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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

ANNUAL RESULTS

The board (the "Board") of directors ("Directors") of China Ludao Technology Company Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	**Year ended 31 December**	
		2014	2013
		RMB'000	*RMB'000*
Revenue	*3*	**253,795**	251,382
Cost of sales	*4*	**(189,094)**	(188,860)
Gross profit		**64,701**	62,522
Other income	*3*	**3,939**	9,303
Other gain/(loss) – net	*3*	**(54)**	(1,528)
Selling expenses	*4*	**(16,109)**	(11,423)
Administrative expenses	*4*	**(27,568)**	(29,648)
Operating profit		**24,909**	29,226
Finance income		**467**	565
Finance costs		**(1,214)**	(335)
Finance income – net		**(747)**	230
Profit before income tax		**24,162**	29,456
Income tax expense	*5*	**(3,654)**	(5,449)
Profit for the year		**20,508**	24,007
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(70)**	(1,032)
Total comprehensive income for the year attribute to the owner of the Company		**20,438**	22,975
Earnings per share for profit attributable to owners of the Company			
– basic and diluted (RMB per share)	*13*	**0.05**	0.07

CONSOLIDATED BALANCE SHEETS

As at 31 December 2014

		As at 31 December	
	Note	**2014**	2013
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**5,115**	1,934
Property, plant and equipment	*9*	**70,284**	51,530
Intangible assets		**729**	896
Deferred income tax assets		**416**	243
Prepayment for property, plant and equipment and land use rights		**6,063**	6,032
		82,607	60,635
Current assets			
Inventories	*8*	**33,762**	30,329
Trade and other receivables	*10*	**187,349**	132,047
Cash and cash equivalents		**26,821**	54,291
Pledged bank deposits		**11,982**	18,498
		259,914	235,165
Total assets		**342,521**	295,800
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*6*	**3,170**	3,170
Share premium		**52,153**	52,153
Other reserves		**50,693**	48,479
Retained earnings		**96,825**	78,601
Total equity		**202,841**	182,403

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants		**1,300**	–
Current liabilities			
Trade and other payables	*11*	**107,706**	101,132
Current income tax liabilities		**1,674**	2,265
Borrowings	*12*	**29,000**	10,000
		138,380	113,397
Total liabilities		**139,680**	113,397
Total equity and liabilities		**342,521**	295,800
Net current assets		**121,534**	121,768
Total assets less current liabilities		**204,141**	182,403

NOTES:

1. GENERAL INFORMATION, BASIS OF PRESENTATION AND ACCOUNTING POLICIES

China Ludao Technology Company Limited (the "Company") was incorporated in the Cayman Islands on 25 May 2012 as an exempted company with limited liability. The address of the Company's registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1180, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of air fresheners, aerosol insecticides, household cleaners and auto care products in the People's Republic of China (the "PRC"). The ultimate holding company of the Company is Ludao China Investments Limited ("Ludao Investments") which is wholly owned by Mr. Yu Yuerong, who has an effective 67.575% interest in the Company.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of shares of the Company, the Company acquired the entire issued share capital of Ludao Investments Holdings Limited ("Ludao BVI"), through a share exchange with Ludao Investments, the owner of Ludao BVI and the holding company of the Company, and Neland Development Limited. Upon completion of the Reorganisation in 2013, the Company became the holding company of the Group and Ludao BVI acts as the intermediate holding company of Zhejiang Ludao Technology Co., Ltd. ("Ludao PRC"), an operating subsidiary of the Group.

On 11 October 2013, shares of the Company were listed on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The new amendments to standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2014 do not have significant impact on the Group.

2. SEGMENT INFORMATION

The executive directors ("EDs") are chief operating decision-makers. EDs review the Group's internal reporting in order to assess performance and allocate resources. EDs have determined the operating segments based on the internal reports that are used to make strategic decisions. The Group is principally engaged in the manufacture and sale of aerosol and related products which is considered by management as one single business segment.

Geographical information

The following tables present information on revenue and certain assets of the Group by geographical segment.

