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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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 Growth Enterprise Market 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 year ended 31 December 2014, operating results of the Group were as follows:

— Turnover reached about RMB512.7 million (2013: RMB481.3 million), representing an increase of 6.5% from last year;

— Profit for the year amounted to about RMB63.7 million (2013: RMB53.1 million), representing an increase of 20.0% from last year;

— Basic earnings per share for the year based on weighted average number of ordinary shares of about 996,575,000 shares (2013: 745,035,000 shares) in issue was RMB6.4 cents (2013: RMB7.1 cents);

— Diluted earnings per share for the year based on weighted average number of ordinary shares of about 996,575,000 shares (2013: 745,035,000 shares) in issue was RMB6.4 cents (2013: RMB7.1 cents); and

— The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014
(Expressed in Renminbi ("RMB"))

	Note	**2014** *RMB'000*	2013 *RMB'000*
Turnover	*5*	**512,736**	481,285
Cost of sales	*6(c)*	**(377,945)**	(340,265)
Gross profit	*5(b)*	**134,791**	141,020
Other revenue		**7,341**	1,172
Other net income		**361**	270
Selling expenses		**(5,022)**	(3,832)
Administrative expenses		**(54,881)**	(58,258)
Profit from operations		**82,590**	80,372
Finance costs	*6(a)*	**(8,274)**	(18,862)
Profit before taxation	*6*	**74,316**	61,510
Income tax	*7*	**(10,588)**	(8,381)
Profit attributable to equity shareholders of the Company for the year		**63,728**	53,129
Earnings per share			
— Basic and diluted (RMB)	*8*	**0.064**	0.071

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014
(Expressed in RMB)

	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**63,728**	53,129
Other comprehensive income for the year (before and after tax)		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency	**1,073**	258
Total comprehensive income attributable to equity shareholders of the Company for the year	**64,801**	53,387

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014
(Expressed in RMB)

	Note	**2014**	2013
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**176,244**	200,792
Investment properties		**16,131**	8,776
Lease prepayments		**15,649**	16,078
Intangible asset		**48**	78
Deferred tax assets		**1,132**	837
		209,204	226,561
Current assets			
Inventories		**82,384**	83,804
Trade receivables	*9*	**10,158**	11,859
Prepayments, deposits and other receivables		**16,586**	20,519
Prepaid income tax		**931**	–
Cash and cash equivalents		**202,079**	67,788
		312,138	183,970
Current liabilities			
Trade payables	*10*	**181**	1,453
Receipts in advance		**524**	183
Accrued expenses and other payables		**9,216**	27,451
Bank and other loans		**58,000**	149,660
Income tax payable		**–**	2,472
		67,921	181,219
Net current assets		**244,217**	2,751
Total assets less current liabilities		**453,421**	229,312
Non-current liabilities			
Bank loan		**–**	28,000
Deferred income		**4,700**	–
		4,700	28,000
NET ASSETS		**448,721**	201,312
CAPITAL AND RESERVES	*11*		
Share capital		**7,921**	5,954
Reserves		**440,800**	195,358
TOTAL EQUITY		**448,721**	201,312

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014
(Expressed in RMB)

	Attributable to equity shareholders of the Company						
	Share capital *RMB'000* *(Note 11(b))*	Share premium *RMB'000*	Other reserve *RMB'000*	Statutory reserves *RMB'000*	Exchange reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2013	–	–	30	6,570	(81)	56,117	62,636
Changes in equity for 2013:							
Profit for the year	–	–	–	–	–	53,129	53,129
Other comprehensive income	–	–	–	–	258	–	258
Total comprehensive income	–	–	–	–	258	53,129	53,387
Issuance of shares	1	85,288	–	–	–	–	85,289
Capitalisation issue	5,953	(5,953)	–	–	–	–	–
Appropriation to reserves	–	–	–	6,655	–	(6,655)	–
	5,954	79,335	–	6,655	–	(6,655)	85,289
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 2014:							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**63,728**	**63,728**
Other comprehensive income	**–**	**–**	**–**	**–**	**1,073**	**–**	**1,073**
Total comprehensive income	**–**	**–**	**–**	**–**	**1,073**	**63,728**	**64,801**
Issuance of shares by way of placing *(Note 11(b)(i))*	**1,967**	**180,641**	**–**	**–**	**–**	**–**	**182,608**
Appropriation to reserves	**–**	**–**	**–**	**6,392**	**–**	**(6,392)**	**–**
	1,967	**180,641**	**–**	**6,392**	**–**	**(6,392)**	**182,608**
Balance at 31 December 2014	**7,921**	**259,976**	**30**	**19,617**	**1,250**	**159,927**	**448,721**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 consolidated financial statements of the Company as at and for the year ended 31 December 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 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related Interpretations issued by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2014 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4 CHANGES IN ACCOUNTING POLICIES

