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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)

**(1) INSIDE INFORMATION:
FURTHER DELAY IN PUBLICATION OF
THE 2020 ANNUAL RESULTS, 2021 INTERIM RESULTS,
2021 ANNUAL RESULTS AND 2022 INTERIM RESULTS AND
DESPATCH OF THE 2020 ANNUAL REPORT,
2021 INTERIM REPORT, 2021 ANNUAL REPORT AND 2022
INTERIM REPORT
AND
(2) QUARTERLY ANNOUNCEMENT**

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), Rule 13.24A and 13.49(3)(i) 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, 31 March 2022, 30 June 2022, 30 September 2022, 25 October 2022, 22 November 2022 and 28 November 2022 in relation to, among others, the progress in publication of 2020 Annual Results, 2021 Interim Results, 2021 Annual Results and 2022 Interim Results and appointment of an independent non-executive Director (the “**Announcements**”). Capitalised terms used in this announcement have the same meanings as defined in the Announcements unless otherwise stated.

(1) INSIDE INFORMATION: FURTHER DELAY IN PUBLICATION OF THE 2020 ANNUAL RESULTS, 2021 INTERIM RESULTS, 2021 ANNUAL RESULTS AND 2022 INTERIM RESULTS AND DESPATCH OF THE 2020 ANNUAL REPORT, 2021 INTERIM REPORT, 2021 ANNUAL REPORT AND 2022 INTERIM REPORT

Further Delay in Publication of 2020 Annual Results and Despatch 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 Investigation involved on-site investigation at two of the Group’s offices in Shijiazhuang, Hebei Province, which restricted the Company’s auditors from accessing the Group’s accounting records and completing their audit works, and in turn prevented the Company from publishing its 2020 Annual Results, 2021 Interim Results, 2021 Annual Results and 2022 Interim Results. The Company was informed by the Authority on 2 November 2022 that it has agreed to allow access by the Company and its auditors of the accounting records of the Group for audit purpose. As a result, Zhonghui have already commenced their audit field at the two offices for audit purposes. As a result, taken into account the estimated audit/review timeline proposed by Zhonghui, the Company estimated that it should be able to finalise and publish the 2020 Annual Results, 2021 Interim Results, 2021 Annual Results and 2022 Interim Results by 30 April 2023.

The Company will publish further announcement as and when appropriate to inform the Shareholders and potential investors of the actual date of publication of the 2020 Annual Results, 2021 Interim Results, 2021 Annual Results and 2022 Interim Results once a concrete timetable has been ascertained by Zhonghui.

Further Delay in Publication of 2021 Annual Results, 2021 Interim Results and 2022 Interim Results and Despatch of 2021 Annual Report, 2021 Interim Report and 2022 Interim Report

Due to the delay in the publication of the 2020 Annual Results, the Company was unable to publish its 2021 Interim Results, 2021 Annual Results and 2022 Interim Results, and despatch its 2021 Interim Report, 2021 Annual Report and 2022 Interim Report to its Shareholders 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, 2021 Annual Results and 2022 Interim Results; and (ii) the date of despatch of the 2021 Interim Report, 2021 Annual Report and 2022 Interim Report as soon as possible after the publication of the 2020 Annual Results.

(2) QUARTERLY ANNOUNCEMENT

Resumption Guidance

On 15 June 2021, the Company received a letter from the Stock Exchange, in which the Stock Exchange set out 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.

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 Additional Resumption Guidance to the Company. Please refer to the announcement of the Company dated 31 March 2022 for further details of the Additional Resumption Guidance.

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.

Compliance with Resumption Guidance

Reference is made to the announcement of the Company dated 22 November 2022. Following the appointment of Mr. Chen, the Company has met the requirements under Rules 3.10(1) and (2) and 3.21 of the Listing Rules. As such, the Company has satisfied all of the Additional Resumption Guidance.

Reference is also made to the announcement of the Company dated 28 November 2022 in relation to the appointment of Zhonghui as the new auditor of the Company. As stated above, Zhonghui has commenced its audit field works. The Company estimated that it will finalise and publish the 2020 Annual Results, 2021 Interim Results, 2021 Annual Results and 2022 Interim Results by 30 April 2023. As such, the Company has taken steps to comply with the other remaining 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 the business operations on the Group

The Company is engaged in the processing, manufacturing and sale of processed wood panels ("**Processed Wood Panels**") as well as the provision of wood processing procedure services ("**Wood Processing Procedure Services**") to its customers who provide raw wood logs or wood panels to the Group for treatment and processing under its wood processing procedure.

