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China Wood Optimization (Holding) Limited

中國優材(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1885)

DISCLOSEABLE TRANSACTION PROVISION OF LOAN

Reference is made to the announcements of the Company dated 10 August 2018, 16 August 2019 and 14 August 2020 in relation to the provision of Loan. The Board wishes to announce that on, 25 March 2021 (after trading hours), Jiangsu AMS (as lender), an indirect wholly owned subsidiary of the Company, entered into a supplemental loan agreement with the Borrower pursuant to which Jiangsu AMS agreed to extend the term of the Loan, in the principal amount of RMB50 million, granted to the Borrower in August 2018 for another one year (i.e. up to 17 February 2022) with effect from 17 February 2021.

As one or more of the applicable percentage ratios in respect of the provision of the Loan is more than 5% but below 25%, the provision of the Loan constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcements of the Company dated 10 August 2018, 16 August 2019 and 14 August 2020 in relation to the provision of Loan. The Board wishes to announce that on, 25 March 2021 (after trading hours), Jiangsu AMS (as lender), an indirect wholly owned subsidiary of the Company, entered into a supplemental loan agreement with the Borrower pursuant to which Jiangsu AMS agreed to extend the term of the Loan, in the principal amount of RMB50 million, granted to the Borrower in August 2018 for another one year (i.e. up to 17 February 2022) with effect from 17 February 2021.

THE LOAN AGREEMENT AS SUPPLEMENTED BY THE SUPPLEMENTAL LOAN AGREEMENTS

The principal terms of the Loan Agreement as supplemented by the Supplemental Loan Agreements are set out below:

Date : 10 August 2018 (as supplemented by the Supplemental Loan Agreements)

Parties : (1) Jiangsu AMS, as lender
(2) the Borrower, as borrower

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, the Borrower and its ultimate beneficial owner(s) are third parties independent of the Company and its connected person.

Principal amount : RMB50 million

Purpose (the “Purpose”) : For the Borrower to finance enterprises established in Hebei Province which have potential to seek listing on recognised stock exchange overseas

Interest rate : 10% per annum on the principal amount of the Loan (“Interest on the Loan”). Interest will be payable on or before the end of every three months and the first interest payment date will fall on or before three months after the actual drawdown date

Term of the Loan : The actual drawdown of the Loan was made on 17 August 2018. The term of the Loan is from 17 August 2018 (i.e. actual drawdown date) to 17 February 2022 (as extended by the Supplemental Loan Agreements).

Repayment date : The principal amount of the Loan to be repaid upon 17 February 2022.

Other principal terms : (if the Borrower fails to repay the Loan in accordance with the Loan Agreement), among others, pay to Jiangsu AMS 0.05% per day of the amount(s) due and payable (calculated on daily basis) as liquidated damages.

(if the Borrower fails to apply the Loan for the Purpose or comply with any other terms of the Loan Agreement) Jiangsu AMS may declare the Loan to be immediately due and payable and request the Borrower to pay all Interest on the Loan and 0.05% of the principal amount of the Loan as liquidated damages.

The terms of each of the Loan Agreement and the Supplemental Loan Agreements were arrived at after arm's length negotiations between Jiangsu AMS and the Borrower having considered the funding requirement of the Borrower and the cashflow of the Group. The Loan will be funded by internal resources of the Group.

REASON FOR, AND BENEFITS OF, THE PROVISION OF THE LOAN

The principal activity of the Borrower is the provisions of funding to enterprises established in Hebei Province which have potential to seek listing on recognised stock exchange overseas.

The Borrower, Hebei Overseas Listed Equity Investment Fund Co., Ltd.* (河北境外上市股權投資基金有限公司), is ultimately owned or controlled as to (i) 27.0% by State-owned Assets Supervision and Administration Commission of Xingtai Municipal People's Government* (邢臺市人民政府國有資產監督管理委員會); (ii) 26.2% by State-owned Assets Management Committee of Hebei Province* (河北省國有資產管理委員會); (iii) 18.0% by Shijiazhuang City Finance Bureau* (石家莊市財政局); (iv) 10.0% by Cangzhou Finance Bureau* (滄州市財政局); (v) 8.0% by Hengshui City Finance Bureau* (衡水市財政局); (vi) 4% by State-owned Assets Supervision and Administration Commission of Handan Municipal People's Government* (邯鄲市人民政府國有資產監督管理委員會); (vii) approximately 2.2% by Sun Hongbao (孫洪寶); (viii) approximately 0.6% by Wang Changlan (王長蘭); (ix) 2.0% by Cangzhou High-tech Industrial Development Zone Management Committee* (滄州高新技術產業開發區管理委員會); and (x) 2.0% by Ningjin County Finance Bureau* (寧晉縣財政局).

The Company is an investment holding company and the Group principally engages in the sale of its self-produced less-shaved Processed Wood Panels and rendering of Wood Processing Procedure service in the PRC.

The Loan will provide interest income to the Group. The Loan's interest rate is higher than the interest rate received by the Group by placing cash deposits with commercial banks in the PRC. The Board has assessed the financial background of the Borrower which revealed that the net asset value of the Borrower is substantially higher than the amount of the Loan and the Borrower does not have any previous record of default of repayment of other loans and therefore the Board considered that the risk of default by the Borrower is relatively low. The Directors consider that the provision of the Loan will result in a reasonable income and interest return to the Group. Given such, the Directors consider that the transactions contemplated by the Loan Agreement as supplemented by the Supplemental Loan Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

REQUIREMENTS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the provision of the Loan is more than 5% but below 25%, the provision of the Loan constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Borrower”	Hebei Overseas Listed Equity Investment Fund Co., Ltd.* (河北境外上市股權投資基金有限公司), a limited liability company established in the PRC
“Company”	China Wood Optimization (Holding) Limited (中國優材(控股)有限公司), an exempted company incorporated in the Cayman Islands with limited liabilities, whose issued shares are listed on the main board of the Stock Exchange

“connected person(s)”	has the meaning given to it in the Listing Rules
“Group”	the Company and its subsidiaries
“Directors”	directors of the Company
“Jiangsu AMS”	Jiangsu AMS Wood Industry Company Limited (江蘇愛美森木業有限公司), a wholly foreign-owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan lent by Jiangsu AMS to the Borrower in the principal amount of RMB50 million
“Loan Agreement”	the loan agreement dated 10 August 2018 entered into between the Borrower (as borrower) and Jiangsu AMS (as lender) in respect of the Loan
“PRC”	the People’s Republic of China
“less-shaved Processed Wood Panels”	poplar wood panels that went through the Wood Processing Procedure and then shaved, sanded and trimmed into strips of wood panels according to the dimensions required and other specifications of customers
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning given to it in the Listing Rules

“Supplemental Loan Agreements”	the supplemental loan agreements dated 16 August 2019, 14 August 2020 and 25 March 2021 entered into between the Borrower and Jiangsu AMS to supplement the Loan Agreement in relation to the extension of the term of the Loan
“Wood Processing Procedure”	the Group’s self-developed processing procedure
“%”	per cent

* *denotes English translation of the name of a Chinese company, and is provided for identification purposes only.*

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

Hong Kong, 25 March 2021

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.