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

- 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.

5 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are the processing, production and sale of wooden products.

Turnover represents the sales value of goods supplied to customers, net of value added tax.

The Group's customer base includes one customer with whom transactions have exceeded 10% of the Group's turnover for the year ended 31 December 2014 (2013: two customers). Turnover from sales of wooden products to this customer amounted to RMB103,516,000 for the year ended 31 December 2014 (2013: RMB128,305,000), and arose from both product types, as mentioned in Note 5(b), in which the Group sells.

Further details regarding the Group's principal activities are disclosed below.

(b) 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 which are produced from the pressing and laminating cut-offs arising from the trimming process of the Processed Wood Panels.

(i) Segment results

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 years ended 31 December 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 for the years ended 31 December 2014 and 2013 is set out below.

		2014	
	Processed Wood Panels	**Processed Finger Joint Wood Panels**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Turnover from external customers and reportable segment turnover	**465,304**	**47,432**	**512,736**
Reportable segment gross profit	**127,299**	**7,492**	**134,791**

		2013	
	Processed Wood Panels	Processed Finger Joint Wood Panels	Total
	RMB'000	*RMB'000*	*RMB'000*
Turnover from external customers and reportable segment turnover	390,414	90,871	481,285
Reportable segment gross profit	131,392	9,628	141,020

(ii) Geographic information

The Group's turnover is substantially generated from the sale of wooden products to customers in the People's Republic of China (the "PRC"). The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2014	2013
	RMB'000	*RMB'000*
Interest on bank and other loans wholly repayable within five years	**6,436**	16,981
Bank charges and other finance costs	**158**	1,881
Total borrowing costs	**6,594**	18,862
Net foreign exchange loss	**1,680**	–
	8,274	18,862

No borrowing costs have been capitalised for the year ended 31 December 2014 (2013: RMBNil).

(b) Staff costs[#]:

	2014	2013
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**21,516**	19,051
Contributions to defined contribution retirement schemes	**2,541**	2,072
	24,057	21,123

(c) Other Items:

	2014	2013
	RMB'000	*RMB'000*
Depreciation and amortisation[#]	**18,571**	17,804
Operating lease charges in respect of plant and buildings	**2,211**	977
Auditors' remuneration:		
— annual audit services	**1,912**	912
— audit service relating to the listing of the Company's shares on the Stock Exchange	**–**	2,025
Research and development costs (including costs relating to staff costs disclosed in *Note 6(b)*)	**25,868**	29,678
Cost of inventories[#]	**377,945**	340,265

[#] Cost of inventories includes RMB26,053,000 for the year ended 31 December 2014 (2013: RMB25,706,000), relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2014	2013
	RMB'000	*RMB'000*
Current taxation		
— The PRC Corporate Income Tax	**10,883**	8,901
Deferred taxation		
— Origination and reversal of temporary differences	**(295)**	(520)
	10,588	8,381

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**74,316**	61,510
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**19,083**	15,970
Tax effect of non-deductible expenses	**343**	293
Tax effect of unused tax losses not recognised	**1,218**	1,149
Tax concessions *(Note (iv))*	**(10,056)**	(9,031)
Income tax	**10,588**	8,381

Notes:

(i) The Company and a subsidiary of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2014 (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 year ended 31 December 2014 (2013: RMBNil).

