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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)

PROFIT WARNING

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

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform shareholders of the Company (the “**Shareholders**”) and potential investors of the Company that, based on a preliminary review of the Group’s unaudited consolidated management accounts by the Board for the year ended 31 December 2020 and other information currently available to the Board, the Group is expected to record a net loss after tax of not less than RMB380 million for the year ended 31 December 2020 as compared to a net profit after tax for the corresponding period in 2019. The net loss after tax is mainly due to the substantial decrease in revenue of the Group by about 80% as compared with the corresponding period in 2019. Such decrease was mainly attributable to the weak sales performance brought about by the outbreak of the COVID-19 pandemic in 2020. The recovery of solid wood industry in both China and overseas in the second half of 2020 was slower than the Company’s expectation. The COVID-19 pandemic not only caused severe impact to the Group but also to the upstream suppliers and downstream customers of the Group. As a result, provisions for doubtful debts, other receivables, prepayments to suppliers, obsolete stocks and impairment losses of equipment have increased substantially for the second half of 2020.

The Company is still in the process of finalising the audited consolidated financial statements of the Group for the year ended 31 December 2020. The information contained in this announcement is only based on a preliminary assessment made by the Board with reference to the Group's unaudited consolidated management accounts and other information currently available, which has not been reviewed or audited by the external auditors and may be subject to change. Shareholders and potential investors of the Company are advised to refer to the details in the annual results announcement of the Company for the year ended 31 December 2020.

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

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

Hong Kong, 26 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.