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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 2023

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 2023 together with the comparative figures for the corresponding period in 2022 as follows:

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2023*

	<i>Note</i>	<b>2023</b> <b>HK\$’000</b>	2022 HK\$’000 (Re-presented)
<i>Continuing operations</i>			
<b>Revenue</b>	3	<b>716,658</b>	928,475
Cost of sales		<u>(589,519)</u>	<u>(828,810)</u>
<b>Gross profit</b>		<b>127,139</b>	99,665
Other income	4	<b>23,146</b>	32,743
Other net gains and losses	5	<b>(167,493)</b>	15,892
Selling and distribution expenses		<b>(17,688)</b>	(22,795)
Administrative expenses		<b>(70,258)</b>	(109,759)
Finance costs	6	<b>(4,229)</b>	(10,006)
Share of result of an associate		<b>(30,401)</b>	1,573
Share of result of a joint venture		<u>–</u>	<u>38</u>
<b>(Loss) Profit before taxation</b>	8	<b>(139,784)</b>	7,351
Taxation	7	<u>(16,359)</u>	<u>(8,641)</u>
<b>Loss for the year from continuing operations</b>		<u><b>(156,143)</b></u>	<u>(1,290)</u>

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000 (Re-presented)
<b><i>Discontinued operations</i></b>			
(Loss) Profit for the year from discontinued operations	13	<u>(7,556)</u>	<u>10,705</u>
<b>(Loss) Profit for the year</b>		<b><u>(163,699)</u></b>	<b><u>9,415</u></b>
<b>(Loss) Profit for the year attributable to:</b>			
Owners of the Company			
— Continuing operations		(156,143)	(1,290)
— Discontinued operations		<u>(7,738)</u>	<u>7,494</u>
		<b><u>(163,881)</u></b>	<b><u>6,204</u></b>
<b>Non-controlling interests</b>			
— Discontinued operations		<u>182</u>	<u>3,211</u>
<b>(Loss) Profit for the year</b>		<b><u>(163,699)</u></b>	<b><u>9,415</u></b>
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
— Exchange differences arising on translation to presentation currency		(75,897)	(171,120)
— Share of other comprehensive loss of an associate		<u>(16,171)</u>	<u>(34,805)</u>
Total other comprehensive loss for the year		<b><u>(92,068)</u></b>	<b><u>(205,925)</u></b>
<b>Total comprehensive loss for the year</b>		<b><u>(255,767)</u></b>	<b><u>(196,510)</u></b>
<b>Total comprehensive (loss) income attributable to:</b>			
Owners of the Company		(255,617)	(197,000)
Non-controlling interests		<u>(150)</u>	<u>490</u>
		<b><u>(255,767)</u></b>	<b><u>(196,510)</u></b>
		<b>HK\$</b>	<b>HK\$</b>
<b>Basic and diluted (losses) earnings per share</b>			
— Continuing operations	9	(0.100)	(0.001)
— Discontinued operations		<u>(0.005)</u>	<u>0.005</u>
Total continuing operations and discontinued operations		<b><u>(0.105)</u></b>	<b><u>0.004</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>735,007</b>	914,396
Right-of-use assets		<b>71,273</b>	86,100
Investment properties		<b>168,599</b>	145,148
Goodwill		<b>615,939</b>	728,704
Intangible assets		<b>467</b>	2,231
Interest in an associate		–	335,495
Deferred tax assets		<b>6,457</b>	15,223
Prepayments and rental and other deposits paid		<b>42,608</b>	5,848
		<b>1,640,350</b>	2,233,145
<b>Current assets</b>			
Inventories		<b>72,486</b>	102,683
Trade receivables	<i>11</i>	<b>242,576</b>	363,892
Contract assets		<b>50,836</b>	33,799
Other receivables, prepayments and refundable deposits		<b>32,276</b>	33,791
Tax recoverable		–	6,918
Structured deposits		–	2,629
Pledged bank deposits		<b>21,832</b>	104,512
Bank balances and cash		<b>345,798</b>	313,292
		<b>765,804</b>	961,516
Assets classified as held for sale	<i>13</i>	<b>307,373</b>	–
		<b>1,073,177</b>	961,516

