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 2015

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 2015 (the "Reporting Period"), together with the comparative figures for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

		Year ended 31 December	
	Note	**2015**	2014
		RMB'000	*RMB'000*
Revenue	*3*	**266,010**	253,795
Cost of sales	*4*	**(200,275)**	(189,094)
Gross profit		**65,735**	64,701
Other income	*3*	**1,713**	3,939
Other gain	*3*	**3,496**	(54)
Selling expenses	*4*	**(18,543)**	(16,109)
Administrative expenses	*4*	**(46,391)**	(27,568)
Operating profit		**6,010**	24,909
Finance income		**2,930**	467
Finance costs		**(1,124)**	(1,214)
Finance income – net		**1,806**	(747)
Profit before income tax		**7,816**	24,162
Income tax expense	*5*	**(4,249)**	(3,654)
Profit for the year		**3,567**	20,508
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		**2,154**	(70)
Total comprehensive income for the year attributable to the owners of the Company		**5,721**	20,438
Earnings per share for profit attributable to owners of the Company			
– basic and diluted *(RMB per share)*	*13*	**0.01**	0.05

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

		As at 31 December	
	Note	**2015**	2014
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**4,999**	5,115
Property, plant and equipment	*9*	**85,836**	70,284
Intangible assets		**539**	729
Deferred income tax assets		**394**	416
Prepayment for property, plant and equipment		**5,345**	6,063
		97,113	82,607
Current assets			
Inventories	*8*	**35,037**	33,762
Trade and other receivables	*10*	**140,941**	187,349
Cash and cash equivalents		**120,819**	26,821
Pledged bank deposits		**18,711**	11,982
		315,508	259,914
Total assets		**412,621**	342,521
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*6*	**3,801**	3,170
Share premium	*6*	**134,143**	52,153
Other reserves		**75,235**	50,693
Retained earnings		**98,932**	96,825
Total equity		**312,111**	202,841

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2015

		As at 31 December	
	Note	**2015**	2014
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred government grants		**1,155**	1,300
Current liabilities			
Trade and other payables	*11*	**98,750**	107,706
Current income tax liabilities		**605**	1,674
Borrowings	*12*	**–**	29,000
		99,355	138,380
Total liabilities		**100,510**	139,680
Total equity and liabilities		**412,621**	342,521

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Ludao Technology Company Limited 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. The Group is principally engaged in the manufacturing and sale of aerosol products for household and auto care, air fresheners, personal care and insecticides. The ultimate holding company of the Company is Ludao China Investments Limited which is wholly owned by Mr. Yu Yuerong, who has an effective 44.17% interest in the Company.

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2016.

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. The Group sells its products on contract manufacturing service ("CMS") basis to overseas markets and on original brand manufacturing ("OBM") basis in the PRC market. All products are manufactured under the same production lines and distributed through distributors network. EDs review and assess performance of the Group on a combined basis and management concluded that there is only one reportable operating segment.

Geographical information

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

Revenue and turnover from customers

	2015	2014
	RMB'000	*RMB'000*
Mainland China	**74,661**	121,154
United States of America	**122,759**	67,858
Europe	**18,497**	20,826
Others	**50,093**	43,957
	266,010	253,795

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 2015 and 2014.

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:

	2015	2014
	RMB'000	*RMB'000*
Customer A	**71,208**	28,225
Customer B	**31,546**	40,519
Customer C	**29,207**	42,925
Customer D	**20,703**	8,451
Customer E	**17,655**	11,873
	170,319	131,993

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

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

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**266,010**	253,795
Other income		
Government grants	**475**	2,493
Technical service fee	**1,075**	591
Others	**163**	855
	1,713	3,939
Other gain/(loss) – net		
Foreign exchange gain/(loss)	**2,650**	(141)
Others	**846**	87
	3,496	(54)

