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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)**

### **MAJOR TRANSACTION: DISPOSAL OF 70% EQUITY INTEREST IN A SUBSIDIARY**

#### **THE PROPOSED DISPOSAL**

The Board is pleased to announce that on 29 May 2023 (after trading hours), the Vendor, being a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser and the Disposal Company in relation to the Disposal, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Disposal Interest at the cash consideration of RMB51.1 million. Upon completion of the Disposal, the Company will cease to have any interest in the Disposal Company and the Disposal Company will cease to be a subsidiary of the Company. Accordingly, its financial results will be deconsolidated from the financial statements of the Company.

#### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The investment in the Yinglin Partnership does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Since no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Disposal Agreement and the transactions contemplated thereunder, and the Company has obtained a written approval for the Disposal Agreement and the transactions contemplated thereunder from Sinorise International Limited and Profitcharm Limited (being the controlling shareholders of the Company holding in aggregate 901,456,892 Shares, representing approximately 57.5% of the issued share capital of the Company as at the date of this announcement), an extraordinary general meeting of the Company to approve the Disposal Agreement and the transactions contemplated thereunder is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened. A circular containing further details of the Disposal Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 19 June 2023.

**Completion of the Disposal is conditional upon the satisfaction of the conditions set out in the section headed “The Disposal Agreement — Conditions precedent” in this announcement. Therefore, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.**

## **THE DISPOSAL**

The Board is pleased to announce that on 29 May 2023 (after trading hours), the Vendor, being a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser and the Disposal Company in relation to the Disposal, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Disposal Interest at the cash consideration of RMB51.1 million.

Principal terms of the Disposal Agreement are set out below:

### **THE DISPOSAL AGREEMENT**

<b>Date</b>	29 May 2023
<b>Parties</b>	(1) The Vendor as vendor
	(2) The Purchaser as purchaser
	(3) The Disposal Company

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party.

### **Subject matter**

Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Disposal Interest, which represents 70% of the equity interest in the Disposal Company as at the date of this announcement.

It is agreed that part of the consideration from the Disposal shall be applied towards investment in the Yinglin Partnership by the Group.

## **Consideration**

The consideration of the Disposal is RMB51.1 million payable in cash by the Purchaser. The parties agreed that within seven (7) business days after the signing of the Disposal Agreement, a joint management account will be opened and maintained with a bank mutually agreed upon by both parties, and the account will be used to deposit the Purchaser's consideration for the acquisition of the Disposal Interest. Within seven (7) business days after the signing of the Disposal Agreement, the Purchaser shall pay the consideration in full, i.e. RMB51.1 million, to the joint management account, which shall be transferred in accordance with the below agreed payment terms, including transferring part of the total consideration to be received by the Vendor to settle its investment commitments in the Yinglin Partnership, details of which are set out in the below paragraph headed "Investment in Yinglin Partnership".

The consideration of the Disposal shall be paid by the Purchaser to the Vendor in the following manner:

- (i) as to RMB15.33 million, representing 30% of the total consideration, by telegraphic transfer from the joint management account to such account as may be instructed by the Vendor, of which RMB1.5 million shall be transferred to settle part of the investment costs in the Yinglin Partnership directly, within seven (7) days from the date of signing of the Disposal Agreement;
- (ii) as to RMB10.22 million, representing 20% of the total consideration, by telegraphic transfer from the joint management account to such account as may be instructed by the Vendor, of which RMB1.0 million shall be transferred to settle part of the investment costs in the Yinglin Partnership directly, within seven (7) days from the date of fulfillment of certain obligations of the Vendor under the Disposal Agreement to deliver certain corporate records and seals of the Disposal Company to the Purchaser;
- (iii) as to RMB20.44 million, representing 40% of the total consideration, by telegraphic transfer from the joint management account to such account as may be instructed by the Vendor, of which RMB2.0 million shall be transferred to settle part of the investment costs in the Yinglin Partnership directly, within seven (7) days from the date of completion of registration with the relevant government authority in the PRC in respect of the Disposal; and
- (iv) as to RMB5.11 million, representing the remaining 10% of the total consideration, by telegraphic transfer from the joint management account to such account as may be instructed by the Vendor, of which RMB0.5 million shall be transferred to settle the remaining part of the investment costs in the Yinglin Partnership directly, within seven (7) days from the date of fulfillment of certain obligations of the Vendor under the Disposal Agreement to deliver the remaining books and records of the Disposal Company to the Purchaser.

The consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser, after taking into account factors such as, (i) the Disposal Company's financial position and prospects; (ii) the prevailing market conditions and economic landscape; (iii) the valuation of the Disposal Interest carried out by an independent valuer engaged by the Purchaser; and (iv) the information set out under the section headed "Reasons for and the benefits of the Disposal" below.

### **Investment in Yinglin Partnership**

Pursuant to the terms of the Disposal Agreement, the Vendor has agreed to apply part of the consideration from the Disposal to subscribe for limited partnership interest in the aggregate amount of RMB5.0 million in the Yinglin Partnership, a limited partnership to be established by the Vendor, the holder of the remaining 30% of equity interest in the Disposal Company, and certain Independent Third Party(ies), for the purpose of holding certain investments in the PRC. The Purchaser has agreed to procure that certain reorganisation steps be undergone within 36 months from the date of the Disposal Agreement, such that the Vendor will become the registered holder of such investments directly. In the event that such investments do not become listed on any recognised stock exchange within five (5) years from the date of the Disposal Agreement, the Purchaser shall procure a repurchase of the limited partnership interest in the Yinglin Partnership held by the Vendor at cost together with an interest at the rate of 5% per annum.

The parties agreed that the settlement of the subscription amount of the limited partnership interest by the Vendor shall be made directly from the joint management account in accordance with the above payment schedule detailed in the paragraph headed "Consideration".

### **Conditions precedent**

Completion of the Disposal is subject to the satisfaction or waiver (as the case may be) of the following conditions precedent:

- (a) the Company having obtained a written approval from its controlling shareholders and having complied with all other requirements pursuant to the Listing Rules in respect of the Disposal Agreement and the transactions contemplated thereunder;
- (b) all necessary consents and approvals required to be obtained by the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained;
- (c) all payables and receivables between the Disposal Company and Jiangsu Jinxunda having been settled or set off and all personnel of the Disposal Company having ceased to be involved in the manufacturing and operation of Jiangsu Jinxunda;
- (d) the registration of domain name of the Disposal Company through the public security filing procedures having been completed;
- (e) the registration of the release of charge in respect of a patent of the Disposal Company having been completed;

- (f) all necessary steps to improve, among other matters, the financial governance and the internal control system and policy of the Disposal Company, having been completed;
- (g) all the debts, sums payables and employee wages, etc. of the Disposal Company having been repaid or settled.

Conditions (a) and (b) set out above are not waivable. If any of the conditions mentioned above has not been fulfilled or waived on or before 28 November 2023, or such later date as the Purchaser and the Vendor may agree in writing, the Disposal Agreement shall cease and determine and save for any antecedent breach, neither party shall have any obligations and liabilities towards each other and all payments made under the Disposal Agreement (including the subscription money paid by the Group for the investment in the Yinglin Partnership) shall be refunded in full.

### **Completion**

Completion shall take place on the date of payment of the last installment of the consideration for the Disposal.

### **INFORMATION ON THE DISPOSAL COMPANY**

The Disposal Company is a company established in the PRC on 21 August 2013 and is principally engaged in research and development of radio frequency identification (“**RFID**”) tags. The Disposal Interest was first acquired by the Group in 2017 at the total cash consideration of approximately RMB45 million. Details of such acquisition are disclosed in the announcement of the Company dated 22 May 2017.

The financial information extracted from the unaudited financial statements of the Disposal Company prepared in accordance with the Hong Kong Financial Reporting Standards for the relevant periods is set out below:

	<b>For the year ended 31 December 2021 (unaudited) <i>(approximately HK\$ million)</i></b>	<b>For the year ended 31 December 2022 (unaudited) <i>(approximately HK\$ million)</i></b>
Profit before taxation	7.46	11.5
Profit after taxation	6.65	10.7

	<b>As at 31 December 2021</b> (unaudited) <i>(approximately HK\$ million)</i>	<b>As at 31 December 2022</b> (unaudited) <i>(approximately HK\$ million)</i>
Net assets	86.8	84.2

## **FINANCIAL EFFECT OF THE DISPOSAL**

Upon completion of the Disposal, the Group will cease to have any interest in the Disposal Company and the Disposal Company will cease to be a subsidiary of the Company. Accordingly, its financial results will be deconsolidated from the financial statements of the Company.

