THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of Litu Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 3 to 13 of this circular.

The Company has obtained written Shareholders' approval for the Disposal Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules from a closely allied group of Shareholders together holding more than 50% of the voting rights at a general meeting to approve the Disposal Agreement and the transactions contemplated thereunder. Accordingly, no Shareholders' meeting will be held to approve the Disposal Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

26 July 2023

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Announcement"	the announcement of the Company dated 29 May 2023 in relation to the Disposal
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"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)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"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.# (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 Latest Practicable Date
"General Partner"	Shenzhen Yingying Information Technology Co., Limited# (深圳盈盈互聯科技有限公司), an associated company of the Purchaser and an Independent Third Party
"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.# (江蘇金訊達物聯科技有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
"Latest Practicable Date"	20 July 2023 being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"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 circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Changsha Yingxin Semitech Limited# (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$0.005 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Right Tech (China) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Yinglin Partnership"	a limited partnership proposed to be established in the PRC by the Vendor, the holder of the remaining 30% of equity interest in the Disposal Company, and the General Partner
"HK$"	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 circular, where indicated, is included for identification purpose only, and should not be regarded as the official English translation of such Chinese names.

In this circular, 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.

LITU HOLDINGS LIMITED
力圖控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1008)

Board of Directors

Executive Directors:
Mr. Huang Wanru *(Chairman)*
Mr. Jiang Xiang Yu

Non-executive Director:
Ms. Li Li

Independent non-executive Directors:
Mr. Lui Tin Nang
Mr. Lam Ying Hung, Andy
Mr. Siu Man Ho, Simon

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
3/F, 38 On Lok Mun Street
On Lok Tsuen, Fanling
New Territories
Hong Kong

26 July 2023

To the Shareholders of the Company

Dear Sir/Madam,

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

INTRODUCTION

Reference is made to the Announcement.

On 29 May 2023, 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.

The purpose of this circular is to provide the Shareholders with, among other things, further details of the Disposal Agreement and the transactions contemplated thereunder and other information as required under the Listing Rules.

THE DISPOSAL AGREEMENT

Date

29 May 2023

Parties

(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 Latest Practicable Date.

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. It is agreed that part of the consideration from the Disposal shall be applied towards investment in the Yinglin Partnership by the Group. 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 Purchaser has conducted a valuation of the Disposal Interest carried out by an independent valuer engaged by the Purchaser adopting income approach and used it as a reference point to commence its negotiation with the Vendor. 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; and (iii) the information set out under the section headed "Reasons for and the benefits of the Disposal" below. The Vendor was aware of the valuation conducted by the Purchaser and its results which were taken into consideration by the Purchaser but such valuation was not considered by the Vendor as a primary factor when determining the consideration. The Vendor relied primarily on its knowledge on the financial information of the Disposal Company when assessing the fair value of the Disposal Company.

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 and the holder of the remaining 30% of equity interest in the Disposal Company as limited partners, and the General Partner as general partner, for the purpose of holding investments in the Purchaser. The General Partner is a company established in the PRC and an associated company of the Purchaser (of which the controlling shareholder of the General Partner is a director) which was appointed by the Purchaser and is under the control and instructions of the Purchaser to act as the general partner of the Yinglin Partnership. As the associated company of the Purchaser and the general partner of the Yinglin Partnership, the General Partner is responsible for carrying out the customary duties and obligations of a general partner of a limited partnership. As the General Partner and the Purchaser are associated companies and the General Partner is acting as the general partner of the Yinglin Partnership under the instruction of the Purchaser, the Purchaser is able to exercise control over the General Partner and has agreed to procure that certain internal reorganisation steps (which may include the dissolution of the Yinglin Partnership and distribution in kind of the investments to its limited partners) 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 Vendor may, at its discretion, request the Purchaser to 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".

The Yinglin Partnership will be established in the PRC for the sole purpose of making investments in the Purchaser, which is a company established in the PRC in the field of Internet of Things chip and identification and traceability solutions. Its main business is the design and production of UHF passive Internet of Things chips, as well as electronic label packaging based on Internet of Things chips, system integration and cloud services. The term of the Yinglin Partnership will be for 30 years, subject to early termination in accordance with the terms of its partnership agreement.