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Current liabilities</b>			
Trade payables	12	189,418	243,182
Other payables and accruals		92,256	120,336
Deposit received for disposal a subsidiary		30,748	–
Lease liabilities		138	–
Amount due to a non-controlling interest of a subsidiary		–	4,233
Bank borrowings		131,550	266,633
Income tax payable		8,307	6,064
		<u>452,417</u>	<u>640,448</u>
Liabilities associated with assets classified as held for sale	13	<u>43,044</u>	<u>–</u>
		<u>495,461</u>	<u>640,448</u>
<b>Net current assets</b>		<u>577,716</u>	<u>321,068</u>
<b>Total assets less current liabilities</b>		<u>2,218,066</u>	<u>2,554,213</u>
<b>Non-current liabilities</b>			
Government grants		19,652	22,058
Lease liabilities		361	–
Deferred tax liabilities		41,398	57,018
		<u>61,411</u>	<u>79,076</u>
<b>NET ASSETS</b>		<u>2,156,655</u>	<u>2,475,137</u>
<b>Capital and reserves</b>			
Share capital		7,839	7,839
Reserves		2,144,504	2,442,048
Amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale		<u>(20,788)</u>	<u>–</u>
Equity attributable to owners of the Company		<u>2,131,555</u>	<u>2,449,887</u>
Non-controlling interests		<u>25,100</u>	<u>25,250</u>
<b>TOTAL EQUITY</b>		<u>2,156,655</u>	<u>2,475,137</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## 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 2023 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 and leasing of investment properties.

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 2022 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 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

The adoption of the above amendments do 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.

## Future changes in HKFRSs

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> 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.

The measurement basis used in the preparation of the consolidated financial statements is historical cost.

### 3. REVENUE

An analysis of revenue of the Group is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
<b><i>Continuing operations</i></b>		
<i>Revenue from contracts with customers within HKFRS 15</i>		
Sales of goods	683,557	890,568
<i>Revenue from other sources</i>		
Leasing income from investment properties	<u>33,101</u>	<u>37,907</u>
	<b>716,658</b>	928,475
<b><i>Discontinued operations</i></b>		
<i>Revenue from contracts with customers within HKFRS 15</i>		
Sales of goods	<u>45,664</u>	<u>93,927</u>
<b>Total revenue</b>	<b><u><u>762,322</u></u></b>	<b><u><u>1,022,402</u></u></b>

#### (i) Disaggregation of revenue from contracts with customers within HKFRS 15

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Types of goods</b>		
<b><i>Continuing operations</i></b>		
Printing and manufacturing of paper packages and related materials		
— Printing of cigarette packages	607,056	683,123
— Manufacturing of paper packaging materials	71,883	204,912
— Other related products	4,618	2,511
Manufacturing of laminated papers	<u>—</u>	<u>22</u>
	<b>683,557</b>	890,568
<b><i>Discontinued operations</i></b>		
Sales of RFID products	<u>45,664</u>	<u>93,927</u>
	<b><u><u>729,221</u></u></b>	<b><u><u>984,495</u></u></b>

## Timing of revenue recognition

	Printing of cigarette packages HK\$'000	Manufacturing of paper packaging materials HK\$'000	Other related products HK\$'000	Sales of RFID products HK\$'000	Total HK\$'000
<b>Year ended 31 December 2023</b>					
<i>Continuing operations</i>					
At a point in time	-	71,883	4,618	-	76,501
Over time	607,056	-	-	-	607,056
Total	607,056	71,883	4,618	-	683,557
<i>Discontinued operations</i>					
At a point in time	-	-	-	45,664	45,664
Total	607,056	71,883	4,618	45,664	729,221

	Printing of cigarette packages HK\$'000	Manufacturing of paper packaging materials HK\$'000	Other related products HK\$'000	Manufacturing of laminated papers HK\$'000	Sales of RFID products HK\$'000	Total HK\$'000
<b>Year ended 31 December 2022</b>						
<i>Continuing operations</i>						
At a point in time	-	204,912	2,511	-	-	207,423
Over time	683,123	-	-	22	-	683,145
Total	683,123	204,912	2,511	22	-	890,568
<i>Discontinued operations</i>						
At a point in time	-	-	-	-	93,927	93,927
Total	683,123	204,912	2,511	22	93,927	984,495

## Geographical market

Information about the Group's revenue from external customers is presented based on the location of customers irrespective of the origin of goods.

