>2,539</b>	3,332
		<b>162,596</b>	59,702

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*At 31 December 2021*

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>96,675</b>	3,773
Other payables and accruals		<b>556,225</b>	328,301
Interest-bearing bank and other borrowings		<b>797,978</b>	638,843
Lease liabilities		<b>1,362</b>	1,317
Convertible bonds	<i>15</i>	–	143,980
Financial guarantee	<i>16</i>	<b>35,000</b>	33,000
		<u><b>1,487,240</b></u>	<u>1,149,214</u>
<b>Net current liabilities</b>		<u><b>(1,324,644)</b></u>	<u>(1,089,512)</u>
<b>Total assets less current liabilities</b>		<u><b>(1,262,598)</b></u>	<u>(986,003)</u>
<b>Non-current liabilities</b>			
Lease liabilities		<b>1,028</b>	496
Deferred tax liabilities		<b>193</b>	–
		<u><b>1,221</b></u>	<u>496</u>
<b>NET LIABILITIES</b>		<u><b>(1,263,819)</b></u>	<u>(986,499)</u>
<b>Equity</b>			
Equity attributable to owners of the Company			
Share capital	<i>17</i>	<b>68,515</b>	68,515
Reserves		<u><b>(1,324,500)</b></u>	<u>(1,047,290)</u>
		<b>(1,255,985)</b>	(978,775)
Non-controlling interests		<u><b>(7,834)</b></u>	<u>(7,724)</u>
<b>CAPITAL DEFICIENCY</b>		<u><b>(1,263,819)</b></u>	<u>(986,499)</u>

# NOTES

## 1. CORPORATE 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 has been changed from Room 3006 – 3007, 30/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong to 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. The principal activities of its subsidiaries are principally engaged in (i) provision of car rental and other services; (ii) trading and processing of goods (primarily wood products); and (iii) provision of other business services including fund management.

As at 31 December 2021, 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 Jianguan, shareholders of Sino Merchant, are the ultimate controlling parties of the Company.

### **Appointment of the joint provisional liquidators for restructuring purpose only**

To facilitate the Company’s financial restructuring, on 2 February 2021, Osmun 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. Details of the above are set out in the Company’s announcements dated 2 February 2021 and dated 5 February 2021 respectively.

## 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 all applicable 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**

For the year ended 31 December 2021, the Group incurred a loss of approximately HK\$274,560,000 and as at 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK\$1,324,644,000 and HK\$1,263,819,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. Therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group. The validity of the Group to operate as a going concern depends upon whether

- (i) the Group will be able to complete the restructuring arising from the appointment of joint provisional liquidators and successfully negotiate and agree with the creditors to renew or extend the existing borrowings or complete debt financing to meet its liabilities as they fall due; and
- (ii) the Group will pro-actively to raise new fund to finance the working capital requirements of the Group.

The directors consider that after the restructuring, the Group will continue to meet in full its financial obligation as they fall due in the foreseeable future. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on the 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Provision, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023



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. Trading and processing of goods segment – primarily engages in the distribution and processing of wood products mainly red mahogany wood and yellow sandalwood and other goods;
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 fund administration, 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 and share of results of joint ventures.

Segment assets exclude certain financial assets at FVTPL, tax recoverable, cash and cash equivalents, restricted cash and other unallocated head office and corporate assets as these assets are managed on a group basis, as well as interests in joint ventures.

Segment liabilities exclude interest-bearing other borrowings, derivative financial instruments, convertible bonds, certain tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.



## Revenue from major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	40,336	–
Customer B	18,850	–
Customer C	–	5,500
	<u>          </u>	<u>          </u>

## 5. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>		
Contracts with customers within the scope of HKFRS 15:		
Sales of goods	104,406	9,334
Service income	484	1,002
	<u>          </u>	<u>          </u>
	104,890	10,336
Other sources:		
Car rental income	11,177	13,968
	<u>          </u>	<u>          </u>
	116,067	24,304
	<u>          </u>	<u>          </u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Time of revenue recognition:		
At a point in time	104,406	9,334
Over time	484	1,002
	<u>          </u>	<u>          </u>
	104,890	10,336
	<u>          </u>	<u>          </u>
Geographical market:		
The PRC	104,890	1,745
Hong Kong	–	8,591
	<u>          </u>	<u>          </u>
	104,890	10,336
	<u>          </u>	<u>          </u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	2	18
Other interest income	322	800
Waiver of amount due to a joint venture	–	48
Others	19	1,495
	<u>343</u>	<u>2,361</u>
<b>Gains and (losses), net</b>		
Loss on disposal of items of property, plant and equipment, net	(2,177)	(2,350)
Fair value gain on investment property	–	1,552
Fair value loss on financial assets at FVTPL	(46,362)	(347,413)
Fair value gain on derivative financial instruments in relation to convertible bonds	–	1,430
Impairment of an unlisted fund investment	–	(10,941)
Gain on termination of leases	4	1,662
Loss on deemed disposal of subsidiaries	–	(21,293)
	<u>(48,535)</u>	<u>(377,353)</u>
	<u><b>(48,192)</b></u>	<u><b>(374,992)</b></u>

## 7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	229	471
Interest on bank and other borrowings	109,397	44,328
Interest on convertible bonds	8,048	75,255
Bank charges	56	75
	<u>117,730</u>	<u>120,129</u>

