



中國綠島科技有限公司  
CHINA LUDAO TECHNOLOGY COMPANY LIMITED  
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)  
Stock code: HK 2023

**A BETTER WORLD FOR EVERYONE**



**2023 INTERIM  
REPORT**

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Yu Yuerong (*Chairman*)  
Mr. Wang Xiaobing (*Deputy Chairman*)  
Ms. Pan Yili

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yin Tsung  
Mr. Ruan Lianfa  
Ms. Yau Kit Kuen Jean

### AUDIT COMMITTEE

Mr. Chan Yin Tsung (*Chairman*)  
Mr. Ruan Lianfa  
Ms. Yau Kit Kuen Jean

### NOMINATION COMMITTEE

Ms. Yau Kit Kuen Jean (*Chairlady*)  
Mr. Chan Yin Tsung  
Mr. Ruan Lianfa  
Mr. Yu Yuerong

### REMUNERATION COMMITTEE

Mr. Chan Yin Tsung (*Chairman*)  
Mr. Ruan Lianfa  
Mr. Yu Yuerong  
Ms. Yau Kit Kuen Jean

### COMPANY SECRETARY

Mr. Ho Ka Wai

### REGISTERED OFFICE

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2003, 20/F  
Dah Sing Financial Centre  
248 Queen's Road East  
Wan Chai  
Hong Kong

### HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

5 Sanmen Industry Road  
Sanmen Industry Zone  
Taizhou City  
Zhejiang Province  
The PRC

## **INDEPENDENT AUDITOR**

BDO Limited  
25th Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

## **LEGAL ADVISOR**

Ma Tang & Co.  
Rooms 1508-1513  
Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## **PRINCIPAL BANKER**

The Hongkong and Shanghai Banking  
Corporation Limited

## **WEBSITE**

[www.ludaocn.com](http://www.ludaocn.com)

## **STOCK CODE**

2023

## MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “Board” or the “Director”) of China Ludao Technology Company Limited (the “Company”) hereby presents the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group” or our “Group”) for the six months ended 30 June 2023 (the “Reporting Period”).

### Business at a Glance

As one of the few top leading manufacturers of the aerosol products in the People’s Republic of China (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 and timely launched the brand “GINVIK” through its subordinate company Sinopharm Junyue and included in e-commerce as a sale channel accordingly.

We also commenced the wholesales business to sell personal care products in the PRC since second half of last year.

During the Reporting Period, the Group has recovered from the impact of the pandemic and experienced a wave of growth in sales revenue, which reflects that the Group has returned to the upward trend. The international situation and competition, despite the high prices of raw materials at present, are facing severe challenges. However, the Group’s previous decision-making is clear from the current perspective, and the Group will continue to strengthen the strategic cooperation relationship with customers and adjust strategies to actively explore the domestic market, proactively research and develop high value-added products based on its solid foundation and its innovation capacities, so as to increase the bargaining room for the Group’s products. The CMS and OBM businesses of the Group both increased by approximately 50.1% and approximately 53.6% respectively as compared to the first half of 2022. In the second half of the year, the Group will continue to explore different platforms and channels to strengthen the development of the domestic market and to improve turnover of our products and continue to focus on research and development, manufacturing and sales of medical and edible aerosol products to increase market shares on this sector. In addition, during the Reporting Period, the Group continued to explore the wholesale business of personal care related products to broaden the Group’s business sources and increase revenue.



For the six months ended 30 June 2023, the revenue and net profit of the Group were approximately RMB406.4 million and RMB30.3 million respectively, representing an increase of approximately 83.4% and 38.6% as compared with that of in the corresponding period of 2022. The earnings per share for profit attributable to owners of the Company was RMB0.06 during the Reporting Period which represents an increase of RMB0.02 as compared with the earnings per share of RMB0.04 for the corresponding period of last year.

## Prospect

Looking forward to the second half of the year, the Group will continue to take advantage of the favourable factors such as the fading of the pandemic, the implementation of favourable policies for China's export production and transportation, logistics and transportation as well as the stable supply of raw materials in China, actively develop high value-added products, increase the bargaining room for the Group's products, and strive to maintain and expand its market share to continue to consolidate and strengthen the Group's CMS business, OBM business and wholesale business. At the same time, the Group will expand its product lines through products such as medical, edible aerosol and cosmetic products researched and developed by Sinopharm Jinyue Aerosol Group Co. Ltd., and will continue to expand sales through e-commerce and attempt to expand different sales channels. The Group will also strive to accelerate the completion of the new plant to strengthen the Group's production capacity. At the same time, the Group will continue to closely monitor changes in the international situation and adjust its strategies in a timely manner in order to achieve better results.

## Financial Review

### *Turnover*

#### *CMS*

For the six months ended 30 June 2023, the turnover of the Group's CMS business was approximately RMB286.9 million (2022: approximately RMB191.2 million), representing an increase of approximately 50.1% as compared with that of in the corresponding period of 2022.

During the Reporting Period, the Group has recovered from the impact of the pandemic and experienced a wave of growth in sales revenue, which reflects that the Group has returned to the upward trend. The international situation and competition, despite the relatively high prices of raw materials at present, are facing severe challenges. However, the Group's previous decision-making is clear from the current perspective, and the Group will continue to strengthen the strategic cooperation relationship with customers and adjust strategies to actively explore the domestic market, proactively research and develop high value-added products based on its solid foundation and its innovation capacities, so as to increase the bargaining room for the Group's products. The CMS business of the Group increased over the previous period. In the second half of the year, the Group will continue to consolidate its existing market shares of CMS business and explore market shares in other countries in order to strive for growth of CMS business.

## *OBM*

The turnover for OBM business of the Group for the six months ended 30 June 2023 was approximately RMB46.7 million (2022: approximately RMB30.4 million), representing an increase of approximately 53.6% as compared with that of in the corresponding period in 2022.