	Printing of cigarette packages HK\$'000	Manufacturing of paper packaging materials HK\$'000	Other related products HK\$'000	Sales of RFID products HK\$'000	Total HK\$'000
<b>Year ended 31 December 2023</b>					
<i>Continuing operations</i>					
The PRC	<u>607,056</u>	<u>71,883</u>	<u>4,618</u>	<u>-</u>	<u>683,557</u>
<i>Discontinued operations</i>					
The PRC	-	-	-	34,362	34,362
Others (note)	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,302</u>	<u>11,302</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,664</u>	<u>45,664</u>
Total	<u><u>607,056</u></u>	<u><u>71,883</u></u>	<u><u>4,618</u></u>	<u><u>45,664</u></u>	<u><u>729,221</u></u>

	Printing of cigarette packages HK\$'000	Manufacturing of paper packaging materials HK\$'000	Other related products HK\$'000	Manufacturing of laminated papers HK\$'000	Sales of RFID products HK\$'000	Total HK\$'000
<b>Year ended 31 December 2022</b>						
<i>Continuing operations</i>						
The PRC	<u>683,123</u>	<u>204,912</u>	<u>2,511</u>	<u>22</u>	<u>-</u>	<u>890,568</u>
<i>Discontinued operations</i>						
The PRC	-	-	-	-	74,878	74,878
Others (note)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,049</u>	<u>19,049</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,927</u>	<u>93,927</u>
Total	<u><u>683,123</u></u>	<u><u>204,912</u></u>	<u><u>2,511</u></u>	<u><u>22</u></u>	<u><u>93,927</u></u>	<u><u>984,495</u></u>

*Note:* Others mainly included Federative Republic of Brazil, India, the Republic of Türkiye, the Portuguese Republic and the Republic of Korea (2022: Federative Republic of Brazil, India, the Republic of Türkiye, the Portuguese Republic, the Republic of the Marshall Islands and the Republic of Korea).

#### 4. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
<i>Continuing operations</i>		
Interest income on bank deposits	5,648	3,928
Sales of scrap materials	7,563	4,602
Processing fee income	1,263	254
Rental income from plant and machineries, net of direct expenses	28	349
Government grants ( <i>note</i> )	4,939	18,859
Write off of other payables	–	1,245
Sundry income	3,705	3,506
	<u>23,146</u>	<u>32,743</u>
<i>Discontinued operations</i>		
Interest income on bank deposit	35	12
Sales of scrap materials	997	1,707
Government grants ( <i>note</i> )	178	38
Sundry income	2,854	448
	<u>4,064</u>	<u>2,205</u>
	<u><u>27,210</u></u>	<u><u>34,948</u></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\$1,792,000 (2022: HK\$1,882,000) 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.

## 5. OTHER NET GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
<i>Continuing operations</i>		
Foreign exchange gains, net	340	289
(Loss) Gain on disposal of property, plant and equipment	(11,345)	4,890
Impairment loss on property, plant and equipment	(3,955)	–
Impairment loss on goodwill	(84,633)	–
Gain on disposal of intangible assets	–	35
Loss on deregistration of subsidiaries	(1,367)	–
Loss on deregistration of a joint venture	–	(801)
Gain from changes in fair value of financial assets at FVPL	13	784
Reversal of loss allowance on trade and other receivables and contract assets, net	1,135	74
Impairment loss on interest in an associate classified as held for sale	(66,400)	–
Others	(1,281)	10,621
	<u>(167,493)</u>	<u>15,892</u>
<i>Discontinued operations</i>		
Net foreign exchange gains	(584)	942
Reversal of loss allowance on trade and other receivables and contract assets, net	56	–
Loss on disposal of property, plant and equipment	(300)	(11)
Impairment losses on goodwill	(8,060)	–
	<u>(8,888)</u>	<u>931</u>
	<u>(176,381)</u>	<u>16,823</u>

## 6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
<i>Continuing operations</i>		
Interest expenses on bank borrowings and overdrafts	4,222	10,006
Imputed interest expenses on lease liabilities	7	–
	<u>4,229</u>	<u>10,006</u>
<i>Discontinued operations</i>		
Interest expenses on bank borrowings and overdrafts	–	193
	<u>4,229</u>	<u>10,199</u>

