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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 2020**

### **ANNUAL RESULTS**

The board (the “Board”) of directors (the “Directors”) of China Ludao Technology Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 (the “Reporting Period”), together with the comparative figures for the year ended 31 December 2019.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2020</b>	2019
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue	4	<b>566,291</b>	412,578
Cost of sales	5	<b>(385,271)</b>	(299,062)
<b>Gross profit</b>		<b>181,020</b>	113,516
Other income	4	<b>5,925</b>	5,117
Other (losses)/gains – net	4	<b>(13,331)</b>	2,377
Selling expenses	5	<b>(27,289)</b>	(25,024)
Administrative expenses	5	<b>(69,475)</b>	(45,763)
Impairment loss on trade receivables, other receivables and deposits		<b>(2,130)</b>	(1,263)
<b>Operating profit</b>		<b>74,720</b>	48,960
Finance income		<b>1,939</b>	2,383
Finance costs		<b>(19,904)</b>	(22,437)
Finance costs – net		<b>(17,965)</b>	(20,054)
Share of results of joint ventures		<b>(2,013)</b>	2,653
Share of results of associates		<b>(1,632)</b>	(225)
<b>Profit before income tax</b>		<b>53,110</b>	31,334
Income tax expense	6	<b>(12,678)</b>	(7,582)
<b>Profit for the year</b>		<b>40,432</b>	23,752
<b>Other comprehensive income/(expenses)</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		<b>16,539</b>	(2,844)
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of equity instruments at fair value through other comprehensive income		<b>(66,931)</b>	(81,729)
<b>Other comprehensive expenses for the year, net of tax</b>		<b>(50,392)</b>	(84,573)
<b>Total comprehensive expenses for the year</b>		<b>(9,960)</b>	(60,821)

		<b>Year ended 31 December</b>	
	<i>Notes</i>	<b>2020</b>	2019
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit for the year attributable to:</b>			
Owners of the company		<b>40,517</b>	23,752
Non-controlling interests		<b>(85)</b>	–
		<b><u>40,432</u></b>	<b><u>23,752</u></b>
<b>Total comprehensive expenses for the year attributable to:</b>			
Owners of the Company		<b>(9,875)</b>	(60,821)
Non-controlling interests		<b>(85)</b>	–
		<b><u>(9,960)</u></b>	<b><u>(60,821)</u></b>
<b>Earnings per share for profit attributable to owners of the Company</b>			
– basic and diluted (RMB per share)	<i>8</i>	<b><u>0.08</u></b>	<b><u>0.05</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>As at 31 December</b>	
		<b>2020</b>	2019
		<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in joint venture	9	<b>61,278</b>	63,184
Investments in associates	10	–	73,689
Property, plant and equipment	11	<b>281,071</b>	95,487
Right-of-use assets	12	<b>51,722</b>	12,345
Investment property		<b>11,900</b>	12,600
Intangible assets		<b>257</b>	331
Deferred income tax assets		<b>73</b>	312
Financial asset at fair value through other comprehensive income (“FVOCI”)	13	–	66,931
Trade and other receivables	15	–	511
Prepayments for construction in progress, property, plant and equipment	23	<b>66,660</b>	–
		<b>472,961</b>	325,390
<b>Current assets</b>			
Inventories	14	<b>68,832</b>	38,679
Trade and other receivables	15	<b>209,689</b>	197,130
Financial asset at fair value through profit or loss (“FVTPL”)	13	<b>208</b>	9,132
Cash and cash equivalents		<b>53,708</b>	48,775
Short-term bank deposits		–	103,319
Pledged bank deposits		<b>54,197</b>	23,795
		<b>386,634</b>	420,830
<b>Total assets</b>		<b>859,595</b>	746,220
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	21	<b>3,901</b>	3,901
Share premium	21	<b>150,143</b>	150,143
Other reserves		<b>(66,766)</b>	(23,674)
Retained earnings		<b>229,972</b>	196,755
		<b>317,250</b>	327,125
<b>Non-controlling interests</b>		<b>9,526</b>	–
<b>Total equity</b>		<b>326,776</b>	327,125

		<b>As at 31 December</b>	
	<i>Notes</i>	<b>2020</b>	2019
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Convertible bonds	<i>19</i>	–	33,426
Deferred government grants		<b>481</b>	609
Lease liabilities	<i>12</i>	<b>3,582</b>	3,946
Deferred income tax liabilities		<b>8,332</b>	1,054
		<hr/>	<hr/>
		<b>12,395</b>	39,035
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	<i>16</i>	<b>213,898</b>	135,520
Contract liabilities		<b>26,506</b>	23,127
Current income tax liabilities		<b>613</b>	14
Financial liabilities at FVTPL	<i>19</i>	–	2,472
Bank borrowings	<i>20</i>	<b>156,665</b>	93,310
Bonds	<i>17</i>	–	16,266
Note	<i>18</i>	<b>84,019</b>	106,170
Convertible bonds	<i>19</i>	<b>34,296</b>	–
Lease liabilities	<i>12</i>	<b>4,427</b>	3,181
		<hr/>	<hr/>
		<b>520,424</b>	380,060
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>532,819</b>	419,095
		<hr/> <hr/>	<hr/> <hr/>
<b>Total equity and liabilities</b>		<b>859,595</b>	746,220
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sale of aerosol products for household and auto care, air fresheners, personal care products and insecticides. Ludao China Investments Holdings Limited (“Ludao Investments”) is wholly owned by Mr. Yu Yuerong (“Controlling Shareholder”), who has 47.12% 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 in the People’s Republic of China (the “PRC”).

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

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 30 March 2021.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

## **2.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **2.2 Basis of measurement and going concern assumption**

The consolidated financial statements have been prepared under the historical cost convention, except for investment property and certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

As at 31 December 2020, the Group recorded net current liabilities of approximately RMB133,790,000. The net current liabilities was mainly attributable to the i) increase in bank borrowings for the acquisition of property, plant and equipment; and ii) convertible bonds (the “Convertible Bonds”) with fair value of approximately RMB34,296,000 matured on 28 March 2021.

The Convertible Bonds were classified as non-current liabilities as at 31 December 2019 and reclassified to current liabilities during the Reporting Period. Pursuant to the sale and purchase agreement dated 29 November 2017 (the “Sale and Purchase Agreement”), the Group issued the Convertible Bonds with an aggregate principal amount of RMB32,000,000 to the Perfect Century Group Limited (the “Vendor”) as part of the consideration for the acquisition of 25% equity interest of Ever Clever Group Limited (“Ever Clever”). Since the Vendor has failed to fulfil its obligation to deliver the audited financial statements of 懷來縣恒吉熱力有限公司 (Huailai Hengji Heat Supply Limited Company) (the “HGRL”) in accordance with the Sale and Purchase Agreement, on 2 November 2020, the Company acted as a plaintiff to commence the legal proceedings in the High Court of Hong Kong by filing with a writ of summons against the Vendor for, among others, cash compensation payable by the Vendor as a result of the breach of its obligations under the Sale and Purchase Agreement to deliver the audited financial statements of HGRL and its failure to evidence or prove the fulfilment of the profit guarantee (Note 13B(i)). Despite that no final judgement has been delivered in respect of cancellation of the aforesaid convertible bonds, the directors of the Company are of the view that the Company is in a strong position to cancel the Convertible Bonds given the Vendor breach its obligations under the Sale and Purchase Agreement to deliver the audited financial statements of HGRL and its failure to evidence or prove the fulfilment of the profit guarantee for all three financial years.

