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LITU HOLDINGS LIMITED

力圖控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1008)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Litu Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Revenue	3	984,495	1,158,852
Cost of sales		(881,418)	(997,365)
Gross profit		103,077	161,487
Other income	4	51,782	41,575
Other net gains and losses	5	16,749	(104,983)
Reversal of loss allowance on trade and other receivables and contract assets, net		74	2,486
Selling and distribution expenses		(24,632)	(26,180)
Administrative expenses		(119,588)	(113,725)
Finance costs	6	(10,199)	(14,416)
Share of result of associates		1,573	70,126
Share of result of a joint venture		38	(83)

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation	8	18,874	16,287
Taxation	7	<u>(9,459)</u>	<u>(5,665)</u>
Profit for the year		<u>9,415</u>	<u>10,622</u>
Other comprehensive (loss) income			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences arising from translation from functional currency to presentation currency		(171,120)	37,479
Share of other comprehensive (loss) income of associates		(34,805)	12,213
Share of other comprehensive income of a joint venture		<u>–</u>	<u>228</u>
Total other comprehensive (loss) income		<u>(205,925)</u>	<u>49,920</u>
Total comprehensive (loss) income for the year		<u>(196,510)</u>	<u>60,542</u>
Profit for the year attributable to:			
Owners of the Company		6,204	8,628
Non-controlling interests		<u>3,211</u>	<u>1,994</u>
		<u>9,415</u>	<u>10,622</u>
Total comprehensive (loss) income attributable to:			
Owners of the Company		(197,000)	57,230
Non-controlling interests		<u>490</u>	<u>3,312</u>
		<u>(196,510)</u>	<u>60,542</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share			
Basic and diluted	9	<u>0.004</u>	<u>0.006</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		914,396	887,241
Right-of-use assets		86,100	103,347
Investment properties		145,148	55,780
Goodwill		728,704	797,504
Intangible assets		2,231	32,279
Interest in an associate		335,495	455,869
Interest in a joint venture		–	8,559
Deferred tax assets		15,223	5,895
Rental and other deposits paid		5,848	3,889
		<u>2,233,145</u>	<u>2,350,363</u>
Current assets			
Inventories		102,683	121,648
Trade receivables	<i>11</i>	363,892	364,539
Contract assets		33,799	144,569
Other receivables, prepayments and refundable deposits		33,791	57,013
Tax recoverable		6,918	4,271
Structured deposits		2,629	–
Pledged bank deposits		104,512	11,488
Bank balances and cash		313,292	440,350
		<u>961,516</u>	<u>1,143,878</u>
Current liabilities			
Trade payables	<i>12</i>	243,182	256,211
Other payables and accruals		120,336	133,458
Lease liabilities		–	333
Amount due to a non-controlling interest of a subsidiary		4,233	2,552
Bank borrowings		266,633	342,428
Income tax payable		6,064	10,748
		<u>640,448</u>	<u>745,730</u>
Net current assets		<u>321,068</u>	<u>398,148</u>
Total assets less current liabilities		<u>2,554,213</u>	<u>2,748,511</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Government grants	22,058	25,931
Deferred tax liabilities	57,018	49,000
	<u>79,076</u>	<u>74,931</u>
NET ASSETS	<u>2,475,137</u>	<u>2,673,580</u>
Capital and reserves		
Share capital	7,839	7,839
Reserves	2,442,048	2,639,048
	<u>2,449,887</u>	<u>2,646,887</u>
Equity attributable to owners of the Company	2,449,887	2,646,887
Non-controlling interests	25,250	26,693
	<u>2,475,137</u>	<u>2,673,580</u>
TOTAL EQUITY	<u>2,475,137</u>	<u>2,673,580</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

Litu Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 11 November 2008 as an exempted company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate controlling party is Mr. Cai Xiao Ming, David (the “Controlling Shareholder”). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the 2022 annual report of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are engaged in provision of the printing of cigarette packages, manufacturing of paper packaging materials, manufacturing of laminated papers, sales of radio frequency identification (“RFID”) products, printing of packages and decoration matters, research and development on printing technology, wholesale, import and export of the packaging products and other related services.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is different from the Company’s functional currency of Renminbi (“RMB”). The directors of the Company adopted HK\$ as presentation currency. For the convenience of the consolidated financial statements users, the consolidated financial statements are presented in HK\$, as the Company’s shares are listed on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements to HKFRSs — 2018-2020 Cycle

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent — i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent’s date of transition to HKFRSs.

HKFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

This amendment clarifies that — for the purpose of performing the “10 per cent test” for derecognition of financial liabilities — in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Future changes in HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Disclosure of Accounting Policies ⁽¹⁾
Amendments to HKAS 8	Definition of Accounting Estimates ⁽¹⁾
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽¹⁾
HKFRS 17	Insurance Contracts ⁽¹⁾
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information ⁽¹⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁽²⁾
Amendments to HKAS 1	Non-current Liabilities with Covenants ⁽²⁾
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ⁽²⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2023

⁽²⁾ Effective for annual periods beginning on or after 1 January 2024

⁽³⁾ The effective date to be determined

The directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results of the Group.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Printing and manufacturing of paper packages and related materials		
— Printing of cigarette packages	683,123	871,855
— Manufacturing of paper packaging materials	204,912	168,076
— Manufacturing of laminated papers	22	13,523
Sales of RFID products	96,438	105,398
	<u>984,495</u>	<u>1,158,852</u>
Total revenue	<u>984,495</u>	<u>1,158,852</u>

Timing of revenue recognition

	Printing of cigarette packages <i>HK\$'000</i>	Manufacturing of paper packaging materials <i>HK\$'000</i>	Manufacturing of laminated papers <i>HK\$'000</i>	Sales of RFID products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022					
At a point in time	–	204,912	–	96,438	301,350
Over time	<u>683,123</u>	<u>–</u>	<u>22</u>	<u>–</u>	<u>683,145</u>
	<u>683,123</u>	<u>204,912</u>	<u>22</u>	<u>96,438</u>	<u>984,495</u>
Year ended 31 December 2021					
At a point in time	–	168,076	–	105,398	273,474
Over time	<u>871,855</u>	<u>–</u>	<u>13,523</u>	<u>–</u>	<u>885,378</u>
	<u>871,855</u>	<u>168,076</u>	<u>13,523</u>	<u>105,398</u>	<u>1,158,852</u>

Geographical market

	Printing of cigarette packages <i>HK\$'000</i>	Manufacturing of paper packaging materials <i>HK\$'000</i>	Manufacturing of laminated papers <i>HK\$'000</i>	Sales of RFID products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022					
The People's Republic of China ("PRC")	683,123	204,912	22	77,389	965,446
Others (<i>Note</i>)	-	-	-	19,049	19,049
	<u>683,123</u>	<u>204,912</u>	<u>22</u>	<u>96,438</u>	<u>984,495</u>
Year ended 31 December 2021					
The PRC	871,855	168,076	13,523	79,555	1,133,009
Others (<i>Note</i>)	-	-	-	25,843	25,843
	<u>871,855</u>	<u>168,076</u>	<u>13,523</u>	<u>105,398</u>	<u>1,158,852</u>

Note: Others mainly included Federative Republic of Brazil, India, the Republic of Türkiye, the Portuguese Republic, the Republic of the Marshall Islands and the Republic of Korea (2021: Republic of Indonesia, the United States of America and the Republic of Korea).

4. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income on bank deposits	3,940	5,230
Sales of scrap materials	6,309	7,556
Processing fee income	254	6,778
Rental income, net of direct expenses	15,355	6,275
Government grants (<i>Note</i>)	18,897	11,559
Write off of other payables	1,245	-
Sundry income	5,782	4,177
	<u>51,782</u>	<u>41,575</u>

Note: Government grants were received from the government of the PRC mainly as incentives granted by local authority for encouragement of its business development and innovation except for an amount of approximately HK\$1,882,000 (2021: HK\$3,325,000) which was granted for the acquisition of property, plant and equipment. These grants are accounted for as financial support with no future related costs expected to be incurred nor related to any assets.

During the current year, the Group recognised government grants of approximately HK\$207,000 (2021: HK\$nil) in respect of Covid-19-related subsidies.

