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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)**

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>37,438</b>	9,732
Gross profit	<b>3,900</b>	1,956
Loss for the period	<b>(64,382)</b>	(100,447)
Total comprehensive loss for the period	<b>(64,777)</b>	(99,039)

The board of directors (the “**Board**”) of China Wood International Holding Co., Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), hereby presents the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021 (the “**Reporting Period**”) together with the comparative unaudited figures for the six months ended 30 June 2020, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2021*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>REVENUE</b>	4	<b>37,438</b>	9,732
Cost of sales and services rendered		<u><b>(33,538)</b></u>	<u>(7,776)</u>
Gross profit		<b>3,900</b>	1,956
Other income and gains, net		<b>(364)</b>	2,790
Allowances for expected credit losses (“ECLs”) on trade and other receivables, net		<b>(109)</b>	(2,899)
Provision for financial guarantee		<b>(1,000)</b>	–
Selling and distribution expenses		<b>(175)</b>	(2,861)
General and administrative expenses		<b>(8,256)</b>	(33,605)
Other expenses		<b>(100)</b>	(104)
Finance costs	5	<b>(58,093)</b>	(64,928)
Share of results of joint ventures		<u>–</u>	<u>(816)</u>
<b>LOSS BEFORE TAX</b>	6	<b>(64,197)</b>	(100,467)
Income tax (expense)/credit	7	<u><b>(185)</b></u>	<u>20</u>
<b>LOSS FOR THE PERIOD</b>		<u><b>(64,382)</b></u>	<u>(100,447)</u>
Attributable to:			
Ordinary equity holders of the Company		<b>(64,372)</b>	(87,535)
Non-controlling interests		<u><b>(10)</b></u>	<u>(12,912)</u>
		<u><b>(64,382)</b></u>	<u>(100,447)</u>
		<b><i>HK cents</i></b>	<i>HK cents</i>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD</b>	9		
Basic		<u><b>(18.79)</b></u>	<u>(25.71)</u>
Diluted		<u><b>(18.79)</b></u>	<u>(25.71)</u>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>LOSS FOR THE PERIOD</b>	<u>(64,382)</u>	<u>(100,447)</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences:		
Exchange differences arising on translation of foreign operations	<u>(395)</u>	<u>1,408</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u><u>(64,777)</u></u>	<u><u>(99,039)</u></u>
Attributable to:		
Ordinary equity holders of the Company	(64,695)	(86,127)
Non-controlling interests	<u>(82)</u>	<u>(12,912)</u>
	<u><u>(64,777)</u></u>	<u><u>(99,039)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*As at 30 June 2021*

	<i>Notes</i>	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>21,896</b>	12,742
Right-of-use assets		<b>2,968</b>	1,018
Intangible assets		<b>31,370</b>	31,082
Goodwill		–	–
Interest in an associate		–	–
Deferred tax assets		–	35
Financial assets at fair value through profit or loss ("FVTPL")	<i>10</i>	<b>58,391</b>	58,632
Total non-current assets		<b>114,625</b>	103,509
<b>CURRENT ASSETS</b>			
Inventories		<b>5,489</b>	6,497
Trade receivables	<i>11</i>	<b>8,438</b>	956
Loan receivable		–	–
Financial assets at FVTPL	<i>10</i>	<b>33,978</b>	–
Prepayments, deposits and other receivables		<b>16,522</b>	47,450
Restricted bank balances		–	1,467
Cash and cash equivalents		<b>9,172</b>	3,332
Total current assets		<b>73,599</b>	59,702
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>16,176</b>	3,773
Other payables and accruals		<b>393,775</b>	328,301
Interest-bearing bank and other borrowings		<b>792,054</b>	638,843
Lease liabilities		<b>1,643</b>	1,317
Derivative financial instruments	<i>13</i>	–	–
Convertible bonds	<i>13</i>	–	143,980
Tax payable		<b>163</b>	–
Financial guarantee		<b>34,000</b>	33,000
Total current liabilities		<b>1,237,811</b>	1,149,214
<b>NET CURRENT LIABILITIES</b>		<b>(1,164,212)</b>	(1,089,512)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(1,049,587)</b>	(986,003)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 30 June 2021*