## 8. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	95,467	9,162
Depreciation on property, plant and equipment ( <i>note a</i> )	5,464	6,793
Depreciation on right-of-use assets ( <i>note a</i> )	1,168	1,504
Auditor's remuneration		
– audit services	1,070	1,000
– non-audit services	186	118
Employee benefit expenses (including directors' emoluments):		
Wages, salaries, allowances, bonuses and benefits in kind	4,084	15,098
Pension scheme contributions (defined contribution schemes) ( <i>note b</i> )	261	1,019
	<u>4,345</u>	<u>16,117</u>
Exchange losses, net	9	3
Fair value gain on derivative financial instruments in relation to convertible bonds ( <i>note c</i> )	–	(1,430)
Fair value loss on financial assets at FVTPL ( <i>note c</i> )	46,362	347,413
Fair value gain on investment property ( <i>note c</i> )	–	(1,552)
Impairment of an unlisted fund investment ( <i>note c</i> )	–	10,941
Allowances for ECLs on trade receivables	1,020	347,104
Reversal of allowance for ECLs on trade receivables	–	(400)
Allowances for ECLs on other receivables	1,830	1,600
Provision for financial guarantee	2,000	7,200
Provision for claims ( <i>note e</i> )	93,949	200,000
Impairment of right-of-use assets ( <i>note d</i> )	244	300
Impairment of intangible assets ( <i>note e</i> )	7,462	9,166
Write-off of inventories ( <i>note e</i> )	–	3,320
Write-off of property, plant and equipment	35	10
Loss on deemed disposal of subsidiaries ( <i>note c</i> )	–	21,293
Loss on disposal of items of property, plant and equipment, net ( <i>note c</i> )	2,177	2,350
Gain on termination of leases, net ( <i>note c</i> )	(4)	(1,662)

Notes:

- (a) Depreciation on property, plant and equipment and right-of-use assets of approximately HK\$5,195,000 (2020: HK\$6,463,000) and HK\$1,052,000 (2020: HK\$361,000) are included in cost of sales and services rendered.
- (b) As at 31 December 2021 and 2020, 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/(CREDIT)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current — PRC		
Charge for the year	218	–
Under provision in prior years	–	121
Deferred tax	15	(43,073)
	<hr/>	<hr/>
Income tax expense/(credit)	<u>233</u>	<u>(42,952)</u>

Under the two-tiered profits tax regime, the first HK\$2 million of profits 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 (2020: 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.

Under the PRC tax law, dividends received by foreign investors from its investment in foreign-invested enterprises in respect of its profits earned since 1 January 2008 are subject to withholding tax at a rate of 10%.

No provision of Hong Kong Profits Tax, and any other tax has been provided in the consolidated financial statement (2020: Nil).

The reconciliation between the income tax (expense)/credit and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before tax	<u>(274,327)</u>	<u>(1,107,371)</u>
Tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	(45,264)	(182,716)
Effect of difference in tax rate/tax rule for specific jurisdiction or enacted by local tax authority	(13,688)	(15,953)
Tax effect of losses attributable to joint ventures and an associate	–	180
Tax effect of utilisation of tax losses prior not recognised	(1,144)	(79)
Tax effect of income not subject to tax	(702)	(681)
Tax effect of expenses not deductible for tax	28,100	76,456
Tax losses not recognised	32,931	79,728
Under provision in prior years	–	121
Others	<u>–</u>	<u>(8)</u>
Income tax expense/(credit)	<u>233</u>	<u>(42,952)</u>

#### 10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$274,550,000 (2020: HK\$1,055,985,000) and the weighted average number of ordinary shares of 342,572,857 (2020: 341,399,481) in issue during the year.

During the year, no adjustment had been made to the basic loss per share amounts presented in respect of a dilution as the impact of the potential dilutive ordinary shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented for the year.

The calculation of basic and diluted loss per share is based on:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company used in the basis and diluted loss per share calculation:	<u>(274,550)</u>	<u>(1,055,985)</u>
	<b>Number of shares</b>	
	2021	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>342,572,857</u>	<u>341,399,481</u>

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current financial assets designated at FVTPL</b>		
An unlisted fund investment ( <i>note b</i> )	–	–
Unlisted equity investments ( <i>note c</i> )	12,794	58,632
	<u>12,794</u>	<u>58,632</u>
<b>Current financial assets designated at FVTPL</b>		
An acquired convertible bond ( <i>note a</i> )	<u>–</u>	<u>–</u>

*Notes:*

### (a) An acquired convertible bond

On 13 April 2017, the Company subscribed for a convertible bond (“**Acquired Convertible Bond**”) with a principal amount of HK\$40,000,000 which was issued by Bartha International Limited (the “**Bond Issuer**”), an independent third party incorporated in Hong Kong. The maturity date of the Acquired Convertible Bond is 7 April 2020.

The Acquired Convertible Bond is convertible into shares of the Bond Issuer at the option of the Company at any time commencing from the date of issue and up to and including the 10th day prior to the date of maturity. Exact number of shares to be issued upon conversion will depend on the total number of shares of the Bond Issuer at the time of conversion and the amount of the Acquired Convertible Bond to be converted into shares. The Acquired Convertible Bond carries interest at a rate of 2.0% per annum, which is payable annually.

Upon its maturity date, none of the principal amount of the HK\$40,000,000 of the Acquired Convertible Bond has been converted pursuant to the terms and conditions of the Acquired Convertible Bonds. The Bond Issuer fails to repay the outstanding principal amount and the interest accrued despite receiving repeated notices and demand letters from the Group. A winding up petition was filed against the Bond Issuer by the Company in the High Court of Hong Kong on 15 June 2020.