Revenue and turnover from customers

	2014	2013
	RMB'000	*RMB'000*
Mainland China	**121,154**	81,949
United States of America	**67,858**	98,053
Europe	**20,826**	19,439
Others	**43,957**	51,941
	253,795	251,382

The revenue information above is based on delivery location of the customers.

The amounts provided to the EDs with respect to total assets are measured in a manner consistent with that of consolidated financial statements.

Non-current assets consist of land use rights, property, plant and equipment and intangible assets which are all located in the PRC as at 31 December 2014 and 2013.

Information about major customers

Revenue from major customers, each of them accounted for 5% or more of the Group's revenue, are set out below:

	2014	2013
	RMB'000	*RMB'000*
Customer A	**42,925**	37,351
Customer B	**40,519**	22,267
Customer C	**28,225**	8,127
Customer D	**11,873**	18,079
Customer E	**8,451**	60,686
	131,993	146,510

3. REVENUE, OTHER INCOME AND OTHER GAIN/(LOSS) – NET

The Group is principally engaged in the sale of products. Revenue, other income and other gain/(loss) recognised are as follows:

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**253,795**	251,382
Other income		
Government grants *(a)*	**2,493**	8,155
Sales of scrap materials	**855**	1,148
Others	**591**	–
	3,939	9,303
Other gain/(loss) – net		
Net foreign exchange loss	**(141)**	(1,730)
Others	**87**	202
	(54)	(1,528)

(a) The amount mainly represents government grants received by Ludao PRC for subsidising its research and development expenditures and fixed assets investments.

4. EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses and administrative expenses are analysed as follows:

	2014	2013
	RMB'000	*RMB'000*
Depreciation and amortisation	**4,579**	3,720
Employee benefit expenses, excluding amount included in research and development costs	**20,568**	15,070
Raw materials used	**180,489**	181,491
Changes in inventories of finished goods and work in progress	**(2,310)**	(5,012)
Reversal of provision for write-down of inventories – net	**–**	(201)
Reversal of bad debts	**–**	(90)
Water and electricity expenditures	**2,516**	2,916
Transportation and travelling expenses	**9,432**	6,450
Telecommunication expenses	**557**	426
Advertising costs	**1,368**	864
Other tax expenses	**1,421**	1,654
Research and development costs		
– Employee benefit expenses	**4,137**	4,403
– Materials and others	**2,999**	3,645
Auditor's remuneration – Audit service	**1,440**	1,800
Entertainment expenses	**546**	470
Listing expenses	**–**	8,910
Operating lease expenses	**1,134**	412
Donations	**–**	786
Professional services fees	**1,635**	307
Other expenses	**2,260**	1,910
Total	**232,771**	229,931

5. INCOME TAXES EXPENSE

	2014	2013
	RMB'000	*RMB'000*
Current income tax	**3,827**	5,428
Deferred income tax	**(173)**	21
	3,654	5,449

The Group was not subject to any income tax in the Cayman Islands.

No provision for profits tax in Hong Kong has been made as the Group has no income assessable for profits tax in Hong Kong during the year (2013: nil).

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the "CIT Law"), companies established in the PRC are subject to income tax at a rate of 25% unless preferential rates are applicable. Ludao PRC was qualified as a High and New Technology Enterprise, and accordingly, it is entitled to a preferential rate of 15% for the three years from 1 January 2013 to 31 December 2015. The income tax rate of Ludao PRC for the year ended 31 December 2014 was 15% (2013: 15%).

