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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 CORPORATE GUARANTEE

The Board wishes to announce that on, 21 June 2018 (after trading hours), the Company (as corporate guarantor) and the Borrower (as borrower) entered into the Loan Agreement with Hebei Guofu (as lender) pursuant to which Hebei Guofu agreed to grant a two years short term Loan in the principal amount of RMB50 million to the Borrower. In consideration of the provision of the Loan, pursuant to the Loan Agreement, the Company shall provide the Corporate Guarantee in favour of Hebei Guofu to guarantee the performance of the Borrower's obligations for the payment of all monies and liabilities due or owing to Hebei Guofu by the Borrower under the Loan Agreement.

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

INTRODUCTION

The Board wishes to announce that on, 21 June 2018 (after trading hours), the Company (as corporate guarantor) and the Borrower (as borrower) entered into the Loan Agreement with Hebei Guofu (as lender) pursuant to which Hebei Guofu agreed to grant a two years short term Loan in the principal amount of RMB50 million to the Borrower. In consideration of the provision of the Loan, pursuant to the Loan Agreement, the Company shall provide the Corporate Guarantee in favour of Hebei Guofu to guarantee the performance of the Borrower's obligations for the payment of all monies and liabilities due or owing to Hebei Guofu by the Borrower under the Loan Agreement.

THE LOAN AGREEMENT

Date : 21 June 2018

Parties : (1) the Borrower, as borrower
(2) the Company, as corporate guarantor
(3) Hebei Guofu, as lender

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

Term of the Corporate Guarantee : The Corporate Guarantee will terminate upon the date on which the Borrower fully discharges its repayment obligation under the Loan Agreement.

Scope of the Corporate Guarantee : The Company shall provide the Corporate Guarantee in favour of Hebei Guofu to guarantee the performance of the Borrower's obligations for the payment of all monies and liabilities due or owing to Hebei Guofu by the Borrower under the Loan Agreement.

Other principal terms : Hebei Guofu will grant a two years short term Loan with the principal amount of RMB50 million to the Borrower. Under the Loan Agreement, the Borrower is to pay Hebei Guofu an interest of 9% per annum on the principal amount of the Loan.

The term of the Loan will be from 30 June 2018 to 30 June 2020. However, if the actual drawdown date of the Loan is before 30 June 2018, the term will begin from actual drawdown date.

COUNTER GUARANTEE

In consideration of the provision of the Corporate Guarantee, the Borrower has provided a Counter Guarantee in favour of the Company to, among others, secure the Company's obligations under the Corporate Guarantee given by the Company under the Loan Agreement.

Furthermore, pursuant to the Counter Guarantee, the Borrower shall, among others:

- (1) pay a refundable security deposit of RMB2.5 million (being 5% of the principal amount of the Loan) to the Company upon the earlier of (i) before 30 June 2018 or (ii) within three business days upon the date in which the Borrower received the Loan from Hebei Guofu. The Company will refund such security deposit to the Borrower upon the Borrower's full performance of its payment obligations under the Loan Agreement.
- (2) pay a one-off guarantee fee of RMB500,000 (being 1% of the principal amount of the Loan) to the Company before 30 June 2018.
- (3) (if the Company is required to settle any payment under the Loan Agreement due to failure of the Borrower to comply with its payment obligation) pay to the Company (i) interest fee on of the amount(s) due and payable calculated based on the interest rate charged under the Loan Agreement; and (ii) 0.05% per day of the amount(s) due and payable (calculated on daily basis) as liquidated damages.
- (4) (if the Borrower fails to comply with any of its payment obligation under the Counter Guarantee) pay to the Company 0.05% per day of the amount(s) due and payable (calculated on daily basis) as liquidated damages.

REASON FOR, AND BENEFITS OF, THE PROVISION OF THE CORPORATE GUARANTEE

The principal activities of Hebei Guofu are asset management, financial consultancy, corporate management consultancy and trading of agriculture by products.

The principal activities of the Borrower are the manufacture and sell of wooden doors.

The Company is an investment holding company and the Group principally engages in the processing, manufacturing and sale of Processed Wood Panels and rendering of Wood Processing Procedure service in the PRC.

The Borrower is one of the major customers of the Group and the provision of the Corporate Guarantee by the Company could strengthen the long term cooperation between the Group and the Borrower.

Given that (i) the Borrower has provided the Counter Guarantee; and (ii) the fact that the Company will receive a one-off guarantee fee of RMB500,000, the Directors consider that the terms of the Corporate Guarantee are fair and reasonable and in the interests of the Company and its shareholders as a whole.

REQUIREMENTS UNDER THE LISTING RULES

As one of the applicable percentage ratios in respect of the provision of the Corporate Guarantee is more than 5% but below 25%, the provision of the Corporate Guarantee 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 Kuaiyou Wood Products Manufacturing Co., Ltd.* (河北快優木製品製造有限公司), 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

“Corporate Guarantee”	the corporate guarantee given by the Company in favour of Hebei Guofu pursuant to the Loan Agreement
“Counter Guarantee”	the counter corporate guarantee dated 21 June 2018 given by the Borrower in favour of the Company
“Group”	the Company and its subsidiaries
“Directors”	directors of the Company
“Hebei Guofu”	Hebei Guofu Hengxin Asset Management Co., Ltd.* (河北國富恒信資產管理有限公司), a limited liability company established in the PRC
“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 granted by Hebei Guofu to the Borrower in the principal amount of RMB50 million
“Loan Agreement”	the loan agreement dated 21 June 2018 entered into between the Borrower (as borrower), the Company (as corporate guarantor) and Hebei Guofu (as lender) in respect of the Loan and the Corporate Guarantee
“PRC”	the People’s Republic of China
“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
“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, 21 June 2018

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.