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China Ludao Technology Company Limited

中國綠島科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2023)

DISCLOSEABLE TRANSACTION: ACQUISITION OF 82% EQUITY INTERESTS IN AN ASSOCIATE

On 10 October 2020, the Purchaser, an indirectly wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Equity Interests in the Target Company for a cash consideration of RMB56,550,000 (equivalent to approximately HK$67,294,500) in accordance with the terms and conditions of the Acquisition Agreement. Completion took place upon signing of the Acquisition Agreement.

LISTING RULES IMPLICATION

As the applicable percentage ratios for the transaction under the Acquisition Agreement are more than 5% but less than 25%, the Acquisition Agreement and the transactions contemplated thereunder constituted a discloseable transaction on the part of the Company under Rule 14.07 of the Listing Rules and was therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 10 October 2020, the Purchaser, an indirectly wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Equity Interests in the Target Company for a cash consideration of RMB56,550,000 (equivalent to approximately HK$67,294,500) in accordance with the terms and conditions of the Acquisition Agreement. Completion took place upon signing of the Acquisition Agreement.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below:

Date: 10 October 2020

Parties: Zhejiang Ludao Technology Co., Ltd.*(浙江綠島科技有限公司) as Purchaser; and Taizhou Qinghuan Trading Co. Ltd.*(台州青喚貿易有限公司) as Vendor

The Purchaser is a wholly-foreign owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

The Vendor is a company established in the PRC with limited liability and is principally engaged in trading of chemical products and raw materials and medical equipment. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its beneficial owner, namely Huang Cheng are Independent Third Parties.

Acquisition of the Equity Interests

Pursuant to the Acquisition Agreement, the Purchaser has agreed to purchase the Equity Interests, representing 82% of the equity interests in the Target Company as at the date of this announcement.

Consideration

The consideration for the Acquisition is RMB56,550,000 (equivalent to approximately HK$67,294,500), which was satisfied by the Purchaser in cash upon completion. The consideration was agreed between the Company and the Vendor after arm's length negotiations with reference to (i) the capital contribution made by the Vendor to the Target Company; (ii) the potential financial and business prospect of the Target Group; and (iii) the net asset value of the Target Company as at 31 December 2019. Having considered the factors taken into account by the parties in arriving at the consideration, the Directors are of the view that the consideration was fair and reasonable.

Completion

Completion of the Acquisition was not subject to any conditions and it took place upon signing of the Acquisition Agreement. Upon the completion of the Acquisition, the Target Company became an indirect 89%-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group were consolidated into the books of the Company.

INFORMATION OF THE TARGET GROUP

The Target Company is a company established in the PRC with limited liability and together with its subsidiaries are principally engaged in investment in and development of projects for the research and development, manufacture and sale of medical and edible aerosol product. Immediately prior to the completion of the Acquisition, the Group, through the Purchaser, held 7% of the equity interest of the Target Company. Upon completion, the Target Company was owned as to 89% by the Purchaser and as to 11% by two Independent Third Parties.

Set out below is a summary of the unaudited consolidated financial information of the Target Group, prepared in accordance with the generally accepted accounting principles in the PRC, for the two years ended 31 December 2019 and 2018:

	For the year ended 31 December 2018	**For the year ended 31 December 2019**
Loss before taxation	RMB(1,023,696) (equivalent to approximately HK$(1,218,198))	RMB(2,856,933) (equivalent to approximately HK$(3,399,750))
Loss after taxation	RMB(1,023,696) (equivalent to approximately HK$(1,218,198))	RMB(2,856,933) (equivalent to approximately HK$(3,399,750))

The unaudited consolidated net asset value of the Target Group as at 30 June 2020 was approximately RMB195.4 million (equivalent to approximately HK$232.5 million).

INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sale of aerosol products for household and auto care, air fresheners, personal care products and insecticides.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Upon completion of the Acquisition, the Target Company became an indirect 89%-owned subsidiary of the Company. The Acquisition enabled the Group to consolidate its ownership in the Target Company and enhance its control and management over the Target Company to better facilitate the implementation of its business philosophies and strategies of the Company into the Target Company. The Target Group is principally engaged in the same line of business as the Group and as such, stronger synergies will be created within the Group. Hence, the Acquisition is expected to enhance the competitiveness of the Group in its core business.

In consideration of the above, the Directors are of the view that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the transaction under the Acquisition Agreement are more than 5% but less than 25%, the Acquisition Agreement and the transactions contemplated thereunder constituted a discloseable transaction on the part of the Company under Rule 14.07 of the Listing Rules and was therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company acknowledges its delay in the publication of this announcement, which was not intentional but an inadvertent incident. Upon becoming aware of the discloseable nature of the transactions contemplated under the Acquisition Agreement, the management took immediate steps to comply with the reporting and announcement requirements under the Listing Rules.

To prevent the reoccurrence of similar incidents in the future, the Company has taken and will continue to take the following measures and actions: (i) internal memorandums will be issued and briefing sessions will be given internally or by external advisers on the requirements and importance of the reporting procedures for notifiable transactions under the Listing Rules to enhance their understanding of the regulatory requirements; (ii) the Directors and relevant staff of the Company will attend seminars/trainings from time to time on corporate governance and regulatory requirements to enhance their knowledge and understanding of the relevant rules and regulations so that they can better perform the duties of overseeing and monitoring the Company's on-going compliance with the Listing Rules in relation to its transactions; and (iii) the Company shall seek professional advice where necessary as to any action required to be taken in relation to any proposed transactions.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the same following meanings as set out below:

"Acquisition"	the proposed acquisition of the Equity Interests in the Target Company by the Purchaser from the Vendor in accordance with the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the acquisition agreement dated 10 October 2020 and entered into between the Purchaser and the Vendor in relation to the Acquisition
"Board"	the board of Directors
"Company"	China Ludao Technology Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	director(s) of the Company for the time being
"Equity Interests"	82% of the equity interests in the Target Company
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	independent third party(ies) not connected with the Company and its connected persons within the meaning of the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Zhejiang Ludao Technology Co., Ltd.*(浙江綠島科技有限公司), a wholly-foreign owned enterprise established in the PRC and an indirectly wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Sinopharm Jinyue Aerosol Group Co. Ltd.*(國藥景岳氣霧劑有限公司), a company established in the PRC which was owned as to 82% by the Vendor and as to 7% by the Group immediately prior to the completion of the Acquisition
"Target Group"	the Target Company and its subsidiaries
"Vendor"	Taizhou Qinghuan Trading Co. Ltd.(台州青喚貿易有限公司), is a company established in the PRC with limited liability

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

By order of the Board
China Ludao Technology Company Limited
Yu Yuerong
Chairman and Executive Director

Hong Kong, 19 April 2021

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Yu Yuerong, Ms. Pan Yili, and Mr. Wang Xiaobing; and three independent non-executive directors, namely Mr. Chan Yin Tsung, Mr. Ruan Lianfa and Ms. Yau Kit Kuen Jean.

Unless otherwise specified, the conversion of RMB into HK$ are based on the exchange rate of RMB1.00 to HK$1.19. No representation is made that any amounts in RMB and HK$ have been or could be converted at the relevant dates at the above rate or other rates or at all.

* *The English names of the PRC entities referred to in this announcement are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*