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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: 8099)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of China Wood Optimization (Holding) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2014, operating results of the Group were as follows:

— Turnover reached about RMB220.4 million (2013: RMB198.2 million), representing an increase of 11.2% as compared to the same period of previous financial year;

— Profit for the six months ended 30 June 2014 amounted to about RMB24.4 million (2013: RMB17.5 million), representing an increase of 39.4% as compared to the same period of previous financial year;

— Basic and diluted earnings per share for the six months ended 30 June 2014 based on weighted average number of ordinary shares of about 993,094,000 shares (2013: 739,995,000 shares) in issue was RMB2.5 cents (2013: RMB2.4 cents); and

— The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2014 together with the comparative unaudited figures for the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi ("RMB"))

		Three months ended 30 June		**Six months ended 30 June**	
		2014	2013	**2014**	2013
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	*4*	**139,023**	135,134	**220,441**	198,236
Cost of sales		**(98,323)**	(98,595)	**(155,363)**	(147,780)
Gross profit	*4*	**40,700**	36,539	**65,078**	50,456
Other revenue		**1,637**	267	**2,107**	498
Other net income		**155**	126	**181**	166
Selling expenses		**(1,691)**	(1,284)	**(2,569)**	(1,952)
Administrative expenses		**(16,620)**	(13,396)	**(29,117)**	(19,947)
Profit from operations		**24,181**	22,252	**35,680**	29,221
Finance costs	*5(a)*	**(3,121)**	(4,621)	**(6,968)**	(8,742)
Profit before taxation	*5*	**21,060**	17,631	**28,712**	20,479
Income tax	*6*	**(3,136)**	(2,405)	**(4,360)**	(2,952)
Profit attributable to equity shareholders of the Company for the period		**17,924**	15,226	**24,352**	17,527
Earnings per share					
— Basic and diluted (RMB)	*7*	**0.018**	0.020	**0.025**	0.024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014 — unaudited
(Expressed in RMB)

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit for the period	**17,924**	15,226	**24,352**	17,527
Other comprehensive income for the period (before and after tax):				
Items that may be reclassified subsequently to profit or loss:				
— Exchange differences on translation into presentation currency	**318**	169	**1,633**	184
Total comprehensive income attributable to equity shareholders of the Company for the period	**18,242**	15,395	**25,985**	17,711

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 — unaudited
(Expressed in RMB)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	8	**183,156**	200,792
Investment properties	9	**16,551**	8,776
Lease prepayments		**15,806**	16,078
Intangible asset		**63**	78
Deferred tax assets	15	**891**	837
		216,467	226,561
Current assets			
Inventories	10	**87,960**	83,804
Trade receivables	11	**12,856**	11,859
Prepayments, deposits and other receivables		**17,545**	20,519
Cash and cash equivalents	12	**172,174**	67,788
		290,535	183,970
Current liabilities			
Trade payables	13	**1,712**	1,453
Receipts in advance		**371**	183
Accrued expenses and other payables		**14,946**	27,451
Bank and other loans	14(a)	**53,000**	149,660
Income tax payable		**1,068**	2,472
		71,097	181,219
Net current assets		**219,438**	2,751
Total assets less current liabilities		**435,905**	229,312
Non-current liabilities			
Bank loan	14(b)	**26,000**	28,000
NET ASSETS		**409,905**	201,312
CAPITAL AND RESERVES	16		
Share capital		**7,921**	5,954
Reserves		**401,984**	195,358
TOTAL EQUITY		**409,905**	201,312

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014 — unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Other reserve *RMB'000*	Statutory reserves *RMB'000*	Exchange reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2013	–	–	30	6,570	(81)	56,117	62,636
Changes in equity for the six months ended 30 June 2013:							
Profit for the period	–	–	–	–	–	17,527	17,527
Other comprehensive income	–	–	–	–	184	–	184
Total comprehensive income	–	–	–	–	184	17,527	17,711
Issuance of shares	1	85,288	–	–	–	–	85,289
Balance at 30 June 2013 and 1 July 2013	1	85,288	30	6,570	103	73,644	165,636
Changes in equity for the six months ended 31 December 2013:							
Profit for the period	–	–	–	–	–	35,602	35,602
Other comprehensive income	–	–	–	–	74	–	74
Total comprehensive income	–	–	–	–	74	35,602	35,676
Capitalisation issue	5,953	(5,953)	–	–	–	–	–
Appropriation to reserves	–	–	–	6,655	–	(6,655)	–
	5,953	(5,953)	–	6,655	–	(6,655)	–
Balance at 31 December 2013	5,954	79,335	30	13,225	177	102,591	201,312
Balance at 1 January 2014	**5,954**	**79,335**	**30**	**13,225**	**177**	**102,591**	**201,312**
Changes in equity for the six months ended 30 June 2014:							
Profit for the period	**–**	**–**	**–**	**–**	**–**	**24,352**	**24,352**
Other comprehensive income	**–**	**–**	**–**	**–**	**1,633**	**–**	**1,633**
Total comprehensive income	**–**	**–**	**–**	**–**	**1,633**	**24,352**	**25,985**
Issuance of shares by way of placing *(Note 16(b))*	**1,967**	**180,641**	**–**	**–**	**–**	**–**	**182,608**
Balance at 30 June 2014	**7,921**	**259,976**	**30**	**13,225**	**1,810**	**126,943**	**409,905**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2014 — unaudited
(Expressed in RMB)