(ii) 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.

(iii) The subsidiary of the Group established in the PRC is subject to the PRC Corporate Income Tax rate of 25% for the year ended 31 December 2014 (2013: 25%).

(iv) The subsidiary of the Group established in the PRC 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. This subsidiary is in the process of applying the same preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2015 to 2017, whereby the directors of the Company consider this subsidiary has satisfied the conditions of being an advanced and new technology enterprise according to the relevant tax rules and regulations. 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.

8 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2014 is calculated based on the profit attributable to equity shareholders of the Company of RMB63,728,000 (2013: RMB53,129,000) and the weighted average of 996,575,000 ordinary shares (2013: 745,035,000 ordinary shares) in issue during the year, calculated as follows:

	2014	2013
	'000	*'000*
Issued ordinary shares at 1 January	**750,000**	–
Effect of shares issued to the ultimate holding company of the 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	**–**	5
Effect of capitalisation issue on 30 December 2013	**–**	744,936
Effect of shares issued by way of placing on 6 January 2014 *(Note 11(b)(i))*	**246,575**	–
Weighted average number of ordinary shares at 31 December	**996,575**	745,035

(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 years ended 31 December 2014 and 2013.

9 TRADE RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables from third parties	**10,158**	11,859

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

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:

	2014	2013
	RMB'000	*RMB'000*
Aged within 1 month, neither past due nor impaired	**10,158**	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.

For trade receivables, 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.

10 TRADE PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables to third parties	**181**	1,453

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

	2014	2013
	RMB'000	*RMB'000*
Due within 1 month or on demand	**181**	1,453

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

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: RMBNil).

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

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

(b) Share capital

	2014		2013	
	No. of shares	***HK$***	*No. of shares*	*HK$*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000,000**	10,000,000,000	100,000,000

	2014		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 by way of placing *(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 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), representing 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), after deduction of share issuance expenses of approximately RMB14,092,000, were credited to the share premium account.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2014, the Group continued to engage in the processing, manufacturing and sales 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").

All the Processed Wood Products are processed by the Group's processing procedure (the "Wood Processing Procedure"), by which raw wood panels pass through an impregnation procedure of the Group's own impregnation fluid made with biological synthetic resin technologies. The Group's Wood Processing Procedure improves the hardness, shrinkage and swelling rate, density, deformation resistance, cracking resistance, anticorrosiveness, bending strength and elasticity of poplar wood. In addition, poplar logs and wood panels that have been processed through the Group's Wood Processing Procedure are strengthened in terms of moisture resistance and flame resistance. After the Group's Wood Processing Procedure, poplar 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 and 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 the 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 year ended 31 December 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 wooden panels. In order to expand and consolidate its market shares, the Group participated in six exhibitions held in Beijing, Shanghai, Chengdu, Dongguan and Guangzhou, respectively, during the year ended 31 December 2014. Besides, the Group had established three sales offices in Beijing, Chengdu and Shanghai, respectively. These sales offices have commenced their operations. In November 2014, the Group successfully held a forum in Shijiazhuang, Hebei Province, to discuss the future development of the wood panels industry and our Process Wood Products in China. The result was satisfactory and positive feedbacks were received from its customers.

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 and the registration of Manufacturing Method of a fast growing wood impregnating solution and fast growing wood impregnating solution (速生材浸漬液及速生材浸漬液的製備) has subsequently been approved in July 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 year ended 31 December 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. The test results were satisfactory.

In addition, the Group installed seven new sets of thermocompressors during the year ended 31 December 2014 and all of them have been put into operation. The use of these new thermocompressors further improved the quality of the Group's products.

New Production Plant

On 29 December 2014, the Group entered into an agreement with the administration committee of Huaian Industrial Zone in Huaian City, Jiangsu Province for an investment to build a new production plant in the Huaian Industrial Zone. Occupying an area of approximately 151,000 square meters, the new production plant of the Group will be mainly used to produce Processed Wood Products. The first phase registered capital of the new production plant amounted to USD35.0 million. The plant is scheduled to be completed and will commence production in the fourth quarter of 2015. It is expected to double the Group's current production capacity.

