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China Wood Optimization (Holding) Limited

中國優材(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1885)

QUARTERLY ANNOUNCEMENT AND ADDITIONAL RESUMPTION GUIDANCE

This announcement is made by China Wood Optimization (Holding) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) and Rule 13.24A of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 19 March 2021, 30 March 2021, 30 April 2021, 3 June 2021, 15 June 2021, 17 June 2021, 28 June 2021, 20 August 2021, 26 November 2021, 28 December 2021 and 31 March 2022 in relation to, among others, the progress in publication of 2020 Annual Results, 2021 Interim Results and 2021 Annual Results (the “**Announcements**”). Capitalised terms used in this announcement have the same meanings as defined in the Announcements unless otherwise stated.

RESUMPTION GUIDANCE

On 15 June 2021, the Company received a letter from the Stock Exchange, in which the Stock Exchange set out the resumption guidance (the “**Initial Resumption Guidance**”) to the Company. Please refer to the announcement of the Company dated 17 June 2021 for further details of the Initial Resumption Guidance.

ADDITIONAL RESUMPTION GUIDANCE

Reference is made to the announcements of the Company dated 15 February 2022 and 28 February 2022 (the “**Resignation Announcements**”) on the resignation of Mr. Lau Ying Kit, Mr. Zhang Dali and Mr. Pu Junwen as independent non-executive directors (the “**INEDs**”) of the Company. Following the resignation of the INEDs, the Company is not in compliance with the requirements of (a) a minimum of three INEDs with at least one of the INEDs to have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(1) and (2) of the Listing Rules; (b) at least one-third of the Board comprising of INEDs as required under Rule 3.10A of the Listing Rules; (c) a minimum of three members in the audit committee, with at least one member being an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, and the audit committee chaired by an INED and have a majority of members being INEDs as required under Rule 3.21 of the Listing Rules; (d) having a remuneration committee chaired by an INED and comprising a majority of INEDs as required under Rule 3.25 of the Listing Rules; and (e) having a nomination committee chaired by the chairman of the Board or an INED and comprising a majority of INEDs as required under Rule 3.27A of the Listing Rules.

Due to the above circumstances, in addition to the Initial Resumption Guidance, the Company received a letter from the Stock Exchange on 28 March 2022, pursuant to which, the Stock Exchange imposes the following additional resumption guidance (the “**Additional Resumption Guidance**”, together with the Initial Resumption Guidance, the “**Resumption Guidance**”) to the Company:

- (i) Re-comply with Rules 3.10, 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules.

The Stock Exchange indicated that it may modify or supplement the Resumption Guidance and/or give further guidance if the Company’s situation changes.

The Company is taking steps to comply with the Resumption Guidance and the said Listing Rules as stated in the Resumption Guidance and will keep the Shareholders and investors informed of any updates by making further announcement as and when appropriate.

UPDATES ON RESUMPTION PLAN OF THE GROUP AND PROGRESS OF RESUMPTION PLAN

In compliance with Rule 13.24A of the Listing Rules, the quarterly updates on the Company's development, and progress of the resumption of trading of the Shares are set out below.

Further delay in publication of 2020 Annual Results and dispatch of 2020 Annual Report

As previously announced by the Company, due to the outbreak of the Epidemic, the progress of certain audit field works in the PRC for the 2020 Annual Results have been disrupted by the work suspension and travel restrictions in force in Hebei of the PRC to combat the outbreak of the Epidemic during the period from January 2021 to early March 2021. Furthermore, since April 2021, the Group has been involved in the Investigation by the Authority against one of the Former Supplier and Former Shareholder whereby the Group has been requested by the Authority to assist in the Investigation. Please refer to the announcements of the Company dated 3 June 2021 and 15 June 2021 for further details on the Investigation. The PRC legal counsel of the Group had been communicating with the Authority in regards to the progress of the Investigation by the Authority. However, no reply as to the progress of the Investigation was provided by the Authority. Up to the date of this announcement, the Investigation is still on going and the Group is required to assist the Authority in the Investigation. The two offices of the Group in Shijiazhuang, Hebei Province, the PRC are currently subject to on-site investigation by the Authority, and five out of nineteen bank accounts of the Group are still frozen. The accounting records of the Group were either stored in the offices of the Group which are subject to on-site investigation, or seized by the Authority, and therefore the Group and/or its Auditor have no access of the requisite accounting records for the purpose of the 2020 annual audit. The Group has not yet been informed by the Authority as to details of the Investigation, and as to the reasons why the Group's offices, bank accounts and/or accounting records are involved.