Since the acquisition of the Disposal Company, the Group had contemplated utilising it for chip technology research and development but unfortunately that had proven to be more difficult and challenging than expected and without the core technology, resources and suitable personnel, the Disposal Company was not able to make much meaningful progress or maintain any stable supply of chips under the tight production capacity. In view of the lack of development progress by the Group in the Disposal Company with respect to the chip technology area, the existing resources of the Purchaser in the chip technology field, and the promising prospects in the chip technology field, the Board is of the view that the Purchaser would be able to help better develop the business of the Disposal Company to realise its full potential for returns, which is in line with the original intention of the Company regarding the Disposal Company.

As the Purchaser is a more established company in the field of Internet of Things chip and identification and traceability solutions with the resources, infrastructure and business network to optimise the existing business portfolio of the Disposal Company, unlike the Company which has not been able to further expand or make successful strategic move to improve the business operation and return of the Disposal Company and is not expected to be able to make any material development in this regard in the near future for reasons for particularly disclosed in the section headed "Reasons for and benefits of the Disposal", the Board is of the view that the Disposal, followed by the investment in the Yinglin Partnership would allow the Company to better allocate the risks in the investment in the Disposal Company while retaining an indirect stake through the Yinglin Partnership to reap any potential gain from the Disposal Company which the Purchaser is able to realise. The Purchaser not only can guarantee a stable chip supply, but can also improve the competitiveness of the Disposal Company in the tag market after the high-end chips developed by the Purchaser are processed by the Disposal Company. Through the disposal of Disposal Company to the Purchaser and the investment in the Purchaser, the Disposal Company can ensure that it can obtain the expected supply and high-quality services in the field of radio frequency identification ("**RFID**") tags in the future.

The total capital commitment to the Yinglin Partnership at its establishment is expected to be RMB26,910,000 (equivalent to approximately HK$30,354,480) and shall be contributed by the partners in cash as follows:

Partners of the Yinglin Partnership	**Capital Commitment** *(RMB)*	**Approximate percentage interest in the Yinglin Partnership**
General Partner		
Shenzhen Yingying Information Technology Co., Limited# (深圳盈盈互聯科技有限公司)	10,000	0.04
Limited Partners		
Jiangsu Hengli Actuator Manufacturing Co., Limited# (江蘇恒力制動器製造有限公司) *(note)*	21,900,000	81.38
Vendor	5,000,000	18.58
Total	26,910,000	100.00

Note: Jiangsu Hengli Actuator Manufacturing Co., Limited# (江蘇恒力制動器製造有限公司) is the holder of the remaining 30% of equity interest in the Disposal Company.

The liability of each limited partner is capped by their respective capital commitments to the Yinglin Partnership, while the liability of the General Partner is unlimited. The General Partner, also being the executive partner of the Yinglin Partnership, shall be responsible for the management and operation of the Yinglin Partnership.

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; and

(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.

As at the Latest Practicable Date, save for condition (g), all conditions set out above have been satisfied.

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 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:

	For the year ended 31 December 2021 *(unaudited)* *(approximately in HK$ million)*	**For the year ended 31 December 2022** *(unaudited)* *(approximately in HK$ million)*
Profit before taxation	7.5	11.5
Profit after taxation	6.7	10.7
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 total assets, the total liabilities and the non-controlling interests of the Group will decrease by approximately HK$87.8 million, HK$51.4 million and HK$25.2 million respectively. 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.

At the close of business on 31 May 2023, the Group had bank borrowings of approximately HK$151.3 million, of which HK$85.2 million are with interest rates ranging from 1.65% to 1.9% are secured by and are expected to be settled by pledged bank deposits. The remaining bank borrowings of HK$66.1 million have maturity dates between June 2023 and March 2024 with interest rates ranging from 3.1% to 3.5%. As disclosed above, approximately HK$33.8 million of the net proceeds are expected to be applied for the repayment of loans of the Group on or before the respective maturity dates.

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 Latest Practicable Date, the Purchaser is owned as to approximately 18.15% by 鼎欣科技控股(北京)有限公司, approximately 16.5% by 聯芯科創(深圳)合夥企業(有限合夥), approximately 14.85% by 昂德納科技發展(天津)有限公司, approximately 10% by 長沙麓穀投資發展有限公司 and with the remaining equity interests held by 8 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 53.6% by an individual named Sean X Fang; (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; and (iv) 長沙麓穀投資發展有限公司 which is a state-owned entity in the PRC.

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 but was unable to realise the potential the Company initially expected of it in the field of chip technology research and development as detailed in the paragraph headed "Investment in Yinglin Partnership".

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.

