



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

28 January 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

Reference is made to the announcements of the Company dated 19 November 2024, 10 December 2024, 13 December 2024, 17 January 2025 and 22 January 2025 whereby the Board announced, among others, that the Company proposed to conduct the Rights Issue.

The purpose of this circular is to provide you with further details of the Rights Issue and the notice of EGM.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue 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.

Assuming no Shares are issued or repurchased on or before the Record Date, 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 68.3% to the closing price of HK\$0.350 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;
- (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 circular.

The Directors (including the independent non-executive 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.

As at the date of this circular, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

Conditions of the Rights Issue

The Rights Issue will be 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 Shareholders (other than those who are required to abstain from voting according to the Listing Rules or other applicable laws and regulations if necessary);
- (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 (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders 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.

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. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL and EAF will be sent to the Excluded Shareholders. 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.

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. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company on the Record Date for the Rights Issue, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Friday, 28 February 2025.

The last day of dealing in the Shares on cum-rights basis is Wednesday, 19 February 2025. The Shares will be dealt with on an ex-rights basis from Thursday, 20 February 2025.

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 24 Overseas Shareholders holding an aggregate of 238,911,218 Shares as follows:

Place of address	Number of Overseas Shareholders	Number of Shares held
BVI	2	238,903,147
PRC	22	7,718

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 to be issued in connection with the Rights Issue 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.

In the event 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, pursuant to Rule 13.36(2) of the Listing Rules, the Company will make necessary enquiries regarding the feasibility of extending the Rights Issue to such Overseas Shareholder(s) (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholder(s) on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, be aggregated and made available for excess applications by the Qualifying Shareholders who wish to apply for the Right Shares over and above their assured allotments.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 12 February 2025 to Tuesday, 18 February 2025 (both days inclusive) for determining the Shareholders' entitlements to the voting at the EGM.

The register of members of the Company will be closed from Monday, 24 February 2025 to Friday, 28 February 2025 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

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.

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

Under the proposed Rights Issue, Qualifying Shareholders may apply, by way of excess application, for (i) any unsold entitlements of the Excluded Shareholder; and (ii) 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.

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 and are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For those beneficial owners of Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by 4:30 p.m. on Friday, 21 February 2025. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Application for listing of the Rights Shares

The Company will apply 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.

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 CCASS and CCASS 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.

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.

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.

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 circular, is as follow:

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

Note:

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

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 from the date of the Announcement.

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. As at the Latest Practicable Date, Right Momentum, being a Controlling Shareholder, directly holds 226,098,085 Shares (representing approximately 54.98% of the issued share capital of the Company as at the Latest Practicable Date). 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 shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhao XianMing, Mr. Chan Lik Shan and Mr. So Yin Wai, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of Gram Capital, appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

The EGM will be convened and held to consider, and, if thought fit, to approve, among other matters, the Rights Issue and the transactions contemplated respectively thereunder.

In order to be registered as members of the Company on the record date for attending and voting at the EGM, all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Tuesday, 11 February 2025.

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the proposed Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only, but the Company will not send the PAL and EAF to the Excluded Shareholders.

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

Shareholders and potential investors of the Company should note that the proposed 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.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 20 February 2025. 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.

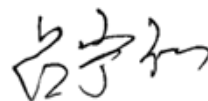
RECOMMENDATION

The Directors consider that the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, therefore, the Directors recommend the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board



China Wood International Holding Co., Limited
Lyu NingJiang
Chairman and Executive Director