## 7. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
<i>Continuing operations</i>		
<b>Current tax</b>		
The PRC		
Enterprise Income Tax (“EIT”)	18,932	4,862
Overprovision of EIT in prior years	—	(124)
	<u>18,932</u>	<u>4,738</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(9,062)	13,195
Utilisation of tax losses	6,489	—
Benefit of tax loss recognised	—	(9,292)
	<u>(2,573)</u>	<u>3,903</u>
<b>Income tax expenses from continuing operations</b>	<u>16,359</u>	<u>8,641</u>
<i>Discontinued operations</i>		
<b>Current tax</b>		
The PRC		
EIT	68	(1,371)
Overprovision of EIT in prior years	(875)	(800)
	<u>(807)</u>	<u>(2,171)</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(135)	2,989
<b>Income tax (credit) expenses from discontinued operations</b>	<u>(942)</u>	<u>818</u>
<b>Total tax charge for the year</b>	<u>15,417</u>	<u>9,459</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% (2022: 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. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
		(Re-presented)
<b><i>Continuing operations</i></b>		
Staff costs, including directors' remuneration		
Salaries and other benefits	<b>69,708</b>	83,135
Contributions to retirement benefits schemes	<b>3,911</b>	5,703
Contractual termination benefit	<b>4,734</b>	27,378
	<hr/>	<hr/>
Total staff costs	<b>78,353</b>	116,216
	<hr/>	<hr/>
Auditor's remuneration	<b>1,800</b>	1,800
Cost of inventories	<b>452,558</b>	596,720
Amortisation of intangible assets		
(included in cost of sales and administrative expenses)	<b>2,143</b>	23,740
Depreciation		
— property, plant and equipment	<b>85,957</b>	92,020
— right-of-use assets	<b>2,471</b>	2,480
— investment properties	<b>13,652</b>	6,834
	<hr/>	<hr/>
Total depreciation and amortisation	<b>104,223</b>	125,074
	<hr/>	<hr/>
Research expenses (included in cost of sales)	<b>25,247</b>	38,146
Direct operating expenses arising from investment properties that generated rental income (included in cost of sales)	<b>15,209</b>	15,831
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	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
<b><i>Discontinued operations</i></b>		
Staff costs, including directors' remuneration		
Salaries and other benefits	<b>5,363</b>	9,737
Contributions to retirement benefits schemes	<b>1,058</b>	1,303
	<hr/>	<hr/>
Total staff costs	<b>6,421</b>	11,040
	<hr/>	<hr/>
Cost of inventories	<b>21,554</b>	50,187
Depreciation on property, plant and equipment	<b>7,187</b>	12,166
Research expenses (included in cost of sales)	<b>5,730</b>	8,201
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## 9. (LOSSES) EARNINGS PER SHARE

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

	<b>2023</b>	2022 (Re-presented)
<b>(Losses) Earnings</b>		
(Loss) Profit for the year attributable to owners of the Company for the purpose of basic earnings per share ( <i>HK\$'000</i> )		
— Continuing operations	<b>(156,143)</b>	(1,290)
— Discontinuing operations	<b>(7,738)</b>	7,494
	<hr/>	<hr/>
	<b>(163,881)</b>	6,204
	<hr/>	<hr/>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share ( <i>'000</i> )	<b>1,567,885</b>	1,567,885
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Diluted (losses) earnings per share are same as the basic (losses) earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 December 2023 and 2022.

## 10. DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 final dividend, paid at HK4.00 cents per share	<u>62,715</u>	<u>–</u>

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2023 (2022: The final dividend of HK4 cents per share in respect of the year ended 31 December 2022, amounting to approximately HK\$62,715,000 had been proposed by the directors and was approved by the shareholders in the annual general meeting held on 9 June 2023).

## 11. TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables from		
— third parties	245,037	345,437
— an associate	<u>–</u>	<u>24,808</u>
	245,037	370,245
Less: allowance for credit losses	<u>(2,461)</u>	<u>(6,353)</u>
	<u>242,576</u>	<u>363,892</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:

	2023 HK\$'000	2022 HK\$'000
0 to 90 days	220,795	341,279
91 to 180 days	10,092	19,415
181 to 365 days	9,504	5,275
Over 365 days	<u>4,646</u>	<u>4,276</u>
	<u>245,037</u>	<u>370,245</u>

## 12. TRADE PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables — third parties	<u>189,418</u>	<u>243,182</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	95,964	98,959
31 to 90 days	71,733	113,218
91 to 180 days	21,633	30,228
181 to 365 days	–	478
Over 365 days	<u>88</u>	<u>299</u>
	<u>189,418</u>	<u>243,182</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 2023, bills payables amounting to HK\$46,145,000 (2022: HK\$54,723,000) were transferred to suppliers for settling trade payables.