It is estimated that, upon completion of the Disposal, the Company will record an unaudited loss on disposal of approximately HK\$11.2 million, being the difference between the (i) consideration of the Disposal; and (ii) the unaudited net assets of the Disposal Company as at 31 December 2022, the purchase goodwill, and fee and expenses involved. The final amount of the loss from the Disposal is subject to the audit by the auditor of the Company.

The net proceeds from the Disposal, after deducting costs and expenses relating to the Disposal, are expected to be approximately RMB49.6 million (equivalent to approximately HK\$56.0 million) and will be applied (i) as to approximately HK\$33.8 million for the repayment of loans of the Group; (ii) as to approximately HK\$16.6 million for the general working capital of the Group; and (iii) as to approximately HK\$5.6 million for the investment in the Yinglin Partnership.

## **INFORMATION ON THE VENDOR AND THE PURCHASER**

The Vendor is a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

The Purchaser is a company established in the PRC principally engaged in investment holding. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser is owned as to approximately 17.85% by 鼎欣科技控股(北京)有限公司, approximately 16.23% by 聯芯科創(深圳)合夥企業(有限合夥), approximately 14.61% by 昂德納科技發展(天津)有限公司 and with the remaining equity interests held by 10 other companies (each holding not more than 10%), and the Purchaser, together with its ultimate beneficial owners, are all Independent Third Parties. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) 鼎欣科技控股(北京)有限公司 is indirectly wholly-owned by Advanced Systems Development Co., Ltd., a company established in the PRC and listed on the National Equities Exchange and Quotations System (with stock code: 870840) in the PRC; (ii) 聯芯科創(深圳)合夥企業(有限合夥) is owned as to approximately 53% by an individual named Sean X Fang; and (iii) 昂德納科技發展(天津)有限公司 is owned as to 51% by an individual named 劉志清.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is principally engaged in provision of the printing of cigarette packages, manufacturing of paper packaging materials, manufacturing of laminated papers, sales of 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.

Reference is made to the announcement of the Company dated 22 May 2017. The Disposal Interest was first acquired by the Group in 2017 at the total cash consideration of approximately RMB45 million. As disclosed in the aforementioned announcement, the acquisition was made as the then Board considered the investment in the Disposal Company would help diversify the Group's revenue stream by progressing towards the smart packaging industry, and help the Group to gear up an additional technique of smart packaging to cater for increasingly competitive environment of traditional packaging industry. It has been six years since the Company made its investments in the Disposal Company and over the years, the Disposal Company has performed roughly as expected.

Although the Disposal Company maintained a profit-making position over the years, its performance has slowed in recent quarters and has not been up to the expectations of the Board. The gradually declining performance was attributable to the lack of competitiveness of the Disposal Company among its peers in the industry as the Disposal Company pales in comparison on experience, sales channels and human resources, which led to increasing difficulty in procurement, as well as the fluctuating foreign exchange loss suffered by the Disposal Company. As such, the Board is not optimistic about the coming performance of the Disposal Company and considers that a divestment may be more beneficial to the Group. Further, the Company maintained cash and bank balance position of approximately HK\$313.3 million as at 31 December 2022. After taking into account the effect of the repayment of loan facilities in the aggregate amount of approximately HK\$63 million in January 2023 and the proposed declaration and payment of final dividend in the aggregate amount of approximately HK\$62.7 million (subject to the approval of the Shareholders at the upcoming annual general meeting of the Company), it is expected that the Company would maintain a much lower cash and bank balance position of approximately HK\$187.6 million, which is far below the consistent cash and bank balance position of the Company of approximately HK\$300 million over the past years.

