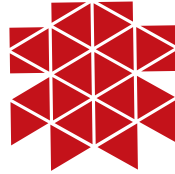


LETTER FROM THE BOARD



CHINA WOOD  
**中木國際**

**CHINA WOOD INTERNATIONAL HOLDING CO., LIMITED**

**中木國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1822)**

*Executive Directors:*

Mr. Lyu NingJiang (*Chairman and CEO*)

Ms. Ng Lai Ha

*Non-executive Director:*

Mr. Hu YongGang

*Independent non-executive Directors:*

Mr. Zhao XianMing

Mr. Chan Lik Shan

Mr. So Yin Wai

*Registered Office:*

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman

KY1-1111

Cayman Islands

*Head Office and Principal Place of*

*Business:*

11th Floor, Tower 2

Admiralty Centre

18 Harcourt Road, Admiralty

Hong Kong

3 March 2025

*To the Qualifying Shareholders and, for information only, the Excluded Shareholders (if any)*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE  
ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE**

**INTRODUCTION**

References are made to the Announcement and the Circular in relation to, among others, the Rights Issue.

## LETTER FROM THE BOARD

At the EGM, the necessary resolution for approving, among other things, the Rights Issue was duly passed by the Independent Shareholders.

The purpose of this Prospectus is to provide you with further details of the Rights Issue.

### RIGHTS ISSUE

The Rights Issue will be implemented on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.111 per Rights Share, to raise gross proceeds of approximately HK\$45.6 million by issuing 411,219,340 Rights Shares to the Qualifying Shareholders.

As at the Latest Practicable Date, the Group had no outstanding derivatives, options, warrants, convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares.

411,219,340 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 100% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

### Subscription Price

The Subscription Price is HK\$0.111 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 63.6% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 45.0% to the closing price of HK\$0.202 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of 48.6% to the average of the closing prices of HK\$0.216 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

## LETTER FROM THE BOARD

- (iv) a discount of approximately 29.1% to the theoretical ex-rights price of HK\$0.1565 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.202 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 24.9%, represented by the theoretical diluted price of approximately HK\$0.1663 per Share to the benchmarked price of HK\$0.2216 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the Announcement).

The Subscription Price was determined with reference to, among others, (i) the market prices of the Shares under the prevailing market conditions and the relevant discount to the closing prices; (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section headed “REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND INTENDED USE OF PROCEEDS” in this Prospectus.

The Directors consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the proposed Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account the following factors:

- (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market;
- (ii) the proposed Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company and an opportunity to subscribe for excess Rights Shares subject to the level of acceptance; and
- (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

## LETTER FROM THE BOARD

### **Irrevocable Undertakings**

As at the Latest Practicable Date, the Board has not received any information or irrevocable undertaking from any Shareholders of their intention to take up or not to take up the securities of the Company to be provisionally allotted to them under the Rights Issue.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

- (i) the passing of all the necessary resolution at the EGM to approve the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Independent Shareholders;
- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively each of the Prospectus Documents in compliance with the Listing Rules and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders in the manners as set out in the section headed “Qualifying Shareholders” in the “Letter from the Board” of this Prospectus and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms); and
- (v) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

The conditions set out above are incapable of being waived by the Company. If any of the above conditions is not satisfied by the Latest Time for Acceptance, the Rights Issue will not proceed. As at the Latest Practicable Date, save for the above condition (i), other conditions have not been fulfilled.

## LETTER FROM THE BOARD

**The Rights Issue is subject to the fulfilment of conditions including the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. If the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed.**

### **Non-underwritten basis**

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event there is an under subscription of the Rights Issue, any unsubscribed Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount which must be raised in order for the Rights Issue to proceed.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive has been obtained. Accordingly, the Rights Issue will be made on the term that the Company will provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder for his entitlement under the PAL or for excess Rights Shares under the EAF will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only. This Prospectus, in both English and Chinese, will be made available on the Company's website ([www.chinawoodint.com.hk](http://www.chinawoodint.com.hk)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). A notice of publication of the website version of this Prospectus, in both English and Chinese, will be sent by the Company to Shareholders by email or by post (only if the Company does not possess the functional email address of a Shareholder) on the publication date of the Prospectus. The Company will send the PAL(s) to the Qualifying Shareholders individually in printed form. The Company will send the EAF(s) to its Qualifying Shareholders individually by email. If the Company does not possess the email address of a Qualifying Shareholder or the email address provided is not functional, the Company will send the EAF(s) in printed form together with a request form for soliciting the Qualifying Shareholder's functional email address to facilitate electronic dissemination of Actionable Corporate Communications in the future. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date.