	<b>30 June</b>	31 December
	<b>2021</b>	2020
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>1,550</b>	496
Deferred tax liabilities	<b>139</b>	–
	<hr/>	<hr/>
Total non-current liabilities	<b>1,689</b>	496
	<hr/>	<hr/>
<b>NET LIABILITIES</b>	<b>(1,051,276)</b>	(986,499)
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to ordinary equity holders of the Company</b>		
Share capital	<b>68,515</b>	68,515
Reserves	<b>(1,111,985)</b>	(1,047,290)
	<hr/>	<hr/>
	<b>(1,043,470)</b>	(978,775)
Non-controlling interests	<b>(7,806)</b>	(7,724)
	<hr/>	<hr/>
Total deficiency in assets	<b>(1,051,276)</b>	(986,499)
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# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. CORPORATE INFORMATION

The Company is a company incorporated in the Cayman Islands with limited liabilities. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the Reporting Period, the principal place of business of the Company in Hong Kong has been changed from Room 3006-07, 30/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong to Room 1601, 16/F, Sun House, 90 Connaught Road Central, Hong Kong.

During the Reporting Period, the Group was primarily involved in provision of car rental in the People's Republic of China (the "PRC"); trading of goods (primarily wood products) and other business services including fund management.

### **Appointment of the joint provisional liquidators for restructuring proposes 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

The unaudited condensed consolidated interim financial statements of the Group for the Reporting Period have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and methods of computation adopted in the condensed consolidated interim financial statements for the Reporting Period are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

## 2. BASIS OF PREPARATION (Continued)

The HKICPA has issued a number of new or amended Hong Kong Financial Reporting Standards (the “HKFRSs”) that are effective for the current accounting period of the Group:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The new or amended HKFRSs that are effective from 1 January 2021 did not have any significant impact on the Group’s accounting policies.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments during the Reporting Period, as follows:

- (a) Car rental segment – primarily engages in the provision of car rental services;
- (b) Trading of goods segment – primarily engages in the trading of furniture wood mainly red mahogany wood and yellow sandalwood and other goods;
- (c) Financing services and investment segment – primarily engages in money lending business through the provision of loans and financial investment holding; and
- (d) Other 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 revenue.

Segment assets exclude certain financial assets at FVTPL, tax recoverable, cash and cash equivalents, restricted cash, 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.

### 3. OPERATING SEGMENT INFORMATION (Continued)

	Car rental		Trading of goods		Financing services and investments		Others		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Segment revenue</b>										
Sales of goods	-	-	33,422	-	-	-	-	-	33,422	-
Car rental income	3,534	7,659	-	-	-	-	-	-	3,534	7,659
Service income	-	-	-	-	-	-	482	2,073	482	2,073
	<u>3,534</u>	<u>7,659</u>	<u>33,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>482</u>	<u>2,073</u>	<u>37,438</u>	<u>9,732</u>
	Car rental		Trading of goods		Financing services and investments		Others		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<b>Segment assets</b>	64,856	47,055	296	348	58,891	59,132	75	75	124,118	106,610
<b>Reconciliation:</b>										
Corporate and other unallocated assets									64,106	56,601
Total assets									<u>188,224</u>	<u>163,211</u>
<b>Segment liabilities</b>	59,396	40,775	25,848	16,271	3	3	2,508	2,508	87,755	59,557
<b>Reconciliation:</b>										
Corporate and other unallocated liabilities									1,151,745	1,090,153
Total liabilities									<u>1,239,500</u>	<u>1,149,710</u>



### 3. OPERATING SEGMENT INFORMATION (Continued)

#### Geographical information

The following table presents derived revenue from external customers for the six months ended 30 June 2021 and 2020 and certain non-current assets information as at 30 June 2021 and 31 December 2020, by geographical areas.