Nevertheless, in view of the circumstances, the Directors have taken the following measures to mitigate the liquidity pressure and to improve its financial position:

- (a) the management of the Group has been endeavouring to improve the Group's operating cash flows through implementing various cost control measures;
- (b) The Group has been actively negotiating with the lending banks and the note holder for the renewal of banking facilities upon maturity and extension of repayment of the note maturing on 30 May 2021, positive feedbacks were obtained from some of those lenders;
- (c) the Group has unutilised banking facilities of approximately RMB52,908,000 as at 31 December 2020; and
- (d) Subsequent to the Reporting Period, the Group has further obtained credit loan facilities of HKD60,000,000 (equivalent to approximately RMB50,558,000) from a licensed money lender in Hong Kong.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the reporting date taking into account the above-mentioned plans and measures, having considered the cancellation of the aforesaid Convertible Bonds, the Group's bank balance as at 31 December 2020 and the Group's continuous net cash inflows from future operations and/or other sources, the Directors of the Company were of the opinion that the Group has sufficient cash resources to satisfy future working capital and other financing requirements as and when they fall due in the next twelve months from the reporting date. Accordingly, the consolidated financial statement has been prepared on the basis that the Group will continue as a going concern.

### **2.3 Adoption of HKFRSs**

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 accounting policies and method of computation used in the preparation of the consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2020 except for the changes mentioned below.



**(a) Adoption of new/revised HKFRSs – effective 1 January 2020**

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting of the Group:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

None of these new or amended HKFRSs have any significant impact on the Group's accounting policies.

**(b) New/revised HKFRSs that have been issued but are not yet effective**

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>4</sup>
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>4</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to HKFRS 17	Insurance Contract <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>5</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

The Group has not applied any new/revised HKFRSs that are not yet effective for the current accounting period.

### 3 SEGMENT INFORMATION

The executive directors of the company (“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 basis mainly to overseas markets and on original brand manufacturing basis in the PRC market. All products are manufactured under the same production lines and distributed through distributors network. Result of investment activities are not material to be disclosed as a separate reportable operating segment. 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 from external customers*

	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
Mainland China	224,482	136,752
United States of America	185,939	172,170
Europe	837	3,244
Japan	6,879	9,897
Chile	131,631	70,664
Others	16,523	19,851
	<u>566,291</u>	<u>412,578</u>

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 as at 31 December 2020 consist of right-of-use assets, property, plant and equipment, intangible assets and investment property which are mainly located in the PRC.

### 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	138,835	120,143
Customer B	130,138	69,872
Customer C	42,666	31,186
Customer D	<u>41,825</u>	<u>n/a</u>

*n/a* Revenue from the customer was less than 5% of the Group's revenue for the year ended.

### 4 REVENUE, OTHER INCOME AND OTHER (LOSSES)/GAINS – NET

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue</b>		
Sales of goods	<u>566,291</u>	<u>412,578</u>
<b>Other income</b>		
Government grants	4,395	2,984
Technical service fee	195	336
Rental income	348	354
Others	<u>987</u>	<u>1,443</u>
	<u>5,925</u>	<u>5,117</u>
<b>Other (losses)/gains – net</b>		
Foreign exchange (loss)/gain	(13,255)	1,293
Fair value (loss)/gain on investment property	(700)	900
Change in fair value of FVTPL ( <i>Note 19</i> )	2,472	(432)
Change in fair value of financial asset at FVTPL ( <i>Note 13</i> )	(9,124)	484
Gain on bargaining purchase ( <i>Note 22</i> )	15,098	–
Loss on step acquisition ( <i>Note 22</i> )	(9,179)	–
Gain on non-substantial modification ( <i>Note 18</i> )	1,193	–
Others	<u>164</u>	<u>132</u>
	<u>(13,331)</u>	<u>2,377</u>

## 5 EXPENSES BY NATURE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation and amortisation	13,319	12,383
Employee benefit expenses, excluding amount included in research and development costs	45,527	37,416
Raw materials used	335,244	264,543
Changes in inventories of finished goods and work in progress	17,706	7,315
Water and electricity expenditures	4,115	4,050
Transportation and travelling expenses	18,725	18,892
Telecommunication expenses	509	532
Advertising expenses	587	560
Other tax expenses	2,666	2,876
Research and development costs		
– Employee benefit expenses	8,310	7,624
– Materials and others, excluding depreciation and amortisation	21,266	2,677
Auditor's remuneration		
– Audit services	1,445	1,318
Entertainment expenses	1,342	1,497
Short-term lease expense ( <i>Note 12</i> )	196	999
Low value lease expense ( <i>Note 12</i> )	213	–
Professional services fees	2,721	2,392
Inventories written off	491	441
Other expenses	7,653	4,334
	<b>482,035</b>	<b>369,849</b>

## 6 INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax:		
Corporate income tax	<u>10,729</u>	<u>7,458</u>
Deferred income tax:		
Corporate income tax	112	124
PRC Land appreciation tax (“LAT”)	<u>1,837</u>	<u>–</u>
	<u>1,949</u>	<u>124</u>
	<u><b>12,678</b></u>	<u><b>7,582</b></u>

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before income tax	53,110	31,334
<i>Add/(less):</i> share of results of joint ventures	2,013	(2,653)
<i>Add:</i> share of results of associates	<u>1,632</u>	<u>225</u>
	<u>56,755</u>	<u>28,906</u>
Tax calculated at the tax rate of 15% (2019: 15%)	8,513	4,336
Effect of different tax rates of subsidiaries	(1,812)	–
Additional research and development deductible expenses	(2,519)	(1,751)
LAT deductible for calculation of income tax purpose	(276)	–
Effects of income not taxable and expenses not deductible for tax purposes and others	<u>8,772</u>	<u>4,997</u>
	<u><b>12,678</b></u>	<u><b>7,582</b></u>

## 7 DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2020 (2019: Nil).

## 8 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.

	2020	2019
Profit attributable to owners of the Company ( <i>RMB'000</i> )	<u>40,517</u>	<u>23,752</u>
Weighted average number of ordinary shares in issue ( <i>thousands of shares</i> )	<u>491,800</u>	<u>491,800</u>
Basic and diluted earnings per share ( <i>RMB per share</i> )	<u><u>0.08</u></u>	<u><u>0.05</u></u>

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. During the year ended 31 December 2020 and 2019, diluted earnings per share is the same as basic earnings per share. There is no dilutive effect on the Convertible Bonds for the acquisition of 25% equity interest in Ever Clever for the year ended 31 December 2020 and 2019, as they are anti-dilutive.

## 9 INVESTMENTS IN JOINT VENTURE

- (i) During the year ended 31 December 2017, the Group acquired 50% equity interest in Illustrious Success Limited (“Illustrious Success”) for a consideration of RMB52,000,000.

Illustrious Success is a company limited by shares incorporated in BVI and mainly engaged in investment holding in the PRC. Its significant subsidiary, Chaoyang Guanghua New Energy and Technology Limited, is mainly engaged in supplying heat generated from thermal energy and sewage water in the PRC.

The proportion of ownership interest in Illustrious Success is the same as the proportion of voting rights held.

- (ii) On 11 September 2017, Ludao PRC, Sinopharm Traditional Chinese Medicine Co., Ltd. and Lu Xian Cao Tang (Jilin) Investment Consultancy Limited entered into a capital contribution agreement for the formation of the joint venture, Sinopharm Jinyue Aerosol Group Co. Ltd. (“Sinopharm Jinyue Aerosol”). Sinopharm Jinyue Aerosol is mainly engaged in investing and developing projects for the research and development, manufacture and sale of medical and edible aerosol products. Details of the capital contribution agreement were disclosed in the Company’s announcement dated 11 September 2017.