## LETTER FROM THE BOARD

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.**

### **Rights of Overseas Shareholders (if any)**

As at the Latest Practicable Date, the Company has a total of 23 Overseas Shareholders holding an aggregate of 238,910,512 Shares as follows:

<b>Place of address</b>	<b>Number of Overseas Shareholders</b>	<b>Number of Shares held</b>
BVI	2	238,903,147
PRC	21	7,365

Taking into account the advice provided by legal adviser in the PRC and by legal adviser in the BVI, the Directors are of the view that the relevant PRC and BVI legal restrictions and requirements of the regulatory body or stock exchange in the PRC and/or in the BVI do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses located in the PRC or in the BVI from the Rights Issue. Therefore, such Overseas Shareholders are not Excluded Shareholders and the Rights Issue will be extended to such Overseas Shareholders.

No invitation has been made or will be made, directly or indirectly, to the public in the BVI to purchase the Rights Shares, and the Rights Shares are not being offered or sold and may not be offered or sold, directly or indirectly, in the BVI, except as otherwise permitted by the BVI laws.

The Prospectus Documents will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. In the event that additional Overseas Shareholder(s), other than the Overseas Shareholders with registered address located in the PRC or in the BVI as mentioned above, is/are identified as at the Record Date, such Overseas Shareholder(s) may not be eligible to take part in the Rights Issue as explained below.

## LETTER FROM THE BOARD

No additional Overseas Shareholder(s), other than the Overseas Shareholders with registered address located in the PRC or in the BVI as mentioned above, is/are identified as at the Latest Practicable Date. As the register of members of the Company had already been closed as at the Latest Practicable Date and would remain closed up to the Record Date, there would be no additional Overseas Shareholders and no Excluded Shareholder on the Record Date.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be one (1) Rights Share for every one (1) existing Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

### **Fractional entitlements to the Rights Shares**

On the basis of provisional allotment of one (1) Right Share for every one (1) Share held on the Record Date, no fractional entitlements to the Rights Shares shall be issued to the Shareholders. No entitlements of the Excluded Shareholders to the Rights Shares shall be issued to the Excluded Shareholders.

### **Status of the Rights Shares**

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Procedures for acceptance and payment or transfer**

A PAL will be sent to the Qualifying Shareholders in printed form which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:00 p.m. on Monday, 17 March 2025 (or,

## LETTER FROM THE BOARD

under bad weather conditions, such later time or date as mentioned in the section headed “Effect of Bad Weather on the Latest Time for Acceptance of and Payment for the Rights Shares and Application and Payment for the excess Rights Shares” in “Expected Timetable” in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker’s cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to “China Wood International Holding Co., Limited” and crossed “Account Payee Only”. It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by no later than 4:00 p.m. on Monday, 17 March 2025, whether by the original allottee or any person to whom the provisional allotment has been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company is not obliged to but may, at its sole absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer part or all of their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Friday, 7 March 2025 to the Registrar, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the Registrar’s address set out above after 9:00 a.m. on the second Business Day after the surrender of the original PAL. This process is commonly referred to as “splitting” of nil-paid rights. It should be noted that Hong Kong stamp duty is payable in connection with a transfer of rights to subscribe for the Rights Shares.

If the Qualifying Shareholders wish to transfer all of their nil-paid Rights Shares under the PAL(s) (or a split PAL(s), as the case may be) to another person, they must complete and sign Form B in the PAL(s) and hand the PAL(s) to the person(s) to or through whom they are transferring their nil-paid rights. The transferee must then complete and sign Form C in the PAL(s) and lodge the PAL(s) intact together with a remittance for the full amount payable on acceptance with the Registrar, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong so as to be received by no later than 4:00 p.m. on Monday, 17 March 2025 to effect the transfer. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of rights to subscribe for the Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable securities or other laws or regulations of any jurisdiction.



