

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the prospectus (the “Prospectus”) of China Wood Optimization (Holding) Limited (the “Company”) dated 30 December 2013.

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This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares or other securities of the Company. Potential investors should read the Prospectus carefully for detailed information about the Placing described below before deciding whether or not to invest in the Placing Shares thereby being offered.

Prospective investors of the Placing should note that the Sole Lead Manager (for itself and on behalf of the Underwriters) is entitled to terminate the Underwriting Agreement upon the occurrence of any of the events set out in the paragraph headed “Grounds for termination” in the section headed “Underwriting” in the Prospectus, at any time before 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be on Monday, 6 January 2014).

In connection with the Placing, the Sole Lead Manager, as stabilising manager, or its authorised agents, may, but is not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of our Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilising activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the stabilising manager or its authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the stabilising manager or its authorised agents and may be discontinued at any time. Potential investors should note that stabilising activity by the stabilising manager or its authorised agents is not permitted to support the price of the Shares for longer than the stabilising period, which begins on the Listing Date and ends on the 30th day after the Listing Date. The stabilising period is expected to end on Wednesday, 5 February 2014. As a result, demand for the Shares, and its market price, may fall after the end of the stabilising period.

The Company has granted the Over-allotment Option to the Sole Lead Manager (in its sole and absolute discretion) to require the Company at any time within the Stabilisation Period to allot and issue by up to an aggregate of 37,500,000 additional new Shares, representing 15% of the Placing Shares initially being offered under the Placing, on the same terms as those applicable to the Placing. There has been no over-allocation of Shares in the Placing and therefore the Over-allotment Option will not be exercised.



China Wood Optimization (Holding) Limited
中國優材(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

**LISTING ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF PLACING**

Number of Placing Shares : 250,000,000 Shares
Placing Price : HK\$1.0 per Placing Share
**(plus brokerage of 1%,
SFC transaction levy of 0.003%
and Stock Exchange trading fee
of 0.005%)**
Nominal Value : HK\$0.01 per Share
Stock Code : 8099

Sole Sponsor



Sole Global Coordinator, Sole Lead Manager and Sole Bookrunner



Guotai Junan Securities (Hong Kong) Limited

- The Placing Price is agreed at HK\$1.0 per Placing Share (excluding brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%).
- Based on the Placing Price of HK\$1.0 per Placing Share, the net proceeds to be received by the Company from the Placing, after deducting underwriting fees and other expenses, are estimated to be about HK\$234.3 million.
- The 250,000,000 Placing Shares offered by the Company under the Placing have been moderately over-subscribed.
- 250,000,000 Placing Shares have been conditionally allocated to a total of 357 selected professional, institutional and/or other investors.

- The Directors confirm that all the placees under the Placing are independent of and not connected with the Company and any of the Directors, chief executive, Controlling Shareholders, substantial Shareholders or significant shareholders (as defined under the GEM Listing Rules) of the Company or any of its subsidiaries, and their respective associates (as defined under the GEM Listing Rules) or any person or group of persons as stated in Rule 10.12(4) of the GEM Listing Rules or any nominees of the foregoing. No placee will, individually, be placed more than 10% of the enlarged issued share capital of the Company immediately after the Capitalisation Issue and Placing (before the exercise of the Over-allotment Option). As such, the Directors confirm that there will not be any new substantial shareholder immediately after the Capitalisation Issue and Placing, and the number of Shares in public hands will satisfy the minimum percentage as required pursuant to Rule 11.23(7) of the GEM Listing Rules.
- The Directors confirm that, immediately after the completion of the Capitalisation Issue and the Placing, the public float of the Company will be about 28.7% of the enlarged issued share capital of the Company, and not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders.
- Pursuant to the Underwriting Agreement, the Company has granted the Sole Lead Manager a right (but not an obligation) to exercise the Over-allotment Option up to the 30th day after the Listing Date, i.e. 5 February 2014, to require the Company to issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the number of the Placing Shares initially available under the Placing. The Sole Lead Manager has confirmed to the Company that there has been no over-allocation of Shares under the Placing and therefore the Over-allotment Option will not be exercised.
- Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Monday, 6 January 2014.
- **Investors should be aware that the concentration of Shareholders may affect the liquidity of the Shares. Consequently, Shareholders and potential investors are advised to exercise caution when dealing in then Shares.**

PLACING PRICE AND USE OF PROCEEDS

Pursuant to the Price Determination Agreement entered into between the Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) dated 31 December 2013, the Placing Price was agreed to be HK\$1.0 per Placing Share (excluding brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%). The net proceeds to be received by the Company from the Placing, after deducting underwriting fees and other expenses, are about HK\$234.3 million. The Directors intend to apply such net proceeds in the following manner:

- (a) about 40.2% or HK\$94.1 million to be used for the enhancement of the Group's production capacities by way of acquisition of advanced equipment, acquisition of a factory that possesses chemical processing ability that may assist the Group in the production of the Group's impregnation fluid and also a wood processing factory and construction of the Group's production plant, with preliminary target location in either Jilin Province or Anhui Province;
- (b) about 11.0%, or HK\$25.7 million to be used to strengthen the Group's research and development capacities for the development of new products with enhanced properties for wider application in the furniture and floor planks sector;
- (c) about 9.9%, or HK\$23.2 million to be used for the expansion of the Group's sales networks through participating in various trade exhibitions, organising marketing campaigns for the Group's products, hiring marketing personnel, and establishing branch offices in major cities or provinces such as Beijing, Shanghai and Guangdong and other second and third-tier cities in provinces such as Sichuan, Liaoning and Zhejiang;
- (d) about 29.7% of the net proceeds, or HK\$69.7 million, will be used for the repayment of other loans, which include a loan of about HK\$11.0 million the Group obtained from an Independent Third Party to repay the Group's amounts due to Controlling Shareholder in connection with the Listing expenses and other payment in advance on the Group's behalf; and
- (e) about 9.2%, or HK\$21.6 million for working capital and other general corporate purposes.