During the year ended 31 December 2019, the Group injected capital of RMB4,467,000 to Sinopharm Jinyue Aerosol before it was reclassified from a joint venture to an associate of the Group (Note 10).

During the year ended 31 December 2020, the Group acquired 82% equity interest in Sinopharm Jinyue Aerosol. Based on the assessment performed by the Group, it was accounted for business combination. Thereafter, Sinopharm Jinyue Aerosol and its subsidiaries (together, the “Sinopharm Jinyue Aerosol Group”) became subsidiaries of the Group. Detailed information is set out in Note 22.

## **10 INVESTMENTS IN ASSOCIATES**

- (i) During the year ended 31 December 2019, the Group injected capital of RMB67,500,000 in Zhejiang Sinopharm Jinyue Aerosol Co., Ltd (“Zhejiang Sinopharm Jinyue Aerosol”) which was established on 27 June 2019.
- (ii) During the year ended 31 December 2019, Sinopharm Jinyue Aerosol was reclassified from a joint venture to an associate of the Group and did not start its business.
- (iii) During the year ended 31 December 2020, the Group acquired 82% equity interest in Sinopharm Jinyue Aerosol. Based on the assessment performed by the Group, it was accounted for business combination. Thereafter, Sinopharm Jinyue Aerosol and its subsidiaries, including Zhejiang Sinopharm Jinyue Aerosol (together the “Sinopharm Jinyue Aerosol Group”), became subsidiaries of the Group (the “Step Acquisition”). Detailed information is set out in Note 22.

## 11 PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b> <i>RMB'000</i>	<b>Plant and machinery</b> <i>RMB'000</i>	<b>Office furniture and equipment</b> <i>RMB'000</i>	<b>Motor vehicles</b> <i>RMB'000</i>	<b>Construction in progress</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2019						
Cost	77,091	42,139	24,400	7,236	141	151,007
Accumulated depreciation	(20,143)	(19,836)	(6,659)	(3,295)	–	(49,933)
Net book amount	<u>56,948</u>	<u>22,303</u>	<u>17,741</u>	<u>3,941</u>	<u>141</u>	<u>101,074</u>
Year ended 31 December 2019						
Opening net book amount	56,948	22,303	17,741	3,941	141	101,074
Additions	371	2,308	973	798	443	4,893
Disposal	(1,809)	(3,754)	(61)	(1,361)	–	(6,985)
Transfer	–	490	–	–	(490)	–
Eliminated on disposal	1,809	2,921	52	1,225	–	6,007
Depreciation ( <i>Note 5</i> )	(3,859)	(2,887)	(2,183)	(573)	–	(9,502)
Closing net book amount	<u>53,460</u>	<u>21,381</u>	<u>16,522</u>	<u>4,030</u>	<u>94</u>	<u>95,487</u>
At 31 December 2019						
Cost	75,653	41,183	25,312	6,673	94	148,915
Accumulated depreciation	(22,193)	(19,802)	(8,790)	(2,643)	–	(53,428)
Net book amount	<u>53,460</u>	<u>21,381</u>	<u>16,522</u>	<u>4,030</u>	<u>94</u>	<u>95,487</u>
Year ended 31 December 2020						
Opening net book amount	53,460	21,381	16,522	4,030	94	95,487
Additions	942	2,582	132	53	27,581	31,290
Additions through Step Acquisition from associates to subsidiaries ( <i>Note 22</i> )	1,692	5,046	693	995	155,200	163,626
Disposal	–	(62)	(27)	(14)	–	(103)
Transfer	–	139	–	–	(139)	–
Eliminated on disposal	–	56	25	13	–	94
Depreciation ( <i>Note 5</i> )	(3,087)	(3,284)	(2,131)	(821)	–	(9,323)
Closing net book amount	<u>53,007</u>	<u>25,858</u>	<u>15,214</u>	<u>4,256</u>	<u>182,736</u>	<u>281,071</u>
At 31 December 2020						
Cost	78,287	48,888	26,110	7,707	182,736	343,728
Accumulated depreciation	(25,280)	(23,030)	(10,896)	(3,451)	–	(62,657)
Net book amount	<u>53,007</u>	<u>25,858</u>	<u>15,214</u>	<u>4,256</u>	<u>182,736</u>	<u>281,071</u>



Depreciation expenses have been charged in:

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Cost of sales	<b>3,896</b>	3,332
Administrative expenses	<b>5,418</b>	6,163
Selling expenses	<b>9</b>	7
	<hr/>	<hr/>
Total	<b>9,323</b>	9,502
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2020, the Group's buildings with the carrying amount of RMB10,975,000 (2019: RMB11,407,000) were pledged to secure notes payable (Note 16(b)).

## 12 LEASES

### The Group as a lessee

The Group leases a number of properties in Mainland China and Hong Kong from which it operates. Leases of properties generally have lease terms between 2 and 5 years.

#### (a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	<b>Land use right</b>	<b>Office premises, plant and director's quarter</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>At 1 January 2019</b>	5,062	7,392	12,454
Addition	–	2,654	2,654
Depreciation ( <i>Note 5</i> )	(124)	(2,686)	(2,810)
Exchange adjustment	–	47	47
	<hr/>	<hr/>	<hr/>
At 31 December 2019 and 1 January 2020	4,938	7,407	12,345
Addition	–	360	360
Disposal	–	(847)	(847)
Additions through Step Acquisition from associates to subsidiaries ( <i>Note 22</i> )	39,000	3,998	42,998
Depreciation ( <i>Note 5</i> )	(790)	(3,132)	(3,922)
Exchange adjustment	–	(59)	(59)
Eliminated on disposal	–	847	847
	<hr/>	<hr/>	<hr/>
At 31 December 2020	<b>43,148</b>	<b>8,574</b>	<b>51,722</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**(b) Lease liabilities**

The carrying amount of lease liabilities and the movements during the year are as follows:

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
At 1 January	7,127	7,135
Addition	360	2,423
Additions through Step Acquisition from associates to subsidiaries (Note 22)	3,998	–
Interest expense	318	320
Lease payments	(3,746)	(2,795)
Foreign exchange movements	(48)	44
	<u>          </u>	<u>          </u>
At 31 December	<b><u>8,009</u></b>	<b><u>7,127</u></b>

The present value of future lease payments are analysed as:

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Current liabilities	4,427	3,181
Non-current liabilities	3,582	3,946
	<u>          </u>	<u>          </u>
	<b><u>8,009</u></b>	<b><u>7,127</u></b>

*(c) The amount recognised in profit or loss in relation to leases are as follows:*

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Depreciation of right-of-use assets	3,922	2,810
Interest on lease liabilities	318	320
Short-term lease expense (Note 5)	196	999
Low-value lease expense (Note 5)	213	–
	<u>          </u>	<u>          </u>
	<b><u>4,649</u></b>	<b><u>4,129</u></b>

## The Group as a lessor

The lease term is 38 months (2019: 38 months), the Group had future aggregate minimum lease rentals receivable under non-cancellable operating leases as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Not later than one year	391	375
Later than one year and not later than five years	<u>495</u>	<u>820</u>
	<u><u>886</u></u>	<u><u>1,195</u></u>

## 13 FINANCIAL ASSET AT FVOCI/FINANCIAL ASSET AT FVTPL

During the year ended 31 December 2017, the Group entered into the Sale and Purchase Agreement with the Vendor for the acquisition of 25% equity interest of Ever Clever which an investment holding company and its operating subsidiary, HGRL, is principally engaged in heat supply business in the PRC, at the consideration of RMB160,000,000.