During the Reporting Period, the Group has recovered from the impact of the pandemic and returned to the upward trend. Although the prices of raw materials are currently at a relatively high level, the Group will continue to develop new sales channels, actively explore the domestic market, proactively research and develop high value-added products, so as to increase the bargaining room for the Group's products. The OBM business of the Group grew by approximately 53.6% as a result of better domestic consumption. In the second half of the year, the Group will continue to focus on research and development of products and explore different platform and channel to improve turnover of products.

## *Wholesale business*

During the Reporting Period, the Group continued to explore the wholesale business of personal care products in the PRC. Through the industry experience and market network of the individual care products of the Group in the PRC, the Group expanded its business sources and increased its revenue. Revenue from wholesale business was approximately RMB72.8 million. No such turnover recorded in the corresponding period in 2022 as the Group commence such wholesale business in second half of 2022.

## *Cost of Sales*

Cost of sales of the Group for the six months ended 30 June 2023 was approximately RMB340.7 million (2022: approximately RMB187.0 million), representing an increase of approximately 82.2% as compared with that of in the corresponding period of 2022. The increase was in line with the increment of sales volume.

## *Gross Profit and Gross Profit Margin*

For the six months ended 30 June 2023, the Group recorded gross profit of approximately RMB65.7 million (2022: approximately RMB34.6 million) and the gross profit margin was approximately 16.2% (2022: approximately 15.6%). The increase in gross profit margin was mainly due to gradual decrease in raw material price during the Reporting Period.

## *Other Income and Other Gains*

Other income and other gains of the Group for the six months ended 30 June 2023 was approximately RMB15.2 million (2022: approximately RMB27.7 million), representing a decrease of approximately RMB12.5 million as compared with that of in the corresponding period of 2022. Such decrease was primarily due to the decrease of government grants income was recorded during the Reporting Period.

## *Expenses*

### *Selling Expenses*

Selling expenses mainly consist of staff salaries, allowance and bonus, entertainment expenses, travelling and transportation expenses, advertising expenses and exhibition expenses. For the six months ended 30 June 2023, selling expenses was approximately RMB12.2 million (2022: approximately RMB6.4 million), representing an increase of approximately 91.1% as compared with that of in the corresponding period of 2022. The increase was in line with the increment of sales volume.

### *Administrative Expenses*

Administrative expenses mainly represented the staff salaries and benefit expenses, depreciation and amortisation, travelling and transportation expenses, office expenses, research and development, tax and entertainment expenses. For the six months ended 30 June 2023, administrative expenses was approximately RMB27.3 million (2022: approximately RMB25.5 million), representing an increase of approximately 7.0% as compared with that of in the corresponding period of 2022. The increase in administrative expenses was primarily due to an increase in staff salaries and benefit expenses and travelling and transportation expenses.

### *Finance Costs – net*

For the six months ended 30 June 2023, the Group recorded net finance cost of approximately RMB7.5 million (2022: approximately RMB5.4 million), representing an increase of approximately 37.8% as compared with that of in the corresponding period of 2022. The increase in net finance costs was primarily due to the increase in interest expenses from bank and other borrowings during the Reporting Period.

### *Income Tax Expense*

The income tax expense of the Group for the six months ended 30 June 2023 was approximately RMB3.8 million, representing a decrease of approximately RMB0.9 million as compared with approximately RMB4.7 million for the corresponding period of 2022, which was mainly due to the decrease in the proportion of non-deductible expenses recorded during the Reporting Period.

### *Profit for the period*

The Group recorded profit for the six months ended 30 June 2023 of approximately RMB30.3 million (2022: approximately RMB21.8 million), representing an increase of approximately RMB8.5 million as compared with that of in the corresponding period of 2022. Such increase was primarily due to the effect of increase in sales volume and gradual decrease in raw material price during the Reporting Period.

## Highlights of Statement of Financial Position

### *Property, Plant and Equipment*

The Group's property, plant and equipment was approximately RMB571.0 million as at 30 June 2023 compared to approximately RMB515.7 million as at 31 December 2022. Such increase was due to the Group had acquired property, plant and equipment of approximately RMB60.1 million during the Reporting Period. The capital expenditures were financed by the internal resources and the bank borrowings of the Group.

### *Prepayments for Property, Plant and Equipment*

As at 30 June 2023, the Group's prepayments for property, plant and equipment was approximately RMB118.0 million (31 December 2022: approximately RMB118.0 million). No further advanced payment was made in construction in progress related to the development of production plant in the PRC during the Reporting Period.

### *Inventories*

As at 30 June 2023, the inventories increased by 60.5% to approximately RMB80.1 million (31 December 2022: approximately RMB49.9 million). The increment mainly due to inventory building up in order to fulfill the sales volume improvement in coming sales schedule.

### *Trade Receivables*

As at 30 June 2023, trade receivables of approximately RMB8.5 million were past due, representing a decrease of approximately 71.1% as compared to the amount of approximately RMB29.4 million as at 31 December 2022. The amount of the impairment provision was approximately RMB10.6 million (31 December 2022: approximately RMB10.6 million).

## Liquidity and Financial Resources

As at 30 June 2023, the total assets of the Group amounted to approximately RMB1,234.9 million (31 December 2022: approximately RMB1,150.2 million), and the net current assets of approximately RMB181.7 million (31 December 2022: net current assets of approximately RMB109.5 million) and the Group's cash and bank deposits totalled approximately RMB50.8 million (31 December 2022: approximately RMB79.9 million). The current ratio of the Group increased from 1.41 as at 31 December 2022 to 1.82 as at 30 June 2023.

The equity attributable to shareholders of the Company as at 30 June 2023 amounted to approximately RMB451.4 million (31 December 2022: approximately RMB372.6 million). The gearing ratio (based on the total debt over the total equity) of the Group decreased from 171% as at 31 December 2022 to 151% as at 30 June 2023 due to the increase in total equity.