The Group and the Bond Issuer entered into a mediation agreement dated 9 February 2021 as further supplemented on 9 March 2021 pursuant to which (i) the Group agreed to extend the repayment due date of the outstanding principal of HK\$40,000,000 and accrued interest of HK\$1,600,000 of the Acquired Convertible Bond to 7 April 2022; and (ii) the Group further agreed to withdraw the winding up petition against the Bond Issuer immediately following the receipt of partial settlement of HK\$5,000,000 from the Bond Issuer. During the year, the Group had received a sum of HK\$5,000,000 from the Bond Issuer.



**(b) An unlisted fund investment**

On 26 May 2018, the Group subscribed for an unlisted fund investment at a cost of HK\$100,000,000, representing 100,000 fund units out of the total 300,000 fund units.

For investment included in the unlisted fund, in the absence of quoted market prices in active markets, the fair value of this investment under Level 2 is estimated by making reference to quoted prices from pricing services based on the net asset value of the unlisted fund investment.

The unlisted investment fund was put into official liquidation by shareholders on 10 November 2020. Having informed by the joint official liquidators so appointed on 9 December 2020 that the assets held by the unlisted investment fund is of low to no realisable value, and therefore the balance of the investment was fully impaired during the year ended 31 December 2020.

**(c) Unlisted equity investments**

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Unlisted equity investments (note iv)</b>		
Zhongxin (Heilongjiang) Internet Microfinance Co., Ltd.* (note i)	–	4,744
Zuoshishi Technology Service (Beijing) Company Limited* (note ii)	<b>11,045</b>	43,266
Spring Power Holdings Limited (note iii)	<b>1,749</b>	10,622
	<hr/>	<hr/>
	<b>12,794</b>	58,632
	<hr/> <hr/>	<hr/> <hr/>

\* For identification purposes only

- (i) As at 31 December 2021 and 2020, the Group has 2% of the issued share capital of an unlisted company incorporated in the PRC principally engaged in internet microfinance business.

In the current year, the management engaged an independent qualified professional valuer to determine the fair value of this investment by applying the Asset-based Approach. 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 2021 and 2020, 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.

In the current year, the management engaged an independent qualified professional valuer to determine the fair value of this investment by applying the income approach. The income approach measures the value of this investment by the present value of its future economic benefits.

- (iii) As at 31 December 2021 and 2020, 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.

In the current year, 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	867,318	833,829
Less: Allowance for ECLs	<u>(834,118)</u>	<u>(832,873)</u>
	<u><b>33,200</b></u>	<u><b>956</b></u>

The Group's trading terms with its customers are mainly on credit with credit period generally ranging from 30 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 2021, certain of the Group's other borrowings were secured by the Group's pledged trade receivables of gross amount approximately HK\$600,639,000 (2020: HK\$600,639,000).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	33,200	195
90 to 180 days	–	761
Over 180 days	<u>–</u>	<u>–</u>
Total	<u><b>33,200</b></u>	<u><b>956</b></u>

As at 31 December 2021, the allowance for ECLs in respect of the trade receivables was HK\$834,118,000 (2020: HK\$832,873,000).

### 13. LOAN RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan receivable	15,629	15,629
Less: Allowance for ECLs	<u>(15,629)</u>	<u>(15,629)</u>
Current portion	<u><u>-</u></u>	<u><u>-</u></u>

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

As at 31 December 2021, the allowance for ECLs in respect of the loan receivable was HK\$15,629,000 (2020: HK\$15,629,000).

### 14. TRADE PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	16,434	3,387
31 to 60 days	19,608	-
Over 60 days	<u>60,633</u>	<u>386</u>
	<u><u>96,675</u></u>	<u><u>3,773</u></u>

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

## 15. CONVERTIBLE BONDS

- (a) On 17 May 2016, the Company issued 2018 convertible bond (the “**2018 CB**”) and 2019 convertible bond (the “**2019 CB**”) with principal amounts of HK\$100,000,000 and HK\$100,000,000 respectively. The maturity dates of 2018 CB and 2019 CB were 16 May 2018 and 16 May 2019, respectively.

The 2018 CB and 2019 CB were convertible at the option of bondholder at any time after the 40th day from the date of issue and up to the 10th day prior to the dates of maturity at an initial conversion price of HK\$0.35 per share (subject to adjustments). Based on the initial conversion price, the 2018 CB and 2019 CB were convertible into approximately 571,429,000 ordinary shares of the Company in aggregate. The 2018 CB and the 2019 CB, if not converted, would be redeemed at their outstanding principal amount together with any interest accrued thereon, plus an additional amount of a compound return of 12% per annum over the outstanding principal amount on maturity. The 2018 CB and the 2019 CB carry interest at a rate of 5% per annum, payable semi-annually on 30 June and 31 December of each intervening year. The effective interest rates of the liability components of the 2018 CB and 2019 CB were 22.8% and 23.5%, respectively.

On 10 May 2018, the Company and the bondholder of 2018 CB entered into a deed of amendment, pursuant to which the maturity date of 2018 CB was extended from 16 May 2018 to 16 May 2020 and the interest rate was increased from 5% per annum to 6% per annum. To effect the extension, the bondholder requested the Company to settle the additional amount as described above and an amount of HK\$15,440,000 was paid thereof. The effective interest rate of the liability component of the extended 2018 CB was 25.5%.

On 15 May 2019, the Company and the bondholder of 2019 CB entered into a deed of amendment, pursuant to which the maturity date of 2019 CB was extended from 16 May 2019 to 16 May 2021, the conversion price of 2019 CB was decreased from HK\$0.35 to HK\$0.1 per share and the interest rate was increased from 5% per annum to 6% per annum. Interest payment dates were not changed. To effect the extension, the bondholder requested the Company to settle the additional amount as described above and an amount of approximately HK\$25,493,000 was paid thereof. The effective interest rate of the liability component of the extended 2019 CB was 10.7%.