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from/(used in) operations		**34,839**	(828)
Income tax paid		**(5,818)**	(1,797)
Net cash generated from/ (used in) operating activities		**29,021**	(2,625)
Investing activities			
Payments for purchase of property, plant and equipment		**(7,028)**	(24,985)
Proceeds from disposal of property, plant and equipment		**–**	10,052
Other cash flows arising from investing activities		**871**	(3,483)
Net cash used in investing activities		**(6,157)**	(18,416)
Financing activities			
Proceeds from new bank loans		**–**	50,000
Repayment of bank and other loans		**(98,660)**	(15,000)
Proceeds from issuance of shares by way of placing	*16(b)(i)*	**196,700**	–
Payments for share issuance expenses	*16(b)(i)*	**(14,092)**	–
Other cash flows arising from financing activities		**(4,100)**	(7,113)
Net cash generated from financing activities		**79,848**	27,887
Net increase in cash and cash equivalents		**102,712**	6,846
Cash and cash equivalents at 1 January	*12*	**67,788**	4,554
Effect of foreign exchange rate changes		**1,674**	–
Cash and cash equivalents at 30 June	*12*	**172,174**	11,400

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

China Wood Optimization (Holding) Limited (the "Company") was incorporated in the Cayman Islands on 6 June 2012 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time. The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 January 2014. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2014 comprise the Company and its subsidiaries (collectively referred to as the "Group"). The principal activities of the Group are the processing, production and sale of wooden products.

2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "IASB"). It was authorised for issue on 13 August 2014.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial information as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 14 March 2014.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's interim financial information:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- IFRIC 21, *Levies*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT REPORTING

The Group manages its businesses by products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments: Processed Wood Panels and Processed Finger Joint Wood Panels. No operating segments have been aggregated to form the following reportable segments.

- Processed Wood Panels: this segment produces and sells wooden panels which have gone through the Group's self-developed wood processing procedure, and also the shaving and sanding in accordance with the specifications of the customers.
- Processed Finger Joint Wood Panels: this segment sells wooden panels produce from the pressing and laminating cut-offs arise in the trimming process of the Processed Wood Panels.

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred for the six months ended 30 June 2014 and 2013. The Group's other operating expenses, such as selling and administrative expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is set out below.

	Three months ended 30 June 2014			**Six months ended 30 June 2014**		
	Processed Wood Panels	**Processed Finger Joint Wood Panels**	**Total**	**Processed Wood Panels**	**Processed Finger Joint Wood Panels**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Turnover from external customers and reportable segment turnover	**117,937**	**21,086**	**139,023**	**183,959**	**36,482**	**220,441**
Reportable segment gross profit	**39,061**	**1,639**	**40,700**	**61,008**	**4,070**	**65,078**

	Three months ended 30 June 2013			Six months ended 30 June 2013		
	Processed Wood Panels	Processed Finger Joint Wood Panels	Total	Processed Wood Panels	Processed Finger Joint Wood Panels	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover from external customers and reportable segment turnover	107,372	27,762	135,134	154,484	43,752	198,236
Reportable segment gross profit	34,684	1,855	36,539	46,207	4,249	50,456

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Three months ended 30 June		**Six months ended 30 June**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest on bank and other loans	**1,284**	4,113	**3,885**	7,836
Bank charges and other finance costs	**8**	508	**142**	906
Total borrowing costs	**1,292**	4,621	**4,027**	8,742
Net foreign exchange loss	**1,829**	–	**2,941**	–
	3,121	4,621	**6,968**	8,742

(b) Staff costs:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Salaries, wages and other benefits	**5,969**	4,984	**10,634**	8,391
Contributions to defined contribution retirement scheme	**691**	612	**1,219**	980
	6,660	5,596	**11,853**	9,371

(c) Other items:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Depreciation and amortisation	**4,677**	5,031	**9,409**	8,375
Net gain on disposal of property, plant and equipment *(Note 8(a))*	**(92)**	–	**(92)**	–
Operating lease charges in respect of plant and buildings	**846**	257	**1,153**	501
Research and development costs *(including costs relating to staff costs disclosed in Note 5(b))*	**8,988**	6,406	**15,047**	7,978
Interest income	**(586)**	(11)	**(765)**	(17)
Cost of inventories *(Note 10(b))*	**98,323**	98,595	**155,363**	147,780

6 INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current taxation:				
— The People's Republic of China (the "PRC") Corporate Income Tax	**3,240**	2,434	**4,414**	3,261
Deferred taxation *(Note 15):*				
— Origination and reversal of temporary differences	**(104)**	(29)	**(54)**	(309)
	3,136	2,405	**4,360**	2,952

The Company and a subsidiary of the Group incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

The Company and the subsidiary of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2014 (six months ended 30 June 2013: 16.5%). No provision for Hong Kong Profits Tax has been made, as neither the Company nor the subsidiary of the Group incorporated in Hong Kong have assessable profits which are subject to Hong Kong Profits Tax for the six months ended 30 June 2014 (six months ended 30 June 2013: RMBNil).

The subsidiary of the Group established in the PRC is subject to the PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2014 (six months ended 30 June 2013: 25%). In December 2012, this subsidiary obtained an approval from the tax bureau to be taxed as an advanced and new technology enterprise. Pursuant to the approval, this subsidiary is entitled to a preferential PRC Corporate Income Tax rate of 15% for a period of three years from 2012 to 2014. In addition to the preferential PRC Corporate Income Tax rate, this subsidiary is also entitled to an additional tax deductible allowance calculated at 50% of the qualified research and development costs incurred by this subsidiary.