## LETTER FROM THE BOARD

The PAL contains the full information regarding the procedures to be followed for Qualifying Shareholders who wish to (i) accept their provisional allotment in full; (ii) accept only part of their provisional allotment; or (iii) renounce/transfer all or part of their provisional allotment to other party/parties. Qualifying Shareholders are advised to study the procedures set out in the PAL carefully. If any of the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” in the “Letter from the Board” of this Prospectus is not satisfied by the Latest Time for Acceptance, the Rights Issue will not proceed. Under such circumstances, the monies received in respect of application for the Rights Shares will be returned to the relevant applicants or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or about Tuesday, 25 March 2025. No receipt will be given for such remittance.

All cheques or banker’s cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and lodgment of a PAL together with a cheque or banker’s cashier order in payment for the Rights Shares applied for will constitute a warranty by the applicant that the cheque or banker’s cashier order will be honoured on first presentation. Without prejudice to its other rights in respect thereof, the Company reserves the right and is in its absolute discretion to reject any PAL in respect of which the cheque or banker’s cashier order is dishonoured upon first presentation, and in that event the provisional allotment and all rights and all such assured entitlements thereunder will be deemed to have been declined and will be cancelled.

For beneficial owners whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, if they wish to subscribe for the Rights Shares provisionally allotted to them, or sell their nil-paid Rights Shares or “split” their nil-paid rights by accepting part of their provisional allotment and selling/transferring the remaining part, they should contact their intermediary and provide their intermediary with instructions or make arrangements with their intermediary in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for the Rights Shares which have been provisionally allotted to them in respect of the Shares in which they are beneficially interested. Such instructions and the relevant arrangements should be given or made in advance of the relevant dates stated in the “Expected Timetable” in this Prospectus and otherwise in accordance with the requirements of their intermediary in order to allow their intermediary sufficient time to ensure that their instructions are given effect. The procedures for acceptance, transfer and/or “splitting” in these cases shall be in accordance with the General Rules of HKSCC, the HKSCC Operational Procedures and any other applicable requirements of HKSCC.

## LETTER FROM THE BOARD

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Tuesday, 25 March 2025. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Tuesday, 25 March 2025 by ordinary post to the applicants at their own risk, to their respective registered addresses.

### **Application for excess Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Monday, 17 March 2025.

The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

## LETTER FROM THE BOARD

Pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by the Controlling Shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

Beneficial owners of Shares whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of Shares whose Shares are registered in the name of the nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

Qualifying Shareholders who wish to apply for excess Rights Shares in addition to their provisional allotment must complete and sign an EAF and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar on or before 4:00 p.m. on Monday, 17 March 2025. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “China Wood International Holding Co., Limited” and crossed “Account Payee Only”.

All cheques or cashier’s orders accompanying completed EAFs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or a cashier’s order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier’s order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier’s order is dishonoured on first presentation.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable.

## LETTER FROM THE BOARD

The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. Completion and return of the EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty and representation from such Qualifying Shareholder(s) to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF and any application thereunder, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. If you are in any doubt as to your position, you should consult a professional adviser.

No receipts will be given in respect of any application monies received.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" is not satisfied by the Latest Time for Acceptance, the Rights Issue will not proceed. Under such circumstances, the remittance received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Tuesday, 25 March 2025. Other than HKSCC Nominees Limited, only one share certificate will be issued for all the Rights Shares allotted to an applicant.

### **Application for listing of the Rights Shares**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

## LETTER FROM THE BOARD

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 30,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### **REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND INTENDED USE OF PROCEEDS**

The principal activity of the Company is investment holding. The Group is principally engaged in wood-related business, including the processing and distribution of furniture wood, and the manufacturing and sales of antique-style wood furniture and other wooden products. During 2024, the property sector in China is still struggling to emerge from the credit crisis after the PRC government cracked down on its debt levels in August 2020. Wood consumption is closely linked to the housing market and its demand for construction materials, flooring, furniture, and decorative items. In the last quarter of 2024, the central bank in the PRC had come up with measures including RMB300 billion in lending support for state owned enterprises to buy completed but unsold housing inventory. Another RMB4 trillion in credit was targeted to boost project completions. Notwithstanding that, the property market in the PRC is still in a precarious position, and much depends on the PRC government's follow through on support. As a result, the business environment in which the Group operates remains to be challenging and tough.