5. OTHER NET GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net foreign exchange gains	1,231	6,200
Fair value gain on realised structured deposits	784	285
Gain on disposal of an associate	–	4,116
Gain on disposal of intangible assets	35	–
Gain on disposal of property, plant and equipment	4,879	1,760
Impairment loss on goodwill	–	(96,531)
Loss on deregistration of a joint venture	(801)	–
Others	10,621	(20,813)
	<u>16,749</u>	<u>(104,983)</u>

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on bank borrowings and overdrafts	10,199	14,378
Imputed interest expenses on lease liabilities	–	38
	<u>10,199</u>	<u>14,416</u>

7. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
The PRC		
Enterprise Income Tax (“EIT”)	3,491	3,300
Overprovision of EIT in prior years	(924)	(6,960)
	<u>2,567</u>	<u>(3,660)</u>
Deferred tax		
Origination and reversal of temporary differences	16,184	9,325
Benefit of tax loss recognised	(9,292)	–
	<u>6,892</u>	<u>9,325</u>
	<u>9,459</u>	<u>5,665</u>

Hong Kong Profits Tax has not been provided as the Group's profits neither arose in, nor derived from, Hong Kong.

The PRC EIT is calculated at the applicable prevailing tax rates from 15% to 25% (2021: 15% to 25%) in the PRC. Pursuant to the "Enterprise Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises", some PRC subsidiaries, being a High-Tech Enterprise, were entitled to a reduced EIT rate of 15% for three years from the date of approval.

Upon the New Tax Law and Implementation Regulations coming into effect, the PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries, associates and a joint venture to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5%. Deferred taxation has been provided on undistributed earnings of all subsidiaries and associates.

8. PROFIT BEFORE TAXATION

This is stated after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Staff costs, including directors' remuneration		
Salaries and other benefits	92,872	128,672
Contributions to retirement benefits schemes	7,006	11,106
Contractual termination benefit	27,378	15,678
	<u>127,256</u>	<u>155,456</u>
Total staff costs		
	<u>127,256</u>	<u>155,456</u>
Auditor's remuneration	1,800	2,100
Cost of inventories	646,907	779,255
Amortisation of intangible assets (included in cost of sales and administrative expenses)	23,740	40,254
Depreciation		
— property, plant and equipment	104,186	97,148
— right-of-use assets	2,480	3,616
— investment properties	6,834	4,048
	<u>137,240</u>	<u>145,066</u>
Total depreciation and amortisation		
	<u>137,240</u>	<u>145,066</u>
Research expenses (included in cost of sales)	46,347	58,740
Direct operating expenses arising from investment properties that generated rental income (included in other income)	15,831	13,906
	<u>15,831</u>	<u>13,906</u>

9. EARNINGS PER SHARE

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

	2022	2021
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (<i>HK\$'000</i>)	<u>6,204</u>	<u>8,628</u>
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share (<i>'000</i>)	<u>1,567,885</u>	<u>1,567,885</u>

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 December 2022 and 2021.

10. DIVIDENDS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 final dividend, paid at HK10.00 cents per share	<u>–</u>	<u>156,789</u>

The final dividend of HK4 cents per share in respect of the year ended 31 December 2022, amounting to approximately HK\$62,715,000 has been proposed by the directors of the Company and is subject to approval by the shareholders in the annual general meeting.

The directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2021.

11. TRADE RECEIVABLES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
— third parties	345,437	353,404
— an associate	<u>24,808</u>	<u>18,079</u>
	370,245	371,483
Less: allowance for credit losses	<u>(6,353)</u>	<u>(6,944)</u>
	<u>363,892</u>	<u>364,539</u>

The Group allows a credit period of 60 days to 90 days to its trade customers. The following is an ageing analysis of trade receivables presented based on the date of goods delivery/invoice at the end of the reporting period, which approximated revenue recognition dates except for receivables arising from printing of cigarette packages and manufacturing of laminated papers which are recognised over time upon application of HKFRS 15.