7 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2014 is calculated based on the profit attributable to equity shareholders of the Company of RMB24,352,000 (six months ended 30 June 2013: RMB17,527,000) and the weighted average of 993,094,000 ordinary shares (six months ended 30 June 2013: 739,995,000 ordinary shares) in issue during the interim period, calculated as follows:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	'000	*'000*	***'000***	*'000*
Issued ordinary shares at 1 April/ 1 January	**1,000,000**	100	**750,000**	–
Effect of shares issued to the ultimate holding company on 23 January 2013	**–**	–	**–**	5
Effect of bonus element on the issuance of shares to the ultimate holding company on 23 January 2013	**–**	–	**–**	89
Effect of shares issued to other equity shareholder of the Company on 24 January 2013	**–**	–	**–**	4
Effect of capitalisation issue on 30 December 2013	**–**	749,900	**–**	739,897
Effect of shares issued by way of placing on 6 January 2014	**–**	–	**243,094**	–
Weighted average number of ordinary shares at 30 June	**1,000,000**	750,000	**993,094**	739,995

(b) Diluted earnings per share

There was no difference between basic and diluted earnings per share as the Company did not have any dilutive potential shares outstanding during the six months ended 30 June 2014 and 2013.

8 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2014, the Group incurred capital expenditure of RMB5,241,000 (six months ended 30 June 2013: RMB11,899,000). Items of property, plant and equipment with a net book value of RMB5,874,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: RMBNil), resulting in a gain on disposal of RMB92,000 (six months ended 30 June 2013: RMBNil).

(b) Reclassification to investment properties

During the six months ended 30 June 2014, the Group reclassified property, plant and equipment with a net book value of RMB8,118,000 to investment properties (six months ended 30 June 2013: RMBNil).

9 INVESTMENT PROPERTIES

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Cost:		
At 1 January	**9,572**	9,572
Reclassification from property, plant and equipment *(Note 8(b))*	**9,783**	–
At 30 June/31 December	**19,355**	9,572
Accumulated amortisation:		
At 1 January	**(796)**	(341)
Charge for the period/year	**(343)**	(455)
Reclassification from property, plant and equipment *(Note 8(b))*	**(1,665)**	–
At 30 June/31 December	**(2,804)**	(796)
Net book value:		
At 30 June/31 December	**16,551**	8,776

Notes:

(i) The investment properties owned by the Group are located in the PRC.

(ii) Investment properties leased out under operating leases

The Group leases out investment properties under operating leases. The leases run for an initial period of 2 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. The leases do not contain contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Within 1 year	**1,927**	863
After 1 year but within 5 years	**2,201**	1,834
	4,128	2,697

10 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Raw materials	**36,390**	35,517
Work in progress	**23,237**	24,543
Finished goods	**28,333**	23,744
	87,960	83,804

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss during the period is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**155,363**	147,780

11 TRADE RECEIVABLES

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Trade receivables from third parties	**12,856**	11,859

All of the trade receivables are expected to be recovered within one year.

Cash before delivery is generally required for all customers, where a credit period of 30 days may be granted to customers, depending on credit assessment carried out by management on an individual customer basis.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Aged within 1 month, neither past due nor impaired	**12,856**	11,859

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12 CASH AND CASH EQUIVALENTS

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Cash at bank and on hand	**172,174**	67,788

The Group's operation in the PRC conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

13 TRADE PAYABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade payables to third parties	**1,712**	1,453

As of the end of the reporting period, the ageing analysis of trade payables, based on the maturity date, is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Due within 1 month or on demand	**1,712**	1,453

All of the trade payables are expected to be settled within one year or are repayable on demand.

14 BANK AND OTHER LOANS

(a) The Group's short-term bank and other loans are analysed as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Short-term bank loans:		
— secured and guaranteed *(Note (i))*	**–**	20,000
— secured *(Note (i))*	**50,000**	50,000
Other loans from third parties:		
— unsecured and unguaranteed	**–**	77,660
	50,000	147,660
Add: current portion of long-term bank loan *(Note 14(b))*	**3,000**	2,000
	53,000	149,660

Note (i): At 30 June 2014, the aggregate carrying value of the secured property, plant and equipment, investment properties and land use right of the Group for the short-term bank loans is RMB69,309,000 (31 December 2013: RMB111,867,000).

(b) The Group's long-term bank loan is analysed as follows:

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Long-term bank loan:		
— secured *(Note (i))*	**29,000**	30,000
Less: current portion of long-term bank loan *(Note 14(a))*	**(3,000)**	(2,000)
	26,000	28,000

The Group's long-term bank loan is repayable as follows:

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Within 1 year or on demand	**3,000**	2,000
After 1 year but within 2 years	**26,000**	28,000
	29,000	30,000

Note (i): At 30 June 2014, the aggregate carrying value of the secured property, plant and equipment, investment properties and land use right of the Group for the long-term bank loan is RMB50,018,000 (31 December 2013: RMB51,062,000).

All of the non-current interest-bearing borrowings are carried at amortised cost.

15 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

Deferred tax arising from:	**Assets — Accrued expenses and government grants and related amortisation**	**Liabilities — Fair value adjustments on property, plant and equipment and lease prepayments and related depreciation and amortisation in connection with the acquisition of a subsidiary**	**Net**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	408	(91)	317
Credited to the consolidated statement of profit or loss	508	12	520
At 31 December 2013	916	(79)	837
Credited to the consolidated statement of profit or loss *(Note 6)*	48	6	54
At 30 June 2014	964	(73)	891

16 CAPITAL, RESEREVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: RMBNil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

The directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2013 (year ended 31 December 2012: RMBNil).