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Group as follows:

	2014	2013
	RMB'000	*RMB'000*
Profit before income tax	**24,162**	29,456
Tax calculated at the tax rate of 15% (2013: 15%)	**3,624**	4,418
Additional research and development deductible expenses	**(606)**	(633)
Expenses not deductible for tax purposes	**636**	1,664
	3,654	5,449

6. SHARE CAPITAL AND SHARE PREMIUM

	31 December 2014 and 2013 Number of shares *(thousands)*	*HK$'000*
Authorised Capital:		
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**

	Issued and fully paid: Share capital The Group and Company *Number of ordinary shares (of HKD0.01 each)*	*RMB'000*	Share premium Group *RMB'000*	Share premium Company *RMB'000*
At 1 January 2013	1,000	–	–	–
Issue of shares for the acquisition of a subsidiary	9,000	–	–	13,573
New issue	100,000,000	792	62,608	62,608
Capitalisation issue	299,990,000	2,378	(2,378)	(2,378)
Share issue cost	–	–	(5,920)	(5,920)
Share issue cost transferred from capital reserve	–	–	(2,157)	–
At 31 December 2013 and 2014	400,000,000	3,170	52,153	67,883

7. DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2014 (2013: nil).

8. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**16,320**	15,197
Work in progress	**2,046**	6,666
Finished goods	**15,396**	8,466
Inventories – Net	**33,762**	30,329

The cost of inventories included in cost of sales during the year ended 31 December 2014 amounted to RMB178,179,000 (2013: RMB176,479,000).

During the year, the Group did not make or reverse any provision for inventories (2013: reverse provision for inventory amounting to RMB201,000).

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2013						
Cost	34,342	20,066	2,141	3,486	4	60,039
Accumulated depreciation	(5,190)	(6,943)	(1,375)	(1,185)	–	(14,693)
Net book amount	29,152	13,123	766	2,301	4	45,346
Year ended 31 December 2013						
Opening net book amount	29,152	13,123	766	2,301	4	45,346
Additions	1,252	3,454	257	565	4,163	9,691
Depreciation	(1,312)	(1,566)	(288)	(341)	–	(3,507)
Closing net book amount	29,092	15,011	735	2,525	4,167	51,530
At 31 December 2013						
Cost	35,594	23,520	2,398	4,051	4,167	69,730
Accumulated depreciation	(6,502)	(8,509)	(1,663)	(1,526)	–	(18,200)
Net book amount	29,092	15,011	735	2,525	4,167	51,530
Year ended 31 December 2014						
Opening net book amount	29,092	15,011	735	2,525	4,167	51,530
Additions	1,976	1,839	5,934	28	13,263	23,040
Transfer	2,718	2,358	34	–	(5,110)	–
Depreciation	(1,609)	(1,790)	(496)	(391)	–	(4,286)
Closing net book amount	32,177	17,418	6,207	2,162	12,320	70,284
At 31 December 2014						
Cost	40,288	27,717	8,366	4,079	12,320	92,770
Accumulated depreciation	(8,111)	(10,299)	(2,159)	(1,917)	–	(22,486)
Net book amount	32,177	17,418	6,207	2,162	12,320	70,284

Depreciation expenses of RMB1,452,000 (2013: RMB1,687,000) have been charged to cost of sales and RMB2,834,000 (2013: RMB1,820,000) have been charged to administrative expenses in the consolidated statement of comprehensive income for the year.

As at 31 December 2014, the Group's buildings at the carrying amount of RMB13,566,000 (2013: RMB21,765,000) were pledged to secure notes payable and borrowings.

10. TRADE AND OTHER RECEIVABLE

	2014	2013
	RMB'000	*RMB'000*
Trade receivables, gross and net	**135,502**	89,458
Prepayments and deposits	**48,262**	41,500
Other receivables	**3,585**	1,039
Notes receivable	**–**	50
	187,349	132,047

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	2014	2013
	RMB'000	*RMB'000*
RMB	**146,387**	79,858
USD	**40,860**	51,537
HKD	**102**	652
	187,349	132,047

The fair values of trade and other receivables approximate to their carrying values as at the year end dates.

(a) Trade receivables

The credit period granted to customers is between 0 to 180 days. The ageing analysis of the trade receivables from the date of sales is as follows:

	2014	2013
	RMB'000	*RMB'000*
Up to 3 months	**80,201**	71,835
3 to 6 months	**36,321**	16,188
6 to 12 months	**18,026**	125
Over 12 months	**954**	1,310
	135,502	89,458

The Group's sales are mainly made to several major customers and there is a concentration of credit risks. Sales of goods to the top five customers constituted approximately 52% (2013: 58%) of the Group's revenue for the year. They accounted for approximately 55% (2013: 64%) and of the gross trade receivable balances as at 31 December 2014.