	The United States <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30 June 2021 (Unaudited)</b>					
Revenue from external customers	<u>–</u>	<u>37,438</u>	<u>–</u>	<u>–</u>	<u>37,438</u>
<b>Six months ended 30 June 2020 (Unaudited)</b>					
Revenue from external customers	<u>–</u>	<u>8,169</u>	<u>1,563</u>	<u>–</u>	<u>9,732</u>
<b>As at 30 June 2021 (Unaudited)</b>					
Non-current assets	14,602	99,500	523	–	114,625
Non-current assets (excluding financial instruments)	<u>–</u>	<u>55,711</u>	<u>523</u>	<u>–</u>	<u>56,234</u>
<b>As 31 December 2020 (Audited)</b>					
Non-current assets	10,622	92,829	58	–	103,509
Non-current assets (excluding financial instruments)	<u>–</u>	<u>44,819</u>	<u>58</u>	<u>–</u>	<u>44,877</u>

The Group's revenue information by geographical areas is based on the locations where the customers are domiciled/located or the destination where the goods are delivered. The Group's non-current assets information by geographical areas is based on the locations of the assets.

#### Revenue from major customers

During the Reporting Period, the Group has recorded 3 customers (2020: nil), which amounted to 10 per cent or more of the Group's total revenue.

#### 4. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of car rental and other services rendered during the period.

An analysis of revenue from contract with customers is as follows:

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of goods recognised at a point in time	33,422	–
Car rental income	3,534	7,659
Service income recognised at a point in time	482	2,073
	<u>37,438</u>	<u>9,732</u>

#### 5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	51,910	9,663
Interest on convertible bonds	6,042	54,063
Interest on lease liabilities	126	1,066
Bank charges	15	136
	<u>58,093</u>	<u>64,928</u>

## 6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold and services rendered	31,488	7,776
Depreciation	2,470	3,810
Fair value loss on financial assets at FVTPL, net	587	–
Allowances for ECLs on trade and other receivables	109	86,891
Reversal of allowances for ECLs on trade and other receivables	–	(85,970)
Provision for financial guarantee	1,000	–
Other lease expenses*	1,495	1,539
Loss on disposal of items of property, plant and equipment, net	100	355
Write-off of items of property, plant and equipment	–	495
	<u>          </u>	<u>          </u>

\* These expenses relate to short-term leases. They are directly charged as expenses and are not included in the measurement of lease liabilities under HKFRS 16.

## 7. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2020 interim: 16.5%) on the estimated assessable profits arising in Hong Kong.

The PRC Enterprise Income Tax has been provided at a rate of 25% (2020 interim: 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 2009 are subject to withholding tax at a rate of 10%.

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current – Elsewhere		
Charge for the period	163	–
Over provision in prior years	–	(20)
Deferred tax	22	–
	<hr/>	<hr/>
Total tax charge for the period	<b>185</b>	<b>(20)</b>

## 8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020 interim: Nil).

**9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD**

The calculation of the basic and diluted loss per share is based on the loss for the period attributable to ordinary equity holders of the Company of approximately HK\$64,372,000 (loss for the six months ended 30 June 2020: HK\$87,535,000) and the weighted average number of ordinary shares of 342,572,857 (30 June 2020: 340,537,522) in issue during the Reporting Period.

During the Reporting Period, the Company implemented the share consolidation of every twenty shares into one consolidated share (the “**Share Consolidation**”). The Share Consolidation were completed on 26 June 2020. Accordingly, the weighted average number of shares for the purposes of basic and diluted loss per share has been adjusted for both periods.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss</b>		
Loss for the period attributable to ordinary equity holders of the Company	<b>(64,372)</b>	(87,535)
<i>Add:</i> Interest expense on convertible bonds	<b>6,042</b>	54,063
<i>Less:</i> Fair value gain on derivative component of the convertible bonds	<u>–</u>	<u>(1,430)</u>
Adjusted loss for the period attributable to ordinary equity holders of the Company	<u><b>(58,330)</b></u>	<u>(34,902)</u>
<b>Number of shares</b>		
<b>Six months ended 30 June</b>		
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per above calculation	<u><b>342,572,857</b></u>	<u>340,537,522</u>

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

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current financial assets at FVTPL</b>		
An unlisted fund investment	–	–
Unlisted equity investments	<u>58,391</u>	<u>58,632</u>
<b>Current financial assets at FVTPL</b>		
An acquired convertible bond	<u>33,978</u>	<u>–</u>

## 11. TRADE RECEIVABLES

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	<b>841,459</b>	833,829
<i>Less:</i> Allowance for ECLs	<u>(833,021)</u>	<u>(832,873)</u>
	<u><b>8,438</b></u>	<u>956</u>

The Group's trading terms with its customers are mainly on credit with credit period generally 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.