## Borrowings and the Pledge of the Group's Assets

As at 31 December 2022, Note of RMB36.3 million was secured by the 2,500 shares in Ever Clever Group Limited ("Ever Clever") by the Group. As at 30 June 2023, no such shares pledged as the Note was fully repaid and the shares was pledged was duly released. As at 30 June 2023, bank and other borrowings of approximately RMB606.2 million (31 December 2022: approximately RMB508.1 million) and notes payable of RMB nil (31 December 2022: approximately RMB17.2 million) were secured by our properties, plant and equipment, land use rights, investment property and pledge bank deposits with an aggregate carrying amount of RMB540.5 million (31 December 2022: RMB492.8 million). Bank and other borrowings were mainly used for working capital management and/or financing the Group's purchases.

Save as disclosed herein, there was no other charge on the Group's assets.

## Financing

The Board considers that the existing financial resources together with funds generated from business operations will be sufficient to meet future expansion plans and the Group believes that it will, if necessary, be capable of obtaining additional financing with favourable terms.

## Contractual Obligations

As at 30 June 2023, the Group had capital commitments of approximately RMB62.5 million in respect of property, plant and equipment (31 December 2022: approximately RMB153.6 million).

## Contingent Liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: nil).

## Exchange Rate Exposure

During the six months ended 30 June 2023, the Group mainly operated in the PRC with most transactions settled in RMB. The majority of the Group's assets and liabilities were denominated in RMB. Although the Group may be exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are denominated in currencies other than RMB, the Group currently does 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.

## Interim Dividend

The Board does not recommend payment of interim dividend for the six months ended 30 June 2023 (2022: nil).

## Employees and Emoluments Policy

As at 30 June 2023, the Group had employed a total of 414 employees in the PRC and Hong Kong (31 December 2022: 383). The Group offers comprehensive and competitive remuneration, retirement scheme, a share options scheme and benefit package to its employees. The emoluments of Directors have been determined with reference to the skills, knowledge, and 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 Reporting Period. Employees in Hong Kong are provided with retirement benefits under the Mandatory Provident Fund scheme. Employees in the PRC are provided with basic social insurance and housing fund in compliance with the requirements of the laws of the PRC. The Group will review the remuneration policy and related packages on a regular basis.

## Significant Investment Held

During the Reporting Period, the Group invested in nil and approximately RMB60.1 million in financial asset at fair value through profit or loss and property, plant and equipment (31 December 2022: approximately RMB1 million and RMB89.4 million respectively).

Other than the above, the Group did not have any significant investments as at 30 June 2023.

## Material Acquisitions and Disposals of Subsidiaries, Associations and Joint Venture

The Group did not have any material acquisition and disposal of subsidiaries, associates or joint venture during the Reporting Period.

## OTHER INFORMATION

### Profit Guarantee in respect of the acquisition of 25% Equity Interest of Ever Clever

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 in Ever Clever Group Limited (the “Ever Clever”), 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, 17 January 2020, 20 August 2020, 16 September 2020 and 2 November 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 Perfect Century Group Limited (the “EC Vendor”) and 懷來縣恒吉熱力有限公司 (Huailai Hengji Heat Supply Limited Company\*) (the “HGRL”) to request the audited financial statements of HGRL in accordance with the sale and purchase agreement dated 29 November 2017 (the “EC Agreement”) on several occasions from time to time since 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 EC Vendor and/or HGRL in each different relevant jurisdiction. Accordingly, the Board would also seek legal advice from the PRC legal advisers to take any legal action against the EC 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, 31 March 2019 and 31 March 2020.

In November 2020, the Group has taken actions to enforce the share charge over 2,500 shares in Ever Clever against the EC Vendor and notified the EC Vendor of the same, subject to completion of the relevant registration and filing requirements. To enforce the EC Agreement, the Company and Prosper One Development Limited (the “Purchaser”) acted as plaintiffs to issued a writ of summons 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, an order requiring the EC Vendor to deliver the audited financial statements of HGRL and a declaration that the Company and the Purchaser are entitled to cancel and avoid the convertible bonds issued by the Company.

As the Group did not receive any replies from the EC Vendor to the writ of summons, the Company and the Purchaser sought to obtain a default judgment against the EC Vendor. On 21 December 2021, the High Court of Hong Kong gave a judgment in favour of the Company and the Purchaser and ordered the EC Vendor to pay damages totaling RMB2,827,500,000 to the Company and the Purchaser. The High Court also ordered the EC Vendor to deliver the audited financial statements of HGRL and declared that the Company and the Purchaser were entitled to cancel and avoid the convertible bonds issued by the Company to the EC Vendor. As at the date of this report, no notice of appeal against the default judgment or application for setting-aside the default judgment has been served on the Company or the Purchaser. The Board is in the process to discuss the enforcement possibility with legal team.

## **FUND RAISING ACTIVITY**

The Company has not conducted any other fund raising activity for the 12 months immediately before 30 June 2023 and up to the date of this report.

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

The Company planned to continue upgrading the existing production line in the future for the sake of improving the automatic level and production quality. In addition, 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. Also, the Group will continue to expand and explore sales network and platform in order to achieve business growth. In addition, the Group will also identify other investment opportunities in the market.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in this report, there was no other important events affecting the performance of the Group that have occurred since 1 July 2023 and up to the date hereof.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	6	406,358	221,566
Cost of sales	7	(340,684)	(186,963)
<b>Gross profit</b>		<b>65,674</b>	34,603
Other income and other gains	6	15,215	27,707
Selling expenses	7	(12,202)	(6,386)
Administrative expenses	7	(27,274)	(25,494)
<b>Operating profit</b>		<b>41,413</b>	30,430
Finance income	9	214	178
Finance costs	9	(7,715)	(5,623)
Finance costs – net		(7,501)	(5,445)
Share of results of a joint venture		116	1,503
<b>Profit before income tax</b>		<b>34,028</b>	26,488
Income tax expense	10	(3,775)	(4,665)
<b>Profit for the period</b>		<b>30,253</b>	21,823
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss:			
Currency translation differences		48,507	2,199
Other comprehensive income for the period, net of tax		48,507	2,199
<b>Total comprehensive income for the period</b>		<b>78,760</b>	24,022
Profit for the period attributable to:			
Owners of the Company		30,253	21,823
Non-controlling interests		–	–
		<b>30,253</b>	21,823
Total comprehensive income for the period attributable to:			
Owners of the Company		78,760	24,022
Non-controlling interests		–	–
		<b>78,760</b>	24,022
<b>Earnings per share for profit attributable to owners of the Company</b>			
– basic and diluted (RMB per share)	11	0.06	0.04