The Group's business has been affected by the Sino-U.S. trade war and the Epidemic. A majority of wood products including wooden furniture manufactured in the PRC were included in the tariff list published by the Office of the United States Trade Representative. As a result of such additional tariff imposed, demands for the wood products of the Group's downstream customers, whose wood products are mainly for export purposes, were significantly affected as the purchase costs of such products have become less competitive.

In addition, the outbreak of the Epidemic in the PRC since 2020 has a negative impact on the Group's business. The Epidemic has resulted in, among others, (i) disruption to the operation of suppliers of poplar logs and urea (being the main chemical used by the Group in its impregnation fluid) given the lock down implemented from time to time, leading to increase in procurement cost of poplar logs and urea; (ii) disruption to the logistics network following the implementation of travel and transportation restrictions in various cities in the PRC, leading to significant increase in the logistics and transportation costs on one hand, and delay in the delivery of raw materials to the Group on the other hand; and (iii) extensive disruption to the normal operation of businesses in the PRC, including that for the downstream wood furniture manufacturers. These factors have significantly affected the costs, production and/or delivery lead time of these downstream wood furniture manufacturers. The diminished competitiveness of these downstream wood furniture manufacturers (whether in terms of prices or reliability), together with the reduced consumer sentiment of overseas retail consumers for durable goods (such as solid wood furniture) due to the economic instabilities caused by the Sino-U.S. trade war and the Epidemic, has adversely affected the demands for their wood furniture products and, in turn, the demands for the Group's Processed Wood Panels and/or Wood Processing Procedure Services.

The Epidemic, especially its resurgence in 2022, has continued to adversely affect the Group's business and the wood product industry as a whole. The implementation of the regional static management control measures from time to time in the PRC, including stringent travel restrictions, heightened quarantine measures and temporary work suspension, has affected both the operations of the Group and demand of the products and/or services of the Group from its downstream customers, making it neither cost-effective nor profitable for the Group to continue full scale production in its factories when the Group could no longer enjoy the cost advantage arising from the economy of scale of its production.

In response to such an unfavourable market condition, as part of the Group's cost-control measures, the Group temporarily suspended some of the production lines of its factories in 2021 and 2022, while diverted its resources to technological development, and product and customer-base diversification during the period. In particular, the Group has been taking steps to diversify its customer base by further expanding the market coverage of the Group's products and services to meet the demand of the domestic solid wood market. To this end, the Group intends to diversify its income stream by expanding the types of wood panels offered under the Processed Wood Panels segment.

In this regards, the Group has completed its development for its panel furniture processed wood panels, flame resistant processed wood panels, antibacterial resistant processed wood panels and aluminum clad wood processed wood panels, and has entered into a 3-year strategic cooperation agreement with an independent third party for the distribution and/or sales of these new products in the PRC. The Group expects to launch the panel furniture processed wood panels and flame resistant processed wood panels and start commercial production for these products in April 2023. As for the antibacterial resistant processed wood panels, it is undergoing testing and verification process by external testing agency, and the Group expects to launch this product and start commercial production thereof by July 2023.

The Group has also entered into a 5-year product supply framework agreement with an independent third party for the supply of aluminum clad wood processed wood panels. The Group expects to launch this product and start commercial production in 2023 immediately upon resumption of production of the factories.

Taking into account the upcoming Chinese New Year holidays and the progress in the relaxation of the control measures against COVID-19, the Group intends to gradually resume its production at its factories by April 2023. During the first quarter of 2023, the Group will focus on the preparation work for the resumption of production, including the hiring of general production staff.

The Directors believe that the Group's performance will improve as the PRC government has recently started to relax its control measures regarding COVID-19. The post-COVID-19 recovery in the PRC economy is also expected to boost the market sentiment in the downstream consumer market, stimulating the demand in wooden furniture and home decoration, and in turn stimulate the demand of the Group's wood products and services. All these moves are aimed to expand the source of revenue of the Group in the foreseeable future.

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.

Review Request of the Delisting Decision

Reference is made to the announcement of the Company dated 25 October 2022 in relation to the Delisting Decision. As stated in the announcement, the Company has submitted an application requesting the Delisting Decision be referred to the Listing Review Committee for review ("**Review Request**") on 24 October 2022.

As at the date of this announcement, the Review Request is in progress. The Board reminds the Shareholders and potential investors of the Company that the outcome of the LRC Review is uncertain. Further announcement(s) regarding the outcome of the LRC Review will be made by the Company 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
Li Li
Executive Director

Hong Kong, 30 December 2022

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Li Li; one non-executive Director, namely Ms. Chan Pui Sze and three independent non-executive Directors, namely Mr. Chen Wandong, Mr. Qian Ze and Ms. Hu Xiaoyun.