(b) Share capital

	At 30 June 2014		At 31 December 2013	
	No. of shares	***RMB'000***	*No. of shares*	*RMB'000*
Ordinary shares, Issued and fully paid:				
At 1 January	**750,000,000**	**5,954**	1	–
Issuance of shares *(Note (i))*	**250,000,000**	**1,967**	–	–
Issuance of shares by capitalisation of capital received in advance	**–**	**–**	99,999	1
Capitalisation issue	**–**	**–**	749,900,000	5,953
At 30 June/31 December	**1,000,000,000**	**7,921**	750,000,000	5,954

Note (i): On 6 January 2014, the shares of the Company were listed on the Stock Exchange, where 250,000,000 shares of HK$0.01 each were issued and placed at a price of HK$1.00 each. The proceeds of HK$2,500,000 (equivalent to approximately RMB1,967,000), at the par value, were credited to the Company's share capital. The remaining proceeds of HK$229,828,000 (equivalent to approximately RMB180,641,000), net of share issuance expenses of approximately RMB14,092,000, were credited to the share premium account.

17 MATERIAL RELATED PARTY TRANSACTIONS

The material related party transactions entered into by the Group during the period are set out below.

(a) Transactions with the ultimate holding company of the Company

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Net increase in non-interest bearing advances received	**–**	1,908

(b) Key management personnel remuneration

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Short-term employee benefits	**1,495**	571
Retirement scheme contributions	**67**	57
	1,562	628

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group does not have any financial instruments measured at fair value at 30 June 2014 and 31 December 2013.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2014 and 31 December 2013.

19 COMMITMENTS

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Within 1 year	**1,748**	218
After 1 year but within 5 years	**2,882**	60
	4,630	278

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in processing, manufacturing and sale of its Processed Wood Panels (as defined below) and Processed Finger Joint Wood Panels (as defined below) (collectively referred to as the "Processed Wood Products") for the six months ended 30 June 2014. The Group's Processed Wood Products can be used as a substitute of natural solid woods with wide application in the field of furniture making and indoor furnishing.

Processed Wood Panels

Processed wood panels ("Processed Wood Panels") are the Group's principal products which are principally made of poplar wood panels that have been processed by the Group's wood processing procedure. After the Group's wood processing procedure, poplar wood panels are then shaved, sanded and trimmed into strips of wood panels according to the dimension and other specifications specified by customers. The Group's Processed Wood Panels are generally used to produce floor planks, doors, sound box and furniture.

The Group also offers to its customers less-shaved Processed Wood Panels which involves lesser production processes and lower wastage of production materials.

Processed Finger Joint Wood Panels

Processed finger joint wood panels ("Processed Finger Joint Wood Panels") are another type of products of the Group. After the wood processing procedure, Processed Wood Panels are trimmed into desired dimensions. Cut-offs and small pieces produced during this trimming process are laminated, pressed and further processed to form Processed Finger Joint Wood Panels. Processed Finger Joint Wood Panels are in the form of standard-sized boards of wooden panels, and are generally used to produce wooden furniture, doors and window frames.

Sales and Marketing

For the six months ended 30 June 2014, all the Group's Processed Wood Products were sold to its customers in the PRC. These customers mainly included manufacturers of floor planks, sound box, furniture, doors and window frames and wholesalers of wood panels. In order to expand and consolidate its market shares, the Group participated in three exhibitions held in Beijing, Shanghai and Dongguan, respectively, during the six months ended 30 June 2014. Besides, the Group is in the process of setting up three sales offices in Beijing, Chengdu and Shanghai, respectively. The operation of these sales offices are expected to commence in the third quarter of this year.

Research and Development

In order to protect its self-invented intellectual property rights, the Group applied for registration of four patents in the PRC in May 2012. Out of these four patents, the registration of three patents, namely, an "Impregnating Method of a fast growing wood (一種速生材的浸漬方法)", "A fast growing wood impregnating solution (一種速生材浸漬液)" and a "Manufacturing Method of a fast growing wood impregnating solution (一種速生材浸漬液的製備方法)" have been approved in May 2014. The Group will continue to apply for the registration of other patents if the results of the Group's research and development are satisfactory.

In April 2014, the Group's products passed a test for one hundred and fifty one (151) substances on the Candidate List of Substances of Very High Concern ("SVHC") for authorisation (published by European Chemicals Agency ("ECHA") on and before 16 December 2013 in accordance with Regulation (EC) No. 1907/2006), which concerns, among others, registration, evaluation, authorisation and restriction of chemicals requirements on the use of chemical substances and their potential impacts on both human health and the environment. In addition, the Group's products also fulfilled the requirements of EN71-3:2013 (under European Directive 2009/48/EC-Migration of certain elements (for scrapped-off toy material)) and passed the tests for 19 heavy metal elements. The abovementioned tests were performed by an independent testing and certification institution.

During the six months ended 30 June 2014, the Group commenced its research and development on the use of impregnation fluid on coniferous (such as pine wood) and broad leaf (such as rubber wood) tree spices with an intention to improve the technical specifications of these tree species and see if these wood materials can be used in the production of the Group's Processed Wood Products.

In addition, the Group installed seven new sets of thermocompressors during the six months ended 30 June 2014 and all of them have been put into operation. The use of these new thermocompressors will improve the quality of the Group's products.