### 13. DISCONTINUED OPERATIONS AND ASSETS (AND DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE

#### 13(a) Jiangsu HY Link Science & Technology Co., Ltd. (“Jiangsu HY Link”)

On 29 May 2023, Right Tech (China) Limited, being a wholly-owned subsidiary of the Company, entered into an agreement with a third party to dispose of 70% equity interest in Jiangsu HY Link at a consideration of RMB51,100,000 (equivalent to approximately HK\$56,018,000). Details of the disposal have been disclosed in the Company’s announcement and circular dated 29 May 2023 and 26 July 2023 respectively. Upon completion of the disposal, the Group will cease to have any interest in Jiangsu HY Link. The disposal was not yet complete up to the date of approving the consolidated financial statements. A deposit of approximately RMB28,048,000 (equivalent to approximately HK\$30,748,000) was received as at 31 December 2023. The disposal is expected to be completed in 2024.

The results and net cash flows of Jiangsu HY Link for the year ended 31 December 2023 and 2022 summarised as follows:

	<i>Note</i>	<b>2023</b> <i>HK\$’000</i>	2022 <i>HK\$’000</i>
<b>Revenue</b>	3	<b>45,664</b>	93,927
Cost of sales		<u>(44,842)</u>	<u>(77,711)</u>
<b>Gross profit</b>		<b>822</b>	16,216
Other income	4	<b>4,064</b>	2,205
Other net gains and losses	5	<b>(8,888)</b>	931
Selling and distribution expenses		<b>(1,713)</b>	(1,836)
Administrative expenses		<b>(2,783)</b>	(5,800)
Finance costs	6	<u>–</u>	<u>(193)</u>
<b>(Loss) Profit before taxation</b>	8	<b>(8,498)</b>	11,523
Taxation	7	<u>942</u>	<u>(818)</u>
<b>(Loss) Profit for the year from discontinued operations</b>		<u><b>(7,556)</b></u>	<u>10,705</u>
<b>Net cash inflow (outflow) from:</b>			
— operating activities		<b>(9,111)</b>	14,792
— investing activities		<b>(465)</b>	(212)
— financing activities		<b>(8,870)</b>	(3,047)
		<u><b>(18,446)</b></u>	<u>11,533</u>

The assets and liabilities of Jiangsu HY Link which were classified as assets held for sale and liabilities associated with assets classified as held for sale respectively in accordance with HKFRS 5 “*Non-current Assets Held for Sales and Discontinued Operations*”. The major classes of assets and liabilities of the disposal group held for sale are measured at the lower of carrying amount and fair value less costs to sell on the initial recognition and at the end of the reporting period as follows:

	<b>2023</b> <b>HK\$'000</b>
Property, plant and equipment	34,291
Deferred tax assets	361
Inventories	66,472
Trade receivables	16,609
Other receivables	4,067
Tax recoverable	2,241
Bank balances	868
	<hr/>
<b>Total assets classified as held for sale of Jiangsu HY Link</b>	<b>124,909</b>
	<hr/> <hr/>
Other payables	39,633
Tax payable	50
Deferred tax liabilities	3,361
	<hr/>
<b>Total liabilities associated with assets classified as held for sale of Jiangsu HY Link</b>	<b>43,044</b>
	<hr/> <hr/>

### **13(b) Changde Gold Roc Printing Co., Ltd. (“Changde Gold Roc”)**

During the year ended 31 December 2023, Brilliant Circle Development Limited, being a wholly-owned subsidiary of the Company, entered into a framework agreement with a third party, being the major shareholder of Changde Gold Roc (the “Purchaser”), being effective on 28 December 2023 to dispose of its entire 31% equity interest in Changde Gold Roc. Details of the disposal have been disclosed in the Company’s announcement dated 28 December 2023. Upon completion of the disposal, the Group will cease to have any interest in Changde Gold Roc. The disposal of Changde Gold Roc is expected to be completed in 2024.

The management has engaged an independent qualified professional valuer, Flagship Appraisals and Consulting Limited to perform appraisals of fair value less costs to sell of its interest in Changde Gold Roc at the end of the reporting period. An impairment loss on interest in an associate of HK\$66,400,000 have been made upon initial recognition as assets held for sale. The impairment loss has been included in “Other net gains and losses” in the consolidated statement of comprehensive income. Interest in an associate amounting to HK\$182,464,000 was classified as assets held for sale in accordance HKFRS 5 and are measured at the lower of carrying amount and fair value less costs to sell at the end of the reporting period.

## **BUSINESS REVIEW**

In 2023, the gross domestic product (GDP) of the People's Republic of China (the "PRC") increased by 5.2% compared to the previous year, and was higher than the increase of 3.0% in 2022 and the growth target of around 5.0% at the beginning of the year. In 2023, the GDP per capita of the PRC reached RMB89,358.