Both 2018 CB and 2019 CB have the following early redemption options. Holders of 2018 CB and 2019 CB have the right to require the Company to redeem the whole of the 2018 CB and 2019 CB respectively held by them prior to the maturity date at a redemption price equal to the respective principal amount of 2018 CB and 2019 CB together with accrued and unpaid interest and the additional amount upon the occurrence of certain events that are out of the Company’s control.

In addition, for both 2018 CB and 2019 CB, the Company may, at any time prior to the maturity date, redeem in whole the 2018 CB and 2019 CB for the time being outstanding at their principal amount together with accrued and unpaid interest and the additional amount to the date fixed by the Company for redemption provided that at the date of redemption, at least 90% in principal amount of the 2018 CB and 2019 CB has already been converted, redeemed or purchased and cancelled.

As such, the conversion option and the early redemption options are considered as a single derivative for fair value measurement purpose.

- (b) On 31 August 2017, the Company issued 2020 convertible bond (the “**2020 CB**”) with a principal amount of HK\$200,000,000. The maturity date of 2020 CB was 30 August 2020.

The 2020 CB was convertible at the option of the bondholder at any time from and including the first anniversary from its date of issue up to the 10th day prior to the dates of maturity at an initial conversion price of HK\$0.35 per share (subject to adjustments). Based on the initial conversion price, the 2020 CB was convertible into approximately 571,429,000 ordinary shares of the Company. The 2020 CB, if not converted, would be redeemed at its outstanding principal amount together with any interest accrued thereon. The 2020 CB carries interest at a rate of 8% per annum, which is payable semi-annually on 18 June and 18 December of each intervening year. The effective interest rate of the liability component of the 2020 CB was 24.2%.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond if the conversion option was not exercised. The conversion options embedded in the convertible bonds were recognised as derivative financial instruments and were measured at fair value on initial recognition and remeasured at each subsequent reporting date.

Owing to the fact that 2018 CB, 2020 CB and 2019 CB were matured (as extended) without conversion on 16 May 2020, 30 August 2020 and 16 May 2021 respectively, the respective outstanding balances of 2018 CB, 2020 CB and 2019 CB were re-classified as “Interest-bearing bank and other borrowings” in the consolidated financial statements of the Group.

Save as disclosed above, the Company has no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any ordinary shares, as the case may be.

The movements of the liability and derivative components of the convertible bonds for the year are set out below:

	<b>Liability components</b>	<b>Derivative components</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2020	437,190	1,430	438,620
Interest expenses	75,255	–	75,255
Fair value gain	–	(1,430)	(1,430)
Reclassified to other borrowings upon maturity	(368,465)	–	(368,465)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2020 and 1 January 2021</b>	<b>143,980</b>	<b>–</b>	<b>143,980</b>
	<hr/>	<hr/>	<hr/>
Interest expenses	<b>8,048</b>	–	<b>8,048</b>
Reclassified to other borrowings upon maturity	<b>(152,028)</b>	–	<b>(152,028)</b>
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<hr/>	<hr/>	<hr/>
Represented by:			
<b>At 31 December 2021</b>			
<b>Current portion</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2020			
Current portion	143,980	–	143,980
	<hr/>	<hr/>	<hr/>

The derivative component is measured at its fair value at the end of each reporting period. The fair values are estimated using Binominal model (level 3 fair value measurements). The key assumptions used are as follows:

	2020
	<i>HK\$'000</i>
Weighted average share price	0.136
Weighted average exercise price	2
Expected volatility	84%
Expected life	1
Risk free rate	0.05%
	<hr/>

## 16. FINANCIAL GUARANTEE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision of financial guarantee	<u>35,000</u>	<u>33,000</u>

As at 31 December 2021, 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 (2020: HK\$204,960,000), of which approximately HK\$36,166,000 (2020: HK\$36,166,000) has been utilised.

## 17. SHARE CAPITAL

### Shares:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised: 1,000,000,000 (2020: 1,000,000,000) ordinary shares of HK\$0.20 (2020: HK\$0.20) each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 342,572,857 (2020: 342,572,857) ordinary shares of HK\$0.20 (2020: HK\$0.20) each	<u>68,515</u>	<u>68,515</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 2021 and 2020, the Group breached certain financial covenants.



## **EXTRACT OF THE AUDITOR'S REPORT**

The following is the extract of the independent auditor's report from the auditor on the Group's consolidated financial statements for the year ended 31 December 2021:

### **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 2021, 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.

### **Material uncertainties relating to going concern**

We draw attention to the consolidated financial statements which indicate that the Group incurred a loss of approximately HK\$274,560,000 for the year ended 31 December 2021 and as at 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK\$1,324,644,000 and HK\$1,263,819,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon outcomes of (i) the restructuring of the Group as set out in the consolidated financial statements to renew or extend the existing borrowings or complete debt financing to meet its liabilities as they fall due, and (ii) new fund is able to be raised to a level sufficient to finance the working capital requirements of the Group. The consolidated financial statements do not include any adjustments that would result from the failure to meet its financial obligations in the foreseeable future. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the outcomes of the Group's funding activities, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

#### Business

In 2021 (the “Year”), the outbreak of the novel coronavirus (“COVID-19”) continued to rage around the world, with the emergence of new variants in the second half of the year affecting several provinces in the Mainland to varying degrees and slowing China’s economic growth. At the same time, there has been slump in activities in the retail sector and property sector during the second half of the Year, driven by the resurgence of the COVID-19 in certain regions of the country, and tightening government policy in Mainland. As a result, the business environment in which the Group operates remains to be challenging and tough during the Year.