4. EXPENSES BY NATURE

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

	2015 *RMB'000*	2014 *RMB'000*
Depreciation and amortisation	**5,386**	4,579
Employee benefit expenses, excluding amount included in share option expense and research and development costs	**19,913**	20,568
Share option expense *(Note 14)*	**20,928**	–
Raw materials used	**187,419**	180,489
Changes in inventories of finished goods and work in progress	**(2,020)**	(2,310)
Water and electricity expenditures	**2,601**	2,516
Transportation and travelling expenses	**9,752**	9,432
Telecommunication expenses	**487**	557
Advertising costs	**1,155**	1,368
Other tax expenses	**1,907**	1,421
Research and development costs		
– Employee benefit expenses	**4,172**	4,137
– Materials and others, excluding depreciation and amortisation	**3,620**	2,999
Auditor's remuneration – Audit services	**1,579**	1,440
Entertainment expenses	**512**	546
Operating lease expenses	**661**	1,134
Professional services fees	**1,680**	1,635
Other expenses	**5,457**	2,260
Total	**265,209**	232,771

5. INCOME TAX EXPENSE

	2015 *RMB'000*	2014 *RMB'000*
Current income tax	**4,227**	3,827
Deferred income tax	**22**	(173)
	4,249	3,654

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 (2014: 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 qualification of High and New Technology Enterprise of Ludao PRC has been due on 31 December 2015 and the company is in the process of applying such qualification at present.

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:

	2015	2014
	RMB'000	*RMB'000*
Profit before income tax	**7,816**	24,162
Tax calculated at the tax rate of 15% (2014: 15%)	**1,172**	3,624
Additional research and development deductible expenses	**(638)**	(606)
Expenses not deductible for tax purposes	**3,715**	636
	4,249	3,654

6. SHARE CAPITAL AND SHARE PREMIUM

	31 December 2015 and 2014	
	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		Share premium
	Number of ordinary shares (of HKD0.01 each)	*RMB'000*	*RMB'000*
At 31 December 2014 and 1 January 2015	400,000,000	3,170	52,153
Share placing (a)	80,000,000	631	83,255
Share issue cost	–	–	(1,265)
At 31 December 2015	480,000,000	3,801	134,143

a) On 11 May 2015, the Company placed 80,000,000 ordinary shares of HK$0.01 each to independent third parties at a price of HK$1.33 per share. The net proceeds received were approximately HK$104.6 million (equivalent to RMB82.0 million) after deducting issue cost of RMB1,265,000.

b) All Shares issued rank pari passu against each other.

7. DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2015 (2014: nil).

8. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**15,077**	16,320
Work in progress	**2,924**	2,046
Finished goods	**17,036**	15,396
Inventories – Net	**35,037**	33,762

The cost of inventories included in cost of sales during the year ended 31 December 2015 amounted to RMB185,399,000 (2014: RMB178,179,000).

During the year, the Group did not make or reverse any provision for inventories (2014: Nil).

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 2014						
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
Year ended 31 December 2015						
Opening net book amount	32,177	17,418	6,207	2,162	12,320	70,284
Additions	356	3,581	578	1,333	14,828	20,676
Disposal	–	–	(49)	–	–	(49)
Transfer	1,232	3,099	–	–	(4,331)	–
Depreciation	(1,661)	(1,960)	(1,022)	(432)	–	(5,075)
Closing net book amount	32,104	22,138	5,714	3,063	22,817	85,836
At 31 December 2015						
Cost	41,876	34,397	8,895	5,412	22,817	113,397
Accumulated depreciation	(9,772)	(12,259)	(3,181)	(2,349)	–	(27,561)
Net book amount	32,104	22,138	5,714	3,063	22,817	85,836

Depreciation expenses have been charged in:

	2015	2014
	RMB'000	*RMB'000*
Cost of sales	**1,426**	1,452
Administrative expenses	**3,625**	2,834
Selling expenses	**24**	–
Total	**5,075**	4,286

As at 31 December 2015, the Group's buildings with the carrying amount of RMB13,134,000 (2014: RMB13,566,000) were pledged to secure notes payable (2014: Notes payable and borrowings) (Note 11(b) and 12).

10. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables, net (a)	**92,688**	135,502
Prepayments and deposits	**42,274**	48,262
Other receivables	**5,629**	3,585
Notes receivable	**350**	–
	140,941	187,349

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

	2015	2014
	RMB'000	*RMB'000*
RMB	**77,828**	146,387
USD	**63,039**	40,860
HKD	**74**	102
	140,941	187,349

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

	2015	2014
	RMB'000	*RMB'000*
Up to 3 months	**65,401**	80,201
3 to 6 months	**23,400**	36,321
6 to 12 months	**3,855**	18,026
Over 12 months	**263**	954
	92,919	135,502
Impairment provision	**(231)**	–
	92,688	135,502

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 64% (2014: 52%) of the Group's revenue for the year. They accounted for approximately 76% (2014: 55%) and of the gross trade receivable balances as at 31 December 2015.

As at 31 December 2015, trade receivables of RMB3,887,880 (2014: RMB18,996,000) were past due but not considered impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

The ageing analysis of these trade receivables is as follows:

	2015	2014
	RMB'000	*RMB'000*
3 to 6 months	**–**	16
6 to 12 months	**3,856**	18,026
Over 12 months	**32**	954
	3,888	18,996

As of 31 December 2015, trade receivables of RMB231,000 (2014: nil) were impaired and fully provided for. The individually impaired receivables mainly relate to wholesalers, which were no longer dealing with the Company for more than 2 years. It was assessed that all of the receivables would not be recovered. The ageing of these receivables is over 2 years.

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 PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables (a)	**23,044**	26,918
Notes payable (b)	**58,590**	59,859
Advance from customers	**7,364**	7,051
Other tax payables	**3,863**	6,793
Accrued expenses	**3,848**	4,700
Other payables	**2,041**	2,385
	98,750	107,706

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

	2015	2014
	RMB'000	*RMB'000*
RMB	**94,979**	104,147
HKD	**268**	227
USD	**3,503**	3,332
	98,750	107,706

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:

	2015	2014
	RMB'000	*RMB'000*
Up to 3 months	**18,400**	15,712
3 to 6 months	**3,139**	7,222
6 to 12 months	**497**	1,633
Over 12 months	**1,008**	2,351
	23,044	26,918

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

(b) Notes payable represented bank acceptance notes with maturity dates within six months, and were secured by pledged bank deposits and the land use rights and certain property, plant and equipment (Note 9) of the Group.

12. BORROWINGS

All borrowings have been repaid during the year.

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.

	2015	2014
Profit attributable to owners of the Company *(RMB'000)*	**3,567**	20,508
Weighted average number of ordinary shares in issue *(thousands of shares)*	**452,000**	400,000
Basic earnings per share *(RMB per share) (a)*	**0.01**	0.05

(a) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market share price of the Company's shares) for the same amount of proceed are share issues for no consideration which causes dilution to earnings per share. During the year, the outstanding share options are anti-dilutive. Therefore, the diluted earnings per share of the Company equals the basic earnings per share.

14. SHARE BASED PAYMENTS

(a) Share options

On 29 June 2015, the Company granted share options to certain directors, employees and eligible participants to subscribe for a total of 40,000,000 ordinary shares of the Company under the share option scheme adopted by the Company on 16 September 2013. The exercise price of the share options is HK$2.26 per share and the validity period of the share options are two years.

The total fair value of the share options, which had been valued by an independent valuer using the binomial valuation model, had been determined to be approximately RMB20.9 million. All options are immediately vested in full and as such, a one off non-cash share based payment expense had been expensed during the year ended 31 December 2015. Share based payment expenses of RMB17,022,237 have been charged to administrative expenses, RMB2,083,212 to selling expense and RMB1,822,811 to cost of sales for the year ended 31 December 2015.