To counter the risks of over-exposure to the wood-related business and to capitalize on the Group's expertise and experience in PRC marketing, the Company has been actively assessing the viability of business diversification. The Group has been actively studying business opportunities in areas including the functional food and beverage industry in the PRC. In light of the contingent liabilities arising from legal actions subsisted in the car rental business, its limited scale of operation, and taking into account of its future prospect, the Group considers it appropriate to discontinue the car rental business in October 2024 to release precious financial resources and management time in more promising business areas like the functional food and beverage business in the PRC.

## LETTER FROM THE BOARD

With an increasing disposable income and awareness of a healthy lifestyle, driven by the recent pandemic, the desire for a balanced and healthy diet has expanded rapidly in recent years in the PRC, resulting in significant growth in the functional food and beverage industry in the PRC and the Group expects that as China's population ages, the need for functional foods and beverage will be even higher, and so will the opportunities for businesses. According to a market research report publicly available, the revenue of PRC functional foods market was estimated at approximately US\$36.77 billion in 2023 and is anticipated to grow to approximately US\$67.69 billion by 2030, representing a CAGR of approximately 9.1% during the forecast period. In light of the robust growth in the PRC functional foods market, the Board considers that it is in the interests of the Company and the Shareholders as a whole for the Group to develop its functional food and beverage business in the PRC.

In the fourth quarter of 2024, the Company has established Shenzhen Weijianbao Food Technology Co. Ltd.\* (深圳維健寶食品科技有限公司) (“**Shenzhen Weijianbao**”), a wholly-owned subsidiary of the Company in the PRC, to conduct functional food and beverage business in the PRC. The Group has allocated up to HK\$2 million out of its working capital for the initial setup and operation of Shenzhen Weijianbao. To assist in the initial setup and operation of Shenzhen Weijianbao, out of the HK\$2 million allocated, the Group has appointed an independent consultant who holds a degree in business administration and having over 10 years of business development management experience in the food and beverage industry; and another independent consultant who holds a degree in bio-science and having over 10 years of research development management experience in the food and beverage industry. To minimize business risk and on the strength of the Group expertise and experience in PRC marketing, the Group initially has marketed functional food and beverage products, supplied by ODM supplier, under its own branding through direct sales channel and achieved a revenue of approximately HK\$1 million in 2024. Given the initial positive response, the Group believes that it will be beneficial to further develop the functional food and beverage business in the PRC. As at the Latest Practicable Date, the Company has not identified any potential targets for acquisition or formation of joint venture in relation to its planned development of functional food and beverage business in the PRC. To further develop the business in the functional food and beverage industry, the Group also plans to (i) recruit additional management and technical staff with established knowledge and experience in the functional food and beverage industry; (ii) conduct research activities for the development of proprietary rights and technology related to functional food and beverage to enhance the competitive advantages of the Group's products, the production of the Group's products will remain to be outsourced to external independent suppliers; and (iii) set up a sales and marketing team and engaging key opinion leaders (“KOLs”) designated for the promotion of functional food and beverage products and the development of its functional food and beverage business in the PRC through direct sales channels. The Group has no plan to change the development of its wood-related business. Other than the Disposal, the Company does not intend to cease or downsize any of its existing business upon further development of its functional food and beverage business.