The new production plant in Huaian will emphasise on energy conservation and production efficiency. To reduce energy consumption and emission during the production process, the Group intended to adopt solar power technology as well as heat exchange technology, and will also deploy environmentally-friendly electric forklift trucks. Moreover, the Huaian production plant will also emphasise on high efficiency in the design of production processes and will apply latest technology in place of some labour-intensive processes so as to reduce labour costs.

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 while focusing on the sales of Processed Wood Panels, the Group disposed of three out of the five production lines of Processed Finger Joint Wood Panels for about RMB5.9 million to one of the Group's customers at a profit of RMB92,000 during the year ended 31 December 2014.

The Company's shares were successfully listed on the GEM 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.

In addition, the Group has been designated as a "Vice President Unit" (副會長單位) by the China Wood Protection Industry Association (CWPIA) at the "7th Conference of China Wood Protection Industry and Forums of New Technological on Wood Optimization of Plantation" (第七屆中國木材保護工業大會暨人工林木材優化新技術發展高峰論壇) held on 30 and 31 October 2014 in Changsha, Hunan Province. Mr. LI Li, an Executive Director and Chief Executive Officer of the Company, has also been honored as an "Outstanding Young Entrepreneur" (傑出青年企業家) at the first "Jintan Award of China Wood Industry" (中國木業金檀獎). These achievements further illustrated that the Group is the pioneer in the processed wood industry.

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") with the Group's actual business progress for the year ended 31 December 2014 is set out below:

Business objectives for the year ended 31 December 2014	Actual Business Progress for the year ended 31 December 2014
Strengthen the Group's 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 the Group's impregnation fluids	— Eight research projects had been completed with satisfactory results
— To purchase advance equipment and materials for research use	— Poplar logs, coniferous (such as pine wood) and broad leaf (such as rubber wood) tree spices and some advance equipment were purchased for research use
Continue to expand the Group's sales network	
— To hire additional marketing personnel	— Seven new marketing staff were employed
— To participate in various trade exhibitions and organise marketing campaigns for the Group's products	— Participated in six exhibitions held in Beijing, Shanghai, Chengdu, Dongguan and Guangzhou respectively
— To establish branch offices in major cities or provinces such as Beijing, Sichuan, Zhejiang and Guangdong	— Three sales offices in Beijing, Chengdu and Shanghai had been established
— To pay the operating expenses of the newly established brand offices	— Office rental and general administrative expenses were paid
Expansion of the Group's production capacity and integrated manufacturing operation	
— To acquire new production equipment	— Completed the installation of seven new sets of thermocompressor and the workshops transformation
— To acquire factories that posses chemical processing ability that may assist our Group in producing our impregnation fluid and to acquire a factory which possesses wood processing capacity	— The Group had approached several factories which possess chemical processing ability and wood processing capacity but none of them could fulfill the Group's acquisition requirements

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 year ended 31 December 2014, the net proceeds from the Placing had been applied as follows:

Business objectives for the year ended 31 December 2014 as stated in the Prospectus	**Planned use of proceeds for the year ended 31 December 2014 as stated in the Prospectus** *HK$ million*	**Actual use of proceeds for the year ended 31 December 2014** *HK$ million*
1. Strengthen the Group's research and development capacities	13.7	13.7
2. Continue to expand the Group's sales network	9.8	3.4
3. Expansion of the Group's production capacity and integrated manufacturing operation (Note)	36.3	3.5

Note: Reference is also made to an announcement of the Company dated 9 January 2015 relating to the change in use of proceeds after the year ended 31 December 2014. The Group has decided to change in use of part of the net proceeds of about HK$31.3 million, which was previously planned for the acquisitions of a chemical factory and a wood processing factory, to finance the establishment of a new factory in Huaian, Jiangsu Province (江蘇省淮安市) (the "Huaian Factory").

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 year ended 31 December 2014, the Group applied about HK$68.2 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.