As at 31 December 2014, trade receivables of RMB18,996,000 (2013: RMB1,734,000) were past due but not considered impaired. Included in the amount was RMB15,550,000 due from a major customer. This customer was building a wider sales network for business expansion during the year and settlements were extended to give support to its expansion. Subsequent to year end date, RMB10,800,000 has been received from this customer. The directors have assessed the financial position of this customer and believe that no impairment allowance is required. The remaining balance relate to a number of customers that have good track records with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The ageing analysis of these past due trade receivables is as follows:

	2014	2013
	RMB'000	*RMB'000*
3 to 6 months	**16**	299
6 to 12 months	**18,026**	125
Over 12 months	**954**	1,310
	18,996	1,734

As at 31 December 2014, no trade receivables (2013: nil) was impaired or provided for.

(b) Provision for impairment of trade and other receivables

The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivables mentioned above. The Group does not hold any collateral as security for these receivables.

The other classes within trade and other receivables do not contain impaired assets.

11. TRADE AND OTHER PAYABLE

	2014	2013
	RMB'000	*RMB'000*
Trade payables (a)	**26,918**	22,920
Notes payable	**59,859**	60,879
Advance from customers	**7,051**	9,765
Other tax payables	**6,793**	1,980
Accrued expenses	**4,700**	4,505
Other payables	**2,385**	1,083
	107,706	101,132

The fair values of trade and other payables approximated to their carrying values as at the year end dates.

(a) The ageing analysis of trade payables is as follows:

Group

	2014	2013
	RMB'000	*RMB'000*
Up to 3 months	**15,712**	20,181
3 to 6 months	**7,222**	1,536
6 to 12 months	**1,633**	900
Over 12 months	**2,351**	303
	26,918	22,920

The credit period granted by the Group's suppliers ranges from 0 to 90 days.

12. BORROWINGS

The carrying amounts of the borrowings are denominated in RMB, and were approximated to their fair values as at 31 December 2014 and 2013. The weighted average effective interest rate is 6.32% (2013: 6.60%) per annum. As at 31 December 2014, borrowings of RMB20,000,000 were secured by the land use rights and certain property, plant and equipment of the Group (2013: nil).

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit attributable to owners of the Company (RMB'000)	**20,508**	24,007
Weighted average number of ordinary shares in issue (thousands of shares)	**400,000**	322,466
Basic earnings per share (RMB per share)	**0.05**	0.07

For the years ended 31 December 2014 and 2013, diluted earnings per share were the same as basic earnings per share due to the absence of dilutive potential ordinary shares as at year end date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

As one of the few top leading manufacturers of the aerosol products in the People's Republic of China ("PRC"), our Group is principally engaged in the research and development, manufacture and sale of aerosol and related products. We sell our products on contract manufacturing service ("CMS") basis to overseas markets and on original brand manufacturing ("OBM") basis in the PRC market. Our products can be divided into four major categories, namely (i) household and auto care products, (ii) air-fresheners, (iii) personal care products, and (iv) insecticides.

Our OBM business by offering products under our own brand names of "Green Island", "Ludao" （"綠島"）, "JIERJIA" （"吉爾佳"） and "EAGLEIN KING" （"鷹王"）, mainly through a network of distributors, who further resell our OBM products to wholesalers, retailers and end-users in the PRC. Benefited from the PRC's development, particularly the urbanization of China, the Group's sales in the PRC has boosted. Besides the increasing distribution network, we also put additional effort in promoting our products in chain stores and supermarket as well as e-commerce platform.

For the year ended 31 December 2014 (the "Reporting Period"), the turnover and net profit of the Group were approximately RMB253.8 million and RMB20.5 million respectively, representing an increase of approximately 1.0% and a decrease of approximately 14.6% respectively over 2013. Basic earnings per share was RMB5 cents (2013: RMB7 cents).