## LETTER FROM THE BOARD

The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$44.6 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.109. The Company intends to apply the net proceeds from the proposed Rights Issue as follows:

- (i) approximately 44.8% of the net proceeds, or approximately HK\$20.0 million, for investment in functional food and beverage business in the PRC. The Company currently intends to apply the net proceeds allocated for the development of the functional food and beverage business of the Group in the PRC as follows during the 12 months following the completion of the Rights Issue: (a) approximately HK\$8.0 million for the acquisition of research and development equipment for the development of proprietary rights and technology related to functional food products; (b) approximately HK\$3.0 million for costs associated with the continuous testing and development of functional food products; (c) approximately HK\$3.0 million for the recruitment of management and technical staff with established knowledge and over five years of experience in the Hong Kong and/or PRC food and beverage industry; and (d) approximately HK\$6.0 million for setting up a sales and marketing team and engaging KOLs to promote the functional food and beverage products developed by the Group; and
- (ii) approximately 55.2% of the net proceeds, or approximately HK\$24.6 million, for general working capital of the Group, including but not limited to operational costs, staff costs, rental expenses, professional fees and other office overheads of the Group.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue as reduced by such under-subscription will be utilised in proportion to the above uses.

The Rights Issue will allow the Qualifying Shareholders who elect not to participate in the Rights Issue are able to sell the nil-paid Rights Shares in the market while the Qualifying Shareholders who wish to increase their shareholding in the Company through the Rights Issue are able to acquire additional nil-paid Rights Shares in the market and/or through application for excess Rights Shares.

The Directors consider that the Rights Issue provides a good opportunity for the Group to strengthen its capital base without incurring debt financing cost and to enhance its financial position, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company. Therefore, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.



## LETTER FROM THE BOARD

The Company has considered fund raising by issuing debt security or debt financing but the Board considers that any further debt financing or borrowings would worsen the gearing ratio and incur further interest expenses of the Company. Therefore, the Board has ruled out debt financing as a source for raising funds on this occasion.

The Board also considered the option of placing of new Shares, but taking into account (i) the engagement of a placing agent which would incur additional costs and expenses on the part of the Company; and (ii) the dilution of the interests of Shareholders without giving them the opportunity to take part in the exercise, it was not considered by the Board to be the most suitable fund-raising method for the Company on this occasion. Further, the Board considered that a rights issue would be more favourable and attractive to the Shareholders than an open offer because it would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto.

In light of the above, the Board is of the view that the Rights Issue is the most appropriate fund-raising method and that the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

**However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings will be diluted.**

### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company as at the Latest Practicable Date, and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated in this Prospectus, is as follow:

<i>Name of Shareholder</i>	<b>As at the Latest Practicable Date</b>		<b>Immediately after completion of the Rights Issue (assuming all Shareholders have taken up the Rights Shares)</b>	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
<b>Right Momentum (Note 1)</b>	226,098,085	54.98%	452,196,170	54.98%
<b>Public Shareholders</b>	185,121,255	45.02%	370,242,510	45.02%
<b>Total</b>	<b>411,219,340</b>	<b>100.0%</b>	<b>822,438,680</b>	<b>100.0%</b>

*Note:*

- Right Momentum is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Lyu.



## LETTER FROM THE BOARD

### EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the fund raising activity set out below, the Company has not conducted any other equity fund raising activities in the twelve (12) months immediately preceding the Latest Practicable Date.

Date of initial announcement	Event	Net proceeds as announced (approximate)	Intended use of proceeds as announced	Actual use of proceeds
27 August 2024	Placing of new shares under general mandate	HK\$15.2 million	Repayment of debts and general working capital of the Group	All net proceeds have been used for the intended purpose

### LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any Controlling Shareholders and their respective associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. At the date of the EGM, Right Momentum, being a Controlling Shareholder, directly holds 226,098,085 Shares (representing approximately 54.98% of the issued share capital of the Company at the date of the EGM). Right Momentum is a company wholly-owned by Mr. Lyu, the chairman of the Board, CEO and an executive Director of the Company. Accordingly, Right Momentum, Mr. Lyu and their respective associates were required to abstain and had so abstained from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules.

At the EGM, the resolution approving the Rights Issue and the transactions contemplated thereunder was duly passed by the Independent Shareholders by way of poll.

## LETTER FROM THE BOARD

### WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and full-paid forms. Accordingly, the proposed Rights Issue may or may not proceed.

Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 5 March 2025 to Wednesday, 12 March 2025 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the proposed Rights Issue is subject are fulfilled will accordingly bear the risk that the proposed Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or the Rights Shares.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,  
For and on behalf of the Board  
China Wood International Holding Co., Limited  
Lyu NingJiang  
*Chairman and Executive Director*

