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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)

PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

Sole Placing Agent



PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 15 September 2021 (after the trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six (6) Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe in cash for the Convertible Bonds of an aggregate principal amount of not less than HK\$90,000,000 and not more than HK\$120,000,000. The Conversion Shares will be allotted and issued pursuant to the General Mandate.

The 60,000,000 Conversion Shares (based on the initial Conversion Price of HK\$2.00 per Share) to be issued upon full conversion of the Convertible Bonds represent:

- (i) approximately 12.2% of the existing issued share capital of the Company at the date of this announcement; and
- (ii) approximately 10.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Since completion of the Placing is subject to the fulfilment of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 15 September 2021 (after the trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six (6) Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe in cash for the Convertible Bonds of an aggregate principal amount of not less than HK\$90,000,000 and not more than HK\$120,000,000. The principal terms of the Placing Agreement are set out below.

Date 15 September 2021

Parties

Issuer	The Company
Placing Agent	The Placing Agent

The terms of the Placing Agreement were arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions. The Directors are of the view that the terms of the Placing Agreement are fair and reasonable based on current market conditions.

The Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing commission

The Placing Agent will charge the Company a placing commission equivalent to 1.0% of the aggregate principal amount of the Convertible Bonds actually placed by the Placing Agent plus all out-of-pocket expenses reasonably and properly incurred by the Placing Agent in relation to the Placing.

Conditions of the Placing

Completion of the Placing is conditional upon fulfilment of the following conditions precedent:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, all of the Conversion Shares and such listing and permission not subsequently being revoked;
- (ii) all necessary consents and approvals as may be obtained by the Company and the Placing Agent having been obtained for the Placing; and
- (iii) there being no event of default (as set out in the terms of the Convertible Bonds) having occurred or occurring.

None of the conditions precedent are waivable by either party to the Placing Agreement. If any of the above conditions are not fulfilled on or before 5 October 2021 or such later date as may be agreed between the Placing Agent and the Company in writing, each of the Company and the Placing Agent may, at any time thereafter, terminate its obligations under the Placing Agreement by notice in writing to the other party, whereupon the obligations of each of the Company and the Placing Agent under the Placing Agreement shall forthwith cease and terminate and neither the Company nor the Placing Agent shall have any claim against the other party, save for any antecedent breach thereof.

Completion of the Placing

Completion of the Placing shall take place on the third Business Day after the fulfilment of the above conditions precedent or on such other date as the Company and the Placing Agent may agree in writing.

Termination

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company given at any time up to 8:00 a.m. on the date of completion of the Placing if:

- (a) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (b) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (c) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or

- (d) any statement contained in this announcement or all announcements and circulars issued by the Company to the Stock Exchange and/or the Shareholders since the publication of the interim report of the Company for the six months ended 30 June 2021 has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (e) there is any suspension of dealings in the Shares on the Stock Exchange for more than five consecutive Business Days (other than as a result of or in connection with the Placing); or
- (f) any event of force majeure (being an event beyond the control of the parties and which is unforeseeable or unavoidable), including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, occurs which prevents the performance of the contractual obligations of the parties under the Placing Agreement.

Upon termination of the Placing Agreement, all liabilities of the parties thereto thereunder shall cease and determine and no party thereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of (i) any antecedent breach of any obligation under the Placing Agreement; and (ii) any liabilities in respect of the representations and warranties made by the Company, undertakings by the Placing Agent, indemnity and reimbursements under the Placing Agreement.

Convertible Bonds

The principal terms of the Convertible Bonds are summarised below:

Issuer:	The Company
Aggregate principal amount:	Not less than HK\$90,000,000 and not more than HK\$120,000,000
Issue price:	100% of the principal amount
Maturity date:	The date immediately following the expiry of three years from the date of issue of the Convertible Bonds (the “Maturity Date”) or if that is not a Business Day, the first Business Day thereafter.
Interest rate:	The Convertible Bonds will bear interest from the date of issue at the rate of 5.87% per annum on the principal amount of the Convertible Bonds outstanding, accrued daily on a 365-day year basis and payable by the Company semi-annually in arrears.
Conversion price:	Initially HK\$2.00 per Conversion Share, subject to adjustments