At the end of the reporting period, the ageing analysis of trade receivables (before allowance for credit losses) by invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	341,279	338,432
91 to 180 days	19,415	22,075
181 to 365 days	5,275	2,509
Over 365 days	4,276	8,467
	<u>370,245</u>	<u>371,483</u>

12. TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables — third parties	243,182	256,211
	<u>243,182</u>	<u>256,211</u>

The following is an ageing analysis of trade payables presented based on the date of goods receipt/invoice at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	98,959	134,358
31 to 90 days	113,218	91,763
91 to 180 days	30,228	28,784
181 to 365 days	478	517
Over 365 days	299	789
	<u>243,182</u>	<u>256,211</u>

The credit period on purchases of goods ranges from 30 days to 180 days. The Group monitors and maintains a level of cash and cash equivalents sufficient to ensure that all payables are within the credit time frame.

As at 31 December 2022, bills payables amounting to HK\$54,723,000 (2021: HK\$22,408,000) were transferred to suppliers for settling trade payables.

BUSINESS REVIEW

In 2022, the gross domestic product (GDP) of the People's Republic of China (the "PRC") increased by 3.0% compared to the previous year, but was lower than the increase of 8.1% in 2021 and the growth target of around 5.5% at the beginning of the year. In 2022, the GDP per capita of the PRC reached RMB85,698.

In 2022, PRC cigarette production increased by 0.55% year-on-year and cigarette sales in PRC increased by 0.46% year-on-year. However, given the decrease in tendering price under the mandatory tendering policy in the cigarette industry and the increase in raw material prices, the Group was subject to considerable operating pressure under intensifying industry competition. Total revenue of the Group decreased by 15.0% from approximately HK\$1,158.9 million in 2021 to approximately HK\$984.5 million in 2022, and gross profit margin also decreased from 13.9% in 2021 to 10.5% in 2022. In respect of the downstream tendering policy, during the year, the Group has already established a specific team to plan and organise the tendering among the subsidiaries. At the same time, the Group has strengthened production cost control, improved production efficiency and enhanced inventory management, in order to cope with the challenges to profitability.

Since December 2020, the unsuccessful bid in the tender of some customers for the orders in the coming years has and is expected in the coming years to have an adverse financial impact on the overall revenue and profitability of the Group. The financial position and performance of the Group were affected in different aspects, including the decrease in revenue and gross profit arising from printing of cigarette packages business.

FINANCIAL REVIEW

REVENUE

The Group recorded a total revenue of approximately HK\$984.5 million in 2022, representing a decrease of 15.0% as compared to approximately HK\$1,158.9 million in 2021. The revenue was generated from two business segments: (i) the printing and manufacturing of paper packages and related materials of approximately HK\$888.1 million (2021: HK\$1,053.5 million) and (ii) sales of RFID products of approximately HK\$96.4 million (2021: HK\$105.4 million). The revenue from the printing and manufacturing of paper packages and related materials segment accounted for approximately 90.2% of the total revenue for 2022 (2021: 90.9%). The decrease in total revenue was mainly attributable to the decrease in business volume of printing of cigarette packages as a result of the failure of one of the subsidiaries of the Company to bid its tender for orders from some of its major customers. Indeed, the depreciation of average rate of RMB against HKD of roughly 4.0% comparing with the corresponding period of 2021 has increased such downside effect.

GROSS PROFIT

Gross profit decreased by 36.2% from approximately HK\$161.5 million for the year ended 31 December 2021 to approximately HK\$103.1 million for the year ended 31 December 2022, primarily due to the decrease in revenue and increase in raw material price. Despite the implementation of the cost reduction and efficiency measures during the year under review, the gross profit margin still decreased from 13.9% for the year ended 31 December 2021 to 10.5% for the year ended 31 December 2022. The average selling price was also subject to pressure induced by the ongoing mandatory tendering system.

OTHER INCOME

Other income increased by 24.6% from approximately HK\$41.6 million for the year ended 31 December 2021 to approximately HK\$51.8 million for the year ended 31 December 2022 due to the increase in various government grants of approximately HK\$7.3 million, the increase in rental income (net of direct operating expenses) of approximately HK\$9.1 million and the decrease in processing fee income of approximately HK\$6.5 million.

OTHER NET GAINS AND LOSSES

Other net gains and losses improved from loss of approximately HK\$105.0 million for the year ended 31 December 2021 to gain of approximately HK\$16.7 million for the year ended 31 December 2022, which was mainly attributable to the decrease in impairment losses on goodwill by approximately HK\$96.5 million.