## 11. TRADE RECEIVABLES (Continued)

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

	<b>30 June</b> <b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2020 <i>HK\$'000</i> (Audited)
Within 90 days	7,500	195
90 to 180 days	93	761
Over 180 days	845	–
	<hr/>	<hr/>
Total	<b>8,438</b>	956
	<hr/> <hr/>	<hr/> <hr/>

## 12. TRADE PAYABLES

An aged analysis of the trade payables, based on the invoice date, is as follows:

	<b>30 June</b> <b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2020 <i>HK\$'000</i> (Audited)
Within 30 days	8,126	3,387
31 to 60 days	2,140	–
Over 60 days	5,910	386
	<hr/>	<hr/>
	<b>16,176</b>	3,773
	<hr/> <hr/>	<hr/> <hr/>

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

### 13. CONVERTIBLE BONDS

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

The 2018 Convertible Bond and 2019 Convertible Bond are 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 Convertible Bond and 2019 Convertible Bond are convertible into approximately 571,429,000 ordinary shares of the Company in aggregate. The 2018 Convertible Bond and the 2019 Convertible Bond, if not converted, will be redeemed at their outstanding principal amount together with any interest thereon, plus an additional amount of a compound return of 12% per annum over the outstanding principal amount at maturity. The 2018 Convertible Bond and the 2019 Convertible Bond carry interest at a rate of 5% per annum, payable semi-annually on 30 June and 31 December of a calendar year. The effective interest rates of the liability components of the 2018 Convertible Bond and 2019 Convertible Bond are 22.8% and 23.5%, respectively.

On 10 May 2018, the Company and the bondholder of 2018 Convertible Bond entered into a deed of amendment, pursuant to which the maturity date of 2018 Convertible Bond was extended from 16 May 2018 to 16 May 2020 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 HK\$15,440,000 was paid thereof. The effective interest rate of the liability component of the extended Convertible Bond is 25.5%.

On 15 May 2019, the Company and the bondholder of 2019 Convertible Bond entered into a deed of amendment, pursuant to which the maturity date of 2019 Convertible Bond was extended from 16 May 2019 to 16 May 2021, the conversion price of 2019 Convertible Bond 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 Convertible Bond is 10.7%.

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



### 13. CONVERTIBLE BONDS (Continued)

In addition, for both 2018 Convertible Bond and 2019 Convertible Bond, the Company may, at any time prior to the maturity date, redeem in whole the 2018 Convertible Bond and 2019 Convertible Bond 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 Convertible Bond and 2019 Convertible Bond 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.

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

The 2020 Convertible Bond is 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 Convertible Bond is convertible into approximately 571,429,000 ordinary shares of the Company. The 2020 Convertible Bond, if not converted, will be redeemed at its outstanding principal amount together with the any interest accrued thereon. The 2020 Convertible Bond carries interest at a rate of 8% per annum, which is payable semi-annually on 18 June and 18 December of a calendar year. The effective interest rate of the liability component of the 2020 Convertible Bond is 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 is 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.

After the Share Consolidation being effective on 26 June 2020, there are outstanding convertible bonds upon the full conversion of which a total of 92,857,142 new consolidated ordinary shares may be allotted and issued to the relevant bondholders. The Share Consolidation would lead to adjustment to the conversion price of the convertible bonds and the number of consolidated shares which may fall to be issued upon exercise of the conversion rights attaching to the convertible bonds, such adjustment to be made in accordance with the terms and conditions of the convertible bonds and the Listing Rules.

Owing to the fact that 2018 Convertible Bond, 2020 Convertible Bond and 2019 Convertible Bond were being expired on 16 May 2020, 30 August 2020 and 16 May 2021 respectively, the outstanding balance of both 2018 Convertible Bond, 2020 Convertible Bond and 2019 Convertible Bond has been 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 Existing Shares or Consolidated Shares, as the case may be.