- Adjustment events: The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, such as (i) consolidation or sub-division of Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) rights issues or grant of options or warrants to Shareholders to subscribe for Shares at a price which is less than 100% of the then market price of the Shares; (v) issue of convertible or exchangeable securities with the total effective consideration per Share at less than 100% of the then market price of the Shares or any rights of conversion, exchange or subscription attached to such securities are modified so that the said total effective consideration per Share is less than 100% of the then market price of the Shares; or (vi) issue of any Shares wholly for cash at a price per Share which is less than 100% of the then market price; and (vii) issue of new Shares for the acquisition of asset at a total effective consideration per Share less than 100% of the then market price of the Shares, in accordance with the provisions of the Convertible Bonds.
- Conversion Shares: Based on the maximum principal amount of the Convertible Bonds of HK\$120,000,000, the Convertible Bonds is convertible into not more than 60,000,000 Conversion Shares at the initial conversion price of HK\$2.00 (subject to adjustments).
- Conversion period: The period commencing from the date falling one month immediately prior to the Maturity Date up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the Maturity Date.
- Conversion rights and restrictions: The holder of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$10,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$10,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted; and (ii) the exercise of the conversion right attached to the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules.

Early redemption at the option of the Company:	The Company shall be entitled at its sole discretion, by giving not less than three days' notice to the holders of the Convertible Bonds, propose to the holders to redeem the outstanding Convertible Bonds (in whole or in part of the authorised denomination or an integral multiple thereof or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding Convertible Bonds together with all outstanding interest accrued thereon at any time after the date of issue of the Convertible Bonds up to and including the date of redemption of such amount of outstanding Convertible Bonds, provided that the first early redemption of the outstanding Convertible Bonds to be made by the Company shall be for an aggregate principal amount of not less than HK\$56,160,000 on a pro-rata basis based on the respective outstanding principal amount of the Convertible Bonds held by the Bondholders.
Maturity:	Unless previously redeemed or converted or purchased and cancelled or a notice for partial redemption and partial conversion is served as mentioned below, the Company shall redeem the Convertible Bonds which remains outstanding by 4:00 p.m. on the Maturity Date at 100% of the principal amount.
Ranking of the Conversion Shares:	The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.
Voting rights:	The Bondholders shall not have any right to attend or vote in any general meeting of the Company.
Transferability:	The Convertible Bonds are non-transferrable.
Listing:	No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Event of default: Any Bondholder may at any time before the Maturity Date serve a written notice on the Company and demand the Company to redeem the Convertible Bonds upon the occurrence of certain events of default, including the following:

- (a) if there is a default in the payment of the principal amount or interest accrued thereon, in respect of any Convertible Bonds for more than ten (10) Business Days after the due date; or
- (b) if the Company undergoes a change of control whereby Mr. Yu Yuerong ceases to be a controlling shareholder (as defined in the Listing Rules) of the Company; or
- (c) other than as a result of, or in circumstances where, an offer made to holders of Shares to acquire all or any proportion of the Shares becoming unconditional, if the listing of the Shares (as a class) on the Stock Exchange ceases or is suspended for a continuous period of ninety (90) days on each of which the Stock Exchange is generally open for trading; or
- (d) unless prior approval from the Bondholders is obtained, if there is a breach of the undertaking by the Company to maintain the interest coverage ratio of the Company for each full financial year after the date of issue of the Convertible Bonds as calculated by the earnings before interest and taxes of the Company based on the published audited financial statements of the Company for each such financial year divided by the finance costs of the Company based on the published audited financial statements of the Company for each such financial year at not less than 3; or
- (e) if there is a failure on the part of the auditors of the Company to prepare the audited accounts of the Company, or where the auditors of the Company issues qualified opinion to raise concerns on matters which may have a material adverse effect on the operations of the Company in its report; or
- (f) if there is any fraud, willful misconduct, misrepresentation, material breach of warranties, covenants and terms under the terms of the Convertible Bonds; or
- (g) if there is any litigation, arbitration, administrative, government, regulatory or other investigation, legal proceeding or dispute against the Company or any of its subsidiaries which are expected or reasonably expected to cause material adverse effect on the Group as a whole.

Number of Conversion Shares to be issued upon exercise of the conversion rights

The 60,000,000 Conversion Shares (based on the initial Conversion Price of HK\$2.00 per Share) to be issued upon full conversion of the Convertible Bonds represent:

- (a) approximately 12.2% of the existing issued share capital of the Company at the date of this announcement; and
- (b) approximately 10.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

General Mandate to allot and issue of the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 98,360,000 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. As such, the issue of the Conversion Shares is not subject to further Shareholders' approval. The General Mandate will be utilised as to approximately 61.0% upon the allotment and issue of the 60,000,000 Conversion Shares.