FINANCIAL REVIEW

Turnover

CMS

For the Reporting Period, the turnover for the Group's CMS business was approximately RMB132.6 million (2013: RMB169.5 million), representing a decrease of approximately 21.8% as compared with last year.

The continuous sluggish recovery of global economies, deflation risk in Euro zone, increase in the labour cost in the manufacturing market in Mainland China and the European Commission and the passing of regulations for reducing volatile organic compound emission by the Environmental Protection Agency had adverse effect on the aerosol market growth in 2014.

During the Reporting Period, the global economy has continued its sluggish recovery from financial crisis of previous year and the uneven development among different countries which affect the consumption pattern negatively and continued the adverse impact on the consumer spending sentiment. Those factors had negative impact on the performance of the Group's CMS business. The Group would continue to implement stringent cost control and to maintain its competitiveness in terms of productivity, quality and reliability. The Group would continue to manufacture high technology and high value added products with competitive prices and maintain long-term relationships with existing customers by providing trustworthy products.

OBM

The turnover for OBM business of the Group for the Reporting Period was approximately RMB121.2 million (2013: RMB81.9 million), representing an increase of approximately 48.0% as compared with last year.

During the year under review, the Group has continued to develop its OBM business by developing innovative products, enriching the product line and promoting the product image and its brand name. This strategy has succeeded in receiving encouraging responses from customers and gaining their loyalty, which in turn has helped improve our market position in the industry.

Cost of Sales

Cost of sales of the Group for the Reporting Period was approximately RMB189.1 million (2013: RMB188.9 million), there are no material changes when compared to the prior year.

Gross profit and gross profit margin

For the Reporting Period, the Group recorded gross profit of approximately RMB64.7 million (2013: RMB62.5 million), representing an increase of approximately 3.5% as compared to that of the prior year. The gross profit margin was approximately 25.5% (2013: 24.9%), representing a slight increase of approximately 0.6% as compared to that of the prior year.

Net Profit

The Group's net profit for the Reporting Period was approximately RMB20.5 million (2013: RMB24.0 million), representing a decrease of approximately 14.6% when compared to the prior year. The net profit margin of the Group decreased from 9.6% in 2013 to 8.1% in 2014. Such decrease was primarily due to the increase in selling expenses for the Reporting Period.

Expenses

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of staff salaries, allowance and bonus, entertainment expenses, travelling and transportation expenses, advertising expenses and exhibition expenses. For the Reporting Period, selling expenses was approximately RMB16.1 million (2013: RMB11.4 million), representing an increase of approximately 41.2% as compared to that of the prior year. The increase was primarily due to the increase in labour and transportation cost in the PRC.

Administrative Expenses

Administrative expenses consist of staff salaries and benefit expenses, depreciation and amortisation, travelling and transportation expenses, office expenses, research and development, tax (exclude income tax) and entertainment expenses. For the Reporting Period, administrative expenses was approximately RMB27.6 million (2013: RMB20.7 million, excluding the listing expenses of approximately RMB8.9 million), representing an increase of approximately 33.3% as compared to that of the prior year. The increase was primarily due to the increase in employee benefit expenses.

Finance expense – net

For the Reporting Period, the Group recorded net finance expense of approximately RMB0.7 million (2013: net finance income of RMB0.2 million), representing a decrease of approximately RMB0.9 million as compared to that of the prior year. The increase in finance costs was due to the increase in interest expense from the increase in borrowings of approximately RMB0.9 million.

Income tax expenses

The income tax expense of the Group for the Reporting Period was approximately RMB3.7 million, representing a decrease of RMB1.8 million as compared with RMB5.4 million in 2013. Effective income tax rate for the current period was approximately 15.1%, which was lower as compared with approximately 18.5% over 2013. The lower effective income tax rate was due to the decrease in listing expenses which was not deductible for tax purposes last year.