For the year ended 31 December 2021, the Group has recognised impairment losses on goodwill of approximately HK\$96.5 million of which approximately HK\$93.3 million for one of the cash generating units engaged in printing and manufacturing of paper packages and related materials, as its recoverable amount was less than the carrying value as at 31 December 2021.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses decreased by 5.9% from approximately HK\$26.2 million for the year ended 31 December 2021 to approximately HK\$24.6 million for the year ended 31 December 2022 which was primarily attributable to reduction of entertainment expenses.

ADMINISTRATIVE EXPENSES

The administrative expenses increased by 5.2% from approximately HK\$113.7 million for the year ended 31 December 2021 to approximately HK\$119.6 million for the year ended 31 December 2022.

The increase was mainly attributable to the increase in contractual termination benefit in 2022 and the increase in depreciation due to the acquisition of Eagle Swift Limited, which was completed on 26 January 2022.

FINANCE COSTS

The finance costs decreased by 29.3% from approximately HK\$14.4 million for the year ended 31 December 2021 to approximately HK\$10.2 million for the year ended 31 December 2022.

The decrease was mainly due to decrease in the average bank borrowings rate and average bank borrowings balance in 2022. The Group has implemented plans to improve its bank loan portfolio by the replacement of existing facilities with new bank loan with lower interest rate.

SHARE OF RESULT OF ASSOCIATES

The share of result of associates decreased by 97.8% from approximately HK\$70.1 million for the year ended 31 December 2021 to approximately HK\$1.6 million for the year ended 31 December 2022 due to the deterioration in profitability of the Group's major associate namely Changde Gold Roc Printing Co., Ltd. ("Changde Gold Roc"). Changde Gold Roc is principally engaged in the provision of cigarette printing package services. The Group beneficially owns RMB50,546,120 of its paid up capital, representing 31% of the total paid up capital of RMB163,052,000. The carrying amount of the Group's interest in Changde Gold Roc was approximately HK\$335.5 million as at 31 December 2022 (2021: approximately HK\$455.9 million). The decrease in carrying amount was mainly due to the net effect of the Group received dividend of approximately HK\$87.1 million (2021: HK\$76.8 million) from Changde Gold Roc, the depreciation of the closing rate of RMB against HKD of roughly 7.9% comparing with the corresponding period of 2021 and the decrease in the share of result from Changde Gold Roc. The Group holds the investment in Changde Gold Roc for stable earnings and dividend income in view of its stable business with the local customers.

Save for Changde Gold Roc, there were no significant investments held by the Group with a value of 5% or more of the Group's total assets as at 31 December 2022.

TAXATION

The effective tax rate of the Group increased from 34.8% in 2021 to 50.1% in 2022. Such increase was primarily due to the decrease in overprovision of enterprise income tax in prior years.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the foregoing, the profit attributable to the owners of the Company decreased by 28.1% from approximately HK\$8.6 million for the year ended 31 December 2021 to approximately HK\$6.2 million for the year ended 31 December 2022.

OTHER PERFORMANCE INDICATORS

The following table sets forth other performance indicators of the Group as at the dates or for the years indicated:

	As at or for the year ended 31 December	
	2022	2021
Current Ratio (<i>Note 1</i>)	1.5 times	1.5 times
Quick Ratio (<i>Note 2</i>)	1.3 times	1.4 times
Return on equity (<i>Note 3</i>)	0.2%	0.3%
Return on total assets (<i>Note 4</i>)	0.2%	0.2%

Notes:

- (1) Current ratio is calculated based on total current assets of the Group divided by total current liabilities of the Group as at the end of the respective year.
- (2) Quick ratio is calculated based on total current assets of the Group less inventories of the Group divided by total current liabilities of the Group as at the end of the respective year.
- (3) Return on equity is calculated by dividing profit attributable to owners of the Company for the year by the arithmetic mean of the opening and closing balance of total equity attributable to owners of the Company.
- (4) Return on total assets is calculated by dividing profit attributable to owners of the Company for the year by the arithmetic mean of the opening and closing balance of total assets of the Group.