FINANCIAL REVIEW

Turnover

The Group recorded an increase in its turnover by about RMB31.4 million or 6.5% from about RMB481.3 million in 2013 to about RMB512.7 million in 2014. The increase in turnover in 2014 was mainly attributable to the increase in turnover of Processed Wood Panels. The average selling prices of Processed Wood Panels decreased from about RMB3,811 per cubic meter for the year ended 31 December 2013 to about RMB3,600 per cubic meter for the year ended 31 December 2014. It was because of the increase in sales of less-shaved Processed Wood Panels which had a lower average selling price than traditional Processed Wood Panels, which was partially offset by the increase in the average selling price of Processed Wood Products as a result of the increase in quality and market recognition of our Processed Wood Panels. It was the intention of the Group to produce more less-shaved Processed Wood Panels which allows the Group to shorten its production cycle and increase production output and efficiency. The average selling prices of Processed Finger Joint Wood Panels increased from about RMB4,103 per cubic meter for the year ended 31 December 2013 to about RMB4,342 per cubic meter for the year ended 31 December 2014. The increase in the average selling prices was driven by the increased quality and market recognition of the Group's Processed Wood Products. 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 124,588 cubic meters for the year ended 31 December 2013 to 140,186 cubic meters for the year ended 31 December 2014.

TURNOVER BY SEGMENT

Analysis of turnover by segment is as follows:

	Year ended 31 December					
	2014			2013		
	Volume (m^3)	***RMB'000***	***%***	*Volume (m^3)*	*RMB'000*	*%*
Processed Wood Panels	**129,263**	**465,304**	**90.7**	102,443	390,414	81.1
Processed Finger Joint Wood Panels	**10,923**	**47,432**	**9.3**	22,145	90,871	18.9
	140,186	**512,736**	**100.0**	124,588	481,285	100.0

Analysis of average selling price per cubic meter by segment is as follows:

	2014	2013
	RMB	*RMB*
Processed Wood Panels	**3,600**	3,811
Processed Finger Joint Wood Panels	**4,342**	4,103
Overall average	**3,658**	3,863

Processed Wood Panels

Turnover from sales of Processed Wood Panels increased by about RMB74.9 million or 19.2% from about RMB390.4 million in 2013 to about RMB465.3 million in 2014. The increase in sales of Processed Wood Panels was primarily due to the increasing market acceptance and demands of the same. The percentage of sales of Processed Wood Panels increased from about 81.1% for the year ended 31 December 2013 to about 90.7% for the year ended 31 December 2014, 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 led to the increase in the average selling price of each product, but the increase was offset by the increasing sales of less-shaved Processed Wood Panels which had a lower average selling price than traditional Processed Wood Panels, the Group recorded a decrease in average selling price from about RMB3,811 per cubic meter for the year ended 31 December 2013 to about RMB3,600 per cubic meter for the year ended 31 December 2014.

Processed Finger Joint Wood Panels

Turnover from sales of Processed Finger Joint Wood Panels decreased by about RMB43.5 million or 47.9% from RMB90.9 million in 2013 to RMB47.4 million in 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 that the Group focused on the sales of Processed Wood Panels, as the production of Processed Wood Panels requires lesser production processes 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 year, there was a decrease in sales of Processed Finger Joint Wood Panels in 2014.

Although the sales volume of Processed Finger Joint Wood Panels decreased substantially by about 11,222 cubic meters or 50.7% from about 22,145 cubic meters for the year ended 31 December 2013 to about 10,923 cubic meters for the year ended 31 December 2014, the Group was able to raise its average selling price from about RMB4,103 per cubic meter for the year ended 31 December 2013 to about RMB4,342 per cubic meter for the year ended 31 December 2014 due to the enhancement of the product's quality.

Cost of Sales

Cost of sales of the Group increased by about RMB37.6 million or 11.0%, from about RMB340.3 million in 2013 to about RMB377.9 million in 2014. The increase was a combined effect of the general increase of the costs of wood and other production materials purchased in the PRC during the year, the increase in the Group's total sales volume as discussed under the paragraph headed "Turnover" above and was partially offset by the decrease in fuel costs.