The notes on pages 18 to 33 are an integral part of these interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	571,000	515,737
Prepayments for property, plant and equipment		117,958	117,958
Right-of-use assets	12	70,596	68,651
Investment property		13,300	12,100
Intangible assets		865	636
Investment in a joint venture		54,616	54,500
Financial asset at fair value through profit or loss		2,000	2,000
Deferred tax assets		1,856	1,856
Trade and other receivables	13	61	60
		<u>832,252</u>	<u>773,498</u>
<b>Current assets</b>			
Inventories		80,109	49,920
Trade and other receivables	13	271,672	243,617
Income tax recoverable		–	3,264
Pledged bank deposits		15,146	29,138
Cash and cash equivalents		35,673	50,786
		<u>402,600</u>	<u>376,725</u>
<b>Total assets</b>		<u>1,234,852</u>	<u>1,150,223</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	14	3,901	3,901
Share premium		150,143	150,143
Other reserves		(8,930)	(60,424)
Retained earnings		306,284	279,018
		<u>451,398</u>	<u>372,638</u>
<b>Non-controlling interests</b>		<u>1,744</u>	<u>1,744</u>
<b>Total equity</b>		<u>453,142</u>	<u>374,382</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2023

		<b>30 June 2023</b>	31 December 2022
	Notes	<b>RMB'000 (Unaudited)</b>	RMB'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings		<b>454,231</b>	403,170
Convertible bonds	17	<b>80,232</b>	79,084
Lease liabilities		<b>7,618</b>	7,616
Deferred tax liabilities		<b>8,541</b>	8,541
Deferred government grants		<b>10,223</b>	10,223
		<b>560,845</b>	508,634
<b>Current liabilities</b>			
Trade and other payables	15	<b>44,781</b>	103,752
Contract liabilities		<b>14,855</b>	14,816
Income tax payable		<b>1,787</b>	–
Bank and other borrowings		<b>152,016</b>	104,890
Note	16	<b>–</b>	36,328
Lease liabilities		<b>7,426</b>	7,421
		<b>220,865</b>	267,207
<b>Total liabilities</b>		<b>781,710</b>	775,841
<b>Total equity and liabilities</b>		<b>1,234,852</b>	1,150,223

The notes on pages 18 to 33 are an integral part of these interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	(Unaudited)						
	Share capital RMB'000 (Note 14)	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
<b>Balance at 1 January 2023</b>	<b>3,901</b>	<b>150,143</b>	<b>(60,424)</b>	<b>279,018</b>	<b>372,638</b>	<b>1,744</b>	<b>374,382</b>
Comprehensive income							
Profit for the period	-	-	-	30,253	30,253	-	30,253
Currency translation differences	-	-	48,507	-	48,507	-	48,507
Total comprehensive income	-	-	48,507	30,253	78,760	-	78,760
Transaction with owners							
Profit appropriation	-	-	2,987	(2,987)	-	-	-
<b>Balance at 30 June 2023</b>	<b>3,901</b>	<b>150,143</b>	<b>(8,930)</b>	<b>306,284</b>	<b>451,398</b>	<b>1,744</b>	<b>453,142</b>

For the six months ended 30 June 2022

	(Unaudited)						
	Share capital RMB'000 (Note 14)	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
<b>Balance at 1 January 2022</b>	<b>3,901</b>	<b>150,143</b>	<b>(37,216)</b>	<b>260,928</b>	<b>377,756</b>	<b>2,014</b>	<b>379,770</b>
Comprehensive income							
Profit for the period	-	-	-	21,823	21,823	-	21,823
Currency translation differences	-	-	2,199	-	2,199	-	2,199
Total comprehensive income	-	-	2,199	21,823	24,022	-	24,022
<b>Balance at 30 June 2022</b>	<b>3,901</b>	<b>150,143</b>	<b>(35,017)</b>	<b>282,752</b>	<b>401,779</b>	<b>2,014</b>	<b>403,793</b>

The notes on pages 18 to 33 are an integral part of these interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from operating activities</b>		
Cash (used in) generated from operations	<b>(38,980)</b>	61,663
Income tax paid	<b>(320)</b>	(132)
	<u><b>(39,300)</b></u>	<u>61,531</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(53,429)</b>	(50,755)
Increase in prepayment for property, plant and equipment	–	(41,172)
Purchase of intangible assets	<b>(226)</b>	–
Investment of financial asset at fair value through profit or loss	–	(1,000)
Release of (placement of) pledged bank deposits	<b>13,992</b>	(749)
Interest received	<b>214</b>	178
	<u><b>(39,449)</b></u>	<u>(93,498)</u>
<b>Cash flows from financing activities</b>		
Repayments of principal portion of the lease liabilities	<b>(7,425)</b>	(5,844)
Repayment of Note	<b>(36,328)</b>	(9,972)
Proceeds from bank and other borrowings	<b>164,463</b>	381,895
Repayments of bank and other borrowings	<b>(69,727)</b>	(249,031)
Interest paid	<b>(7,500)</b>	(7,433)
Proceeds from notes payable	–	61,408
Repayment of notes payable	<b>(17,173)</b>	(84,243)
	<u><b>26,310</b></u>	<u>86,780</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(52,439)</b>	54,813
Cash and cash equivalents at beginning of the period	<b>50,786</b>	24,259
Currency translation differences	<b>37,326</b>	11,703
	<u><b>35,673</b></u>	<u>90,775</u>
<b>Cash and cash equivalents at end of the period</b>	<b>35,673</b>	90,775