Other Business Developments

In 2013, the Group had five production lines for the production of Processed Finger Joint Wood Panels. As the Group intended to reduce the sales of Processed Finger Joint Wood Panels and focus on the sales of Processed Wood Panels, the Group disposed of three out of the five production lines of Processed Finger Joint Wood Panels with net book value of about RMB5.9 million to one of the Group's customers at a profit of RMB92,000.

The Company's shares were successfully listed on the GEM (the "Listing") on 6 January 2014 (the "Listing Date"). The net proceeds from the Company's placing (the "Placing") were about HK$229.6 million after deducting listing-related expenses and 250,000,000 new shares were issued at a price of HK$1.0 per share pursuant to the Placing.

FINANCIAL REVIEW

Turnover

The Group recorded an increase in its turnover by about RMB22.2 million or 11.2% from about RMB198.2 million for the six months ended 30 June 2013 to about RMB220.4 million for the six months ended 30 June 2014. The increase in turnover was mainly attributable to the increase in turnover of Processed Wood Panels.

The average selling price of Processed Wood Panels increased from about RMB3,558 per cubic meter for the six months ended 30 June 2013 to about RMB3,865 per cubic meter for the six months ended 30 June 2014. The average selling price of Processed Finger Joint Wood Panels also increased from about RMB3,939 per cubic meter for the six months ended 30 June 2013 to about RMB4,359 per cubic meter for the six months ended 30 June 2014. The increase in the average selling prices was driven by the increased quality and market recognition of the Group's Processed Wood Products while the Group was able to shift part of the increased cost to its customers. In addition, due to the continued increase in demand of the Group's Processed Wood Panels, the total volume of Processed Wood Panels sold also increased from about 43,415 cubic meters for the six months ended 30 June 2013 to about 47,598 cubic meters for the six months ended 30 June 2014.

TURNOVER BY SEGMENT

Analysis of turnover by segment is as follows:

	Three months ended 30 June						**Six months ended 30 June**					
	2014			2013			**2014**			2013		
	Volume (m^3)	***RMB'000***	***%***	*Volume (m^3)*	*RMB'000*	*%*	***Volume (m^3)***	***RMB'000***	***%***	*Volume (m^3)*	*RMB'000*	*%*
Processed Wood Panels	**30,995**	**117,937**	**84.8**	29,280	107,372	79.5	**47,598**	**183,959**	**83.5**	43,415	154,484	77.9
Processed Finger Joint Wood Panels	**4,837**	**21,086**	**15.2**	7,106	27,762	20.5	**8,369**	**36,482**	**16.5**	11,106	43,752	22.1
	35,832	**139,023**	**100.0**	36,386	135,134	100.0	**55,967**	**220,441**	**100.0**	54,521	198,236	100.0

Analysis of average selling price per cubic meter of the Group's products is as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2014	2013	**2014**	2013
	RMB	*RMB*	***RMB***	*RMB*
Processed Wood Panels	**3,805**	3,667	**3,865**	3,558
Processed Finger Joint Wood Panels	**4,359**	3,907	**4,359**	3,939
Overall average	**3,880**	3,714	**3,939**	3,636

Processed Wood Panels

Turnover from sales of Processed Wood Panels increased by about RMB29.5 million or 19.1% from about RMB154.5 million for the six months ended 30 June 2013 to about RMB184.0 million for the six months ended 30 June 2014. The increase in sales of Processed Wood Panels was primarily due to the increasing market recognition and demand for the Group's Processed Wood Panels. The percentage of sales of Processed Wood Panels increased from about 77.9% for the six months ended 30 June 2013 to about 83.5% for the six months ended 30 June 2014 as it was the intention of the Group to promote the sales of Processed Wood Panels, which had a higher profit margin than that of the Processed Finger Joint Wood Panels.

Following the enhancement of the product quality, the increasing market recognition and the continuing increase in demand of the Group's Processed Wood Panels, the Group was able to raise its average selling price from about RMB3,558 per cubic meter for the six months ended 30 June 2013 to about RMB3,865 per cubic meter for the six months ended 30 June 2014.

Processed Finger Joint Wood Panels

Turnover from sales of Processed Finger Joint Wood Panels decreased by about 16.7% from about RMB43.8 million for the six months ended 30 June 2013 to about RMB36.5 million for the six months ended 30 June 2014. The decrease was mainly a result of the Group's intention to reduce the sales of the Group's Processed Finger Joint Wood Panels and focused on the sales of Processed Wood Panels, as the production of Processed Wood Panels requires lesser production process that allows the Group to utilise its production capacity more efficiently. As the Group's production capacity was mainly used to produce Processed Wood Panels during the six months ended 30 June 2014, sales of Processed Finger Joint Wood Panels decreased.

Although the sales volume of Processed Finger Joint Wood Panels decreased by about 2,737 cubic meters or 24.6% from about 11,106 cubic meters for the six months ended 30 June 2013 to about 8,369 cubic meters for the six months ended 30 June 2014, the Group was able to raise its average selling price from about RMB3,939 per cubic meter for the six months ended 30 June 2013 to about RMB4,359 per cubic meter for the six months ended 30 June 2014 due to the enhancement of the product quality.

Cost of Sales

Cost of sales of the Group increased by about RMB7.6 million or 5.1%, from about RMB147.8 million for the six months ended 30 June 2013 to about RMB155.4 million for the six months ended 30 June 2014. The increase was mainly due to the general increase in the cost of wood materials and other production materials purchased in the PRC during the six months ended 30 June 2014.