Gross Profit

Gross profit of the Group decreased by about 4.4% or RMB6.2 million from about RMB141.0 million in 2013 to about RMB134.8 million in 2014. The decrease in gross profit of the Group was mainly due to an increase in average purchase cost of wood materials for the year ended 31 December 2014.

GROSS PROFIT MARGIN BY SEGMENT

Analysis of gross profit margin by segment is as follows:

	Year ended 31 December	
	2014	2013
	%	%
Processed Wood Panels	**27.4**	33.7
Processed Finger Joint Wood Panels	**15.8**	10.6
Overall gross profit margin	**26.3**	29.3

The overall gross profit margin of the Group decreased from about 29.3% in 2013 to about 26.3% in 2014. The decrease was a combined effect of increase in cost of wood materials and the substantial increase in the sales of less-shaved Processed Wood Panels which had a lower gross profit margin than traditional Processed Wood Panels.

Processed Wood Panels

Gross profit margin of Processed Wood Panels decreased from about 33.7% in 2013 to about 27.4% in 2014. Such decrease was mainly attributable to the increase in the costs of production materials and the increase in sales of less-shaved Processed Wood Panels which had a lower gross profit margin than the traditional Processed Wood Panels for the year ended 31 December 2014.

Processed Finger Joint Wood Panels

Gross profit margin of Processed Finger Joint Wood Panels increased from about 10.6% in 2013 to about 15.8% in 2014. Such increase was mainly attributable to the increase in the average selling price per cubic meter of Processed Finger Joint Wood Panels more than the increase in average cost of wood materials per cubic meter.

The Group's Processed Finger Joint Wood Panels have a lower gross profit margin than 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 generally 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 RMB1.1 million for the year ended 31 December 2014 as compared to last year was due to the new 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 about RMB3.3 million from RMB0.2 million to RMB3.5 million because the Group received more subsidies from Handan City Provincial Bureau of Forest (邯鄲市林業局), Wei County Bureau of Finance (魏縣財務局) and the Department of Finance of Hebei Province (河北省財政廳) for the construction of wood processing facilities, among which RMB0.6 million was amortised in 2014. The Group received tax refund of RMB0.3 million from Wei County Local Taxation Bureau (魏縣地方稅務局) for the year ended 31 December 2014. In addition, the Group received an one-off bonus of RMB2 million from Handan City Provincial Bureau of Finance (邯鄲市財政局) for the successful listing of the Group in Hong Kong. Interest income represents income from the Group's bank deposits. The Group's interest income increased from about RMB0.1 million for the year ended 31 December 2013 to about RMB1.9 million for the year ended 31 December 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 year ended 31 December 2014.

Other Net Income

The Group's other net income in 2014 principally represents the 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 31.6% or RMB1.2 million from about RMB3.8 million in 2013 to about RMB5.0 million in 2014. Such increase was mainly attributable to the increase in rental expenses. The rental expenses increased by about RMB1.1 million in 2014 was mainly because of the establishment of three new sales offices in Beijing, Shanghai and Chengdu in 2014.

Administrative Expenses

The Group's administrative expenses decreased by about 5.8% or RMB3.4 million from about RMB58.3 million in 2013 to RMB54.9 million in 2014. Such decrease was principally due to the decrease in professional fee and research and development expenses. The professional fee decreased by about RMB3.9 million from about RMB10.6 million in 2013 to about RMB6.7 million in 2014 as a result of the decrease in the professional fees incurred in relation to the preparation of the Group's listing in last year. The decrease in research and development expenses by about RMB3.8 million from about RMB29.7 million in 2013 to about RMB25.9 million in 2014. Such decrease was mainly due to the research projects conducted in 2014 consumed lesser wood materials and impregnation fluids than last year.

The decrease in administrative expenses was partially offset by the increase in staff cost. The staff costs increased from about RMB6.0 million in 2013 to about RMB8.5 million in 2014 which was mainly due to the 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 substantially from about RMB18.9 million for the year ended 31 December 2013 to about RMB8.3 million for the year ended 31 December 2014. The decrease was mainly attributable to the decrease in interest expense and related bank and finance charges by about RMB12.3 million for the year ended 31 December 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 RMB1.7 million arising from the conversion of HK$ into RMB and RMB exchange rate fluctuations during the year.