In 2023, PRC cigarette production increased by 0.44% year-on-year. However, given the decrease in tendering price under the mandatory tendering policy in effect for the cigarette industry and the increase in raw material prices, the Group was subject to considerable operating pressure under intensifying industry competition. 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. Total revenue from continuing operation of the Group decreased by 22.8% from approximately HK\$928.5 million in 2022 to approximately HK\$716.7 million in 2023.

Under the pressure of the fall of tender prices, the Group has implemented a series of measures in order to cope with the challenges to the profitability of the Group. The measures included simplifying the management structure in order to increase the efficiency of decision making to match with the fast changing market demand, enhancing the inventory management to control the inventory at an appropriate level and implementing tendering system for the purchase of raw materials to increase the bargaining power on the purchase price in order to reduce and control the purchase cost.

In addition, in order to meet the increasingly stringent environmental protection requirements and to improve production efficiency, the Group focused 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.

## **FINANCIAL REVIEW**

### **REVENUE**

The Group recorded revenue from continuing operation of approximately HK\$716.7 million in 2023, representing a decrease of 22.8% as compared to approximately HK\$928.5 million in 2022. The revenue from continuing operation was generated from two business segments: (i) the printing and manufacturing of paper packages and related materials of approximately HK\$683.6 million (2022: HK\$890.6 million) and (ii) leasing of investment properties of approximately HK\$33.1 million (2022: HK\$37.9 million). The revenue from the printing and manufacturing of paper packages and related materials segment accounted for approximately 95.4% of the total revenue for 2023 (2022: 95.9%). The decrease in total revenue from continuing operation was mainly attributable to the decrease in business volume of printing and manufacturing of paper packages and related materials 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. In addition, the depreciation of average rate of RMB against HKD of roughly 4.8% comparing with the corresponding period of 2022 has increased such downside effect.

### **GROSS PROFIT**

Gross profit from continuing operation increased by 27.6% from approximately HK\$99.7 million for the year ended 31 December 2022 to approximately HK\$127.1 million for the year ended 31 December 2023. The increase of gross profit margin was mainly due to the decrease of amortization of intangible assets of approximately HK\$22.4 million and the improvement of cost control and production efficiency through the centralization of production line of the Group.

### **OTHER INCOME**

Other income from continuing operation decreased by 29.3% from approximately HK\$32.7 million for the year ended 31 December 2022 to approximately HK\$23.1 million for the year ended 31 December 2023, which was mainly attributable to the decrease in various government grants by approximately HK\$13.9 million.

## **OTHER NET GAINS AND LOSSES**

Other losses from continuing operations for the year ended 31 December 2023 was HK\$167.5 million when compared with other gains of HK\$15.9 million for the corresponding year in 2022. The losses were mainly attributable to the recognition of impairment losses on interest in an associate of approximately HK\$66.4 million and impairment losses on goodwill of approximately HK\$84.6 million for the year ended 31 December 2023.

For the year ended 31 December 2023, the Group recognised impairment losses on goodwill of approximately HK\$92.7 million (HK\$84.6 million for continuing operations and HK\$8.1 million for discontinued operations) for various cash-generating units as their recoverable amount was lesser than the carrying amount. The recoverable amount as at 31 December 2023 is decreased due to the downturn and restructuring of business of the related subsidiaries and taking into account the consideration in the disposal agreement entered into by the Group for the disposal of Jiangsu HY Link Science & Technology Co., Ltd. (江蘇聯恒物宇科技有限公司) (“**Jiangsu HY Link**”). For the details of the disposal of Jiangsu HY Link, please refer to the page 25 of this announcement.

## **SELLING AND DISTRIBUTION EXPENSES**

The selling and distribution expenses from continuing operations decreased by 22.4% from approximately HK\$22.8 million for the year ended 31 December 2022 to approximately HK\$17.7 million for the year ended 31 December 2023 which was primarily attributable to reduction of transportation expenses and entertainment expenses.

## **ADMINISTRATIVE EXPENSES**

The administrative expenses from continuing operations decreased by 36.0% from approximately HK\$109.8 million for the year ended 31 December 2022 to approximately HK\$70.3 million for the year ended 31 December 2023.

The decrease was mainly attributable to the decrease in salaries and other benefits, contractual termination benefit and legal and professional fee.

## **FINANCE COSTS**

The finance costs from continuing operations decreased by 57.7% from approximately HK\$10.0 million for the year ended 31 December 2022 to approximately HK\$4.2 million for the year ended 31 December 2023.