The notes on pages 18 to 33 are an integral part of these interim condensed consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED 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, P.O. Box 1350, Grand Cayman, KY1-1180, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter referred to as the “Group”) are principally engaged in the manufacturing and sale of aerosol products for household and auto care products, air fresheners, personal care products and insecticides and wholesales of personal care products. The ultimate holding company of the Company is Ludao China Investments Holdings Limited (“Ludao Investments”) which is wholly owned by Mr. Yu Yuerong (“Controlling Shareholder” or “Mr. Yu”), who has an effective 50.96% interest in the Company.

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

These unaudited interim condensed consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These unaudited interim condensed consolidated financial statements have been approved for issue by the board (the “Board”) of directors (the “Directors”) on 30 August 2023.

## 2 BASIS OF PREPARATION

This unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### New and amended standards adopted by the Group

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 3 ACCOUNTING POLICIES *(Continued)*

### **New and amended standards adopted by the Group *(Continued)***

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group has applied the amendment on the treatment of temporary differences arising from lease from beginning, the amendments did not have any impact on the financial position or performance of the Group.
  
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

## 4 ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 5 SEGMENT INFORMATION

The executive directors (“EDs”) are chief operating decision makers. EDs review the Group’s internal reporting in order to assess performance and allocate resources. EDs have determined the operating segments based on the internal reports that are used to make strategic decisions. The Group is principally engaged in the manufacture and sale of aerosol and related products and wholesales of personal care products. The Group sells its products on CMS basis to overseas and PRC market and on OBM basis in the PRC market. All products are manufactured under the same production lines and distributed through distributors network. The Group wholesales the personal care products to business entities basis in PRC market. 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 considered 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*

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	281,849	157,255
United States of America	55,675	35,847
Chile	51,504	20,367
Japan	5,917	3,149
Others	11,413	4,948
	<u>406,358</u>	<u>221,566</u>

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

#### *Non-current assets*

Non-current assets consist of right-of-use assets, property, plant and equipment, investment property, intangible assets and investment in a joint venture which are mainly located in the PRC as at 30 June 2023 and 31 December 2022.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 5 SEGMENT INFORMATION *(Continued)*

#### Information about major customers

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	50,221	20,048
Customer B	45,273	n/a
Customer C	27,527	n/a
Customer D	n/a	41,390
Customer E	n/a	15,464
Customer F	n/a	14,682
Customer G	n/a	13,178
	<b>123,021</b>	<b>104,762</b>

n/a Revenue from the customer was less than 5% of the Group's revenue for the six months period ended 30 June 2023 and 30 June 2022.

### 6 REVENUE, OTHER INCOME AND OTHER GAINS

The Group is principally engaged in the sale of products and provision of related services. Revenue, other income and other gains recognized are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Sales of goods	<b>406,358</b>	221,566
<b>Other income and other gains</b>		
Technical service fee	2,925	–
Government grants	–	16,779
Foreign exchange gain	12,124	10,617
Others	166	311
	<b>15,215</b>	<b>27,707</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 7 EXPENSES BY NATURE

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation and amortisation	<b>6,991</b>	6,951
Employee benefit expenses, excluding amount including in research and development costs	<b>24,194</b>	15,318
Raw materials used	<b>310,711</b>	178,281
Changes in inventories of finished goods and work in progress	<b>3,293</b>	(4,367)
Water and electricity expenditures	<b>4,017</b>	1,895
Transportation and travelling expenses	<b>5,890</b>	2,466
Telecommunication expenses	<b>54</b>	112
Advertising expenses	<b>890</b>	277
Other tax expenses	<b>1,341</b>	1,280
Research and development costs		
– Employee benefit expenses	<b>3,115</b>	4,129
– Materials and others, excluding depreciation and amortisation	<b>5,728</b>	3,721
Entertainment expenses	<b>774</b>	450
Auditor's remuneration		
– Audit service	<b>1,396</b>	843
Professional services fee	<b>5,580</b>	3,111
Short term lease expenses	<b>962</b>	–
Other expenses	<b>5,224</b>	4,376
	<b>380,160</b>	218,843

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 8 DIRECTORS' EMOLUMENTS

The Directors' and chief executive's emoluments during the six months ended 30 June 2023 and 2022 are equivalent to key management compensation, and is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fee	234	225
Salaries	717	713
Pension scheme contributions	29	28
	<hr/>	<hr/>
Total compensation paid to key management personnel	980	966
	<hr/>	<hr/>

### 9 FINANCE COSTS – NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	214	178
	<hr/>	<hr/>
Interest expenses		
– Note	(1,638)	(1,691)
– Bank and other borrowings	(3,523)	(1,550)
– Convertible bonds	(2,411)	(2,269)
– Interest expense on lease liabilities	(143)	(113)
	<hr/>	<hr/>
	(7,715)	(5,623)
	<hr/>	<hr/>
Finance costs – net	(7,501)	(5,445)
	<hr/>	<hr/>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 10 INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempt from the payment of the Cayman Islands income tax.

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any tax in the British Virgin Islands.

No provision for profits tax in Hong Kong has been made as the Group has no income assessable for profits tax in Hong Kong during the six months ended 30 June 2023.