#### 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.

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.

During the Year, 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 of the Company, Mr. Hu YongGang, for the supply of its existing car fleet to Beijing Tu An to further develop its business. Under the VRA, with effect from 5 March 2021, 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 identification purposes only

The prevailing depressed market atmosphere together with the unfavourable news of the Group about the debt restructuring has also affected the performance of Beijing Tu An for the Year. After serious assessment by the Board, the Group will conduct its rental car fleet in a more conservative approach. For the Year, the car rental business segment of the Group recorded a revenue of approximately HK\$11.2 million (2020: approximately HK\$14.0 million). The Group will maintain its developmental strategies in order to enhance its capacity and capture incremental market share.

### **Trading and Processing of Goods (Primarily Wood Products) Business**

The Group ventures into an eco-friendly industry for the benefit and well-being of the society, all mankind and their descendants. The protection of forests and water is believed to be of utmost importance to the struggle for survival of mankind against extreme climate changes. For that reason, the Group believes by taking part in the development of an environment-focused wood industry would be meaningful and full of business opportunities in the future of the society.

Since late 2020, the Group established 中木綠色資源(深圳)有限公司 (“**CWGreen**”), a wholly owned subsidiary of the Company, located in LongHua District, Shenzhen as the distribution and processing arm of the Group in developing the Wood Business in the PRC.

The primary focus of CWGreen is on furniture woods such as red mahogany wood, sandalwood, rosewood, pine wood and fir wood. CWGreen focuses on the procurement and distribution and processing of various types of wood products including wood logs and sawn timber of various wood types from vendors in the PRC and overseas.

The red wood furniture industry in the PRC can be broadly divided into three sectors: (i) upstream raw wood logging and global sourcing of raw material; (ii) mid-stream red wood furniture manufacturers who are responsible for design and manufacture of red wood furniture; and (iii) downstream retail customers and property developers who purchase the finish products. The Group initially focuses on sourcing of raw materials for furniture manufacturers and is planning to expand downstream into red wood furniture manufacturing and sales. The PRC red wood furniture industry had experienced tremendous growth after the millennium benefiting from the strong economic growth in the PRC from the turn of the century and increase in the number of wealthy consumers.

Red mahogany furniture is traditionally a premium product with special social recognition and attraction to medium and senior income groups in the PRC. Famous for being very durable and the hardness of the materials can subsist to extensive wood carving, red mahogany wood furniture has been well-known as luxurious products of the PRC. Local red mahogany resources in the PRC has been fully exhausted as the demand keeps on in the nation for centuries already. In recent decades, the materials are mainly imported from Africa and Southeast Asia. However, owing to recent years of environmental protection legislation around the globe, the sourcing of the raw materials is becoming a major entrance barrier to new participants and scarcity of premium quality furniture wood material has driven the price of raw material to record high in recent years. With the adoption of flexible marketing strategic and optimal inventory management system, the Group achieved sales of approximately HK\$104.4 million during the Year (2020: approximately HK\$9.3 million) of which approximately 68% were achieved in the second half of the Year.

On the other hand, the Group's materials trading business is still suffering. The Group has reviewed the materials trading business and has adopted more conservative posture in order to avoid any potential risk and significant loss from this business segment. During the Year, none of the negotiation of new orders or new deals of materials trading could arrive at terms that could meet the risk reduction requirement. As a result of all the above, the Group recorded HK\$Nil from the materials trading business during the Year (2020: HK\$Nil).

### **Financing Services and Investment Businesses**

The Group has already suspended its securities trading and assets management businesses and its money lending business. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the funding requirements of its core business segments mentioned above.

## FUTURE OUTLOOK

Despite any unpredictable events, the Board will continue to develop the forest-related business including forest management and distribution and processing of forest and timber products and to expand downstream into red wood furniture manufacturing and sales. On 9 March 2022, the Company entered into a strategic cooperation agreement for the provision of wood construction moulding, wood flooring, doors and window frames and other wood products to China Construction Eighth Bureau Development and Construction Limited\* (中建八局發展建設有限公司) (“**China Construction Eighth Bureau**”), an independent third party which is not a shareholder of the Company and not connected with the Company, its shareholders or Right Momentum Group Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially wholly-owned by Mr. Lyu (the “**Investor**”). China Construction Eighth Bureau is an enterprise approved by the Ministry of Housing and Urban-Rural Development of the PRC as a qualified enterprise for new housing construction primarily engaged in housing construction, infrastructure, industrial installation, investment and development, and engineering design in the PRC, Africa, the Middle East, Central Asia and Southeast Asia.

## 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.

\* For identification purposes only

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.

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 will be delivered to the Registrar of Companies in Hong Kong when the Hong Kong Court resume normal proceedings or when the general adjournment of proceedings ends.

## **FINANCIAL REVIEW**

### ***Revenue***

During the year ended 31 December 2021, the Group recorded a revenue of approximately HK\$116.1 million, which represented an increase of approximately 378% as compared to the revenue of approximately HK\$24.3 million as recorded for the year ended 31 December 2020. The increase was mainly resulted from the increase in turnover on trading and processing of wood products goods from approximately HK\$9.3 million for the year ended 31 December 2020 to approximately HK\$104.4 million for the year ended 31 December 2021.