### 13. CONVERTIBLE BONDS (Continued)

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

	<b>Liability component</b> <i>HK\$'000</i>	<b>Derivative component</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 1 January 2020 (Audited)</b>	437,190	1,430	438,620
Interest expenses	75,255	–	75,255
Fair value gain	–	(1,430)	(1,430)
Reclassified to other borrowing upon maturity	<u>(368,465)</u>	<u>–</u>	<u>(368,465)</u>
<b>At 31 December 2020 and 1 January 2021 (Audited)</b>	143,980	–	143,980
Interest expenses	6,042	–	6,042
Reclassified to other borrowing upon maturity	<u>(150,022)</u>	<u>–</u>	<u>(150,022)</u>
<b>At 30 June 2021 (Unaudited)</b>	<u>–</u>	<u>–</u>	<u>–</u>
Represented by			
At 30 June 2021			
Current portion (Unaudited)	<u>–</u>	<u>–</u>	<u>–</u>
As 31 December 2020			
Current portion (Audited)	<u>143,980</u>	<u>–</u>	<u>143,980</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

After the pandemic of novel coronavirus (“**COVID-19**”) reaching its peak of daily new cases in late 2020, governments around the world have put much reliance on the rollout of the newly developed vaccine to restrain any further spread of the virus. However, numerous variants of the virus that causes COVID-19 are being tracked globally from the beginning of year 2021 and the initial hopes of a quick ending to the pandemic is no longer promising. Intermittent lockdowns of communities and businesses are the new normal.

When the Biden administration comes into office in early 2021, quite a part of the investing public in Asia has optimistic view towards a relief or course changes in the US-China trade relationship. However, not much have been changed between the two superpowers during the Reporting Period.

As a result, the business environment where the Group operates remains to be challenging and tough during the Reporting Period.

#### **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 to 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’ requirement. By the end of the contractual term, Beijing Tu An retains 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 on-going rental rates for each particular car models and adjusted according to the then prevailing market condition.

\* *For identification purpose only*

During the Reporting Period, 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 expand 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.

As disclosed in the 2020 Annual Report of the Company, the then existing work force and rental car fleet of Car Rental segment in Beijing underwent an internal restructuring exercise in early 2021. 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 Reporting Period. After serious assessment by the Board, the Group will conduct its rental car fleet in a more conservative approach. For the six months ended 30 June 2021, the car rental business segment of the Group recorded a revenue of approximately HK\$3.5 million (six months ended 30 June 2020: HK\$7.7 million). The Group will maintain its developmental strategies in order to enhance its capacity and capture incremental market share.

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

The Group intends to venture 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 trading 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 trading 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 would initially focus on sourcing of raw materials for furniture manufacturers and has plan to expand downstream into red wood furniture manufacturing and sales in the future. 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.

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 Reporting Period, 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 Reporting Period (six months ended 30 June 2020: HK\$Nil).

For the six months ended 30 June 2021, the Group's Trading of goods business (primarily wood products trading) recorded unaudited sales revenue of approximately HK\$33.4 million (six months ended 30 June 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 considers the forest-related business including forest management and trading and sale of forest and timber products has great development potential and could provide a new source of income for the Group. In addition, the Group will continue to identify suitable business opportunities and closely monitor the latest economic situation when implementing its business plans as needed.

## **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.

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 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 (the “**Cayman Court Order**”). Please refer to the announcements of the Company dated 2 February 2021 and 5 February 2021 for details of the Cayman Court Order; and (ii) a letter of request (the “**Letter of Request**”) was subsequently issued on 18 February 2021 by the Cayman Court to the High Court of Hong Kong to request, among other things, recognition of the Cayman Court Order and the appointment of the JPLs such that the Cayman Court Order shall be treated in all respects in the same manner as if they have been made by the High Court of Hong Kong.

During the period, the Company has collaborated with the joint and several provisional liquidators of the Company to formulate a debt restructuring scheme (the “**Scheme**”). The implementation of the Scheme is subject to the agreements of the majority of the creditors in the creditors’ meeting and the order granted by the Court of Grand Cayman. The Company will continue its effort to obtain all necessary supports from its creditors in order to proceed with the Scheme that all the stakeholders’ rights can be best protected.