Movement in the numbers of share options outstanding:

(b) Outstanding share options

	Number of share options	
	2015	2014
At 1 January	**–**	–
Granted	**40,000,000**	–
Exercised	**–**	–
At 31 December	**40,000,000**	–

The total of 40,000,000 outstanding options (2014: nil) were exercisable upon grant date.

(c) Fair value of share options

The directors of the Company used the binomial model to determine the fair value of the options granted. Significant judgment on parameters, such as risk free rate, dividend yield and expected volatility, was used by the management of the Group in applying the binomial model, which are summarised below.

Risk free rate	0.34%
Dividend yield	1.53%
Expected volatility	57.64%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

As one of the few top leading manufacturers of the aerosol products in the 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 gradual recovery of the global economy, the Group's CMS sales had substantially increased during the Reporting Period, which offset the adverse impact resulted from the decrease in OBM business. Besides maintaining the Group's current competitiveness in the global markets, we intend to put additional effort in promoting our products in chain stores and supermarket as well as e-commerce platform in the PRC market so as to retrieve our OBM business.

For the Reporting Period, the turnover and net profit of the Group were approximately RMB266.0 million and RMB3.6 million respectively, representing an increase of approximately 4.8% and a decrease of approximately 82.6% respectively over 2014. Basic earnings per share was approximately RMB1 cents (2014: RMB5 cents). For illustrative purpose only, the Company recorded net profit of approximately RMB24.5 million before the share option expenses for the Reporting Period, which represent an increase in net profit of approximately 19.4% as compared to year 2014.

FINANCIAL REVIEW

Turnover

CMS

For the Reporting Period, the turnover for the Group's CMS business was approximately RMB191.3 million (2014: RMB132.6 million), representing an increase of approximately 44.3% as compared with last year.

The global economy recovered gradually during 2015 with steady growth in the retail markets. The Group's CMS business has benefited from such recovery as evidenced by the increase in sales orders from overseas customers. However, there are concerns that such trend may not be sustainable. As such, the Group continue to maintain high quality products with competitive prices and strengthen its CMS business for the year 2016.

OBM

The turnover for OBM business of the Group for the Reporting Period was approximately RMB74.7 million (2014: RMB121.2 million), representing a decrease of approximately 38.4% as compared with last year.

With the gradual decelerating growth in the total retail sales of consumer goods in the PRC and the increasing competition in the aerosol products segment, the Group's OBM business had been adversely affected by the slowdown in order placement from domestic customers. The Group will strive to counterbalance such impact through the continuous development of innovative products, enrichment of the product line and promotion of the product image and its brand name. Based on the loyalty gained from our domestic customers and the well-established market position in the industry, the Group is still optimistic towards its OBM business.

Cost of sales

Cost of sales of the Group for the Reporting Period was approximately RMB200.3 million (2014: RMB189.1 million), amongst which approximately RMB1.8 million share options expense was incurred from the share options granted, representing an increase of approximately 5.9% when compared to the prior year.

Gross profit and gross profit margin

For the Reporting Period, the Group recorded gross profit of approximately RMB65.7 million (2014: RMB64.7 million), representing an increase of approximately 1.5% as compared to that of the prior year. The gross profit margin was approximately 24.7% (2014: 25.5%), which had no material change as compared to that of the prior year.

Net Profit

The Group's net profit for the Reporting Period was approximately RMB3.6 million (2014: RMB20.5 million), representing a decrease of approximately 82.6% when compared to the prior year. The net profit margin of the Group decreased from 8.1% in 2014 to 1.3% in 2015. Such decrease was primarily due to the share option expenses incurred of approximately RMB20.9 million during the Reporting Period. For illustrative purpose only, the Company recorded net profit of approximately RMB24.5 million before the share option expenses for the Reporting Period, which represent an increase in net profit of approximately 19.4% as compared to year 2014.