The Board considers the consideration of the Disposal of RMB51.1 million to be fair and reasonable despite that the Company is expected to record an unaudited loss on disposal of approximately HK$11.2 million as the consideration was determined with reference to the Disposal Company's financial position and prospects, the prevailing market conditions and economic landscape, and other factors disclosed in this section. The expected loss on disposal is primarily attributable to the goodwill of the Disposal Interest which was determined with reference to the initial high acquisition cost of the Disposal Interest by the Company which is a sunk cost which cannot be changed and must be taken into account in the accounting treatment of any divestment of the Disposal Interest. Such accounting treatment is not directly relevant to the decision of the Company to proceed with the Disposal and must be considered together with the basis for determining the consideration of the Disposal and the reasons for the Disposal set out in this section. As such, the Board considers the consideration of the Disposal to be fair and reasonable.

As at 31 December 2022, the Company maintained cash and bank balance position of approximately HK$313.3 million. After taking into account the net effect of the repayment of bank borrowings in the aggregate amount of approximately HK$43.7 million in first half of 2023 and the proposed declaration and payment of final dividend in the aggregate amount of approximately HK$62.7 million, it is expected that the Company would maintain a much lower cash and bank balance position of approximately HK$206.9 million.

Further, as at the Latest Practicable Date, the Group has already commenced its construction of a new factory plant in Hefei, the PRC and as such, has working capital requirements to be met in order to maintain a healthy cash flow for the capital expenditure in relation to the construction of a new plant for its existing business of printing of cigarette packages and manufacturing of paper packaging materials. The currently estimated total investment amount for the development of the new plant is RMB50 million. Without taking into account the Disposal and after taking into account the investment costs of the new plant, the Company would maintain a cash and bank balance position of RMB156.9 million which is far below the consistent cash and bank balance position of the Company of approximately HK$300 million over the past years and may not be sufficient for the Group to also adapt to any further economic downturn or capture any potential new future investments.

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.

As at the Latest Practicable Date, the Disposal Company is owned as to 70% by the Group and 30% by Jiangsu Hengli Actuator Manufacturing Co., Limited[#] (江蘇恒力制動器製造有限公司) (“**Jiangsu Hengli**”). As disclosed above, upon completion of the Disposal, the Group will cease to have any interest in the Disposal Company. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, Jiangsu Hengli will also dispose of its entire equity interests in the Disposal Company to the Purchaser and it is expected that the Purchaser will become the sole owner of the Disposal Company after completion of its acquisition of the remaining equity interests in the Disposal Company from Jiangsu Hengli.

The Disposal will not have any material impact to the financial and trading position of the Group as a whole. The Company does not have any current plans to commence new business or downscale or terminate any of its existing businesses (other than the potential disposal of Jiangsu Jinxunda as disclosed in the section headed “Potential disposal of Jiangsu Jinxunda” in this letter from the Board). 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 Latest Practicable Date), 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.

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 circular. 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 Latest Practicable Date, 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 (the "**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.

RECOMMENDATION

The Board considers that the terms of the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

By order of the Board
Litu Holdings Limited
Huang Wanru
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the financial years ended 31 December 2020, 2021 and 2022 were disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lituholdings.com) respectively:

- annual report of the Company for the year ended 31 December 2020 published on 28 April 2021 (pages 58 to 230): https://www.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042800963.pdf;

- annual report of the Company for the year ended 31 December 2021 published on 28 April 2022 (pages 56 to 213): https://www.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042801887.pdf; and

- annual report of the Company for the year ended 31 December 2022 published on 27 April 2023 (pages 64 to 216): https://www.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702154.pdf.

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 May 2023, being the latest practicable date for the purpose of this indebtedness statement, the Group had (i) secured bank borrowings of approximately HK$85 million; (ii) unsecured bank borrowings of approximately HK$44 million; and (iii) unsecured with corporate guarantee issued by a subsidiary of the Group bank borrowings of approximately HK$22 million.

Pledge of assets

At the close of business on 31 May 2023, being the latest practicable date for the purpose of this indebtedness statement, the Group's banking facilities on (i) bills payables were secured by charges over pledged bank deposits of approximately HK$122 million, for which the pledged bank deposits will be released upon the settlement of relevant bills payables; and (ii) bank borrowings were secured by the Group's property, plant and equipment with carrying amount of approximately HK$145 million, investment properties with carrying amount of approximately HK$76 million and corporate guarantee issued by the Company.

Contingent liabilities

At the close of business on 31 May 2023, the Group had outstanding guarantee for an independent third party in the amount of approximately HK$11 million.