Income Tax Expenses

The Group's income tax expenses increased from about RMB8.4 million in 2013 to about RMB10.6 million in 2014. The increase was primarily attributable to the increase in profit before taxation from about RMB61.5 million in 2013 to about RMB74.3 million in 2014.

Profit for the Year

As a combined result of the factors discussed above, the Group's profit for the year increased from about RMB53.1 million in 2013 to about RMB63.7 million in 2014. In addition, the Group's net profit margin increased from about 11.0% in 2013 to about 12.4% in 2014. Such increase was mainly due to the decrease in the Group's finance costs.

LIQUIDITY AND FINANCIAL RESOURCES AND TREASURY POLICY

	As at 31 December	
	2014	2013
Current ratio	**4.30**	1.02
Gearing ratio*	**0.16**	1.03

* Calculated based on total debts at the end of the year divided by total equity at the end of the year. 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 31 December 2014 was 4.30 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 RMB202.1 million at 31 December 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 31 December 2014 was about 0.16 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 year ended 31 December 2014 and the substantial decrease in bank and other 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 trade receivables, trade payables, cash on hand and at bank, repayment of bank borrowings, administrative and capital expenditures to prepare the cash flow forecast to forecast the Group's future liquidity.

After the 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

On 29 December 2014, the Group, via the Company, entered into an agreement (the "Agreement") with the Administrative Committee of Jiangsu Huaian Industrial Park (the "Administrative Committee") in the establishment of a manufacturing company (the "New Subsidiary") in Huaian, Jiangsu Province. Pursuant to the Agreement, the first phase registered capital of the New Subsidiary is expected to be USD35,000,000, and the Group will acquire the land use right with a gross area of approximately 151,000 square metres from the Administrative Committee for a consideration to be determined after a listing-for-sale process. The Agreement will become effective upon the establishment of the New Subsidiary and the payment of a deposit of RMB1,000,000 by the Group.

PLEDGE OF ASSETS

At 31 December 2014, the Group's property, plant and equipment, investment properties and land use right with a carrying amount of about RMB118.1 million (2013: RMB162.9 million) and bank deposits of RMBNil (2013: RMB2.0 million) were pledged to third parties or banks for bank borrowings.

CONTINGENT LIABILITY

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

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies in 2014.

CAPITAL STRUCTURE

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

As at 31 December 2014, all the bank loans of the Group are denominated in RMB and are subject to fixed interest rate.

SIGNIFICANT INVESTMENTS

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

FOREIGN CURRENCY EXPOSURE

During 2014, the Group's monetary assets and transactions were mainly denominated in Renminbi ("RMB") and Hong Kong Dollars ("HK$"). The management of the Group noted that the recent fluctuation in the exchange rate between RMB to HK$, 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 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 that such initiatives have contributed to the Group's increased productivity and efficiency.

The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability and the 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 is set up for reviewing 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 31 December 2014, the Group employed 354 employees, the total staff costs amounted to RMB24.1 million (2013: RMB21.1 million). The Company maintains a share option scheme ("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.

ADDITIONAL DISCLOSURES

Relocation of three office premises and a warehouse of the Group

As disclosed in 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.

OUTLOOK

The Group intends to increase its production capacity and further promote the market recognition of its Processed Wood Products in the PRC. To achieve this, the Group will establish its new production plant in Huaian, Jiangsu Province, expand the application spectrum and improve the quality of its Processed Wood Products, and expand its sales network through its newly established sales offices.

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 to 31 December 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 31 December 2014.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2014, which will be sent to the shareholders in due course.

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 31 December 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 31 December 2014.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 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 of the Board has reviewed the consolidated results of the Group for the year ended 31 December 2014.

AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditors, KPMG, to the amounts set out in the Group's consolidated financial statements for the year.

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

Hong Kong, 13 March 2015

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.