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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “Board”) of directors (the “Directors”) of Litu Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2024 (the “Period under Review”) together with the comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *For the six months ended 30 June 2024*

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Continuing operations:			
Revenue	4	318,598	335,460
Cost of sales		(239,550)	(279,762)
Gross profit		79,048	55,698
Other income		9,539	7,748
Other net gains and losses	7	1,511	(62,543)
Selling and distribution expenses		(5,775)	(6,576)
Administrative expenses		(39,378)	(32,433)
Finance costs	8	(1,980)	(2,160)
Share of result of an associate		–	5,280
Profit (Loss) before taxation	8	42,965	(34,986)
Taxation	6	(11,278)	(7,238)

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Profit (Loss) for the period from continuing operations		31,687	(42,224)
Discontinued operations:			
Loss for the period from discontinued operations		<u>(4,108)</u>	<u>(9,433)</u>
Profit (Loss) for the period		<u>27,579</u>	<u>(51,657)</u>
Attributable to:			
Owners of the Company			
— continuing operations		31,687	(42,224)
— discontinued operations		<u>(2,876)</u>	<u>(9,066)</u>
		<u>28,811</u>	<u>(51,290)</u>
Non-controlling interests			
— discontinued operations		<u>(1,232)</u>	<u>(367)</u>
Profit (Loss) for the period		<u>27,579</u>	<u>(51,657)</u>
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
— Exchange differences arising on translation to presentation currency		<u>(45,199)</u>	<u>(93,967)</u>
Total comprehensive loss for the period		<u>(17,620)</u>	<u>(145,624)</u>
Attributable to:			
Owners of the Company		(15,845)	(144,550)
Non-controlling interests		<u>(1,775)</u>	<u>(1,074)</u>
Total comprehensive loss for the period		<u>(17,620)</u>	<u>(145,624)</u>
		HK\$	HK\$
Basic and diluted earnings (losses) per share	<i>10</i>		
— continuing operations		0.020	(0.027)
— discontinued operations		<u>(0.002)</u>	<u>(0.006)</u>
— Total continuing operations and discontinued operations		<u>0.018</u>	<u>(0.033)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		700,806	735,007
Right-of-use assets		68,553	71,273
Investment properties		158,127	168,599
Goodwill		601,177	615,939
Intangible assets		440	467
Deferred tax assets		6,275	6,457
Prepayments and rental and other deposits paid		37,792	42,608
		1,573,170	1,640,350
Current assets			
Inventories		33,515	72,486
Trade receivables	<i>11</i>	217,371	242,576
Contract assets		34,242	50,836
Other receivables, prepayments and refundable deposits		36,661	32,276
Tax recoverable		84	–
Pledged bank deposits		8,591	21,832
Bank balances and cash		501,593	345,798
		832,057	765,804
Assets classified as held for sale	<i>13</i>	292,694	307,373
		1,124,751	1,073,177

		30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
	<i>Notes</i>		
Current liabilities			
Trade payables	<i>12</i>	118,928	189,418
Other payables and accruals		85,943	92,256
Deposit received for disposal a subsidiary	<i>13(a)</i>	44,459	30,748
Income tax payable		12,023	8,307
Lease liabilities		137	138
Bank borrowings		208,344	131,550
		<u>469,834</u>	<u>452,417</u>
Liabilities associated with assets classified as held for sale	<i>13</i>	<u>38,454</u>	<u>43,044</u>
		<u>508,288</u>	<u>495,461</u>
Net current assets		<u>616,463</u>	<u>577,716</u>
Total assets less current liabilities		<u>2,189,633</u>	<u>2,218,066</u>
Non-current liabilities			
Government grants		18,312	19,652
Lease liabilities		283	361
Deferred tax liabilities		32,003	41,398
		<u>50,598</u>	<u>61,411</u>
NET ASSETS		<u>2,139,035</u>	<u>2,156,655</u>
Capital and reserves			
Share capital		7,839	7,839
Reserves		2,130,594	2,144,504
Amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale		<u>(22,723)</u>	<u>(20,788)</u>
Equity attributable to owners of the Company		<u>2,115,710</u>	<u>2,131,555</u>
Non-controlling interests		<u>23,325</u>	<u>25,100</u>
TOTAL EQUITY		<u>2,139,035</u>	<u>2,156,655</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL

Litu Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 11 November 2008 as an exempted company with limited liability and its shares are 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 of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is 3/F, 38 On Lok Mun Street, On Lok Tsuen, Fanling, New Territories, Hong Kong.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023, except for the adoption of the following new/revised HKFRSs that are effective for the Group’s financial year beginning on 1 January 2024.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HK Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment or Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Future Changes in HKFRSs

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2024. The directors are in the process of assessing the possible impact of the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group’s results and financial position.

Amendments to HKAS 21	Lack of Exchangeability
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
HKFRS 18	Presentation and Disclosure in Financial Statements
HKFRS 19	Subsidiaries without Public Accountability: Disclosures
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

4. REVENUE

An analysis of revenue of the Group is as follows:

	Six months ended 30 June	
	2024	2023
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Continuing operations		
<i>Revenue from contracts with customers within HKFRS 15</i>		
Sale of goods	301,621	320,692
<i>Revenue from other sources</i>		
Leasing income from investment properties	16,977	14,768
	318,598	335,460
Discontinued operations		
<i>Revenue from contracts with customers within HKFRS 15</i>		
Sale of goods (note 13(a))	23,504	20,857
	342,102	356,317

Disaggregation of revenue from contracts with customers within HKFRS 15

Types of goods

	Six months ended 30 June	
	2024	2023
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Continuing operations		
Printing and manufacturing of paper packages and related materials		
— Printing of cigarette packages	297,233	276,037
— Manufacturing of paper packaging materials	4,180	42,995
— Other related products	208	1,660
	301,621	320,692
Discontinued operations		
Sales of RFID products (note 13(a))	23,504	20,857
	325,125	341,549

Timing of revenue recognition

For the six months ended 30 June 2024					
	Manufacturing			Sales of	Total
	Printing of cigarette packages (Unaudited) <i>HK\$'000</i>	of paper packaging materials (Unaudited) <i>HK\$'000</i>	Other related products (Unaudited) <i>HK\$'000</i>	RFID products (Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Continuing operations					
A point in time	–	4,180	208	–	4,388
Over time	297,233	–	–	–	297,233
	<u>297,233</u>	<u>4,180</u>	<u>208</u>	<u>–</u>	<u>301,621</u>
Discontinued operations					
A point in time	–	–	–	23,504	23,504
Total	<u>297,233</u>	<u>4,180</u>	<u>208</u>	<u>23,504</u>	<u>325,125</u>

For the six months ended 30 June 2023					
	Manufacturing			Sales of	Total
	Printing of cigarette packages (Unaudited) <i>HK\$'000</i>	of paper packaging materials (Unaudited) <i>HK\$'000</i>	Other related products (Unaudited) <i>HK\$'000</i>	RFID products (Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Continuing operations					
A point in time	–	42,995	1,660	–	44,655
Over time	276,037	–	–	–	276,037
	<u>276,037</u>	<u>42,995</u>	<u>1,660</u>	<u>–</u>	<u>320,692</u>
Discontinued operations					
A point in time	–	–	–	20,857	20,857
Total	<u>276,037</u>	<u>42,995</u>	<u>1,660</u>	<u>20,857</u>	<u>341,549</u>

Geographical markets

The Group's revenue from external customers (based on the location of customers irrespective of the origin of goods) is principally generated from the People's Republic of China (the "PRC") during the six months ended 30 June 2024 and 2023.

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group’s operating and reportable segments currently are (i) printing and manufacturing of paper packages and related materials; (ii) sales of RFID products (included in discontinued operations); and (iii) leasing of investment properties. The CODM considered the Group has three operating and reportable segments which are based on the internal organisation and reporting structure.