Gross Profit

Gross profit of the Group increased by about 28.9% or RMB14.6 million from about RMB50.5 million for the six months ended 30 June 2013 to about RMB65.1 million for the six months ended 30 June 2014. The increase in gross profit of the Group was mainly attributable to the increase in sales volume and the average selling prices of the Group's products, which was partially offset by the increase in cost of sales.

GROSS PROFIT MARGIN BY SEGMENT

The overall gross profit margin of the Group increased from about 25.5% for the six months ended 30 June 2013 to about 29.5% for the six months ended 30 June 2014. Such increase was mainly attributable to the increase in the average selling price of the Group's Processed Wood Products by about 8.3% for the six months ended 30 June 2014 as compared with its average selling price thereof for the six months ended 30 June 2013 which surpassed the increase in cost of production materials. The increase in the average selling price of the Group's Processed Wood Products was mainly a result of the increase in quality and market recognition of the Group's products.

Processed Wood Panels

Gross profit margin of Processed Wood Panels increased from about 29.9% for the six months ended 30 June 2013 to about 33.2% for the six months ended 30 June 2014. Such increase was mainly attributable to the increase in the average selling price of Processed Wood Panels due to the enhancement of product quality, increasing market recognition and continuing increase in demand of the Group's Processed Wood Panels, which was partially offset by the increase in cost of sales.

Processed Finger Joint Wood Panels

Gross profit margin of Processed Finger Joint Wood Panels increased from about 9.7% for the six months ended 30 June 2013 to about 11.2% for the six months ended 30 June 2014. Such increase was mainly attributable to the increase in its average selling price, which was partially offset by the increase in cost of sales.

The Group's Processed Finger Joint Wood Panels have a lower gross profit margin than that of Processed Wood Panels because they are made of cut-offs produced in the manufacturing processes of Processed Wood Panels, which are in irregular shapes and sizes. Processing these cut-offs requires more production processes, and more production materials and labour are consumed in the production process. Therefore, the average cost of sales per cubic meter of the Processed Finger Joint Wood Panels sold was higher than that of the Processed Wood Panels but the average selling price of the Processed Finger Joint Wood Panels is in general lower than that of the traditional Processed Wood Panels which resulted in a lower gross profit margin.

Other Revenue

Other revenue comprises rental income, income from government grants and interest income. Rental income represents income from leasing part of the Group's investment properties to two independent third parties who are customers of the Group. The increase in rental income by about RMB395,000 for the six months ended 30 June 2014 as compared to the same period in previous year was because of the lease of the Group's investment properties to a customer became effective from 1 April 2014, for a lease term of two years. Government grants increased by RMB466,000 from RMB50,000 to RMB516,000 because the Group's received more subsidies from Handan City Provincial Bureau of Forest (邯鄲市林業局), Wei County Bureau of Finance (魏縣財政局) and the Department of Finance of Hebei Province (河北省財政廳) for the construction of wood processing facilities, and the Group received tax refund from Wei County Local Taxation Bureau (魏縣地方稅務局) for the six months ended 30 June 2014. Interest income represents income from the Group's bank deposits. The Group's interest income increased from about RMB17,000 for the six months ended 30 June 2013 to about RMB765,000 for the six months ended 30 June 2014 because part of the unused funds received from the proceeds from Placing have been placed into banks as short-term time deposits during the six months ended 30 June 2014.

Other Net Income

The Group's other net income for the six months ended 30 June 2014 principally represents its gain from sales of scrap materials and gain on disposal of property, plant and equipment.

Selling Expenses

The Group's selling expenses increased by about 30.0% or RMB0.6 million from about RMB2.0 million for the six months ended 30 June 2013 to about RMB2.6 million for the six months ended 30 June 2014. Such increase was mainly due to a significant increase in rental expenses for the Group's new branch offices being established in Beijing and Chengdu which are expected to commence operation in the third quarter of this year.

Administrative Expenses

The Group's administrative expenses increased substantially by about 46.2% or RMB9.2 million from about RMB19.9 million for the six months ended 30 June 2013 to about RMB29.1 million for the six months ended 30 June 2014. The increase was principally due to an increase in research and development expenses and staff costs. The Group's research and development expenses increased by about RMB7.0 million from about RMB8.0 million for the six months ended 30 June 2013 to about RMB15.0 million for the six months ended 30 June 2014 as more production materials were consumed as a result of two more research and development projects commencing for the six months ended 30 June 2014. Staff costs increased from about RMB2.8 million for the six months ended 30 June 2013 to about RMB3.9 million for the six months ended 30 June 2014 was mainly due to an increase in number of management staff and an increase in the remuneration of senior management after the Listing.

Finance Costs

The Group's finance cost decreased from about RMB8.7 million for the six months ended 30 June 2013 to about RMB7.0 million for the six months ended 30 June 2014. The decrease was mainly attributable to a decrease in interest expense and related bank and finance charges by about RMB4.6 million for the six months ended 30 June 2014 as a result of the repayment of bank loans and other loans. Such decrease was partially off-set by an increase in exchange loss of about RMB2.9 million arising from the Group's RMB deposit as a result of the devaluation of RMB during the six months ended 30 June 2014.

Income Tax Expenses

The Group's income tax expenses increased from about RMB3.0 million for the six months ended 30 June 2013 to about RMB4.4 million for the six months ended 30 June 2014. The increase was primarily attributable to an increase in profit before taxation from about RMB20.5 million for the six months ended 30 June 2013 to about RMB28.7 million for the six months ended 30 June 2014.