## **FINANCIAL REVIEW**

### **Results of the Group**

#### ***Revenue***

During the six months ended 30 June 2021, the Group recorded a revenue of approximately HK\$37.4 million, which represented a increase of approximately 285.6% as compared to the revenue of approximately HK\$9.7 million as recorded for the six months ended 30 June 2020. The significant increase was mainly due to the rollout of the wood products trading business in the PRC. Please refer to the Business Review – Trading of Goods (Primarily Wood Products) Business section of this announcement for more information.

### ***Cost of sales***

Cost of sales of the Group increased by approximately 329.5% from approximately HK\$7.8 million for the six months ended 30 June 2020 to approximately HK\$33.5 million for the six months ended 30 June 2021. The increase was mainly attributable to the speedy growth of the wood products trading business of the Group during the Reporting Period.

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

The Group recorded a gross profit of approximately HK\$3.9 million for the six months ended 30 June 2021, representing an increase of approximately 99.4% as compared to the gross profit recorded in the prior period under review. The gross profit margin decreased by approximately 9.7% from 20.1% for the six months ended 30 June 2020 to 10.4% in the Reporting Period. The decreased was mainly resulted from the increase in volume of lower margin wood products trading business.

### ***Other income and gains***

Other income and gains of the Group decreased by approximately 114.3%, from approximately HK\$2.8 million gains for the six months ended 30 June 2020 to approximately HK\$0.4 million losses for the six months ended 30 June 2021. The decrease was mainly attributed to no gain on disposal of used cars and less interest accrued from acquired convertible bonds during the Reporting Period.

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

Selling and distribution expenses of the Group decreased by approximately 93.1% from approximately HK\$2.9 million during the six months ended 30 June 2020 to approximately HK\$0.2 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease in selling costs of car rental businesses and other businesses during the Reporting Period.



### ***General and administrative expenses***

General and administrative expenses of the Group decreased by approximately 75.3% from approximately HK\$33.6 million for the six months ended 30 June 2020 to approximately HK\$8.3 million for the six months ended 30 June 2021. The decrease was mainly due to excluding the administrative expenses incurred by the Group's investment in USA after the July 2020 deemed disposal as disclosed in the 2020 Annual Report of the Company, together with, the decrease in staff costs as a result of the Group's streamlining exercise during the Reporting Period.

### ***Finance costs***

Finance costs decreased from approximately HK\$64.9 million for the six months ended 30 June 2020 to approximately HK\$58.1 million for the six months ended 30 June 2021. The decrease was mainly due to no interest on other borrowings incurred by the Group's investment in USA after the July 2020 deemed disposal.

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

Income tax expense increased from approximately HK\$0.02 million tax credit for the six months ended 30 June 2020 to approximately HK\$0.19 million tax expense for the six months ended 30 June 2021, as a result of the rollout of the Group's wood products trading business.

## Significant investments held

During the six months ended 30 June 2021 and the year ended 31 December 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 30 June 2021 (HK\$'000)	Number of Shares of investments held as at 30 June 2021	Percentage of investments held as at 30 June 2021 (%)	Performance/	Size as	Total amount
					Change in fair value for the six months ended 30 June 2021 (HK\$'000)	compared to the Group's total assets as at 30 June 2021 (%)	of dividends received for the six months ended 30 June 2021 (HK\$'000)
Zuoshishi Technology Service (Beijing) Company Limited	67,050	43,789	N/A*	11	523	23	–
Spring Power Holdings Limited	23,474	14,602	498	3	3,980	8	–

  

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/	Size as	Total amount
					Change in fair value for the year ended 31 December 2020 (HK\$'000)	compared to the Group's total assets as at 31 December 2020 (%)	of dividends received for the year ended 31 December 2020 (HK\$'000)
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	–

\* Represented by RMB1,029,963 out of total issued capital of RMB9,363,296

## Description of the investments

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 since year 2020 which has hindered the future outlook of the business sector and also causing notable downward pressure to the investment's future returns and as a result to the valuation conducted by independent valuer.