The following is an analysis of the Group’s revenue and results by reportable segments:

For the six months ended 30 June 2024

	Continuing operations			Discontinued operations	
	Printing and manufacturing of paper packages and related materials (Unaudited) <i>HK\$’000</i>	Leasing of investment properties (Unaudited) <i>HK\$’000</i>	Sub-total (Unaudited) <i>HK\$’000</i>	Sales of RFID products (Unaudited) <i>HK\$’000</i>	Total (Unaudited) <i>HK\$’000</i>
Segment revenue	<u>301,621</u>	<u>16,977</u>	<u>318,598</u>	<u>23,504</u>	<u>342,102</u>
Segment result	<u>68,812</u>	<u>4,461</u>	<u>73,273</u>	<u>(1,930)</u>	<u>71,343</u>
Unallocated other income			9,539	205	9,744
Unallocated other net gains and losses			1,511	(188)	1,323
Unallocated expenses			(39,378)	(1,973)	(41,351)
Finance costs			<u>(1,980)</u>	<u>(302)</u>	<u>(2,282)</u>
Profit (Loss) before taxation			<u>42,965</u>	<u>(4,188)</u>	<u>38,777</u>

For the six months ended 30 June 2023

	Continuing operations			Discontinued operations	
	Printing and manufacturing of paper packages and related materials (Unaudited) <i>HK\$'000</i>	Leasing of investment properties (Unaudited) <i>HK\$'000</i>	Sub-total (Unaudited) <i>HK\$'000</i>	Sales of RFID products (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	320,692	14,768	335,460	20,857	356,317
Segment result	47,930	1,555	49,485	(1,071)	48,414
Unallocated other income			7,748	607	8,355
Unallocated other net gains and losses			(62,543)	(7,895)	(70,438)
Unallocated expenses			(32,796)	(1,107)	(33,903)
Finance costs			(2,160)	–	(2,160)
Share of result of an associate			5,280	–	5,280
Loss before taxation			<u>(34,986)</u>	<u>(9,466)</u>	<u>(44,452)</u>

Segment result represents the profit or loss generated (incurred) by each segment without allocation of corporate management expenses, directors' emoluments, share of result of an associate, finance costs, unallocated other income, unallocated other net gains and losses, loss allowance on trade and other receivables and contract assets, net, amortisation of intangible assets relating to customer relationship and other unallocated expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All of the segment revenue reported above is from external customers.

6. TAXATION

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations		
Current tax		
The PRC Enterprise Income Tax (“EIT”)	10,257	8,176
Under (Over) provision of EIT in prior years	6,146	(607)
	<u>16,403</u>	<u>7,569</u>
Deferred tax		
Origination and reversal of temporary differences	(4,942)	(4,215)
Utilisation of tax losses	–	3,884
Benefit of tax loss recognised	(183)	–
	<u>(5,125)</u>	<u>(331)</u>
Income tax expenses for continuing operations	<u>11,278</u>	<u>7,238</u>
Discontinued operations		
Deferred tax		
Benefit of tax loss recognised	(80)	(33)
Income tax credit for discontinued operations	<u>(80)</u>	<u>(33)</u>
Total tax charge for the period	<u>11,198</u>	<u>7,205</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% (six months ended 30 June 2023: 15% to 25%) in the PRC. Pursuant to the “Enterprise Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises”, some PRC subsidiaries, being High-Tech Enterprises, 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 and an associate 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 an associate.