Profit for the Period

As a combined result of the factors discussed above, the Group's profit for the period increased from about RMB17.5 million for the six months ended 30 June 2013 to about RMB24.4 million for the six months ended 30 June 2014. In addition, the Group's net profit margin increased from about 8.8% for the six months ended 30 June 2013 to about 11.1% for the six months ended 30 June 2014. Such increase was mainly due to the increase in the Group's gross profit margin for the six months ended 30 June 2014.

LIQUIDITY AND FINANCIAL RESOURCES AND TREASURY POLICY

	As at 30 June 2014	As at 31 December 2013
Current ratio	**4.09**	1.02
Gearing ratio*	**0.23**	1.03

* Calculated based on total debts divided by total equity at the end of the period. Total debts are defined to include payables incurred not in the ordinary course of business (total liabilities less trade payables and receipts in advance).

The current ratio of the Group as at 30 June 2014 was 4.09 times as compared to that of 1.02 times at 31 December 2013. The increase in current ratio was mainly due to the substantial increase in cash and cash equivalents from about RMB67.8 million at 31 December 2013 to RMB172.2 million at 30 June 2014 as a result of the receive of net proceeds from Placing and Listing of the Company's shares on the GEM of the Stock Exchange, and the substantial decrease in the Group's short-term loans after repayment of such loan after the Listing. The gearing ratio of the Group as at 30 June 2014 was about 0.23 as compared to that of 1.03 at 31 December 2013. Such decrease was primarily due to the enlarged equity base of our Company as a result of a substantial increase in share premium after the Listing, the increase in our accumulated profit for the six months ended 30 June 2014 and the substantial decrease in short-term loans.

The Group's finance department closely monitors the Group's cash flow position to ensure that the Group has sufficient working capital available to meet its operational needs. The finance department takes into account the trade receivables, trade payables, cash on hand and at bank, repayment of bank and other borrowings, administrative and capital expenditures to prepare cash flow forecast to forecast the Group's future liquidity.

After Listing, the Group mainly finances its capital expenditure and operational requirements through internally generated cash flows, net proceeds from the Placing of the Company's shares in Listing, cash reserve and bank and other borrowings.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 June 2014 (31 December 2013: RMBNil).

PLEDGE OF ASSETS

At 30 June 2014, the Group's property, plant and equipment, investment properties and land use right with a carrying amount of about RMB119.3 million (31 December 2013: RMB162.9 million) and bank deposits with a carrying amount of about RMBNil (31 December 2013: 2.0 million) were pledged to third parties or banks for bank borrowings.

CONTINGENT LIABILITY

The Group had no material contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisition or disposal of subsidiaries and affiliated companies for the six months ended 30 June 2014.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 6 January 2014. There has been no change in the capital structure of the Group since the Listing Date. The capital of the Group only comprises ordinary shares.

SIGNIFICANT INVESTMENTS

At 30 June 2014, there was no significant investment held by the Group (31 December 2013: Nil).

FOREIGN CURRENCY EXPOSURE

During the six months ended 30 June 2014, the Group's monetary assets and transactions were mainly denominated in RMB and HK$. The management of the Group noted that the recent fluctuation in the exchange rate between RMB and HK$, and is of the opinion that it does not currently have a material adverse impact on the Group's financial position. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND EMOLUMENT POLICY

The Group recognises the importance of good relationship with its employees. The Directors believe that the working environment and benefits offered to employees have contributed to building good staff relations and retention. The Group continues to provide training for new staff and existing staff to enhance their technical knowledge. The Group also provides fire and production safety training to the production staff. The Directors believe such initiatives have contributed to increased productivity and efficiency.

The Group's remuneration policies are formulated based on performance of individual employees and are reviewed regularly. Subject to the Group's profitability and staff performance, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved.

A remuneration committee was set up to review the Group's emolument policy and structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

As at 30 June 2014, the Group employed 430 employees, the total staff costs amounted to RMB11.9 million (2013: RMB9.4 million). The Company maintains a share option scheme for the purpose of providing incentives and rewards to the participants for their contributions to the Group. As at the date of this announcement, no option has been granted under the share option scheme.

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as stated in the prospectus of the Company dated 30 December 2013 ("Prospectus") for the six months ended 30 June 2014 with the Group's actual business progress during the period from the Listing Date up to 30 June 2014 (the "Review Period") is set out below:

Business objectives for the period from the Listing Date up to 30 June 2014 as stated in the Prospectus	**Actual Business Progress up to 30 June 2014**
Strengthen our research and development capacities	
— To establish cooperation relationship with other research institutions	— In the process of looking for suitable research institutions
— To refine and improve our impregnation fluids	— Two research projects have been completed and are waiting for the results of laboratory tests
— To purchase materials for research use	— Poplar logs, coniferous (such as pine wood) and broad leaf (such as rubber wood) tree spices are purchased for research use
Continue to expand our sales network	
— To hire additional marketing personnel	— Will hire additional marketing personnel when the branch offices are established
— To participate in various trade exhibitions and organise marketing campaigns for our products	— Participated in three exhibitions held in Beijing, Shanghai and Dongguan, respectively
— To establish branch offices in major cities or provinces such as Beijing, Sichuan and Guangdong	— In the process of setting up three sales offices in Beijing, Chengdu and Shanghai
Expansion of our production capacity and integrated manufacturing operation	
— To acquire new production equipment	— Completed the installation of seven new sets of thermocompressor and the workshops transformation

USE OF PROCEEDS

The net proceeds from the Company's Placing after deducting listing-related expenses were about HK$229.6 million which was based on 250,000,000 new shares being issued at a price of HK$1.0 per share pursuant to the Placing.