The consideration shall be paid by the Group to the Vendor by way of (i) cash consideration of RMB112,000,000; (ii) allotment and issue of 11,800,000 consideration shares in the amount of RMB16,000,000 at an issue price of Hong Kong dollars 1.60 per consideration share by the Company in favour of the Vendor; and (iii) issue of convertible bonds in the principal amount of RMB32,000,000 by the Company in favour of the Vendor.

Details of the Sale and Purchase Agreement were disclosed in the Company's announcement on 29 November 2017.

### A. Financial Asset at FVOCI

#### (i) *Classification of financial assets at FVOCI*

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more appropriate.

(ii) *Equity investment at FVOCI*

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Unlisted equity securities		
Ordinary shares – Ever Clever	<u>–</u>	<u>66,931</u>

The Group designated the equity investment in Ever Clever as a financial asset at FVOCI upon initial recognition as the investment is not held for trading.

25% equity interest in Ever Clever was initially recognised of approximately RMB152,155,000 at 8 January 2018. The decrease in fair value of the financial asset at FVOCI of approximately RMB66,931,000 (2019: RMB81,729,000) was recognised in other reserves.

During the year ended 31 December 2019, there was a significant decrease in fair value because the business operations of HGRL have been temporarily taken over by the Huailai county government for the reason of alleged non-compliance with certain administrative measures for public utility franchise.

During the year ended 31 December 2020, based on the findings from the investigation report performed by a legal adviser in the PRC, the Company noted that HGRL has been taken over by another entity appointed by the Huailai county government since September 2020, and HGRL had significant overdue payables as at 31 December 2020 based on litigation search records. Based on the above situation, the Directors considered that the takeover may be sustained and the HGRL's financial position was in doubt. The Directors re-assessed the valuation techniques of the fair value of 25% equity interest in Ever Clever and concluded that given the current situation of HGRL, net asset value approach was adopted (2019: relative valuation model).

## B. Financial Assets at FVTPL

	2020	2019
Current	<i>RMB'000</i>	<i>RMB'000</i>
Profit guarantee in respect of investment in 25% equity interests of Ever Clever (the "Profit Guarantee") (Note i)	–	9,132
Unlisted equity securities (Note ii)	<u>208</u>	<u>–</u>
	<u><b>208</b></u>	<u><b>9,132</b></u>

### Notes

- (i) During the year ended 31 December 2018, the Group acquired 25% equity interest of Ever Clever, which the Vendor irrevocably guaranteed the Group that, for each of the three consecutive twelve-month periods ending on 31 March 2020, the audited net profit after tax of HGRL, a non wholly-owned subsidiary of Ever Clever, in accordance with the HKFRS should not be less than RMB55 million for the period from 1 April 2017 to 31 March 2018, RMB65 million for the period from 1 April 2018 to 31 March 2019 and RMB75 million for the period from 1 April 2019 to 31 March 2020 (the "Guaranteed Profit"). The Profit Guarantee represented the fair value of the amount of shortfall between above respective actual profit and Guaranteed Profit to be received by the Group if the Ever Clever fails to meet the Guaranteed Profit.

Details of the Profit Guarantee were disclosed in the Company's announcement on 29 November 2017.

During the year ended 31 December 2020, the Directors of the Company acted as plaintiff to commence the legal proceedings in the High Court of Hong Kong on 2 November 2020 against the Vendor as defendant for, among others, cash compensation payable by the Vendor as a result of the breach of its obligations under the Sale and Purchase Agreement to deliver the audited financial statements of HGRL and its failure to evidence or prove the fulfilment of the Profit Guarantee. Based on the unknown willingness and ability of the Vendor fulfilling the Profit Guarantee, the Directors of the Company re-assessed the valuation techniques of the fair value of the Profit Guarantee and concluded that given the current situation, default model was adopted (2019: discounted cash flow method). The fair value of the Profit Guarantee as at 31 December 2019 was estimated by applying the income approach at a discount rate of 12%.

(ii) Unlisted equity securities

The unlisted equity securities which are measured at fair value at the end of the reporting period, based on the relevant agreement, the Group can require the relevant investment manager to redeem the units at net asset value. The fair values of these unlisted equity securities, totalling approximately RMB208,000 as at 31 December 2020, are provided by the relevant investment manager. The Group has determined that the reported net asset values represent fair value of these unlisted equity securities.

#### 14 INVENTORIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Raw materials	26,735	22,221
Work in progress	33	252
Finished goods	<u>42,064</u>	<u>16,206</u>
Inventories – net	<u><b>68,832</b></u>	<u><b>38,679</b></u>

The cost of inventories included in cost of sales during the year ended 31 December 2020 amounted to RMB382,623,000 (2019: RMB271,858,000).

During the year ended 31 December 2020, the Group did not make or reverse any provision for inventories (2019: Nil).

#### 15 TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Non-current</b>		
Deposits	<u>–</u>	<u>511</u>
<b>Current</b>		
Trade receivables, net (a)	101,109	125,340
Other receivables, net	7,888	8,103
Prepayments	100,164	63,662
Deposits, net	<u>528</u>	<u>25</u>
	<u><b>209,689</b></u>	<u><b>197,130</b></u>
	<u><b>209,689</b></u>	<u><b>197,641</b></u>

(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:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Up to 3 months	<b>70,044</b>	62,080
3 to 6 months	<b>28,666</b>	27,821
6 to 12 months	<b>1,792</b>	33,407
Over 12 months	<b>3,800</b>	3,304
	<hr/>	<hr/>
	<b>104,302</b>	126,612
Loss allowance for impairment	<b>(3,193)</b>	(1,272)
	<hr/>	<hr/>
	<b>101,109</b>	125,340
	<hr/> <hr/>	<hr/> <hr/>

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 64% (2019: 58%) of the Group's revenue for the year. They accounted for 77% (2019: 78%) of the gross trade receivable balances as at 31 December 2020.

As at 31 December 2020, trade receivables of RMB5,592,000 (2019: RMB36,711,000) were past due.

**16 TRADE AND OTHER PAYABLES**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables (a)	<b>78,978</b>	42,128
Notes payable (b)	<b>117,848</b>	84,350
Other taxes payable	–	–
Accrued expenses	<b>6,296</b>	5,330
Other payables	<b>10,776</b>	3,712
	<hr/>	<hr/>
	<b>213,898</b>	135,520
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Up to 3 months	<b>77,952</b>	37,978
3 to 6 months	<b>765</b>	2,270
6 to 12 months	<b>261</b>	1,480
Over 12 months	<b>–</b>	400
	<b><u>78,978</u></b>	<u>42,128</u>

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

(b) Notes payables represented bank acceptance notes, which were subject to surcharge ranging from 0% to 0.06% of the face value of the notes, with maturity dates from 6 January 2021 to 25 June 2021 (2019: from 3 January 2020 to 27 June 2020), and were secured by pledged bank deposits, the land use rights and certain property, plant and equipment of the Group.

## 17 BONDS

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current	<b><u>–</u></b>	<u>16,266</u>

During the year ended 31 December 2017, the Company issued 2-year bonds at total par value of HKD59,000,000 with coupon rate of 6.00% per annum (the "2017 Bonds"). The total net proceeds after issuance costs were RMB44,386,290 and the effective interest rate is 11.91% per annum.

During the year ended 31 December 2018, the Company placed 2-year bonds at total par value of HKD18,500,000 with coupon rate of 6.50% per annum (the "2018 Bonds"). The total net proceeds after issuance costs were RMB14,588,730 and the effective interest rate is 12.29% per annum. The 2018 Bonds is guaranteed by Mr. Yu Yuerong, a Director of the Company.