### ***Cost of sales and services rendered***

Cost of sales and services rendered of the Group grew by approximately 411% from approximately HK\$19.9 million for the year ended 31 December 2020 to approximately HK\$101.7 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in sales volume of wood products goods during the Year.

### ***Gross profit and margin***

The Group recorded a gross profit of approximately HK\$14.4 million for the year ended 31 December 2021, representing an increase of approximately 228% as compared to the gross profit recorded in the prior year. The gross profit margin decreased from 18.1% for the year ended 31 December 2020 to 12.4% for the year ended 31 December 2021.

### ***Other income, gains and (losses), net***

Other income, gains and (losses), net of the Group representing net other losses decreased by approximately 87%, from net losses of approximately HK\$375.0 million for the year ended 31 December 2020 to net losses of approximately HK\$48.2 million for the year ended 31 December 2021. The difference was primarily due to the net effect of the (i) fair value loss on financial assets at fair value through profit or loss (“FVTPL”) of approximately HK\$46.4 million for the Year (2020: approximately HK\$347.4 million); (ii) loss on disposal of items of property, plant and equipment, net of approximately HK\$2.2 million for the Year (2020: approximately HK\$2.4 million); (iii) loss on impairment of an unlisted fund investment of approximately HK\$Nil for the Year (2020: approximately HK\$10.9 million); and (iv) loss on deemed disposal of subsidiaries of approximately HK\$Nil for the Year (2020: approximately HK\$21.3 million).

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

For the year ended 31 December 2021, the Group had recorded allowances for “expected credit losses” (“ECLs”) on trade, loan and other receivables of approximately HK\$2,850,000 (2020: HK\$348,305,000) in total which is mainly comprising of allowances for ECLs on trade receivables of approximately HK\$1,020,000 (2020: HK\$347,104,000); reversal of allowance for ECLs on trade receivable of approximately HK\$Nil (2020: HK\$400,000); and allowances for ECLs on other receivables of HK\$1,830,000 (2020: HK\$1,600,000).

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 2021 as compared with those applied in 2020.



### ***Selling and distribution expenses***

Selling and distribution expenses of the Group decreased from approximately HK\$2.9 million during the year ended 31 December 2020 to approximately HK\$0.4 million for the year ended 31 December 2021. The decrease was mainly due to decreasing PRC selling and distribution staff costs incurred in facilitating business operations.

### ***Administrative expenses***

Administrative expenses of the Group decreased by approximately 65% from approximately HK\$44.6 million for the year ended 31 December 2020 to approximately HK\$15.8 million for the year ended 31 December 2021. The decrease was mainly due to the continuing effort of the Group in streamlining operations and reducing costs.

### ***Finance costs***

Finance costs decreased from approximately HK\$120.1 million for the year ended 31 December 2020 to approximately HK\$117.7 million for the year ended 31 December 2021.

### ***Income tax expense***

The Group recorded an income tax expense of approximately HK\$0.2 million for the year ended 31 December 2021 (2020: income tax credit of approximately HK\$43.0 million), mainly on operating profits of the Group's wood products business in the PRC.

## Significant Investments Held

During the years ended 31 December 2021 and 2020, 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 as at 31 December 2021 (HK\$'000)	Number of shares of investments held as at 31 December 2021	Percentage of investments held as at 31 December 2021 (%)	Performance/ Change in fair value for the year ended 31 December 2021 (HK\$'000)	Size as compared to the Group's total assets as at 31 December 2021 (%)	Total amount of dividends received for the year ended 31 December 2021 (HK\$'000)
Zhongxin (Heilongjiang) Internet Microfinance Co., Ltd.*	111,750	-	N/A <sup>#</sup>	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	-

Name of the investments	Investment costs (HK\$'000)	Fair value as at 31 December 2020 (HK\$'000)	Number of shares of investments held as at 31 December 2020	Percentage of investments held as at 31 December 2020 (%)	Performance/ Change in fair value for the year ended 31 December 2020 (HK\$'000)	Size as compared to the Group's total assets as at 31 December 2020 (%)	Total amount of dividends received for the year ended 31 December 2020 (HK\$'000)
Zhongxin (Heilongjiang) Internet Microfinance Co., Ltd.*	111,750	4,744	N/A <sup>#</sup>	2	(160,646)	3	-
Zuoshishi Technology Service (Beijing) Company Limited*	67,050	43,266	N/A**	11	(158,108)	27	-
Spring Power Holdings Limited	23,474	10,622	498	3	(25,977)	7	-

<sup>#</sup> 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 has resulted in a further downward adjustment.

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 US and Europe. GDP growth in China was significantly slowed down in years 2020 and 2021 which has hindered the future outlook of the business sector and also causing notable downward pressure to the investment's future returns and to the result of the valuation conducted by independent valuer.

Spring Power Holdings Limited is an unlisted company established in BVI that controls a group of companies principally engaged in 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.

### **Change of Company Name**

Pursuant to a special resolution passed at the annual general meeting of the Company held on 23 June 2020, the Shareholders have approved to change the English name of the Company from “HongDa Financial Holding Limited” to “China Wood International Holding Co., Limited” and to change the dual foreign name in Chinese of the Company from “弘達金融控股有限公司” to “中木國際控股有限公司”.