Commitment

At the close of business on 31 May 2023, being the latest practicable date for the purpose of this indebtedness statement, the Group had the capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment of approximately HK$53 million.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 31 May 2023, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans of other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 May 2023 up to the date of this Circular.

3. WORKING CAPITAL SUFFICIENCY

After due and careful consideration, the Directors are of the opinion that, taking into account the financial resources available to the Group including but not limited to the existing cash and bank balances, cash flows generated from the operating activities, available facilities and the effect of the Proposed Disposal, the Group will have sufficient working capital for its requirements for at least 12 months from the date of this circular, in the absence of unforeseen circumstances.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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.

In 2022, the gross domestic product (GDP) of 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 the 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.

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.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares

Name of Director	Capacity/nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of shareholdings
Mr. Huang Wanru	Beneficial owner	1,735,204	0.11%
Mr. Jiang Xiang Yu	Beneficial owner	2,000,000	0.13%
Ms. Li Li	Interest of controlled corporation(2)	250,551,964	15.98%

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to notify to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors and the chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company (i) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares

Name of Director	**Capacity/nature of interest**	**Number of Shares/ underlying Shares held**	**Approximate percentage of shareholdings**
Mr. Cai Xiao Ming, David *(Note 1)*	Interest of controlled corporation	901,456,892	57.50%
Profitcharm Limited *(Note 1)*	Beneficial owner	274,325,278	17.50%
Sinorise International Limited *(Note 1)*	Beneficial owner	627,131,614	40.00%
Masterwork Group Co., Ltd. *(Note 2)*	Interest of controlled corporation	250,551,964	15.98%
Masterwork Machinery (H.K.) Limited *(Note 2)*	Beneficial owner	250,551,964	15.98%
Tianjin Dehou Investment Management Partnership (Limited Partnership)	Interest of controlled corporation	103,555,231	6.60%

Notes:

(1) Mr. Cai Xiao Ming, David ("**Mr. Cai**") beneficially owns the entire share capital of Profitcharm Limited and Sinorise International Limited. By virtue of the SFO, Mr. Cai is deemed to be interested in a total of 901,456,892 shares held by Profitcharm Limited and Sinorise International Limited.

(2) Masterwork Group Co. Ltd. ("**Masterwork**") beneficially owns the entire share capital of Masterwork Machinery (H.K.) Limited. By virtue of the SFO, Masterwork is deemed to be interested in 250,551,964 shares held by Masterwork Machinery (H.K.) Limited.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person had, or were deemed to have, an interest or short position in the Shares or underlying Shares of the Company (i) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or was a substantial shareholder of the Company.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND OTHER INTERESTS

(a) Directors' interests in contracts

As at the Latest Practicable Date, there is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.

(b) Directors' interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) Competing business

As at the Latest Practicable Date, none of Directors and their respective associates were interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not terminable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation.

6. LITIGATION

As at the Latest Practicable Date, there were no litigation or claims of material importance, known to the Directors, pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding and including the Latest Practicable Date and were or might be material:

(i) the sale and purchase agreement dated 21 October 2021 (as supplemented by a supplemental agreement dated 15 December 2021) and entered into between our Company as purchaser, Mr. Cai Xiao Ming, David as vendor for the sale and purchase of the entire issued share capital of, and the shareholder's loan due by, Eagle Swift Limited for an aggregate consideration of HK$233,000,000, the details of which are disclosed in the announcement of the Company dated 21 October 2021;

(ii) the Disposal Agreement; and

(iii) the Memorandum of Understanding.

8. MISCELLANEOUS

(i) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(ii) The head office and principal place of business of the Company is situated at 3/F, 38 On Lok Mun Street, On Lok Tsuen, Fanling, New Territories, Hong Kong.

(iii) The company secretary of the Company is Mr. Ng Wing Ching. Mr. Ng Wing Ching is a member of the Hong Kong Institute of Certified Public Accountants.

(iv) The authorised representatives of the Company are Mr. Huang Wanru and Mr. Ng Wing Ching.

(v) The Company's principal share registrar and transfer office is Suntera (Cayman) Limited, Royal Bank House 3rd Floor, 24 shedden road P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands. The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited, 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong.

(vi) This circular has been printed in English and Chinese; in the event of inconsistency, the English version shall prevail.

9. DOCUMENTS ON DISPLAY

Each of the material contracts disclosed in the section headed "Material Contract" in this appendix will be available on (i) the website of the Company (www.lituholdings.com); and (ii) the website of the Stock Exchange (www.hkex.com) during the period of 14 days from the date of this circular.