The Company may at any time before the maturity dates redeem the 2017 Bonds and 2018 Bonds (in whole or in part) at 100% of the total principal amounts together with payment of interests accrued up to the date of such early redemption.

During the year ended 31 December 2019, the entire 2017 Bonds with principal amount of HKD59,000,000 (equivalent to approximately RMB52,851,000) were duly settled at the maturity date.

During the year ended 31 December 2020, the entire 2018 Bonds with principal amount of HKD18,500,000 (equivalent to approximately RMB16,138,000) were duly settled at the maturity date.



**18 NOTE**

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current	<b><u>84,019</u></b>	<u>106,170</u>

During the year ended 31 December 2018, the Company issued 2-year note at total par value of HKD120,000,000 with coupon rate of 9.00% per annum (the “Note”). The total net proceeds after issuance costs were RMB101,397,544 and the effective interest rate is 11.03% per annum. The Note is secured and guaranteed by Mr. Yu Yuerong, a Director of the Company and is secured by a share charge over 25% equity interest in Ever Clever.

During the year ended 31 December 2020, the Company, Prosper One Development Limited, Mr. Yu Yuerong and the note purchaser, independent parties from each other, entered into a supplemental deed in relation to the extension of maturity date of the Note from 30 May 2020 to 30 May 2021. The Company has redeemed a portion of the Note in the principal amount of HKD10,000,000 (equivalent to approximately RMB8,887,000), and settled all outstanding interest and Administrative Fees on the aggregate outstanding principal amount of the Note accrued up to (and including) 30 May 2020. The Company has redeemed another portion of the Note in the principal amount of HKD10,000,000 (equivalent to approximately RMB8,887,000), and settled all outstanding interest and Administrative Fees on the aggregate outstanding principal amount of the Note accrued up to (and including) 30 November 2020.

Based on the assessment performed by the Group, the modification is regarded as non-substantial modification. The gain on modification of Note of approximately RMB1,193,000 is recognised in profit or loss at the date of modification.

The Company may at any time before the maturity dates redeem the Note (in whole or in part) at 100% of the total principal amounts together with payment of interests, outstanding administrative fee and all outstanding amounts payables by the Company to noteholder accrued up to the date of such early redemption.

## 19 CONVERTIBLE BONDS/FINANCIAL LIABILITIES AT FVTPL

Pursuant to the Sale and Purchase Agreement, the Company issued Convertible Bonds with an aggregate principal amount of RMB32,000,000 (equivalent to HKD37,760,000) to the Vendor as part of the consideration for the acquisition of 25% equity interest in the issued share capital of Ever Clever in respect of the Sale and Purchase Agreement dated 29 November 2017 entered into between Prosper One Development Limited (the “Purchaser”), a wholly-owned subsidiary of the Company and the Vendor. The Convertible Bonds is denominated in RMB, bears zero interest and will be matured on 28 March 2021. The Company shall redeem at 100% of the principal amount on the maturity date as stated in the deed constituting convertible bonds dated 29 November 2017. The Convertible Bonds holders shall have a right to convert the Convertible Bonds into ordinary shares of the Company at the conversion price of RMB1.356 per share (equivalent to HKD1.60 per share) (the “Initial Conversion Price”). The Initial Conversion Price is subject to adjustment on the occurrence of dilutive or concentration event. The effective interest rate liability component of the Convertible Bonds is 8-9% per annum.

According to the Profit Guarantee given by the Vendor in favour of the Company pursuant to the terms of the Sale and Purchase Agreement, the Convertible Bonds holders have the right to convert their Convertible Bonds into fully paid ordinary shares of the Company at any time during the conversion period.

The Convertible Bonds shall be exercised, redeemed, returned and cancelled according to the mechanism stated in the Sale and Purchase Agreement. Details of the Sale and Purchase Agreement were disclosed in the Company’s announcement dated 29 November 2017.

The fair value of the liability component of the Convertible Bonds was initially recognised at approximately of RMB29,970,000 by using discounted cash flow model. The fair value estimate was based assumed discount rates (i.e. effective interest rates) of 8-9% and the Director’s expectation on the amount of the Convertible Bonds to be redeemed or cancelled (if any).

The convertible option should be separated from the liability component and accounted for as a derivative liability (i.e. financial liabilities at FVTPL) with subsequent changes in fair value recognised in profit or loss. It was because the host contract (i.e. liability component) was denominated in a currency (i.e. RMB) which was not the functional currency (i.e. HKD) of the Company. Hence, this does not meet the fixed for fixed criteria. The fair values at the date of issuance and as at 31 December 2018, 2019 and 2020, were assessed by an independent valuer, were calculated using the binomial options pricing model. There were changes in the fair value of derivative liability compared to the issuance date and the end of reporting period that recognised in profit or loss during the year ended 31 December 2019 and 2020 (Note 4).

The Convertible Bonds recognised in the consolidated statement of financial position are calculated as follows:

	<b>Liability component</b> <i>RMB'000</i>	<b>Derivative component</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2019	31,456	2,040	33,496
Interest charge	1,970	–	1,970
Change in fair value ( <i>Note 4</i> )	–	432	432
	<u>33,426</u>	<u>2,472</u>	<u>35,898</u>
At 31 December 2019 and 1 January 2020			
Interest charge	870	–	870
Change in fair value ( <i>Note 4</i> )	–	(2,472)	(2,472)
	<u>34,296</u>	<u>–</u>	<u>34,296</u>

## 20 BANK BORROWINGS

	<b>2020</b> <i>RMB'000</i>	<b>2019</b> <i>RMB'000</i>
Current	<u><b>156,665</b></u>	<u>93,310</u>

The exposure of the Group's bank borrowings to interest-rate changes and the contractual repricing dates or maturity date, whichever is earlier, is within one year.

The annual weighted average effective interest rate as at 31 December 2020 was 3.40% (2019: 4.35%).

## 21 SHARE CAPITAL AND SHARE PREMIUM

	<b>31 December 2020 and 2019</b>	
	Number of shares (thousands)	HKD'000
<b>Authorised capital:</b>		
Ordinary shares of HKD0.01 each	<u>2,000,000</u>	<u>20,000</u>
	<b>Issued and fully paid:</b>	
	<b>Share capital</b>	<b>Share premium</b>
	<i>Number of ordinary shares (of HKD0.01 each)</i>	
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>491,800,000</u>	<u>3,901</u> <u>150,143</u>

All shares issued rank pari passu against each other. There are no changes in the issued capital of the Company at the year ended 31 December 2020.

## 22 BUSINESS ACQUISITION

Pursuant to a share transfer agreement (the "Agreement") entered into between Ludao PRC and other shareholder of Sinopharm Jinyue Aerosol on 10 October 2020, 82% equity interest in Sinopharm Jinyue Aerosol and its subsidiaries, the then associates of the Group, were acquired by the Group, at a total consideration of RMB56,550,000. The Group's equity interest in Sinopharm Jinyue Aerosol increased from 7% to 89%, and equity interest in Zhejiang Sinopharm Jinyue Aerosol increased from 44.2% to 93.4% after the completion of this transaction, i.e. on 10 October 2020 (the "Completion Date").

Based on the assessment performed by the Group, the Sinopharm Jinyue Aerosol Group meet the definition of a business and controls were transferred to the Group. Therefore, the Step Acquisition was accounted for business combination using the acquisition method.