The Company has been communicating with the Authority to request for the access of the accounting records of the Group. However, up to the date of this announcement, no viable resolution for the Auditor to inspect the accounting records of the Group for audit purposes has been accepted by the Authority. Under such circumstances, it is impossible for the Auditor to inspect the original accounting records to complete its audit procedures in respect of the 2020 Annual Results. As the audit of the 2020 Annual Results could not be completed, this also resulted in the further delay in completion of the Auditors' review of the 2021 Interim Results and audit of the 2021 Annual Results. The Company will continue to liaise with the Authority for the requisite access of the accounting records of the Group by the Auditors for completing the audit and/or review, and will keep the Shareholders and prospective investors posted of the progress. The Board will continue to assess the impact of the Investigation on the operations and financial positions of the Group and/or the publication of the 2020 Annual Results, and will make further announcement as and when appropriate. As such, there will be a further delay in the publication of the 2020 Annual Results, and the completion of the 2020 Annual Results will be subject to the progress of the Investigation which is uncertain and not controllable by the Company, the Company expects to publish the 2020 Annual Results by 30 June 2022. The despatch of the 2020 Annual Report to the Shareholders will be delayed to a date after the 2020 Annual Results has been published.

Further delay in publication of 2021 Interim Results and 2021 Annual Results, and despatch of the 2021 Interim Report and 2021 Annual Report

As previously announced by the Company, due to the delay in the publication of the 2020 Annual Results and the reasons mentioned above, the Company was unable to publish its 2021 Interim Results and 2021 Annual Results and despatch its 2021 Interim Report and 2021 Annual Report within the prescribed timeline as specified under the Listing Rules. The Company will publish further announcement to inform the Shareholders and potential investors of (i) the date of publication of the 2021 Interim Results and 2021 Annual Results; and (ii) the date of despatch of the 2021 Interim Report and 2021 Annual Report as soon as possible after the publication of the 2020 Annual Results.

Updates on the business operations on the Group

The Company's principal business is the sale of its self-produced processed poplar wood panels as well as the provision of wood processing procedure services to customers who provide raw wood panels to the Group for processing. As at the date of this announcement, the Group's revenue was mainly derived from sale of its self-produced processed wood panels.

On the other hand, the Group has been in contact with other solid wood materials suppliers, such as pine wood, eucalyptus wood, okoume wood and birch wood suppliers and solid wood furniture manufacturers, hoping to expand the use of the Group's wood processing procedure services. The Group provided some samples of processed wood panels made of okoume wood to certain customers for production testing in early September 2021. However, due to the substantial increase in the raw material costs of impregnation fluid, the Group has yet to accept processing orders and will wait until the raw material costs decrease to a reasonable level. In addition to the solid wood furniture market, the Group also tried to promote the use of pine wood panels processed by the Group for industrial use such as carriage flooring. A technical service contract on a small quantity of carriage flooring was entered into with a potential customer in May 2021. The finished carriage flooring products were produced in early September 2021 and currently the Group is pending for the confirmation from its customer in regards to the schedule for delivery of such products for production testing and trial production. All these moves were aimed to expand the source of revenue of the Group in the foreseeable future.

The Board wishes to state that the operations of the Group have not been materially affected as a result of the above delay in publication of 2020 Annual Results, 2021 Interim Results and 2021 Annual Results.

The Company will publish further announcement(s) to inform the Shareholders and investors of material development of the business operations of the Group (if any) as and when appropriate.

CONTINUED SUSPENSION OF TRADING

As a result of the delay in publication of the 2020 Annual Results, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 and will remain suspended until further notice.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
China Wood Optimization (Holding) Limited
Yim Tsun
Chairlady

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Ms. Yim Tsun and Mr. Li Li.