Conversion Price

The initial Conversion Price of HK\$2.00 per Conversion Share represents:

- (a) a premium of 60% over the closing price of HK\$1.25 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (b) a premium of approximately 58.7% over the average of the closing prices of HK\$1.26 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The initial Conversion Price was determined with reference to the prevailing market prices of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Placing is in the interests of the Company and the Shareholders as a whole.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the research and development, manufacture and sale of aerosol and related products.

Assuming the Convertible Bonds are fully placed by the Placing Agent, the gross proceeds and the net proceeds (after deducting placing commission and other relevant costs and expenses) from the Placing will be HK\$120,000,000 and approximately HK\$118,600,000 respectively. The net Conversion Price (after deducting placing commission and other relevant costs and expenses) will be approximately HK\$1.98 per Conversion Share.

The net proceeds from the Placing are intended to be used as to (i) approximately HK\$55 million for the repayment of note and bank borrowings; (ii) approximately HK\$61 million for the construction of factories and plants; and (iii) the remaining amount of approximately HK\$2.6 million for the general working capital of the Group. In the event that the Convertible Bonds are not fully placed by the Placing Agent, the actual amount of net proceeds will be applied on a pro-rata basis proportional to the proposed allocation, i.e. (i) approximately 46.4% for the repayment of note and bank borrowings; (ii) approximately 51.4% for the construction of factories and plants; and (iii) approximately 2.2% for the general working capital of the Group.

The Directors consider that the Placing will provide additional funding for the Group's operation and business development during such difficult operation environment due to the outbreak of the COVID-19 and lockdown and disruption to economic activities in the Mainland and Hong Kong, strengthen the Group's capital base and financial position and reduce its indebtedness in order to improve its gearing position.

The Directors consider that the Placing Agreement was entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agent and the terms of the Placing Agreement (including the Conversion Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted any fund-raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (a) as at the date of this announcement; (b) immediately after completion of the Placing but before conversion of any of the Convertible Bonds; and (c) immediately after completion of the Placing and full conversion of the Convertible Bonds are set out below:

	As at the date of this announcement		Immediately after completion of the Placing but before conversion of any of the Convertible Bonds		Immediately after completion of the Placing and full conversion of the Convertible Bonds	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Ludao China Investments Holdings Limited	240,812,000	48.97	240,812,000	48.97	240,812,000	43.64
Mr. Wang Xiaobing – Director	1,200,000	0.24	1,200,000	0.24	1,200,000	0.22
The Placees ^(Note)	–	–	–	–	60,000,000	10.87
Public Shareholders	249,788,000	50.79	249,788,000	50.79	249,788,000	45.27
	<u>491,800,000</u>	<u>100.00</u>	<u>491,800,000</u>	<u>100.00</u>	<u>551,800,000</u>	<u>100.00</u>

Note: Assuming all the Convertible Bonds will be placed by the Placing Agent to the Placees.

As at the date of this announcement, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares.

GENERAL

Since completion of the Placing is subject to the fulfilment of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM”	the annual general meeting of the Company held on 26 May 2021
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder of the Convertible Bonds
“Business Day(s)”	any day (not being a Saturday, Sunday or public holiday in Hong Kong or any day on which a tropical cyclone warning no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. on weekdays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours and the Stock Exchange is open for business of dealing in securities throughout its normal trading hours
“Company”	China Ludao Technology Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 2023)
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Conversion Price”	initially HK\$2.00 per Conversion Share (subject to adjustment in accordance with the terms and conditions of the Convertible Bonds)
“Conversion Share(s)”	the new Share(s) to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the three-year 5.87% coupon unlisted convertible bond(s) in an aggregate principal amount of not less than HK\$90,000,000 and not more than HK\$120,000,000 to be issued by the Company pursuant to the Placing Agreement

“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the AGM to allot, issue or deal with 98,360,000 Shares, being 20% of the number of issued Shares as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third party(ies)”	party(ies) who is/are not connected persons of the Company and is/are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individual, corporate or other investor(s) procured by the Placing Agent to subscribe for any of the Convertible Bonds pursuant to the Placing Agreement, who and whose ultimate beneficial owners shall be Independent Third Party(ies)
“Placing”	the placing of the Convertible Bonds pursuant to the terms and conditions of the Placing Agreement under the General Mandate
“Placing Agent”	Essence International Securities (Hong Kong) Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the placing agent of the Company to the Placing
“Placing Agreement”	the conditional placing agreement dated 15 September 2021 and entered into between the Company as issuer and the Placing Agent as placing agent in relation to the Placing
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

By Order of the Board
China Luda Technology Company Limited
Yu Yuerong
Chairman and Executive Director

15 September 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.