LEVEL OF INDICATIONS OF INTERESTS UNDER THE PLACING AND OVER-ALLOTMENT OPTION

The 250,000,000 Placing Shares offered by the Company under the Placing have been moderately over-subscribed.

The Company has granted the Sole Lead Manager a right (but not an obligation) to exercise the Over-allotment Option up to the 30th day after the Listing Date, i.e. 5 February 2014, to require the Company to issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the number of the Placing Shares initially available under the Placing. These Shares will be issued at the Placing Price for the purpose of covering over-allocations in the Placing, if any. The Sole Lead Manager has confirmed to the Company that there has been no over-allocation of Shares in the Placing, and therefore the Sole Lead Manager has

not entered into the Stock Borrowing Agreement with Brilliant Plan and no Share has been borrowed by the Sole Lead Manager thereunder up to the date of this announcement, and the Over-allotment Option will not be exercised.

RESULTS OF ALLOCATION

Pursuant to the Placing, 250,000,000 Shares have been conditionally allocated to a total of 357 selected individual and/or professional investors. The distribution of the Placing Shares is set out as below:

	Aggregate number of Placing Shares allocated	Approximate percentage of the total number of the Placing Shares allocated	Approximate percentage of shareholding over the enlarged issued share capital of the Company immediately after the Capitalisation Issue and the completion of the Placing
Top placee	31,092,000	12.4%	3.1%
Top 5 placees	72,988,000	29.2%	7.3%
Top 10 placees	101,382,000	40.6%	10.1%
Top 25 placees	143,330,000	57.3%	14.3%
Number of Placing Shares allocated			Number of placees
4,000 to 20,000			3
20,001 to 100,000			55
100,001 to 1,000,000			258
1,000,001 to 5,000,000			33
5,000,001 and above			8
Total			<u><u>357</u></u>

The Directors confirm that all the placees under the Placing are independent of and not connected with the Company and any of the Directors, chief executive, Controlling Shareholders, substantial Shareholders or significant shareholders (as defined under the GEM Listing Rules) of the Company or any of its subsidiaries, and their respective associates (as defined under the GEM Listing Rules) or any person or group of persons as stated in Rule 10.12(4) of the GEM Listing Rules or any nominees of the foregoing. No placee will, individually, be placed more than 10% of the enlarged issued share capital of the Company immediately after the completion of the Capitalisation Issue and the Placing (before the exercise of Over-allotment Option). As such, the Directors confirm that there will not be any new substantial shareholder immediately after the completion of the Capitalisation Issue and the Placing, and the number of Shares in public hands will satisfy the minimum percentage as required pursuant to Rule 11.23(7) of the GEM Listing Rules.

Investors should be aware that the concentration of Shareholders may affect the liquidity of the Shares. Consequently, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

MINIMUM PUBLIC FLOAT REQUIREMENT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, the Company is required to maintain a public float of not less than 25% of its total issued share capital at all times. Pursuant to Rule 11.23(8) of the GEM Listing Rules, the three largest public Shareholders shall not beneficially own more than 50% of the Shares in public hands at the time of Listing. The Directors confirm that, immediately after completion of the Capitalisation Issue and the Placing, the public float of the Company will be about 28.7% of the enlarged issued share capital of the Company, and not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders.

DEPOSIT OF SHARE CERTIFICATES INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date (i.e., 6 January 2014) or on any other date as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

No receipt will be issued for subscription monies for the Placing Shares. The Company will not issue temporary documents of title.

The share certificates issued in respect of the Placing Shares will be deposited into CCASS on 6 January 2014 for credit to the respective CCASS participants' stock accounts or investor participants' stock accounts of the Underwriters, the placees or their agents (as the case may be).

Potential investors of the Placing Shares should note that the Sole Lead Manager (for itself and on behalf of the Underwriters) are is entitled to terminate the Underwriting Agreement by notice in writing to the Company given by the Sole Lead Manager (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the paragraph headed "Grounds for termination" under the section headed "Underwriting" in the Prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (i.e. 6 January 2014). In the event that conditions of the Placing as mentioned therein are not fulfilled prior to the date specified in the Prospectus, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by the Company on the GEM website at www.hkgem.com and the Company's website at www.chinawood.com.hk.

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Monday, 6 January 2014. If there is any change to the expected timetable, an announcement will be published immediately by the Company on the GEM website at www.hkgem.com and the Company's website at www.chinawood.com.hk. The Shares will be traded in board lots of 4,000 Shares each. The stock code for the Shares is 8099.

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

Hong Kong, 3 January 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 and a copy of the Prospectus will remain on the GEM website at www.hkgem.com and, in the case of the announcement, on the "Latest Company Announcements" page of the GEM website for at least 7 days from the day of its posting. This announcement and a copy of the Prospectus will also be published on the website of the Company at www.chinawood.com.hk.