The decrease was mainly due to decrease in the average bank borrowings rate and average bank borrowings balance in 2023. The Group has early repaid its bank borrowing denominated in HK\$ with floating borrowing rate in February 2023 and 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 turned from share of profits of approximately HK\$1.6 million for the year ended 31 December 2022 to share of losses of approximately HK\$30.4 million for the year ended 31 December 2023 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\$182.5 million as at 31 December 2023 (2022: approximately HK\$335.5 million). The decrease in carrying amount was mainly due to the net effect of the Group received dividend of approximately HK\$39.7 million (2022: HK\$87.1 million) from Changde Gold Roc, the depreciation of the closing rate of RMB against HKD of roughly 2.8% comparing with the corresponding period of 2022 and the deterioration of operation results of Changde Gold Roc and impairment loss of approximately HK\$66.4 million.

The Group's investment in Changde Gold Roc was first acquired with the investment objectives of stable earnings and dividend income in view of its stable business with the local customers. However, taking into consideration the continually dwindling financial performance of the Changde Gold Roc and after reviewing its business and operation status, including the operation duration up to 27 April 2024, the Board considered that it would be appropriate for the Group to consider divestment before the further decline of the operation results of the Changde Gold Roc and the expiry of its operation duration. In view of this, the Group has entered into a framework agreement (the "**Framework Agreement**") effective on 28 December 2023 to dispose of all the equity interests held by the Group in Changde Gold Roc to the existing shareholder holding approximately 69% of the entire equity interests of Changde Gold Roc (the "**Disposal**"). Details of the Framework Agreement are set out in the announcement of the Company dated 28 December 2023. The parties to the Framework Agreement are in the process of negotiating the terms of the Disposal and the Company will make further announcement(s) as and when appropriate if there is any development regarding the potential Disposal.

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 2023.

## TAXATION

The taxation from continuing operations increased by 89.3% from approximately HK\$8.6 million for the year ended 31 December 2022 to approximately HK\$16.4 million for the year ended 31 December 2023. The increase of taxation was mainly due to the increase of profit from the major subsidiary and the absence of one time preferential tax policy for the tax credit of the newly purchased machineries.

## LOSS/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company was approximately HK\$163.9 million for the year ended 31 December 2023, as compared to the profit attributable to owners of the Company of approximately HK\$6.2 million for the year ended 31 December 2022.

The loss attributable to owners of the Company was primarily attributable to: (i) the decline in share of result of an associate of approximately HK\$32.0 million; (ii) the recognition of impairment loss on interest in an associate of approximately HK\$66.4 million; and (iii) the recognition of impairment loss on goodwill of approximately HK\$92.7 million.

## 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	
	2023	2022
Current Ratio ( <i>Note 1</i> )	<b>2.2 times</b>	1.5 times
Quick Ratio ( <i>Note 2</i> )	<b>2.0 times</b>	1.3 times
Return on equity ( <i>Note 3</i> )	<b>-7.2%</b>	0.2%
Return on total assets ( <i>Note 4</i> )	<b>-5.5%</b>	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 2023 improved and were at 2.2 times (2022: 1.5 times) and 2.0 times (2022: 1.3 times), respectively.

## **Return on equity and return on total assets**

The Group's return on equity decreased from 0.2% in 2022 to -7.2% in 2023. The Group's return on total assets decreased from 0.2% in 2022 to -5.5% in 2023. The decrease of the Group's return on equity was primarily due to the occurrence of the loss attributable to owners of the Company for 2023 as compared to that of profit attributable to owners of the Company for 2022.

## **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 2023, the Group had net current assets of approximately HK\$577.7 million (2022: approximately HK\$321.1 million) of which bank balances and cash were approximately HK\$345.8 million (2022: approximately HK\$313.3 million) and were denominated in RMB, US\$, GBP and HK\$ as at 31 December 2023.

As at 31 December 2023, the Group had outstanding bank borrowings of approximately HK\$131.6 million (2022: approximately HK\$266.6 million). The Group is with net cash of approximately HK\$236.1 million (2022: approximately HK\$137.9 million). The gearing ratio as at 31 December 2023 was -10.9% (2022: -5.6%), 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 2023, bank deposits with gross carrying amounts of approximately HK\$21.8 million (31 December 2022: HK\$104.5 million) were pledged to banks for bank facilities of bills payables granted to the Group.

As at 31 December 2023, the bank loan facilities granted to the Group were secured by the Group's property, plant and equipment with carrying value of approximately HK\$177.6 million, investment properties with carrying value of approximately HK\$37.8 million and corporate guarantee issued by the Company and certain subsidiaries (2022: 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).