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 RMB18.5 million (2014: RMB16.1 million), representing an increase of approximately 14.9% as compared to that of the prior year. The increase was due to (i) the increase in transportation expenses incurred from the sales to the Group's overseas customers; and (ii) the share options expenses of approximately RMB2.1 million incurred from the issuance of share options, during the Reporting Period.

Administrative Expenses

Administrative expenses consist of staff salaries and benefit expenses, depreciation and amortisation, travelling and transportation expenses, office expenses, research and development, tax and entertainment expenses. For the Reporting Period, administrative expenses was approximately RMB46.4 million (2014: RMB27.6 million), amongst which approximately RMB17.0 million share options expense was incurred from the issuance of share options, representing an increase of approximately 68.1% as compared to that of the prior year. The significant increase in administrative expenses was primarily due to the share option expenses incurred during the Reporting Period. For illustrative purpose only, the Company recorded administrative expenses of approximately RMB29.4 million before the share option expenses for the Reporting Period, which represent an increase of approximately 6.5% as compared to year 2014.

Finance expense – net

For the Reporting Period, the Group recorded net finance income of approximately RMB1.8 million (2014: net finance expenses RMB0.7 million), representing an increase of approximately RMB2.5 million as compared to that of the prior year. The increase in finance income was primarily due to the increase in foreign exchange gain of approximately RMB2.3 million.

Income tax expenses

The income tax expense of the Group for the Reporting Period was approximately RMB4.2 million, representing an increase of approximately RMB0.5 million as compared with RMB3.7 million in 2014. Effective income tax rate for the current period was approximately 54.4%, which was higher as compared with approximately 15.1% over 2014. The higher effective income tax rate was due to the increase in expenses not deductible for tax purposes.

HIGHLIGHT OF BALANCE SHEET

Trade Receivable

As at 31 December 2015, trade receivable of approximately RMB3.9 million were past due, representing a decrease of approximately 79.5% as compared to the amount of RMB19.0 million as at 31 December 2014. As at 31 December 2015, trade receivables of approximately RMB231,000 were impaired (2014: nil). The amount of the provision was RMB231,000 as at 31 December 2015 (2014: nil). The individually impaired receivables mainly relate to wholesalers, which were no longer dealing with the Company for more than 2 years. It was assessed that all of the receivables would not be recovered.

FINAL DIVIDEND

The Board does not recommend payment of any dividend in respect for the year ended 31 December 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the total assets of the Group amounted to approximately RMB412.6 million (2014: RMB342.5 million), and net current assets of approximately RMB216.2 million (2014: RMB121.5 million). The gearing ratio (based on the total debt over the total equity) of the Group has decreased from approximately 44% as at 31 December 2014 to 19% as at 31 December 2015. The decrease in gearing ratio as at 31 December 2015 resulted primarily from decrease in bank borrowing of approximately RMB29.0 million during the Reporting Period.

BORROWINGS

The Group had no borrowings as at 31 December 2015 (2014: RMB29.0 million). As at 31 December 2015, no borrowings were secured by land use right and certain property, plant and equipment of the Group.

CAPITAL STRUCTURE

During the Reporting Period, the Company's share capital increased from approximately RMB3.2 million to RMB3.8 million.

CONTRACTUAL OBLIGATIONS

The Group leases certain of its office premises under non-cancellable operating lease agreements. As at 31 December 2015, the Group's operating lease commitment amounted to approximately RMB0.3 million (2014: RMB1.1 million). As at 31 December 2015, the Group had capital commitments of approximately RMB4.3 million (2014: RMB3.2 million).

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (2014: nil).

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 recognised 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 POLICIES

As at 31 December 2015, the Group had employed a total of 373 employees (2014: 367). 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. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonuses and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). Other benefits include share options granted or to be granted under the Share Option Schemes and training schemes. The Group will review the remuneration policy and related packages on a regular basis.