### **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.

## **Rights Issue**

Subject to the Share Consolidation becoming effective, the Company proposed on 15 May 2020 to implement the rights issue of new consolidated shares on the basis of one (1) new consolidated share for every five (5) new consolidated shares held at the close of business on 8 July 2020 (being the record date) at the subscription price of HK\$0.20 per share (the “**Rights Issue**”). On 30 July 2020, a total of 2,035,335 shares were issued under the Rights Issue, the total gross proceeds of HK\$410,000 was utilised in meeting costs relating to the Rights Issue. Reference is made to (i) the announcements of the Company dated 15 May 2020, 30 July 2020 and 7 September 2021; and (ii) the prospectus of the Company dated 9 July 2020 in relation to, amongst others, the Rights Issue.

## **Enforcement of Share Charge by the Holder of US\$30,000,000 Senior Guaranteed and Secured Fixed Rate Note**

On 2 September 2020, the Company was informed by the registered agent of its special purpose entity that the 51% charged equity interests of the Group’s investment project in the USA held by it was being enforced by the holder of the related US\$30,000,000 senior guaranteed and secured fixed rate note. The financial implication of such an enforcement of share charge has led to the deconsolidation of all assets and liabilities held under that investment project in the USA from the consolidated financial statements of the Group in 2020. Having considered the collectability of the amount due to the Group as of the date of the enforcement, approximately HK\$21.3 million loss was recorded for the year ended 31 December 2020 as loss on deemed disposal of subsidiaries. Details of the enforcement has been disclosed in the announcements of the Company dated 4 September 2020 and 20 November 2020.

## **Indemnification Claims from an Unlisted Investment Fund**

On 10 November 2020, an unlisted investment fund invested by the Group was placed into liquidation. Subsequently, the Company received the request from the joint official liquidators so appointed to handle the liquidation of the unlisted investment fund about the Company’s obligation to indemnify the other investors to such unlisted investment fund at the preliminary total amount of HK\$200.0 million. The financial implication of such indemnification claims was reflected as other expenses to the consolidated financial statements of the Group for the year ended 31 December 2020. Details of the indemnification claims has been disclosed in the announcement of the Company dated 31 December 2020.

## Liquidity and Financial Position

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current assets	<b>162,596</b>	59,702
Current liabilities	<b>1,487,240</b>	1,149,214
Current ratio	<b><u>0.11</u></b>	<u>0.05</u>

At 31 December 2021, cash and cash equivalents of the Group amounted to approximately HK\$2.5 million (2020: approximately HK\$3.3 million). As at 31 December 2021, the Group had interest-bearing bank and other borrowings amounted approximately HK\$798.0 million (2020: approximately HK\$638.8 million) and the Group also has liability component of convertible bonds of approximately HK\$Nil million (2020: approximately HK\$144.0 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 2021, 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

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Total interest-bearing bank and other borrowings and liability components of convertible bonds	<b>797,978</b>	782,823
Total assets	<b>224,642</b>	163,211
Gearing ratio	<b><u>355.2%</u></b>	<u>479.6%</u>

The decrease in the gearing ratio was mainly due to the increase in total assets as a result of increased activities incurred for the year.

As at 31 December 2021, the maturity profile of the interest-bearing bank and other borrowings of the Group falling due within one year amounted to approximately HK\$798.0 million (2020: approximately HK\$638.8 million), of which bank and other borrowings of approximately HK\$59.2 million (2020: approximately HK\$57.6 million) were denominated in Renminbi.

As at 31 December 2021, the maturity profile of the liability components of the Group's issued convertible bonds falling due within one year amounted to approximately HK\$Nil (2020: approximately HK\$144.0 million).

### **Capital Structure**

The capital of the Company comprises only ordinary shares. As at 31 December 2021, the total number of the ordinary shares of the Company was 342,572,857 (2020: 342,572,857) (with an aggregate nominal value of approximately HK\$68.5 million (2020: approximately HK\$68.5 million)).

### **Charges on the Group's Assets**

At 31 December 2021, certain of the Group's other borrowings were secured by the Group's trade receivables of gross amount approximately HK\$600.6 million (2020: 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 2021 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**

At 31 December 2021, the contingent liabilities of the Group was mainly related to the following litigations:

### ***Action 1***

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 1**”). 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 “**Chaogang Court**”). The Group has engaged a competent legal advisor to act for its interests in respect of Action 1.

In January 2022, the Group received a judgement (“**Judgement 1**”) from the Chaogang Court and ordered that the defendant is required to pay a sum of approximately RMB37.0 million plus damages of approximately RMB7.5 million from breach of contract. Immediately after the Judgement 1, 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 1.

As of the of approval date of these consolidated financial statements, the appeal is still in progress. A provision for claim in the amount of RMB44.5 million was made for the year ended 31 December 2021 (2020: HK\$ NIL).

### ***Action 2***

On 11 November 2020, a writ of summons was issued by an independent third party in Hainan, China as plaintiff against a wholly owned subsidiary of the Group namely 弘深希望科技(珠海)有限公司 as defendant (the “**Action 2**”). The plaintiff claimed for the subrogation rights to the outstanding principal and accrued interest of a loan between 弘深希望科技(珠海)有限公司 as borrower and another independent third party as lender amounted to approximately RMB54.7 million. There is no direct legal connections between the plaintiff and the defendant.

The Company has engaged a competent legal advisor to act for its interests in respect of the Action 2.

On 2 August 2021, the Group received a judgement (“**Judgement 2**”) from Zhuhai Hengqin New District People’s Court (珠海橫琴新區人民法院) and ordered that a compensation amounted to approximately RMB33.4 million with accrued interests is required to be settled by the defendant.

In September 2021, the Company made the appeal to the court against the Judgement 2.

A provision for claim in the amount of RMB33.4 million was made for the year ended 31 December 2021 (2020: HK\$ NIL).