Taking into account the foregoing matters, in particular, the future prospects of the Disposal Company and the core businesses of the Group, of which the smart packaging business does not form part, the Board considered that it may be more beneficial to the Company to divest its investments in the Disposal Company and utilise the resources and funds to focus on its core businesses of the printing of cigarette packages and the net proceeds from the Disposal would strengthen its liquidity and meet its working capital requirements. The investment in the Yinglin Partnership by the Group is part and parcel of the Disposal and it is expected that the Group could have an upside gain if the investee company would go public eventually, failing which the Group can still enjoy a 5% annual return from such investment.

The Disposal will not have any material impact to the financial and trading position of the Group as a whole. After the Disposal, the Group would still have its substantial core businesses and there would be no implication on the Group not being able to meet the requirements of Rule 13.24 of the Listing Rules.

Having considered the above factors, the Directors are of the view that the Disposal is carried out on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The investment in the Yinglin Partnership does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Since no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Disposal Agreement and the transactions contemplated thereunder, and the Company has obtained a written approval for the Disposal Agreement and the transactions contemplated thereunder from Sinorise International Limited and Profitcharm Limited (being the controlling shareholders of the Company holding in aggregate 901,456,892 Shares, representing approximately 57.5% of the issued share capital of the Company as at the date of this announcement), an extraordinary general meeting of the Company to approve the Disposal Agreement and the transactions contemplated thereunder is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened. A circular containing further details of the Disposal Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 19 June 2023.

**Completion of the Disposal is conditional upon the satisfaction of the conditions set out in the section headed “The Disposal Agreement — Conditions precedent” in this announcement. Therefore, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.**

## **POTENTIAL DISPOSAL OF JIANGSU JINXUNDA**

As at the date of this announcement, the Group and the Purchaser have commenced discussion to explore the potential disposal of Jiangsu Jinxunda by the Group to the Purchaser after the completion of the Disposal. On 29 May 2023, the Company, through its two wholly-owned subsidiaries, entered into a memorandum of understanding with the Purchaser pursuant to which the parties have agreed to, conditional upon the completion of the Disposal having taken place, enter into a formal sale and purchase agreement in relation to the sale and purchase of the entire equity interests in Jiangsu Jinxunda, on a date no later than 30 June 2024. The disposal by the Group of Jiangsu Jinxunda, if materialised, is expected to constitute a notifiable transaction for the Company under the Listing Rules. In the event that any formal agreement has been entered into, the Company will make further announcement(s) as and when appropriate in accordance with the Listing Rules.



## DEFINITIONS

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

“Board”	the board of Directors
“Circular”	the circular to be despatched to the Shareholders in relation to the Disposal
“Company”	Litu Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 1008)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Disposal Interest by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 29 May 2023 and entered into among the Vendor, the Purchaser and the Disposal Company in relation to the Disposal
“Disposal Company”	Jiangsu HY Link Science & Technology Co., Ltd. <sup>#</sup> (江蘇聯恒物宇科技有限公司), a company established in the PRC and a 70%-owned subsidiary of the Company
“Disposal Interest”	70% of the equity interest in the Disposal Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) who is not a connected person of the Company pursuant to Chapter 14A of the Listing Rules
“Jiangsu Jinxunda”	Jiangsu Jinxunda IOT Technology Co., Ltd. <sup>#</sup> (江蘇金訊達物聯科技有限公司), a company established in the PRC and a 70%-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Purchaser”	Changsha Yingxin Semitech Limited <sup>#</sup> (長沙盈芯半導體科技有限公司), a company established in the PRC and an Independent Third Party
“Share(s)”	ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Right Tech (China) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Yinglin Partnership”	a limited partnership proposed to be established in the PRC by the Vendor, the holder of the remaining 30% of equity interest in the Disposal Company, and certain Independent Third Party(ies)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi yuan, the lawful currency of the PRC
“%”	per cent.

*The English translation of Chinese names marked with “#” in this announcement, where indicated, is included for identification purpose only, and should not be regarded as the official English translation of such Chinese names.*

*In this announcement, amounts in RMB are translated into HK\$ on the basis of RMB1 = HK\$1.128. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at such rate or at other rates or at all.*

By Order of the Board  
**Litu Holdings Limited**  
**Mr. Huang Wanru**  
*Chairman*

Hong Kong, 29 May 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.*