## **Description of the investments (Continued)**

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 the investee company and its subsidiaries has experienced downward adjustments for two consecutive years as of 31 December 2020. Consistent drop in turnover while inventory being kept at a high level has significantly dampened the expectation to its future profitability and consequently affected the valuation conducted by independent valuer in year 2020. During the Reporting Period, the performance of the investee Company and its subsidiaries has recorded improvements in various aspects.

As at 30 June 2021 and 31 December 2020, none of each individual underlying investment of the above mentioned investments constitutes 5% or above of the total assets of the Group.

## **Liquidity and financial resources**

As at 30 June 2021, cash and cash equivalents of the Group amounted to approximately HK\$9.2 million (31 December 2020: approximately HK\$3.3 million).

As at 30 June 2021, the Group had interest-bearing bank and other borrowings amounted to approximately HK\$792.1 million (31 December 2020: HK\$638.8 million) and the Group also had liability component of convertible bonds of HK\$Nil (31 December 2020: approximately HK\$144.0 million).

As discussed in the note 2 of the Notes to the Consolidated Financial Statement of 2020 Annual Report dated 29 March 2021, the Board is confident that the Group has sufficient financial resources to meet its debt repayment and finance needs for its operations for the foreseeable future.

## Gearing ratio

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Total interest-bearing bank and other borrowings and liability components of convertible bonds	<b>792,054</b>	782,823
Total assets	<b>188,224</b>	163,211
Gearing ratio	<b><u>420.8%</u></b>	<b><u>479.6%</u></b>

The decrease in the gearing ratio was mainly due to the exclusion of other borrowings related to the Group's investment in USA after the July 2020 deemed disposal during the Reporting Period.

As at 30 June 2021, the maturity profile of the interest-bearing bank and other borrowings of the Group falling due within one year amounted to approximately HK\$792.1 million (31 December 2020: approximately HK\$638.8 million), of which bank and other borrowings of approximately HK\$59.3 million (31 December 2020: approximately HK\$57.6 million) were denominated in Renminbi.

As at 30 June 2021, the maturity profile of the liability components of the Group's issued convertible bonds falling due within one year amounted to HK\$Nil (31 December 2020: approximately HK\$144.0 million).

## Capital structure

The capital of the Company comprises only ordinary shares. On 26 June 2020, the Share Consolidation on the basis of every twenty (20) issued and unissued Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.20 each has become effective. As at 30 June 2021, the total number of the ordinary shares of the Company was 342,572,857 (with an aggregate nominal value of HK\$68,514,580).

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

At 30 June 2021, certain of the Group's other borrowings were secured by the Group's trade receivables of approximately HK\$600.6 million (31 December 2020: approximately HK\$600.6 million) and restricted bank balances of HK\$Nil (31 December 2020: approximately HK\$1.5 million).

### **Foreign currency exposure**

The foreign currency exposure of the Group primarily arises from revenue or income generated, cost and expenses incurred, and certain interest-bearing 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 as at 30 June 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**

Since November 2017, the Company provided financial guarantee in support of a US\$30 million senior guaranteed and secured fixed rate note (the "Note") issued by the investment holding company of the Group's investment in USA. During mid 2020, the Group's 51% shareholding in the investment in USA was being enforced by the holder of the Note. Details of the enforcement of share charge related to the Note has been disclosed in the announcement of the Company dated 4 September 2020 and 20 November 2020. However, the Company was not being informed by the holder of the Note about the reliable estimate of the amount of its obligation under the financial guarantee as of the date of this Announcement.

At 30 June 2021, save as disclosed above, the contingent liabilities of the Group was mainly related to the following litigations.

### ***Claim 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.

The Company has engaged a competent legal advisor to act for its interests in respect of the Action 1 and the court hearing is still in progress as of the date of these consolidated financial statements.

### ***Claim 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 and the court hearing in Zhuhai Hengqin New District People’s Court is still in progress as of the date of these consolidated financial statements.

### ***Claim 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 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 and the arbitration process has not yet commenced as of the date of these consolidated financial statements.

#### ***Claim 4***

As at 31 December 2020, the joint official liquidators appointed by the Grand Court of the Cayman Islands to handle the liquidation of an unlisted investment fund requested the Company to fulfil its obligation to indemnify the other investors of such unlisted investment fund at the preliminary total amount of HK\$200 million pursuant to the requirement of the placing memorandum of the fund. The total amount of the indemnity claim thereof would include any outstanding fixed returns entitled by the other investors on top of the preliminary amount currently requested.