SIGNIFICANT INVESTMENT HELD

During the Reporting Period, the Group invested RMB20.7 million in property, plant and equipment (2014: RMB23.0 million). Other than the above, the Group did not have any significant investments.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

During the year ended 31 December 2015, the net proceeds from the Initial Public Offering ("IPO") had been applied as follows:

	Actual net proceeds	Amount utilised up to 31 December 2015	Balance unutilised balance as at 31 December 2015
	HK$ million	*HK$ million*	*HK$ million*
To increase production capacity by financing the first phase of constructing new production facility	32	32	–
To expand the domestic distribution channel	14	13	1
To promote our own brand names by increasing marketing and advertising efforts	7	3	4
To fund the working capital requirement	6	6	–
Total	59	54	5

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").

FUND RAISING ACTIVITIES

The Directors have considered various ways of raising funds and considered that the placings of new shares of the Company (the "Shares") represent an attractive opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. During the Reporting Period, the Group has earned support to raise funds by placing of new shares. These additional funds serve as significant financial support for enhancing liquidity and future development.

On 11 May 2015, the Company issued 80,000,000 new Shares of HK$0.01 each to not less than six independent third parties at a price of HK$1.33 per share under the general mandate granted to the Directors at the annual general meeting of the Company held on 8 May 2014 (the "Placing"). The Placing was announced on 27 April 2015 (the "Announcement") and the closing price of the Shares was HK$1.66 on the last trading day as at 27 April 2015. The net proceeds of approximately HK$104.6 million were intended to be used for the general working capital of the Group. As at 31 December 2015, (i) approximately HK$35.3 million had been used for the repayment of borrowings and notes payable; and (ii) approximately HK$15.6 million had been used for the general operating expenses of the Group, and the remaining balance of HK$53.7 million is kept in an interest bearing bank account pending for usage.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The net proceeds from the Company's IPO exercise on the Stock Exchange in October 2013 amounted to approximately HK$59 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. The net proceeds from the Placing in May 2015 amounted to approximately HK$104.6 million which were intended to be used for the general working capital of the Group. During the Reporting Period, the Company continued to apply the net proceeds from the IPO and the Placing according to the disclosures of the Prospectus and the Announcement.

Going forward, the Group will continue to promote our own brand names under our OBM business and sustain our competitiveness in the aerosol products manufacturing market in the PRC. Meanwhile, the Group will continue to explore new business opportunities in the overseas market so as to promote a more diversified quality customer base by strengthening our distribution network.

PROSPECTS

Throughout the Reporting Period, the global economy grew slowly. We expect a stable development 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 CMS customers by providing trustworthy products.

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 PRACTICES

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 2015 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.

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 2015. The Company has made specific enquiry with all Directors and the Directors confirmed that they had complied with the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Company established the Audit Committee on 16 September 2013 with written terms of reference in compliance with the CG Code as set out in Appendix 14 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.

The terms of reference setting out the Audit Committees authority and duties are available on both websites of the Company and the Stock Exchange.

During the Reporting Period, the Audit Committee has held three meetings for discussion on issues arising from the audit and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2015 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 CG Code as set out in Appendix 14 to the Listing Rules. 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 terms of reference setting out the Remuneration Committees authority and duties are available on both websites of the Company and the Stock Exchange.

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.

During the Reporting Period, there were two meetings held to review and make recommendation on the remuneration packages of individual executive Directors and senior management and director's fee of independent non-executive Directors.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 16 September 2013 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. 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 terms of reference setting out the Nomination Committees authority and duties are available on both websites of the Company and the Stock Exchange.

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.

During the Reporting Period, the Nomination Committee has held two meetings to review the size and composition of the Board.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, 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.

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 that, following specific enquiry by the Company, they have compiled with the required standard set out in the Model Code throughout the Reporting Period.

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 2015 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
Yu Yuerong
Chairman & Executive Director

Hong Kong, 23 March 2016

As at the date of this announcement, the Directors of the Company comprises Mr. Yu Yuerong, Mr. Chen Baoyuan, Ms. Pan Yili, Ms. Wang Jinfei 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.