### ***Action 3***

On 20 October 2020, an independent third party in Shenzhen, China as claimant filed an arbitration request to China International Economic and Trade Arbitration Commission in Beijing for a refund of shares subscription money together with compensation of approximately RMB25.5 million from (弘深希望科技(珠海)有限公司) as respondent (the “**Action 3**”).



The Company has engaged a competent legal advisor to act for its interests in respect of the Action 3.

A letter of termination issued by the claimant had been received by the Group after a court hearing on 15 May 2021 to terminate the Actions 3. Accordingly, no provision has been made for the year ended 31 December 2021 (2020: HK\$Nil).

#### ***Action 4***

A claim of HK\$200,000,000 was brought against the Company on 9 December 2020 by the joint official liquidators in Hong Kong and the Cayman Islands of Honghua Investment Fund Limited, an exempted company incorporated in the Cayman Islands with limited liability (the “**Fund**”), appointed by the holders of its Class A Shares and Class B Shares under which the Company, as being the holder of Class C Shares of the Fund, was requested to indemnify the holders of Class A Shares and Class C Shares for HK\$200,000,000 in total plus purported returns pursuant to the terms of the subscription agreement dated 6 July 2017 (the “**Action 4**”) following the Fund was being wound up. A provision for claim in the amount of HK\$200,000,000 was made for the year ended 31 December 2020. As at 31 December 2021, the balance of provision for claim in respect of Action 4 was HK\$200,000,000 (2020: HK\$200,000,000).

#### **Capital Commitments**

As at the end of the reporting period, the Group had outstanding capital commitments amounted to approximately HK\$36.7 million (2020: approximately HK\$35.8 million).

## EVENTS AFTER THE REPORTING PERIOD

### Restructuring

On 16 February 2022, a framework agreement (the “**Restructuring Agreement**”) was entered into between the Company; the JPLs; the Investor; and Mr. Lyu in relation to transactions (the “**Restructuring Transactions**”) collectively as: (a) the proposed capital reorganisation of the Company’s share capital involving (i) share premium cancellation; (ii) capital reduction; and (iii) the unissued share capital cancellation (collectively referred to as the “**Capital Reorganisation**”); (b) the subscription of 2,260,980,856 new shares of the Company under this framework agreement by the Investor (the “**Investor Subscription**”); and (iii) the proposed scheme of arrangement of the Company under Sections 670, 673 and 674 of the Companies Ordinance (Cap. 622) between the Company and its creditors, in its present form, or with or subject to any modification of it, any addition to it or any condition approved or imposed by the High Court of the HKSAR (the “**Scheme**”).

Details of above are set out in the Company’s announcement dated 10 March 2022.

By an order made by the High Court of the HKSAR (the “**HK Court**”) dated 8 February 2022 (the “**Order**”), the HK Court has directed a Scheme Meeting (the “**Scheme Meeting**”) be convened of the Scheme Creditors of the Company for the purpose of considering and, if thought fit, approving (with or without modification or condition approved and imposed by the HK Court) the Scheme proposed to be made between the Company and the Scheme Creditors pursuant to Sections 670, 671, 673 and 674 of the Companies Ordinance (Cap. 622). The Scheme was approved by the requisite statutory majorities of the creditors on 11 March 2022.

On 22 March 2022, the solicitors of the Company received a letter from the HK Court informing that Mr. Justice Harris will make an order to sanction the Scheme without modification. As HK Court is currently subject to general adjournment of proceedings, the sealed sanction order will be delivered to the Registrar of Companies in Hong Kong after 11 April 2022, which is the earliest date the HK Court resume normal proceedings or when the general adjournment of proceedings ends.

Details of above are set out in the Company's announcements dated 18 February 2022 and 12 March 2022.

### **The new infections of COVID-19**

Due to the outbreak of the Omicron variant of the COVID-19 pandemic in March 2022 in the PRC, a series of precautionary and control measures have been implemented by the PRC authorities. The Group will continue to pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the financial position and operation of the Group and will notify the shareholders and potential investors of the Company in accordance with the Listing Rules. As at the date of this announcement, the Board was not aware of any material adverse impact on the Group's operation and financial statements as a result of the outbreak of the Omicron variant of the COVID-19 pandemic since its outspread in early March 2022 in the PRC.

### **EMPLOYEES AND EMOLUMENT POLICY**

At 31 December 2021, the Group employed a total of 16 (2020: 29) employees. Total costs including the emoluments of the directors of the Company, amounted to approximately HK\$4.3 million for the year (2020: approximately HK\$16.1 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 2021. As at 31 December 2021, 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.

## **SUSPENSION OF TRADING OF THE SHARES**

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.

## **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 2021 (2020: 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 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 2021. 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 A.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 1 January 2021 to 30 March 2021 and the period from 8 December 2021 to 22 December 2021, the Company failed to meet the following requirements of the Listing Rules as a result of resignation of Mr. Fung Tze Wa on 31 December 2020 and resignation of Mr. Wan Man Wah on 8 December 2021 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.

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. An Dong 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 2021 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, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group’s auditors, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by McMillan Woods (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods (Hong Kong) CPA Limited on the preliminary announcement.

## **ANNUAL GENERAL MEETING**

It is proposed that the annual general meeting (the “**2021 AGM**”) of the Company for the year ended 31 December 2021 will be held on a date to be fixed by the Board, and a notice convening the 2021 AGM will be published and despatched to the Shareholders 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](http://www.chinawoodint.com.hk)) and the Stock Exchange ([www.hkex.com.hk](http://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, 25 March 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.*