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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)

UPDATE ON PROFIT GUARANTEE CONCERNING THE DISCLOSEABLE TRANSACTION IN RELATION TO EVER CLEVER GROUP LIMITED

Reference is made to the announcements of the Company dated 29 November 2017, 5 December 2017, 23 August 2018, 4 September 2018, 25 October 2019, 17 January 2020 and 20 August 2020 (the "**Announcements**") in relation to, amongst other things, the profit guarantee concerning the acquisition of 25% equity interest of Ever Clever Group Limited ("**EC**"). Terms used herein shall have the same meanings as defined in the Announcements unless otherwise specified.

As disclosed in the Announcements, the EC Vendor has failed to fulfill its obligations under the EC Agreement to deliver the audited financial statements of HGRL for all three financial years in accordance with the terms of the EC Agreement (the last one being due to be delivered by 30 June 2020) for an unreasonably long period of time.

As a result of the breach of the EC Vendor's obligations under the EC Agreement to deliver the audited financial statements of HGRL and its failure to evidence or prove the fililment of the EC Profit Guarantee for all three financial years, the compensation as calculated using the formula set out in the EC Agreement has become due and payable by the EC Vendor. Therefore, the Board has resolved to exercise the rights of the Company under the EC Agreement on 15 September 2020 (i) to cancel and has cancelled the Convertible Bonds in the aggregate principal amount of RMB32 million (equivalent to HK$37.76 million) issued by the Company to the EC Vendor; and (ii) to enforce the share charge executed by the EC Vendor in favour of the Group in respect of the 2,500 shares of EC against the EC Vendor.

In respect of the shortfall in the amount of compensation payable by the EC Vendor, the legal adviser of the Company is in preparation of initiating legal action against the EC Vendor in Hong Kong for, among other matters, breach of the EC Agreement.

Further announcement(s) will be made by the Company on the progress of the enforcement of its rights under the EC Agreement as and when appropriate.

By order of the Board
China Ludao Technology Company Limited
Mr. Yu Yuerong
Chairman and executive Director

Hong Kong, 16 September 2020

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; and three independent non-executive directors, namely Mr. Chan Yin Tsung, Mr. Ruan Lianfa and Ms. Yau Kit Kuen Jean.