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, companies established in the PRC are subject to income tax at a rate of 25% unless preferential rates are applicable. Zhejiang Ludao Technology Company Limited ("Ludao PRC"), an indirectly wholly-owned subsidiary of the Company, was qualified as a High and New Technology Enterprise, and accordingly, it is entitled to a preferential rate of 15% for the three years from 24 December 2022 to 23 December 2025.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	3,775	4,680
Deferred income tax	—	(15)
	<u>3,775</u>	<u>4,665</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 11 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for profit attributable to owners of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purposes of basic earnings per share (RMB'000)	<u>30,253</u>	<u>21,823</u>
Add: interest savings on convertible bonds (RMB'000) <i>(Note)</i>	<u>N/A</u>	<u>N/A</u>
Profit for the period attributable to owners of the Company for the purposes of diluted earnings per share (RMB'000)	<u>30,253</u>	<u>21,823</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (thousands of shares)	<u>491,800</u>	<u>491,800</u>
Effect of dilutive potential ordinary shares: – Convertible bonds (thousands of shares) <i>(Note)</i>	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (thousands of shares)	<u>491,800</u>	<u>491,800</u>

*Note:*

There is no dilutive effect on the convertible bonds as they are anti-dilutive.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 12 RIGHT-OF-USE ASSETS / PROPERTY, PLANT AND EQUIPMENT

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

During the six months ended 30 June 2023, the Group had not entered into any new significant lease agreement.

#### (b) Property, plant and equipment

	2023 RMB'000	2022 RMB'000
Net book amount as at 1 January (Audited)	515,737	278,944
Addition	60,102	247,709
Disposal	(4)	(10)
Written off	–	(11)
Depreciation provided during the period/year	<u>(4,835)</u>	<u>(10,895)</u>
Net book amount as at 30 June (Unaudited)/ 31 December (Audited)	<u>571,000</u>	<u>515,737</u>

As at 30 June 2023, the net book value of construction in progress of approximately RMB481,195,000 (31 December 2022: RMB422,320,000) related to buildings, plant and machinery and office furniture and equipment under construction in Taizhou, the PRC, which will be depreciated once the construction work is completed and available for use. The entire construction in progress project were pledged to secure bank borrowings.

As at 30 June 2023, the Group's buildings with the carrying amount of RMB10,138,000 (31 December 2022: RMB10,112,000) were pledged to secure notes payable and bank borrowings.

As at 30 June 2023, the Group's plant and machinery with an aggregate net carrying amount of RMB6,345,000 (31 December 2022: RMB6,958,000) were held under sale and leaseback liabilities.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 13 TRADE AND OTHER RECEIVABLES

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>Non-current</b>		
Deposits	<u>61</u>	<u>60</u>
<b>Current</b>		
Trade receivables, net (a)	<b>134,600</b>	120,568
Other receivables	<b>124,249</b>	25,041
Prepayment and deposits	<u>12,823</u>	<u>98,008</u>
	<u>271,672</u>	<u>243,617</u>
	<b>271,733</b>	<b>243,677</b>

The fair values of trade and other receivables approximate to their carrying values as at 30 June 2023 and 31 December 2022 respectively.

#### (a) Trade receivables

The credit period granted to customers is between 0 to 360 days. The ageing analysis of the trade receivables from the date of sales is as follows:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Up to 3 months	<b>118,745</b>	58,871
3 to 6 months	<b>17,987</b>	14,193
6 to 12 months	<b>6,270</b>	31,808
Over 12 months	<u>2,199</u>	<u>26,297</u>
	<u>145,201</u>	<u>131,169</u>
Loss allowance for impairment	<u>(10,601)</u>	<u>(10,601)</u>
	<b>134,600</b>	<b>120,568</b>

The Group's sales are mainly made to several major customers and there is a concentration of credit risks. Sales of goods to the top five customers constituted approximately 38% (31 December 2022: 40%) of the Group's revenue for the period. They accounted for approximately 50% (31 December 2022: 20%) of the gross trade receivable balances as at 30 June 2023.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 14 SHARE CAPITAL

	30 June 2023 (Unaudited) and 31 December 2022 (Audited)	
	Number of shares (thousands)	HK\$'000
Authorised Capital:		
Ordinary shares of HK\$0.01 each	<u>2,000,000</u>	<u>20,000</u>
	Number of ordinary shares (of HK\$0.01 each)	RMB'000
Issued and fully paid:		
At 1 January 2022, 30 June 2022 (Unaudited), 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	<u>491,800,000</u>	<u>3,901</u>

All shares issued rank pari passu against each other.

### 15 TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables (a)	41,212	68,821
Notes payable (b)	–	17,173
Deposit received from customers	–	2,966
Other tax payables	508	2,597
Accrued salaries and wages	941	2,850
Accrued interest	263	487
Accrued expenses and others	<u>1,857</u>	<u>8,858</u>
	<u>44,781</u>	<u>103,752</u>

The fair values of trade and other payables approximated to their carrying values as at 30 June 2023 and 31 December 2022 respectively.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 15 TRADE AND OTHER PAYABLES (Continued)

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Up to 3 months	39,813	42,844
3 to 6 months	1,399	9,028
6 to 12 months	–	14,312
Over 12 months	–	2,637
	<b>41,212</b>	<b>68,821</b>

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

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

### 16 NOTE

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Current	–	36,328

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 ("the Guarantor") and is secured by a share charge over 25% equity interest in Ever Clever Group Limited ("Ever Clever").

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 16 NOTE *(Continued)*

During the year ended 31 December 2020, the Company, Prosper One Development Limited, a wholly-owned subsidiary of the Company, Mr. Yu Yuerong, a director of the Company, and the note purchaser, independent parties from each other (collectively referred to as the “Parties”), entered into a supplemental deed (“First Supplemental Deed”) in relation to the extension of maturity date of the Note from 30 May 2020 to 30 May 2021. The Company 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 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.