7. OTHER NET GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Continuing operations		
Foreign exchange gains (losses), net	459	(372)
Gain (Loss) on disposal of property, plant and equipment	199	(2,203)
Impairment losses on goodwill	–	(40,000)
Impairment loss on interest in an associate	–	(20,000)
Reversal of loss allowance on trade and other receivables and contract assets, net	853	259
Loss on deregistration of subsidiaries	–	(226)
Others	–	(1)
	<u>1,511</u>	<u>(62,543)</u>
Discontinued operations		
Net foreign exchange gains	7	134
Impairment losses on goodwill	–	(8,209)
(Reversal of) Provision for loss allowance on trade receivables and contract asset, net	(195)	180
	<u>(188)</u>	<u>(7,895)</u>
Total	<u><u>1,323</u></u>	<u><u>(70,438)</u></u>

8. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations		
Finance costs		
— Interest expenses on bank borrowings and overdrafts	1,975	2,159
— Interest expenses on lease liabilities	5	1
	<u>1,980</u>	<u>2,160</u>
Staff costs:		
Directors' emoluments	2,861	2,521
Other staff costs		
— Salaries and other benefits	31,477	31,098
— Contributions to retirement benefits schemes	4,590	4,978
— Contractual termination benefit	2,713	2,637
	<u>41,641</u>	<u>41,234</u>
Total staff costs		
	<u>41,641</u>	<u>41,234</u>
Amortisation of intangible assets (included in cost of sales and administrative expenses)	16	603
Depreciation		
— Property, plant and equipment	41,923	42,835
— Right-of-use assets	988	980
— Investment properties	7,395	6,385
	<u>50,322</u>	<u>50,803</u>
Total amortisation and depreciation		
	<u>50,322</u>	<u>50,803</u>
Cost of inventories*	226,416	279,762
	<u>226,416</u>	<u>279,762</u>

* Included in cost of inventories from continuing operations were staff costs and depreciation and amortisation of approximately HK\$17,930,000 and HK\$17,909,000 (six months ended 30 June 2023: HK\$20,170,000 and HK\$22,890,000) respectively which are recognised during the period.

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations (continued)		
Government grants (included in other income)	(478)	(1,490)
Direct operating expenses arising from investment properties that generated rental income (included in cost of sales)	946	885
Direct operating expenses arising from investment properties that did not generated rental income (included in cost of sales)	<u>116</u>	<u>176</u>
Discontinued operations		
Finance costs		
— Interest expenses on bank borrowings and overdraft	<u>302</u>	<u>—</u>
Staff costs:		
Other staff costs		
Salaries and other benefits	4,553	3,064
Contributions to retirement benefits scheme	<u>795</u>	<u>587</u>
Total staff costs	<u>5,348</u>	<u>3,651</u>
Depreciation on property, plant and equipment	—	4,039
Cost of inventories	24,496	21,339
Research expenses (Included in cost of sales)	<u>1,146</u>	<u>2,757</u>

9. DIVIDENDS

The aggregate amount of the dividends declared and paid during the period is as follows:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
2022 final dividend	<u>—</u>	<u>62,715</u>

Subsequent to the end of the interim period, the directors of the Company have determined the payment of an interim dividend of HK2 cents (six months ended 30 June 2023: HKnil) per share in respect of the six months ended 30 June 2024, amounting to approximately HK\$31,358,000 (six months ended 30 June 2023: HK\$nil).

The final dividend of HK4 cents per share in respect of the year ended 31 December 2022, amounting to HK\$62,715,000, was declared and paid during the six months ended 30 June 2023.

10. EARNINGS (LOSSES) PER SHARE

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Earnings (Losses):		
Profit (Loss) for the period attributable to owners of the Company for the purpose of basic earnings (losses) per share (<i>HK\$'000</i>)		
— Continuing operations	31,687	(42,224)
— Discontinued operations	(2,876)	(9,066)
	28,811	(51,290)
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of basic earnings (losses) per share (<i>'000</i>)	1,567,885	1,567,885

Dilutive earnings (losses) per share are same as the basic earnings (losses) per share as there were no potential ordinary shares in existence during the six months ended 30 June 2024 and 2023.