#### **Capital Commitments**

At 30 June 2021, the Group had outstanding capital commitments amounted to approximately HK\$36.1 million (31 December 2020: approximately HK\$35.8 million).

#### **DIVIDENDS**

The Board does not recommend the payment of any dividend for the six months ended 30 June 2021 (2020 interim: Nil).

#### **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2021, the Group employed a total of 11 employees. Total staff costs, including directors emoluments, amounted to approximately HK\$2.3 million for the six months ended 30 June 2021. The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market conditions. The Group provided discretionary bonuses, medical insurance, provident fund contribution, education subsidy and training to its employees.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code for dealing in securities of the Company by Directors. All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2021.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2021.

## **CORPORATE GOVERNANCE**

The Company had complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules throughout the Reporting Period except as described in the following:

Code provision A.2.1 of the Code sets out that the roles of the Chairman and the Chief Executive Officer (“**CEO**”) should be separate and should not be performed by the same individual. The roles of the chairman and CEO of the Company are both assumed by Mr. Lyu NingJiang, and the Board believes that the roles of both Chairman and CEO vested in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans.

## **AUDIT COMMITTEE REVIEW**

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee of the Company, comprises all three independent non-executive Directors, namely, Mr. Zhao Xianming, Mr. An Dong and Mr. Wan Man Wah, and Mr. Zhao Xianming is the Chairman of the audit committee. The audit committee has reviewed with the management the accounting principles adopted by the Group and the unaudited interim financial statements of the Group for the six months ended 30 June 2021.



## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES**

The Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2021.

## **EVENTS AFTER THE REPORTING PERIOD**

### **Decision of Rules 13.24 of the Listing Rules**

On 23 April 2021, the Company received a letter from the Stock Exchange (the “**Letter**”) notifying the Company of its decision that the Company has failed to maintain a sufficient level of operations and assets as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares and that trading in the Company’s shares will be suspended on 5 May 2021 under Rule 6.01(3) of the Listing Rules (the “**Decision**”).

After seeking professional advice and with due consideration, the Company has submitted a written request to the Stock Exchange on 4 May 2021 for the Decision to be referred to the Listing Committee for review (the “**Review**”) pursuant to Chapter 2B of the Listing Rules.

On 21 July 2021, the Company received a letter from the Stock Exchange notifying the Company that the Listing Committee of the Stock Exchange (the “**Listing Committee**”), having considered all the submissions (both written and oral) made by the Company and the Listing Division (the “**Division**”) of the Stock Exchange, decided to uphold the Decision to suspend trading in the shares of the Company under Rule 6.01(3) of the Listing Rules. The Listing Committee was of the view that the Company failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares (the “**LC Decision**”).

After seeking professional advice and with due consideration, the Company has submitted a written request to the Stock Exchange on 30 July 2021 for the LC Decision to be referred to the Listing Review Committee for review (the “**LRC Review**”) pursuant to Chapter 2B of the Listing Rules.

Shareholders and potential investors of the Company are reminded that the outcome of the LRC Review is uncertain. Shareholders who have any queries about the implication of the LC Decision are advised to seek appropriate professional advice.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinawoodint.com.hk](http://www.chinawoodint.com.hk)). The interim report of the Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be dispatched to the Company's Shareholders and published on the above websites in due course.

## **APPRECIATION**

The Board would like to take this opportunity to express its gratitude to our customers and shareholders for their continuing support as well as our staff for their dedication and hard work.

By order of the Board  
**China Wood International Holding Co., Limited**  
**中木國際控股有限公司**  
*(Joint Provisional Liquidators appointed)*  
*(For restructuring purposes only)*  
**Lyu NingJiang**  
*Chairman and Executive Director*

Hong Kong, 23 August 2021

*As at the date of this announcement, the Board comprises Mr. Lyu NingJiang (Chairman and CEO) as executive director, Mr. Hu YongGang as non-executive director; and Mr. Zhao XianMing, Mr. An Dong and Mr. Wan ManWah as independent non-executive directors.*