During the year ended 31 December 2021, the Parties entered into a second supplemental deed (“Second Supplemental Deed”) in relation to the further extension of maturity date of the remaining portions of the Note that were yet to be redeemed from 30 May 2021 to 15 March 2022. The Company has redeemed a portion of the Note in the principal amount of HKD20,000,000 (equivalent to approximately RMB16,632,000), and settled all outstanding interest and administrative fees on the aggregate outstanding principal amount of the Note accrued up to (and including) 30 May 2021. The Company has undertaken to redeem another portion of the Note in the principal amount of HKD20,000,000 (equivalent to approximately RMB16,632,000), and settled all outstanding interest and administrative fees on the aggregate outstanding principal amount of the Note accrued up to (and including) 30 November 2021, which was early settled by the Company in October 2021.

During the year ended 31 December 2022, the Parties entered into a third supplemental deed (“Third Supplemental Deed”) in relation to the extension of maturity date of the Note from 15 March 2022 to 15 March 2023. The Company redeemed a portion of the Note in the principal amount of HKD12,000,000 (equivalent to approximately RMB10,262,000), and settled all outstanding interest and administrative fees on the aggregate outstanding principal amount of the Note accrued up to (and including) 15 March 2022. The Company also has undertaken to redeem another portion of the Note in the principal amount of HKD8,000,000 (equivalent to approximately RMB6,842,000) not later than 15 September 2022. Upon redemption of the said portion, a principal amount of HK\$40,000,000 (equivalent to approximately RMB36,328,000) of the Note, together with any interest and administrative fees that may accrue, will remain due and payable on or before 15 March 2023.

On 13 March 2023, the Company settled the remaining portion of the Note in the principal amount of HKD40,000,000 (equivalent to approximately RMB36,328,000) and settled all outstanding interest and administrative fees on the aggregate outstanding principal amount of the Note.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 17 CONVERTIBLE BONDS

On 4 October 2021, the Company completed the issuance of convertible bonds (the "Convertible Bonds due 2024") in an aggregate principal amount of HK\$93,300,000 (equivalent to approximately RMB77,224,000).

The Convertible Bonds due 2024 is denominated in HKD, bear interest at the rate of 5.87% per annum, payable semi-annually in arrears, and will be matured on three years from the issue date. The holders of Convertible Bonds due 2024 shall have a right to convert the Convertible Bonds due 2024 into ordinary shares of the Company at the conversion price of HKD2.00 per share during the conversion period. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement. The effective interest rate of the liability component of the Convertible Bonds due 2024 is 9.75% per annum.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

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

	<b>Convertible Bonds due 2024</b>		
	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
At 1 January 2022 (Audited)	69,925	7,176	77,101
Interest expense	7,257	–	7,257
Repayment	(4,684)	–	(4,684)
Foreign exchange movements	6,586	–	6,586
	<u>79,084</u>	<u>7,176</u>	<u>86,260</u>
At 31 December 2022 (Audited)			
Interest expense	2,411	–	2,411
Foreign exchange movements	(1,263)	–	(1,263)
	<u>80,232</u>	<u>7,176</u>	<u>87,408</u>
At 30 June 2023 (Unaudited)			

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 18 DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended 30 June 2023 (2022: nil).

### 19 CONTINGENT LIABILITIES

As at 30 June 2023, the Group and the Company had no significant contingent liabilities (31 December 2022: nil).

### 20 COMMITMENTS

#### Capital commitments

The Group's capital expenditure contracted for but not yet incurred is as follows:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Property, plant and equipment	<b>62,548</b>	153,589

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its parent company was a party and in which a Director, the connected party to the Director or a controlling shareholder of the Company had a material interest, either directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period and there were no transactions, arrangements or contracts of significance for the provision of services to the Group by the controlling shareholder of the Company.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR THE ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

#### Long positions in the ordinary shares of the Company (the "Share(s)")

Name of Director	Capacity/ Nature of interests	Number of Shares (Note 1)	Approximate percentage of interests in the Company (Note 2)
Mr. Yu Yuerong ("Mr. Yu")	Interest of a controlled corporation	249,084,000 (Note 3)	50.65%
Mr. Wang Xiaobing	Beneficial owner	1,200,000	0.24%

*Notes:*

- (1) All the interests represent long positions.
- (2) These percentages have been compiled based on the total number of issued Shares (i.e. 491,800,000 Shares) as at 30 June 2023.
- (3) These Shares are held by Ludao China Investments Holdings Limited (“Ludao Investments”), which is wholly and beneficially owned by Mr. Yu.

## SHARE OPTION SCHEME

Pursuant to the share option scheme (“Share Option Scheme”) adopted by the Company on 16 September 2013, the Directors may invite participants to take up options at a price determined by the Board provided that it shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the offer date of the relevant option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (a “Trading Day”); (ii) an amount equivalent to the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the 5 Trading Days immediately preceding the offer date of the relevant option; and (iii) the nominal value of a Share on the offer date.

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the Shareholders passed on 16 September 2013 are set out below:

The Share Option Scheme is a share incentive scheme and is established to recognise and motivate the contributions that Eligible Participants (as defined below) have made or may make to our Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives:

- (a) motivate the Eligible Participants to optimize their performance and efficiency for the benefit of our Group; and
- (b) attract and retain or otherwise maintain ongoing business relationships with the Eligible participants whose contributions are, will or expected to be beneficial to our Group.

For the purpose of the Share Option Scheme, “Eligible Participant(s)” means any person who satisfies the eligibility criteria in below. The Board may at its discretion grant options to:

- (i) any Eligible Employees. “Eligible Employees” means employees (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which our Group holds at least 20% of its issued share capital (“Invested Entity”);
- (ii) any non-executive directors (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of our Group or any Invested Entity;
- (iv) any customer of any member of our Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vii) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, options may be granted to any company wholly owned by one or more Eligible Participants.

The basis of eligibility of any participant to be granted any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.



An offer for the grant of options shall be deemed to have been accepted when our Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK\$1.00 (or such other nominal sum in any currency as the Board may determine) in favor of our Company as consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Eligible Participant.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 40,000,000 Shares, representing 10% of the total number of Shares in issue as at the date of adopting the Share Option Scheme unless the Company obtains a fresh approval from the Shareholders.