11. TRADE RECEIVABLES

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from		
— third parties	219,060	245,037
Less: allowance for credit losses	(1,689)	(2,461)
	217,371	242,576

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 date at the end of the reporting period, which approximated revenue recognition dates except for receivables arising from printing of cigarette packages 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:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
0–90 days	192,379	220,795
91–180 days	16,928	10,092
181–365 days	8,897	9,504
Over 365 days	856	4,646
	<u>219,060</u>	<u>245,037</u>

As at 30 June 2024, included in trade receivables were bills receivables of HK\$9,047,000 (31 December 2023: HK\$11,578,000), which are held by the Group for future settlement of trade receivables due from third parties. All bills received by the Group are with a maturity period of less than one year.

12. TRADE PAYABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade payables to		
— third parties	118,811	189,244
— related parties	117	174
	<u>118,928</u>	<u>189,418</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 30 June 2024, bills amounting to HK\$19,158,000 (31 December 2023: HK\$46,145,000) were transferred to suppliers for settling trade payables.

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

(a) Disposal of a subsidiary

On 29 May 2023, Right Tech (China) Limited, being a wholly-owned subsidiary of the Company, entered into an agreement with a third party (the “Purchaser”) to dispose of 70% equity interest in Jiangsu HY Link Science & Technology Co., Ltd. (江蘇聯恒物宇科技有限公司) (“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. Deposits of approximately RMB41,551,000 (equivalent to approximately HK\$44,459,000) (31 December 2023: RMB28,048,000 (equivalent to approximately HK\$30,748,000)) were received as at 30 June 2024. Due to delay in settlement of the final consideration by the Purchaser, the disposal was not yet completed as at 30 June 2024. The disposal is expected to be completed in the second half of 2024.

The results of Jiangsu HY Link for the six months ended 30 June 2024 and 30 June 2023, which have been included in the condensed consolidated statement of comprehensive income, are as follows:

	Notes	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue	4	23,504	20,857
Cost of sales		(24,496)	(21,339)
Gross loss		(992)	(482)
Other income		205	607
Other net gains and losses	7	(188)	(7,895)
Selling and distribution expenses		(938)	(589)
Administrative expenses		(1,973)	(1,107)
Finance costs	8	(302)	–
Loss before taxation	8	(4,188)	(9,466)
Taxation	6	80	33
Loss for the period from discontinued operations		(4,108)	(9,433)
Net cash inflow (outflow) from			
— operating activities		(10,610)	11,094
— investing activities		(495)	(27)
— financing activities		14,841	(12,779)
		3,736	(1,712)

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 Sale and Discontinued Operations*” are measured at the lower of carrying amount and fair value less costs to sell at the end of the reporting period as follows:

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Property and equipment	30,666	34,291
Deferred tax asset	382	361
Inventories	69,773	66,472
Trade and other receivables	6,572	20,676
Tax recoverable	2,187	2,241
Bank balances	4,852	868
	<hr/>	<hr/>
Total assets classified as held for sale of Jiangsu HY Link	114,432	124,909
	<hr/> <hr/>	<hr/> <hr/>
Trade and other payables	18,848	39,633
Bank borrowings	16,050	–
Tax payable	–	50
Deferred tax liabilities	3,556	3,361
	<hr/>	<hr/>
Total liabilities associated with assets classified as held for sale of Jiangsu HY Link	38,454	43,044
	<hr/> <hr/>	<hr/> <hr/>

(b) Disposal of interest in an associate

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Assets classified as held for sale in respect of disposal of interests in an associate	<u>178,262</u>	<u>182,464</u>

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 Printing Co., Ltd. 常德金鵬印務有限公司 (“Changde Gold Roc”), effective on 28 December 2023 to dispose of its 31% equity interest in Changde Gold Roc. Details of the disposal have been disclosed in the Company’s announcement dated 28 December 2023. Pursuant to the terms of the framework agreement, the consideration of the disposal shall be determined with reference to the valuation to be conducted by an independent valuer to be jointly appointed by the Group and the purchaser and the cut-off reference date by which the entitlement to the profits or losses of Changde Gold Roc shall be determined is 31 December 2023. Upon completion of the disposal, the Group will cease to have any interest in Changde Gold Roc. As at the date of this announcement, the parties are still in negotiation on the terms of the disposal in order to finalise the terms of the definitive sale and purchase agreement. The signing of the definitive sale and purchase agreement as well as the completion of the disposal are expected to take place in the second half of 2024.