## **CONTINGENT LIABILITIES**

As at 31 December 2023, the Group has provided a corporate guarantee to a bank for banking facilities granted to a third party in the amount of approximately HK\$11.0 million (31 December 2022: Nil).

## **CAPITAL COMMITMENTS**

As at 31 December 2023, the Group had capital commitment amounted to approximately HK\$39.6 million (31 December 2022: approximately HK\$7.4 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 2023. 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 representing more than 5% of the total assets of the Group held, and no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2023.

On 29 May 2023, Right Tech (China) Limited, being a wholly-owned subsidiary of the Company, as the vendor entered into a disposal agreement with Changsha Yingxin Semitech Limited as the purchaser and Jiangsu HY Link Science & Technology Co., Ltd.# (江蘇聯恒物宇科技有限公司) (the "**Disposal Company**"), a company established in the PRC and a 70%-owned subsidiary of the Company prior to completion, in relation to the disposal of the 70% of the equity interest in the Disposal Company 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. Details of the disposal are set out in the announcement and the circular of the Company dated 29 May 2023 and 26 July 2023 respectively. As at the date of this announcement, the disposal has not yet been completed.

As disclosed in the above section headed “Share of result of associates”, the Group has entered into the Framework Agreement effective on 28 December 2023 to dispose of all the equity interests held by the Group in Changde Gold Roc to the existing shareholder holding approximately 69% of the entire equity interests of Changde Gold Roc. Taking into consideration the continually dwindling financial performance of the Changde Gold Roc and after reviewing its business and operation status, including the operation duration up to 27 April 2024, the Board considered that it would be appropriate for the Group to proceed with the Disposal before the further decline of the operation results of the Changde Gold Roc and the expiry of its operation duration.

The Framework Agreement forms the basis of the Disposal between the Group and the purchaser, and the entering into of any definitive sale and purchase agreement is subject to further negotiations between the Group and the purchaser. The transactions contemplated under the definitive sale and purchase agreement, if materialised, is expected to constitute a notifiable transaction for the Company under the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Further announcement(s) will be made by the Company to comply with the applicable requirements under the Listing Rules as and when necessary.

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

## **HUMAN RESOURCES**

As at 31 December 2023, the Group had 582 employees (2022: 663). The total remuneration cost incurred by the Group for the year ended 31 December 2023 was approximately HK\$84.8 million (2022: approximately HK\$127.3 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 2023 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 downturn of the property market in PRC, the ongoing war between Russia and Ukraine and the uncertainty of the impact of the monetary policies of the U.S. Federal Reserve, all of which might have had an adverse effect on the PRC's economy and the Group's operating environment in 2024.

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.

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.

The Group will continue to optimise its asset portfolio and focus on developing core businesses through disposal of non-core assets and businesses. The Group 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 Group 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 does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK4 cents per share).

## **COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as the standard for securities transactions by Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions for the year ended 31 December 2023.

## **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 2023.

## **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 "Code") contained in Part 2 of Appendix C1 of the Listing Rules. During the year ended 31 December 2023, the Company has complied in general with the Code, except code provision B.2.4(b), C.1.6 and C.2.1 of the Code.

Under code provision B.2.4(b) of the Code, where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should appoint a new independent non-executive director on the board at the forthcoming annual general meeting. Each of Mr. Lam Ying Hung, Andy, Mr. Lui Tin Nang and Mr. Siu Man Ho, Simon has served as an independent non-executive Director for more than 9 years. The Company considers that the diverse background of the existing independent non-executive Directors, their past or current positions and offices at other companies and organisations as well as their ongoing professional development and training would still enable them to bring new independent ideas and perspectives to the Board despite the length of their tenure. At the same time, the Company is using its best endeavours to identify a suitable candidate who have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Company will make further announcement(s) as and when appropriate.

Under code provision C.1.6 of the Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Siu Man Ho, Simon (the chairman of nomination committee of the Company and an independent non-executive Director) was unable to attend the annual general meeting of the Company held on 9 June 2023 due to his other business engagement.

Under code provision C.2.1 of the Code, the roles of chairman and chief executive 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. 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 re-designated as the chairman of the Company in place of Mr. Chen Xiao Liang 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 2023 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 2023 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 2023 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the Company's website ([www.lituholdings.com](http://www.lituholdings.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The Company's annual report for the year ended 31 December 2023 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, 28 March 2024

*As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Huang Wanru (Chairman) and Mr. Deng Wei Chao, 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.*