The maximum entitlement for any one participant is that the total number of the Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to each participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue unless otherwise approved by the Shareholders at a general meeting of the Company.

The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the board of Directors to the grantee at the time of making an offer which shall not expire later than 10 years from the offer date.

The Share Option Scheme was adopted for a period of 10 years commencing from 16 September 2013 and will remain in force until 15 September 2023. After the expiration of the Share Option Scheme on 15 September 2023, no further options can be granted under it.

As at 30 June 2023 and to the date of this report, the Company does not have any share options outstanding for issue under the Share Option Scheme.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the following persons or corporations (other than a Director or chief executive of the Company), other than those disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or the Associated Corporations", had notified the Company of its interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept under Section 336 of the SFO:

### Long position in the Shares and underlying shares of the Company

Name of Shareholders	Capacity/ Nature of interests	Number of Shares and underlying shares (Note 1)	Approximate percentage of interests of the Company (Note 2)
Ludao Investments (Note 3)	Beneficial owner	249,084,000	50.65%
Ms. Wang Jinfei (Note 3)	Interest of spouse	249,084,000	50.65%
Perfect Century Group Limited (Note 4)	Beneficial owner	35,400,000	7.20%

Notes:

- (1) All the interests represent long positions.
- (2) These percentages have been compiled based on the total number of issued Shares (i.e. 491,800,000 Shares) as at 30 June 2023.
- (3) Ludao Investments is a company incorporated in the British Virgin Islands, and is solely and beneficially owned by Mr. Yu, the chairman and an executive Director. Ms. Wang Jinfei is the spouse of Mr. Yu and is therefore deemed to be interested in all the Shares held by Mr. Yu (through Ludao Investments) by virtue of the SFO.
- (4) Perfect Century Group Limited is interested in 35,400,000 Shares which include 11,800,000 Shares and 23,600,000 underlying shares to be derived from the convertible bonds of a principal amount of RMB32 million (equivalent to HK\$37.76 million) issued by the Company on 29 March 2018 at the conversion price of HK\$1.60 per share.



Pursuant to the judgment made by the High Court of Hong Kong on 21 December 2021, the Company and Prosper One Development Limited are entitled to cancel and avoid or procure the cancellation and avoidance of the convertible bond issued by the Company to the Perfect Century Group Limited in the principal amount of RMB32 million. Accordingly, Perfect Century Group Limited is no longer entitled to convert the bond in the sum of RMB32 million into 23,600,000 underlying shares. As at the date of this report, the Company has not received any further notification from Perfect Century Group Limited in respect of any changes to notifiable interest.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2023.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

None of the Directors or any of their respective associates is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Reporting Period and up to and including the date of this report.

Each of Mr. Yu and Ludao Investments (hereinafter referred to as the "Controlling Shareholders"), had entered into a deed of non-competition dated 16 September 2013 (the "Deed of Non-competition") in favour of the Company (for itself and on behalf of all members of the Group), pursuant to which, each of the Controlling Shareholders would not, and would procure his/its associates not to (other than through the Group or in respect of each covenantor (together with his/its associates), as a holder of more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which may be in competition with the business carried on by the Group from time to time, except where the Company's approval is obtained.

In order to ensure the Controlling Shareholders have complied with the Deed of Non-competition, each of the Controlling Shareholders has provided to the Company a written confirmation (i) in respect of his/its compliance with the Deed of Non-competition for the Reporting Period and no personal interests were ever declared by any Controlling Shareholders who are also Directors at the Directors' meetings; and (ii) stating that they have not entered into any business which may be in competition with the business carried on by the Group from time to time. As there was no change in terms of the undertaking since the Company's listing on the Stock Exchange, the Board is of the view that the Controlling Shareholders have complied with the Deed of Non-competition and no matters are required to bring to the attention to the public.

## ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in paragraph headed “Share Option Scheme” of this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of share in or debentures of the Company granted to any Directors of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established with written terms of reference which has been adopted for the purpose of making recommendations to the Board on the appointment, re-appointment and removal of the external independent auditor, and question any of its resignation or dismissal. It is also responsible for reviewing and providing supervision on the financial reporting process, risk management and internal controls procedures of the Group. 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.

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed internal controls and risk management review and process and financial reporting matters. The Audit Committee has also reviewed this report together with the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

## REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was set up to consider and approve the remuneration packages of the Directors and senior management of the Group, including the terms of salary and bonus schemes and other long-term incentive schemes. The Remuneration Committee currently comprises of four members, being three are independent non-executive Directors, namely, Mr. Chan Yin Tsung, (being the chairman of the Remuneration Committee), Mr. Ruan Lianfa, Ms. Yau Kit Kuen Jean and one executive Director, Mr. Yu.



## NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) reviews the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, or professional experience) of the Board from time to time and recommends to the Board on appointments of Directors and the succession plan for Directors. The Nomination Committee currently comprises of four members, being three are 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.

## CORPORATE GOVERNANCE FUNCTIONS

The Board delegated the corporate governance functions to a professional firm as an independent compliance adviser. The compliance adviser is responsible for the corporate governance duties as follows: (a) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company’s compliance with the Corporate Governance Code (the “CG Code”) and disclosure in the Corporate Governance Report.

## CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, in the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code as set out in Appendix 14 to the Listing Rules except CG Code provision as below.

Pursuant to CG Code, the role(s) of chairman and chief executive should be separate and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Yu Yuerong (“Mr. Yu”), the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role, Mr. Yu 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 market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors 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.

## SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct of the Group regarding Directors' securities transactions for the six months ended 30 June 2023. The Company has made specific enquiry with all Directors and the Directors confirmed that they had complied with the required standard set out in the Model Code during the Reporting Period.

By order of the Board

**China Ludao Technology Company Limited**

**Yu Yuerong**

*Chairman and Executive Director*

Hong Kong

30 August 2023