Current ratio and quick ratio

The Group's current ratio and quick ratio as at 31 December 2022 remained relatively stable at 1.5 times (2021: 1.5 times) and 1.3 times (2021: 1.4 times), respectively.

Return on equity and return on total assets

The Group's return on equity decreased from 0.3% in 2021 to 0.2% in 2022 and the Group's return on total assets remained at 0.2% in 2021 and 2022. The decrease of the Group's return on equity was primarily due to the decrease in the profit attributable to owners of the Company for 2022 as compared to that of 2021.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position remains solid and the Group possessed sufficient cash to meet its commitments and working capital requirements. As at 31 December 2022, the Group had net current assets of approximately HK\$321.1 million (2021: approximately HK\$398.1 million) of which bank balances and cash were approximately HK\$313.3 million (2021: approximately HK\$440.4 million) and were denominated in RMB, US\$ and HK\$ as at 31 December 2022.

As at 31 December 2022, the Group had outstanding bank borrowings of approximately HK\$266.6 million (2021: approximately HK\$342.4 million). The Group is with net cash of approximately HK\$137.9 million (2021: approximately HK\$106.9 million). The gearing ratio as at 31 December 2022 was -5.6% (2021: -4.0%), which is calculated by dividing the net cash by the total equity. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments during the year.

CHARGES ON ASSETS

As at 31 December 2022, bank deposits with gross carrying amounts of approximately HK\$104.5 million (31 December 2021: HK\$11.5 million) were pledged to banks for bank facilities of bills payables granted to the Group.

As at 31 December 2022, the bank loan facilities granted to the Group were secured by the Group's property, plant and equipment with carrying value of approximately HK\$147.2 million, investment properties with carrying value of approximately HK\$77.4 million and corporate guarantee issued by the Company (2021: trade receivables with gross carrying amount of approximately HK\$11,813,000).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2022.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital commitment amounted to approximately HK\$7.4 million (31 December 2021: approximately HK\$268.6 million) in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements and was mainly related to the development of industrial park.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year of 2022. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its existing customers from time to time. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIALS INVESTMENTS OR CAPITAL ASSETS

Save for Changde Gold Roc, the particulars of which are disclosed in the above section headed "Share of result of associates", and as disclosed below, there were no significant investments held, and no material acquisitions or disposals of subsidiaries, an associate and a joint venture by the Group during the year ended 31 December 2022.

On 21 October 2021, the Company entered into a sale and purchase agreement with Mr. Cai Xiao Ming, David, a controlling shareholder of the Company interested in approximately 57.5% of the issued share capital of the Company and hence a connected person of the Company within the meaning of the Listing Rules, in relation to the acquisition by the Group of the entire issued share capital of Eagle Swift Limited and all obligations, liabilities and debts owing or incurred by Eagle Swift Limited to Mr. Cai Xiao Ming David and his associates for an aggregate cash consideration of HK\$233,000,000. The only significant asset of Eagle Swift Limited is a property located in Hong Kong. All conditions precedent as stated in the sale and purchase agreement were fulfilled and completion took place on 26 January 2022. After completion, Eagle Swift Limited has become a wholly-owned subsidiary of the Company. Details of the acquisition are set out in the announcements of the Company dated 21 October 2021 and 26 January 2022.

Save as disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

HUMAN RESOURCES

As at 31 December 2022, the Group had 663 employees (2021: 978). The total remuneration cost incurred by the Group for the year ended 31 December 2022 was approximately HK\$127.3 million (2021: approximately HK\$155.5 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group participates in a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' base salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with the applicable laws and regulations in the PRC.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

No important events affecting the Group have taken place since 31 December 2022 and up to the date of this announcement.

PROSPECTS

With the further relaxation of COVID-19 control policies in PRC in December 2022 and the orderly issue of various policies and measures to help PRC's economy to stabilise and recover in 2023, the global economy and PRC's economy outlook remain uncertain due to global inflation, intensifying competition between the United States and the PRC on various fronts, the ongoing war between Russia and Ukraine and the uncertainty of monetary policies of the U.S. Federal Reserve, all of which may have an adverse effect on the PRC's economy and the Group's operating environment in 2023.

