Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

FURTHER UPDATE ON PROFIT GUARANTEE CONCERNING THE DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 25% EQUITY INTEREST OF EVER CLEVER GROUP LIMITED

Reference is made to the announcement of the Company dated 23 August 2018 (the "**Announcement**") in relation to, amongst other things, the profit guarantee concerning the acquisition of 25% equity interest of Ever Clever Group Limited. Terms used herein shall have the same meanings as defined in the Announcement unless otherwise specified.

As mentioned in the Announcement, the Group is unable to obtain the audited financial statements of HGRL for the First Guarantee Period as, according to the Vendor, all books and records together with the supporting documents of HGRL have been seized by the Public Security Bureau in the PRC. As early as on 1 June 2018 (i.e. before the due date for the delivery of the audited financial statement by the Vendor), the Company issued a reminder to the Vendor to provide the audited financial statements of HGRL by 29 June 2018. The Vendor agreed that in the event such audited financial statements could not be provided by 20 July 2018, the Vendor would provide assistance to allow the Company's auditors to conduct audit of HGRL at its expense. As the audited financial statements of HGRL were not provided on 20 July 2018, the Group arranged the auditors to visit HGRL on 31 July 2018 to proceed with the audit. However, the auditors reported that they could not commence the audit work as no arrangement was made by the Vendor to facilitate its audit and no financial information of HGRL was provided to them.

The failure to provide the audited financial statements of HGRL for the First Guarantee Period to the Group is a breach of the Sale and Purchase Agreement by the Vendor. There is no provision in the Sale and Purchase Agreement that the Group could deem HGRL to have no profit for the purpose of the profit guarantee for the First Guarantee Period due to the lack of audited financial information provided by the Vendor. The Directors consider that it is only a matter of time for the Group to obtain the financial information of HGRL in order to assess if the profit guarantee given by the Vendor for the First Guarantee Period can be met, as the Group may eventually obtain such information through, for example, legal means to be instituted by the Group against the Vendor, the financial information to be tabled at the annual general meeting of the intermediate Hong Kong company within the Target Group in due course as required under the relevant laws and regulations, or upon the return of the books and records of HGRL by the Public Security Bureau after completion of the investigation.

As mentioned in the Announcement, the Company is taking all necessary steps to address this issue. If the unavailability of the financial information of HGRL is proved to be caused by the lawful seizure by the enforcement agency as alleged by the Vendor, the Group may have to wait until the books and records of HGRL are returned when the criminal investigation is finished. In light of the circumstances, the Company is requesting the Vendor to arrange HGRL to re-compile the financial information of HGRL for the First Guarantee Period if possible and to provide more information and updates on the criminal case. No specific deadline is imposed on the Vendor to provide the financial information of HGRL as it will depend on when the criminal investigation is completed and how long it would take for the re-compilation of the financial information of HGRL (if possible) to be replied by the Vendor. The Company is seeking legal advice for taking any possible action(s) against the Vendor and/or the Target Group. Taking into account that: (i) the Vendor is the major shareholder of Ever Clever, (ii) the ultimate controller of the Vendor has long relationship with the management of the Target Group; (iii) the Group will continue to rely on the Vendor to provide financial information of the Target Group for the two twelve-month periods ending 31 March 2019 and 2020; and (iv) the Vendor has been responsive in general to the Company's requests and enquiries so far, the Group has no intention at this stage to enforce the share charge given by the Vendor in favour of the Group under the Sale and Purchase Agreement immediately unless the Vendor is not cooperative. If the financial information of HGRL is still not available by the year end, there is a possibility that the auditors of the Company would issue a qualified opinion on the Company's financial statements, in which event the Company will have no choice but to institute legal action against the Vendor/Target Company and/or enforce the share charge given by the Vendor under the Sale and Purchase Agreement.

Further announcement will be made by the Company as and when appropriate when relevant financial information of the Target Group is obtained and/or if there is any action taken by the Company in this regard.

By order of the Board
China Ludao Technology Company Limited
中國綠島科技有限公司
Mr. Yu Yuerong
Chairman and executive Director

Hong Kong, 4 September 2018

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Yu Yuerong, Mr. Tan Xiangdong, Mr. Chen Baoyuan, Ms. Pan Yili and Mr. Wang Xiaobing; one non-executive Director, namely Mr. Tian Tingshan and three independent non-executive Directors, namely Mr. Chan Yin Tsung, Mr. Ruan Lianfa and Ms. Yau Kit Kuen Jean.