	<i>RMB'000</i>
Carrying value of the equity interest held before acquisition	72,056
Fair value of equity interest held before acquisition	<u>(62,877)</u>
Loss on step acquisition ( <i>Note 4</i> )	<u>9,179</u>

The fair value of identifiable assets and liabilities of the Sinopharm Jinyue Aerosol Group as at Completion Date were as follows:

	<i>Notes</i>	<i>RMB'000</i>
Property, plant and equipment	<i>11</i>	163,626
Right-of-use assets		
– Land use right	<i>12</i>	39,000
– Office premises and plant	<i>12</i>	3,998
Inventories		9,030
Trade and other receivables		76,462
Cash and bank balances		1,171
Trade and other payables		(139,585)
Lease liabilities	<i>12</i>	(3,998)
Deferred tax liabilities		<u>(5,568)</u>
Net identifiable assets acquired		144,136
Non-controlling interests		(9,611)
Gain on bargaining purchase	<i>4</i>	<u>(15,098)</u>
<b>Net assets acquired</b>		<b><u><u>119,427</u></u></b>
Cash flows:		
Cash consideration		56,550
Cash and cash equivalents acquired		<u>(1,171)</u>
<b>Net cash outflow arising from Step Acquisition</b>		<b><u><u>55,379</u></u></b>

## 23 PREPAYMENTS FOR CONSTRUCTION IN PROGRESS, PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2020, the prepayments for construction in progress, property, plant and equipment is related to advances made under construction contracts and purchases contracts related to development of production plant in Mainland China.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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. Meanwhile, the Group also expands the market in Mainland China on CMS basis gradually. 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 offers 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.

During the Reporting Period, other countries in the world were plagued by the COVID-19 epidemic and their production almost completely stagnated. Nevertheless, China continued to improve the business environment and introduce tax cuts and fee reduction policies, continuously adding new impetus to economic growth. The year of 2020 was full of opportunities and challenges for the Group. The outbreak of COVID-19 has created strong demand in disinfection products. By virtue of years of sound development foundation and continuous innovation capability, the Group has adjusted its strategy to actively respond to the situation and seize opportunities on the basis of strengthening strategic customer cooperation. The Group has achieved a substantial growth in terms of CMS business and OBM business, with a growth of 35.1% and 56.7% respectively.

During the Reporting Period, the Group increased its support for developing projects in respect of research and development, manufacturing and sales of disinfection, medical and edible aerosol products to facilitate projects to be carried out in accordance with the schedule.

In addition, the contribution to the Group from its investment in the clean energy and heating business newly introduced in 2017 has not met the expectation. The Board and the management of the Group will continue to follow up and consider the subsequent development and management of such investment project. Meanwhile, the Group will also identify other potential investment opportunities in the market so as to enhance the competitiveness and synergy of the Group.

For the Reporting Period, the revenue and net profit of the Group were approximately RMB566.3 million and RMB40.4 million respectively, representing an increase of approximately 37.3% and 70.2% respectively over 2019. Basic earnings per share was approximately RMB8 cents (2019: RMB5 cents).

Despite the rise in revenue, the Group's total comprehensive expenses for the year attributable to the owners of the Company was approximately RMB9.9 million for the Reporting Period, compared to the total comprehensive expenses of approximately RMB60.8 million for the prior year. The decrease is primarily attributable to the effect of approximately RMB16.5 million other comprehensive income from currency translation differences (2019: other comprehensive expense of approximately RMB2.8 million) and the reduction of the decrease in fair value of equity instruments at fair value through other comprehensive income of approximately RMB66.9 million (2019: RMB81.7 million) because the business operations of HGRL have been temporarily taken over by the Huailai county government for the reason of alleged non-compliance with certain administrative measures for public utility franchise, which is non-cash in nature and has no adverse impact on the business and operation of the Group. The Board considers that overall operational and financial position of the Group as whole still remain good.

## **FINANCIAL REVIEW**

### **Revenue**

#### ***CMS***

For the Reporting Period, the revenue for the Group's CMS business was approximately RMB502.7 million (2019: RMB372.0 million) representing an increase of approximately 35.1% as compared with last year.

During the Reporting Period, other countries in the world were plagued by the epidemic with their production almost completely stagnated. Facing huge demand at home and abroad, the Group's management and production capacity were subject to serious test. In spite of this, the Group adjusted its strategy and actively responded to the situation through strengthening its cooperation relationship with strategic customers on the basis of its steady development foundation and continuous innovation capability, thereby achieving a significant growth in the Company's CMS business as compared to last year. In order to cope with the epidemic, the Group has actively undertook corporate social responsibility and contributed to the prevention and control of the epidemic; at the same time, the Group will monitor the development of the epidemic in real time, strengthen cooperation with customers, actively respond to and resolve the adverse impacts brought by the epidemic, and strive to maintain and expand its current market share in order to continue to consolidate and strengthen its CMS business.

## **OBM**

The revenue for OBM business of the Group for the Reporting Period was approximately RMB63.6 million (2019: RMB40.6 million), representing an increase of approximately 56.7% as compared with last year.

As China took the lead in getting rid of the impact of the epidemic and resuming production and living in an orderly and comprehensive manner, the government has continuously improved the business environment and implemented large-scale tax cuts and fee reduction policies, continuously adding new impetus to economic recovery and growth. In quick response to the Government's call, the Group actively put into production and launched high-quality products that meet the market demand, thereby further consolidating the Group's development concept of "Innovation, Green and Harmony" in the mind of consumers. The Group's OBM business has also achieved a substantial growth during the year.

### **Cost of sales**

Cost of sales of the Group for the Reporting Period was approximately RMB385.3 million (2019: RMB299.1 million), representing an increase of approximately 28.8% when compared to the prior year.

### **Gross profit and gross profit margin**

For the Reporting Period, the Group recorded gross profit of approximately RMB181.0 million (2019: RMB113.5 million), representing an increase of approximately 59.5% as compared to that of the prior year. The gross profit margin was approximately 32.0% (2019: 27.5%), such increase of approximately 4.5% was primarily due to effective cost control on production, changes in product mix, especially the increase in proportion of disinfecting products.



## **Net Profit**

The Group's net profit for the Reporting Period was approximately RMB40.4 million (2019: RMB23.8 million), representing an increase of approximately 70.2% when compared to the prior year. The net profit margin of the Group improved from 5.8% in 2019 to 7.1% in 2020. Such result was primarily due to the continuing cost control of the Group.

## **Other comprehensive expenses for the year**

The Group's other comprehensive expenses for the Reporting Period was approximately RMB50.4 million (2019: RMB84.6 million), representing a decrease of approximately 40.4% when compared to the prior year. The decrease was mainly attributable to the effect of currency translation differences and the reduction on decrease in fair value of equity instruments at fair value through other comprehensive income.

## **Expenses**

### ***Selling Expenses***

Selling expenses mainly consist of staff salaries, allowance and bonus, entertainment expenses, transportation and travelling expenses, advertising expenses and exhibition expenses. For the Reporting Period, selling expenses was approximately RMB27.3 million (2019: RMB25.0 million), representing an increase of approximately 9.1% as compared to that of the prior year. The increase was primarily due to the increase in staff salaries and bonus and other expenses during the Reporting Period.

### ***Administrative Expenses***

Administrative expenses consist of staff salaries and benefit expenses, depreciation and amortisation, transportation and travelling expenses, office expenses, research and development costs, other tax expenses and entertainment expenses. For the Reporting Period, administrative expenses was approximately RMB69.5 million (2019: RMB45.8 million), representing an increase of approximately 51.8% as compared to that of the prior year. The increase was primarily due to the increase in depreciation and amortisation, staff salaries and research and development costs.