HIGHLIGHT OF BALANCE SHEET

Trade Receivable

As at 31 December 2014, trade receivable of approximately RMB19.0 million was overdue, the Board considered such increase was substantial as compared to the amount of RMB1.7 million for the prior year. Concern has been raised by the Board to the management of the Group and assessment on the outstanding balance of the trade receivable has been performed, in particular to the aging of such debts, payment histories, trading records and other available information regarding the respective customers.

Despite the fact that the credit period granted to customers is normally between 0 to 180 days and trade receivables of RMB19.0 million was overdue, provision of doubtful debt was not considered necessary by the Board after taking into account the following factors:

(i) RMB13.0 million was settled by the customers in respect of the overdue receivables of RMB19.0 million subsequently; and

(ii) These related to a number of independent customers that have good track records with the Group for 2-10 years.

The management is of the view that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality after making assessment of the above factors. The management has confidence to recover the outstanding balances in the first quarter of 2015.

FINAL DIVIDEND

The Board does not recommend payment of any dividend in respect of the year ended 31 December 2014.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2014, the total assets of the Group amounted to approximately RMB342.5 million (2013: RMB295.8 million), and net current assets of approximately RMB121.5 million (2013: RMB121.8 million). The gearing ratio (based on the total debt over the total equity) of the Group has increased from approximately 39% as at 31 December 2013 to 44% as at 31 December 2014. The increase in gearing ratio as at 31 December 2014 resulted primarily from the increase in borrowings during the Reporting Period.

BORROWINGS

Borrowings of the Group, which were denominated in RMB, amounted to approximately RMB29.0 million as at 31 December 2014 (2013: RMB10.0 million) with full amount expiring before 31 December 2015. As at 31 December 2014, borrowings of approximately RMB20.0 million (2013: nil) were secured by land use right and certain property, plant and equipment of the Group.

CAPITAL STRUCTURE

During the year ended 31 December 2014, there were no changes in the Company's share capital.

CONTRACTUAL OBLIGATIONS

The Group leases certain of its office premises under non-cancellable operating lease agreements. As at 31 December 2014, the Group had operating lease commitment of approximately RMB1.1 million (2013: RMB2.1 million). As at 31 December 2014, the Group had capital commitments of approximately RMB3.2 million (2013: RMB12.9 million).

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any significant contingent liabilities.

EXCHANGE RATE EXPOSURE

During the Reporting Period, the Group mainly operates in the PRC with most transactions settled in RMB. The majority of our assets and liabilities were denominated in RMB. Although the Group may be exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are denominated in currencies other than RMB. We currently do not have any foreign exchange contracts because hedging cost is relatively high. Moreover, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2014, the Group had employed a total of 367 (2013: 341) employees. The Group remunerates its employees based on their performance, experience and prevailing industry practices. The emoluments of Directors have been determined with reference to the skills, knowledge, involvement in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the year.

SIGNIFICANT INVESTMENTS

During the Reporting Period, the Group did not have any significant investments.

USE OF PROCEEDS

During the year ended 31 December 2014, the net proceeds from the IPO had been applied as follows:

	Actual net proceeds	Amount utilized up to 31 December 2014	Balance unutilized balance as at 31 December 2014
	HK$ million	*HK$ million*	*HK$ million*
To increase production capacity by financing the first phase of constructing new production facility	32	29	3
To expand the domestic distribution channel	14	9	5
To promote our own brand names by increasing marketing and advertising efforts	7	2	5
To fund the working capital requirement	6	6	–
Total	59	46	13

The unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong and PRC in accordance with the intention of the Board as disclosed in the prospectus dated 30 September 2013 (the "Prospectus").

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The net proceeds from the Company's Initial Public Offer ("IPO") exercise on the Stock Exchange in October 2013 amounted to approximately HK$59 million (approximately RMB48 million). The proposed application of the net proceeds was set out in the paragraph headed "Future plan and use of proceeds" containing in the Prospectus. During the Reporting Period, the Company continued to apply the net proceeds according to the disclosures of the Prospectus.