Looking ahead, the Group will continue to rely on paper packaging as a solid foundation for the Group's development and seek to maximising income from investment properties. The Group will continue to increase its participation in tenders, while actively expanding into other packaging markets, and will continue to reduce the pressure of decreasing gross profit through measures such as cost control, efficiency boosting and resource consolidation.

In order to meet the increasingly stringent environmental protection requirements and to improve production efficiency, the Group decided to focus its resources and productions on Bengbu Jinhuangshan Rotogravure Printing Co., Ltd., an indirect wholly-owned subsidiary of the Company established in the PRC, to achieve centralised management and production. The Board believes that the centralisation of production line of the Group would allow improved cost control and production efficiency, as well as reduced administrative burden on the Group to comply with the environmental protection requirements across different production subsidiaries and therefore improving the return for the shareholders of the Company.

The Group's corporate mission is to continue to develop ways to improve financial performance, provide growth drivers for the Group and broaden revenue streams within acceptable risk levels. On 26 January 2022, the Group completed the acquisition of Eagle Swift Limited, whose only significant asset is a property in Hong Kong. The Board considers that the acquisition represents a good investment opportunity for the Company to invest in the Hong Kong property market and the future rental income from the property will provide stable income for the Group while at the same time the Group may benefit from the long term appreciation in value of the property.

The Company will also continue to explore the possibility of acquisition of new investment, disposal of subsidiary or associate or diversification into other profitable businesses in the interests of the Company and its shareholders as a whole, with a view to achieving sustainable growth, improving profitability and ultimately maximising returns for shareholders.

FINAL DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2022 of HK4 cents (2021: Nil) per share. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend will be payable on or about 7 July 2023 to shareholders whose names appear on the register of members of the Company on 20 June 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 5 June 2023 to 9 June 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 2 June 2023.

For determining the entitlement to receive the proposed final dividend (subject to the approval by the shareholders at the AGM), the register of members of the Company will be closed from 16 June 2023 to 20 June 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 15 June 2023.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries to all the Directors, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2022.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to high standards of corporate governance and recognises that good corporate governance is important for the long-term success of the Company’s business. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix 14 of the Listing Rules. During the year ended 31 December 2022, the Company has complied in general with the CG Code, except code provision C.2.1.

Under provision C.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing. Following the resignation of Mr. Qin Song as an executive Director, vice-chairman, chief executive officer and member of the nomination committee of the Company with effect from 21 January 2022, the Company has appointed Mr. Chen Xiao Liang to take up the vacancy of the chief executive officer. Mr. Chen Xiao Liang held the roles of chairman and chief executive officer at the same time for the period from 21 January 2022 to 22 April 2022.

In addition, following the resignation of Mr. Chen Xiao Liang as an executive Director, chairman and chief executive officer of the Company with effect from 22 April 2022, Mr. Huang Wanru was appointed as the chairman of the Company in his place on the same date, but the Company has not yet appointed an individual to take up the vacancy of the chief executive officer, and the roles and functions of the chief executive officer have been performed by all the executive Directors collectively since 22 April 2022.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining high standards of corporate governance.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises one non-executive Director, namely Ms. Li Li and three independent non-executive Directors, namely Mr. Lam Ying Hung, Andy, Mr. Lui Tin Nang and Mr. Siu Man Ho, Simon. Mr. Lui Tin Nang is the chairman of the Audit Committee, who possesses suitable professional qualifications. The Audit Committee has reviewed the financial statements for the year ended 31 December 2022 in conjunction with the Company's auditors and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

PUBLICATION OF 2022 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website (www.lituholdings.com) and the Stock Exchange's website (www.hkexnews.hk). The Company's annual report for the year ended 31 December 2022 and notice of the annual general meeting will be made available on the websites of the Company and the Stock Exchange and will be despatched to the shareholders of the Company in due course.

By Order of the Board of
Litu Holdings Limited
Huang Wanru
Chairman

Hong Kong, 31 March 2023

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Huang Wanru (Chairman) and Mr. Jiang Xiang Yu, one non-executive Director, namely, Ms. Li Li, and three independent non-executive Directors, namely, Mr. Lui Tin Nang, Mr. Lam Ying Hung, Andy and Mr. Siu Man Ho, Simon.