### ***Finance costs – net***

For the Reporting Period, the Group recorded net finance costs of approximately RMB18.0 million (2019: net finance costs RMB20.1 million), representing a decrease of approximately RMB2.1 million as compared to that of the prior year. The decrease was primarily due to decrease in interest expense from bonds and convertible bonds.

### ***Income tax expenses***

The income tax expense of the Group for the Reporting Period was approximately RMB12.7 million, representing an increase of approximately RMB5.1 million as compared with RMB7.6 million in 2019. Effective income tax rate for the current period was approximately 23.9%, which was lower as compared with approximately 24.2% over 2019. The lower effective income tax rate was primarily due to the decrease in expenses not deductible for tax purpose.

## **HIGHLIGHT OF STATEMENT OF FINANCIAL POSITION**

### **Property, Plant and Equipment**

The Group's property, plant and equipment was approximately RMB281.1 million as at 31 December 2020 compared to approximately RMB95.5 million as at 31 December 2019. Such increase due to the Group acquired property, plant and equipment of approximately RMB31.3 million during the year ended 31 December 2020. In addition, the Group acquired 82% equity interest in Sinopharm Jinyue Aerosol, the Sinopharm Jinyue Aerosol Group became subsidiaries of the Group with addition of property, plant and equipment of approximately RMB163.6 million during the year ended 31 December 2020. Details and breakdown of the property, plant and equipment were set out in Note 11 to the consolidate financial statements. The capital expenditures were financed by the internal resources and the bank borrowings of the Group.

### **Prepayments for construction in progress, property, plant and equipment**

As at 31 December 2020, the Group had prepayments for construction in progress, property, plant and equipment was approximately RMB66.7 million (2019: nil). The increase was due to the advances made under construction contracts and purchases contracted related to development production plant in the PRC.

## **Inventories**

As at 31 December 2020, the inventories increased by 78.0% to approximately RMB68.8 million (as at 31 December 2019: inventories amounted to approximately RMB38.7 million). This was mainly due to the Group increased production capacity, resulting in an increase in finished goods at the end of the period.

## **Trade Receivables**

As at 31 December 2020, trade receivables of approximately RMB5.6 million were past due, representing a decrease of approximately 84.7% as compared to the amount of RMB36.7 million as at 31 December 2019. The amount of the impairment provision was approximately RMB3,193,000 as at 31 December 2020 (2019: RMB1,272,000).

## **FINAL DIVIDEND**

The Board resolved not to recommend any final dividend for the year ended 31 December 2020 (2019: Nil).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2020, the total assets of the Group amounted to approximately RMB859.6 million (2019: RMB746.2 million), and net current liabilities of approximately RMB133.8 million (2019: net current assets: RMB40.8 million). The gearing ratio (based on the total debt over the total equity) of the Group was approximately 120%, which was higher than that of approximately 102% over 2019. The increase was primarily due to the increase of bank borrowings and decrease of equity during the year.

## **BORROWINGS**

As at 31 December 2020, bank borrowings of the Group amounted to approximately RMB156.7 million (2019: RMB93.3 million) with full maturity until 2021.

## **CAPITAL STRUCTURE**

During the Reporting Period, there were no changes in the Company's share capital.

## **CONTRACTUAL OBLIGATIONS**

As at 31 December 2020, the Group had capital commitments of nil in respect of equity interest investments and approximately RMB250.9 million in respect of property, plant and equipment (2019: RMB132.5 million and RMB0.2 million respectively). The Group had rented out the investment property, which granted the Group future aggregate minimum lease rentals receivable of approximately RMB0.4 million within one year (2019: RMB0.4 million) and approximately RMB0.5 million later than one year and no later than five years (2019: RMB0.8 million).

## **CONTINGENT LIABILITIES**

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: Nil).

## **EXCHANGE RATE EXPOSURE**

During the Reporting Period, the Group mainly operated in the PRC with most transactions settled 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, the majority of our assets and liabilities were denominated in 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 2020, the Group had employed a total of 511 employees (2019: 469). 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 held the following investment:-

### Unlisted investment

Name of investee company	Nature of investment	Proportion of share capital owned <i>RMB'000</i>	31 December 2020		Approximately % of total assets of the Group (by fair value) <i>RMB'000</i>	Proportion of share capital owned <i>RMB'000</i>	31 December 2019		Approximately % of total assets of the Group (by fair value) <i>RMB'000</i>
			Cost <i>RMB'000</i>	Fair value <i>RMB'000</i>			Cost <i>RMB'000</i>	Fair value <i>RMB'000</i>	
Ever Clever Group Limited	Financial assets at fair value through other comprehensive income	25%	152,155	-	-	25%	152,155	66,931	9%

## Ever Clever Group Limited

Ever Clever Group Limited (the “Ever Clever”) is a limited liability company incorporated in the British Virgin Islands. It is an investment holding company, whose major asset is the indirect shareholding on 懷來縣恒吉熱力有限公司 (Huailai Hengji Heat Supply Limited Company\*) (the “HGRL”). HGRL is a limited liability company incorporated in the PRC with a paid up registered capital of RMB40,404,000. Ever Clever, together with its subsidiaries (the “EC Group”), is principally engaged in heat supply business in Huailai County, Hebei Province, PRC. HGRL generates revenue from two sources which are (i) provision of centralized heat supply services; and (ii) installation of connectors for transmitting its heat supply from its plant to end users.

The Group designated the equity investment in Ever Clever as a financial asset at FVOCI upon initial recognition as the investment is not held for trading. 25% equity interest in Ever Clever was initially recognised of approximately RMB152,155,000 at 8 January 2018. No dividend income was received from Ever Clever for the Reporting Period. The business operations of HGRL have been temporarily taken over by the Huailai county government for the reason of alleged non-compliance with certain administrative measures for public utility franchise. During the year ended 31 December 2020, based on the findings from the investigation report performed by a legal adviser in the PRC, the Company noted that the heat supply operation of HGRL during the period from the years 2020 to 2021 has been taken over by another PRC entity appointed by the Huailai county government since September 2020. In addition, HGRL had involved in certain legal cases in related to, in aggregation, significant amounts of overdue payables as at 31 December 2020. Based on the above situation, the Directors considered that the takeover may be sustained and the HGRL’s financial position was in doubt and the fair value as at 31 December 2020 will be minimal. As at 31 December 2020, the decrease in fair value of the financial asset at FVOCI of approximately RMB66,931,000 (2019: RMB81,729,000) was recognised in other reserves.

Up to the date of this announcement, Perfect Century Group Limited (the “EC Vendor”) was still unable to provide the relevant audited financial statements of HGRL in accordance with the sale and purchase agreement dated 29 November 2017. In November 2020, the Group has taken actions to enforce the share charge over 2,500 shares in EC against the EC Vendor (the “EC Share Charge”) and notified the EC Vendor of the same, subject to completion of the relevant registration and filing requirements. To recover the compensation for which the Company is entitled to hold the EC Vendor liable under the EC Agreement, the Company and the Purchaser acted as plaintiffs to commence the legal proceedings in the High Court of Hong Kong against the EC Vendor as defendant for, among others, cash compensation payable by the EC Vendor as a result of the breach of its obligations under the EC Agreement to deliver the audited financial statements of HGRL and its failure to evidence or prove the fulfillment of the EC Profit Guarantee.

The writ of summons was issued against the EC Vendor on 2 November 2020. As at the date of this announcement, the Company has not yet received any notice or reply from EC Vendor in response to the writ. The Company is now in the course of preparation for application to the court for entering judgement against EC Vendor.

The Group will follow closely with the progress of the enforcement of the EC Share Charge and the legal proceedings against the EC Vendor and make further announcement when appropriate.