Going forward, the Group will continue to promote our own brand names under our OBM business and capture the growth potential of aerosol products manufacturing in the PRC. Meanwhile, the Group will continue to explore new business opportunities in other provinces so as to promote a more diversified quality customer base by strengthening our distributors' network.

PROSPECTS

With reference to the paragraph headed "Customers – Our CMS customers – Agreement C" under the section headed "Business" of the Prospectus, the Company had entered into Agreement C with Aragon, which customers are mainly government or non-government organisations and entities in Africa and the Middle East. Pursuant to Agreement C, among others, AraGon would conditionally place purchase orders with us for our mosquito sprays. However, the latest outbreak of the Ebola virus in Africa and the conflict in the Middle East did adversely affect the consumption in those regions. As such, the purchase orders from Aragon had been suspended during the Reporting Period.

With the solid foundation of the Group, we are still optimistic in the domestic market and our OBM business. The Group will continue to strive for the promising future and expansion of the Group by focusing in the development of high value added aerosol products, reducing administrative costs and any other related direct or indirect costs, enhancing the production capacity and improving our product competitiveness and brand images.

SUBSEQUENT EVENT AFTER THE ANNUAL PERIOD

There are no significant subsequent events since the end of the Reporting Period.

CORPORATE GOVERNANCE

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the CG Code for the year ended 31 December 2014 except code provision A.2.1.

Pursuant to CG Code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Yu Yuerong ("Mr. Yu"), the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role, Mr. Yu's experience and established market reputation in the industry, and the importance of Mr. Yu in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

AUDIT COMMITTEE

The Company established the Audit Committee on 16 September 2013 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 (the "Code") to the Listing Rules.

The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of the external independent auditor, and any questions of its resignation or dismissal. It is also responsible for reviewing Company's financial information and overseeing of the Company's financial reporting system and internal control procedures.

The Audit Committee comprises of three independent non-executive Directors, namely Mr. Wong Chi Wai (being the chairman of the Audit Committee), Ms. Cho Mei Ting and Mr. Ruan Lianfa. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee possesses the appropriate professional and accounting qualifications.

Disclosure of financial information in this announcement complies with Appendix 16 to the Listing Rules. The Company's Audit Committee has reviewed the audited consolidated financial statements of the Group of the year ended 31 December 2014.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the results announcement.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 16 September 2013 with written terms of reference in compliance with the Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on our policy and structure for all Directors' and senior management's remuneration, to make recommendations to the Board on the remuneration package of our Directors and senior management.

The Remuneration Committee comprises of four members, being three are independent non-executive Directors, namely, Mr. Wong Chi Wai (being the chairman of the Remuneration Committee), Ms. Cho Mei Ting, Mr. Ruan Lianfa, and one executive Director, Mr. Yu.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 16 September 2013 with written terms of reference in compliance with the Code. The primary duties of the Nomination Committee is to make recommendations to the Board on the appointment or re-appointment of Directors and the senior management as well as the succession planning for directors.

The Nomination Committee comprises of four members, being three are independent non-executive Directors, namely, Ms. Cho Mei Ting (being the chairlady of the Nomination Committee), Mr. Ruan Lianfa, Mr. Wong Chi Wai, and one executive Director, Mr. Yu.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date to 31 December 2014.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the law of Cayman Islands being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholder.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct of the Group regarding Director's securities transactions for the year ended 31 December 2014. The Company has made specific enquiry with all Directors and the Directors confirmed that they had complied with the Model Code throughout the period from the Listing Date to 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. All Directors of the Company have confirmed, following specific enquiry by the Company that they have compiled with the required standard set out in the model code from the listing date to the year ended 31 December 2014.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.ludaocn.com). The annual report of the Company for the year ended 31 December 2014 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 March 2015

As at the date of this announcement, the Board comprises Mr. Yu Yuerong, Mr. Han Jianhua, Ms. Pan Yili and Mr. Wang Xiaobing as the executive Directors, and Mr. Wong Chi Wai, Ms. Cho Mei Ting and Mr. Ruan Lianfa as the independent non-executive Directors.