During the Review Period, the net proceeds from the Placing had been applied as follows:

Business objectives for the period from the Listing Date up to 30 June 2014 as stated in the Prospectus	**Planned use of proceeds up to 30 June 2014 as stated in the Prospectus** *(HK$ million)*	**Actual use of proceeds up to 30 June 2014** *(HK$ million)*
1. Strengthen our research and development capacities	8.1	8.1
2. Continue to expand our sales network	5.4	1.2
3. Expansion of our production capacity and integrated manufacturing operation	2.5	2.5

Due to the postponement of the establishment of the branch offices in Beijing, Shanghai and Chengdu which are expected to complete in the third quarter of 2014, the amount of proceeds used up to 30 June 2014 was lower than the planned use by about HKD4.2 million.

As disclosed in the Prospectus, the Group intended to apply about 29.7% or HK$68.2 million (based on the net proceed received from Placing of about HK$229.6 million) from Placing to repay its loans. During the six months ended 30 June 2014, the Group applied about HK$59.9 million from the net proceeds to repay its bank and other loans.

The Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong and the PRC.

ADDITIONAL DISCLOSURES

Relocation of three office premises and a warehouse of the Group

As disclosed in the prospectus of the Company dated 30 December 2013 (the "Prospectus"), the Group leased four properties in the PRC. All the lease contracts were not registered with relevant authorities in the PRC administration department, and for one of which the lessors failed to provide the building ownership certificate. Among the four leased properties, three were used as the Group's office premises and one was used as warehouse. In addition, the usage of the three leased office premises was inconsistent with the designated usage as stated in the building ownership certificates. As at the date of this announcement, the Group's warehouse was relocated to the warehouse in the Group's production facility at Wei County, Handan City, Hebei Province. A new office was rented in March 2014 and the leases of the three office premises have been terminated in July 2014. The Group was able to register the lease agreement of the new office with relevant authority. The owner of that property was able to provide the Group with building ownership certificate and the use of such property as office is consistent with the designated usage as stated in the building ownership certificate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 2014, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as follows:

(i) The Company

Name of Director	Capacity/Nature of Interest	Long/Short position	Number of Shares held	Approximate percentage of shareholding in the Company
Ms. Yim Tsun *(Note)*	Interests in controlled corporation	Long position	713,250,000	71.3%

(ii) Associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholding in the associated corporation
Ms. Yim Tsun	Brilliant Plan Holdings Limited *(Note)*	Beneficial owner	100	100%

Note: The entire issued share capital of Brilliant Plan Holdings Limited is beneficially owned by Ms. Yim Tsun who is deemed to be interested in 713,250,000 Shares held by Brilliant Plan under SFO.

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, so far as the Directors are aware, the interests or short positions owned by the following persons (other than the Directors or chief executive officer of the Company) in the shares or underlying shares of the Company which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long position in the Shares

Name	Natural of interest	Number of securities	Approximate percentage of shareholding
Brilliant Plan Holdings Limited *(Note)*	Beneficial interest	713,250,000 Shares	71.3%

Note: The entire issued share capital of Brilliant Plan Holdings Limited is beneficially owned by Ms. Yim Tsun. Under the SFO, Ms. Yim Tsun is deemed to be interested in all the Shares held by Brilliant Plan Holdings Limited.

Save as disclosed above and as at 30 June 2014, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive officer of the Company) in the shares or underlying shares of the Company which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

OUTLOOK

Looking forward, the Group intends to further promote the market recognition of its Processed Wood Products market in the PRC. To achieve this, the Group will continue to (1) expand its production capacity and integrated manufacturing operation; (2) expand the application spectrum and improve the quality of its Processed Wood Products; and (3) expand its sales network.

COMPETING INTEREST OF DIRECTORS, CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

As at 30 June 2014, none of the Directors, controlling shareholders of the Company or any of or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests, which is required to be disclosed under Rule 11.04 of the GEM Listing Rules.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Guotai Junan Capital Limited ("Guotai Junan") to be the compliance adviser. As informed by Guotai Junan, neither Guotai Junan nor any of its directors or employees or associates, has or may, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and Guotai Junan) as at 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date up to 30 June 2014.

CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with all applicable code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules from the Listing Date up to 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE LISTED ISSUERS ("MODEL CODE")

The Company has adopted the Model Code set out in Appendix 15 to the GEM Listing Rules as the code of conduct governing dealings by all Directors in the securities of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiries have been made with all Directors, who have confirmed that, from the Listing Date up to 30 June 2014, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they have complied with the required standard of dealings as set out in the Model Code throughout the period from the Listing Date up to 30 June 2014.

DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

AUDIT COMMITTEE

The Company has established its audit committee on 20 December 2013 with terms of reference in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee has three members comprising the Company's three independent non-executive Directors, namely Mr. Lau Ying Kit, Mr. Pu Junwen and Mr. Zhang Dali. The chairman of the audit committee is Mr. Lau Ying Kit. The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2014.

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

Hong Kong, 13 August 2014

As at the date of this announcement, the executive Directors are Ms. Yim Tsun and Mr. Li Li; and the independent non-executive Directors are Mr. Zhang Dali, Mr. Pu Junwen and Mr. Lau Ying Kit.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or in this announcement misleading. All opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.chinawood.com.hk.

This announcement is prepared in both English and Chinese. In the event of inconsistency, the English text of the announcement shall prevail over the Chinese text.