During the Reporting Period, the Group invested approximately RMB55.4 million, RMB0.2 million, nil, nil and RMB30.3 million in acquisition of subsidiaries, FVTPL, investment in a joint venture, investment in an associate and property, plant and equipment respectively (2019: nil, nil, RMB4.5 million, RMB67.5 million and RMB2 million respectively).

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 2020, the net proceeds from the initial public offering had been applied as follows:

	<b>Actual net proceeds <i>HKD million</i></b>	<b>Amount utilised up to 31 December 2020 <i>HKD million</i></b>	<b>Balance unutilised balance as at 31 December 2020 <i>HKD million</i></b>
To increase production capacity by financing the first phase of constructing new production facility	32	32	–
To expand the domestic distribution channel	14	14	–
To promote our own brand names by increasing marketing and advertising efforts	7	7	–
To fund the working capital requirement	6	6	–
	<hr/>	<hr/>	<hr/>
Total	<u>59</u>	<u>59</u>	<u>–</u>

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

## **OTHER INFORMATION**

### **(i) Update on Profit Guarantee in respect of the acquisition of 25% Equity Interest of Ever Clever Group**

Reference is made to the announcements of the Company dated 29 November 2017 and 5 December 2017 in relation to, amongst other things, the acquisition of 25% equity interest of Ever Clever Group Limited (together with its subsidiaries, the “EC Group”). Further reference is also made to the announcements of the Company dated 23 August 2018, 4 September 2018, 25 October 2019 and 17 January 2020 in relation to the update on the profit guarantee of such acquisition.

The Company has made attempts to communicate and enquire with the relevant individuals from the Vendor and HGRL to request for the audited financial statements of HGRL on several occasions from time to time in 2019 but such attempts did not come to any fruitful results. There has been no material development since the publication of the announcement dated 17 January 2020.

As HGRL, the principal operating group company of the EC Group, is a company established in the PRC, the Board is advised to take a more comprehensive view of the merits of making a claim against the Vendor and/or HGRL in each different relevant jurisdiction. Accordingly, the Board had consulted the PRC legal advisers for the feasibility of taking any legal action against the Vendor and/or HGRL directly in the PRC for the provision of the audited financial statements of HGRL for the year ended 31 March 2018 and 31 March 2019.



In November 2020, the Group has taken actions to enforce the share charge over 2,500 shares in EC against the EC Vendor (the “EC Share Charge”) and notified the EC Vendor of the same, subject to completion of the relevant registration and filing requirements. To recover the compensation for which the Company is entitled to hold the EC Vendor liable under the EC Agreement, the Company and the Purchaser acted as plaintiffs to commence the legal proceedings in the High Court of Hong Kong against the EC Vendor as defendant for, among others, cash compensation payable by the EC Vendor as a result of the breach of its obligations under the EC Agreement to deliver the audited financial statements of HGRL and its failure to evidence or prove the fulfillment of the EC Profit Guarantee.

The Group will follow closely with the progress of the enforcement of the EC Share Charge and the legal proceedings against the EC Vendor and make further announcement when appropriate.

Please refer to the announcements of the Company dated 29 November 2017, 5 December 2017, 23 August 2018, 4 September 2018, 25 October 2019, 17 January 2020, 20 August 2020, 16 September 2020 and 2 November 2020.

## **FUND RAISING ACTIVITIES**

The Company has not conducted any fund raising activity for the 12 months immediately before 31 December 2020 and the date of this announcement.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Company planned to keep upgrading the existing production line in the future for the sake of improving the automatic level and production quality. Besides, the Group will continue to invest and develop projects for the research and development, manufacture and sale of medical and edible aerosol products through its subsidiaries in the PRC. In addition, the Group will also pay attention to other investment opportunities in the market.

## **PROSPECTS**

Looking ahead to 2021, as China takes the lead in recovering from the epidemic and fully resumes production and life in an orderly manner, the government strives to improve the business environment by introducing large-scale tax cuts and fee reduction policies and measures, so as to continuously boost economic recovery and growth. The Group will continue to introduce high-quality products that meet market demand in a timely manner and further strengthen its development concept of “Innovation, Green and Harmony” in the mind of consumers. The Group will also monitor the development of the epidemic in real time, strengthen cooperation with customers, and strive to maintain and expand its current market share in order to consolidate and strengthen its CMS business and OBM business. The Group will expand its product lines through the pharmaceutical, edible aerosol products and cosmetics developed by its subsidiary, Zhejiang Sinopharm Jingyue Aerosol Co., Ltd., and expand its sales channels through its e-commerce subsidiary to lay a good foundation for the sustainable growth of sales revenue in the future. The Chairman and the management of the Group will closely monitor the international changes and adjust the strategies in a timely manner in order to achieve better performance.

## **SUBSEQUENT EVENT AFTER THE REPORTING PERIOD**

Save for the disclosed in the paragraph headed “OTHER INFORMATION”, there are no material subsequent events undertaken by the Group after 31 December 2020 till the date of this announcement.

## **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”) except code provision A.2.1 which are explained in relevant paragraphs in this announcement.

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, 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 as Mr. Yu has considerable 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 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 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.

## **MODEL CODE FOR 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 2020. 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 Rule 3.21 of the Listing Rules and paragraph C.3 of 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, risk management and internal control procedures.

The Audit Committee currently comprises of three independent non-executive Directors, namely Mr. Chan Yin Tsung (being the chairman of the Audit Committee), Mr. Ruan Lianfa and Ms. Yau Kit Kuen Jean. 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 Committee's authority and duties are available on both websites of the Company and the Stock Exchange.

During the Reporting Period, the Audit Committee has held two meetings to review the interim and annual financial results and reports, financial reporting and the report on the Company's internal control and risk management review and process.

The Audit Committee has reviewed together with the management and the Company's independent auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements for the year ended 31 December 2020 and this announcement.

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited on this preliminary announcement.

## **REMUNERATION COMMITTEE**

The Company established the Remuneration Committee on 16 September 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of 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 the policy and structure for all Directors' and senior management's remuneration, to make recommendations to the Board on the remuneration package of the Directors and senior management. The remuneration policy for the Directors and senior management was based on their experience, level, responsibility and general market conditions.

The terms of reference setting out the Remuneration Committee's authority and duties are available on both websites of the Company and the Stock Exchange.

The Remuneration Committee currently comprises of four members, being three independent non-executive Directors, namely, Mr. Chan Yin Tsung (being the chairman of the Remuneration Committee), Ms. Yau Kit Kuen Jean, 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 are 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; ongoing review the structure, size, composition and diversity of the Board on a regular basis and monitor the training and continuous professional development of Directors and senior management.

The terms of reference setting out the Nomination Committee's authority and duties are available on both websites of the Company and the Stock Exchange.

The Nomination Committee comprises of four members, being three independent non-executive Directors, namely, Ms. Yau Kit Kuen Jean (being the chairlady of the Nomination Committee), Mr. Chan Yin Tsung, Mr. Ruan Lianfa and one executive Director, Mr. Yu.

During the Reporting Period, the Nomination Committee has held two meetings to review the structure, size, composition and diversity of the Board and made recommendations to the Board in accordance with the Nomination Committee's written terms of reference.

## **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 2020.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Articles, or the law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholder.

## **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](http://www.hkex.com.hk)) and the Company (<http://www.ludaocn.com>). The annual report of the Company for the year ended 31 December 2020 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 Luda Technology Company Limited**  
**Yu Yuerong**  
*Chairman & Executive Director*

Hong Kong, 30 March 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.*