Interest in an associate amounting to HK\$178,262,000 (31 December 2023: 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 as at 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2024 (the “Period under Review”), the Company achieved revenue from continuing operations of approximately HK\$318.6 million (six months ended 30 June 2023: HK\$335.5 million) with profit attributable to owners of the Company amounting to approximately HK\$28.8 million (six months ended 30 June 2023: loss of HK\$51.3 million) and basic earnings per share of approximately HK\$0.018 (six months ended 30 June 2023: losses of HK\$0.033). The Board recommends the payment of an interim dividend of HK2 cents (six months ended 30 June 2023: nil) per share for the Period under Review.

In the first half of 2024, the gross domestic product (GDP) of the People’s Republic of China (the “PRC”) increased by 5.0% compared to 2023. However, the prospects of both the global economy and the PRC’s economy remain uncertain due to global high inflation, intensifying competition between the United States and the PRC on various fronts and the ongoing war between Russia and Ukraine, all of which may have an adverse effect on the PRC’s economy and the Group’s operating environment in the second half of 2024.

During the Period under Review, given the decrease in tendering price under the mandatory tendering policy in the cigarette industry, the Group was under operating pressure of intensifying industry competition. The Group has since focused more efforts on planning and organising the tendering among the subsidiaries.

Under the pressure of the fall of tender prices and the high inflation, the Group has implemented a series of measures in order to cope with the challenges to the profitability of the Group. The measures included the simplification of management structure in order to increase the efficiency of decision making to match with the fast changing market demand, the enhancement of inventory management to control the inventory at an appropriate level and the implementation of 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 of the Group.

Printing and Manufacturing of Paper Packages and Related Materials

During the Period under Review, the revenue from continuing operations of this segment decreased by 6.0% to HK\$301.6 million (six months ended 30 June 2023: HK\$320.7 million). The decrease is mainly due to the decrease of sales orders from the major customers.

This segment has suffered from the failure to bid the tender for orders from some of its major customers, the fall of tender prices and the inflation, as these factors had adverse impact on the profitability of the Group. To cope with the challenges, the Group has increased our participation in tenders, actively sought other new market opportunities and allocated additional resources on research and development of new products in order to expand into other packaging markets and to increase revenue in the future. The Group will also continue to reduce the pressure of declining tendering price through cost reduction, efficiency enhancement and resource consolidation measures.

In order to meet the increasingly stringent environmental protection requirements and to improve production efficiency, the Group centralised its resources and productions to 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 believed that the centralisation of production line of the Group would improve cost control and production efficiency, as well as reduce 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.

Leasing of Investment Properties

During the Period under Review, the revenue of leasing increased by 14.9% to HK\$17.0 million (six months ended 30 June 2023: HK\$14.8 million). The increase is mainly due to the increase in leased area of the investment properties.

PROSPECT

Looking ahead, the Group will continue to rely on paper packaging as a solid foundation for the Group's development and seek to maximise leasing 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 tendering price 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 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 its shareholders.

REVENUE

During the Period under Review, the revenue from continuing operations of the Group was approximately HK\$318.6 million (six months ended 30 June 2023: HK\$335.5 million), which represents a decrease of approximately HK\$16.9 million or 5.0% as compared to the corresponding period in 2023. The revenue from continuing operations of our two business segments, namely (i) printing and manufacturing of paper packages and related materials; and (ii) leasing of investment properties were approximately HK\$301.6 million (six months ended 30 June 2023: HK\$320.7 million) and HK\$17.0 million (six months ended 30 June 2023: HK\$14.8 million) respectively.

The decrease in total revenue of continuing operations 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, some of the customers delayed their sales order due to the change of their product design. Lastly, the depreciation of average exchange rate of RMB against HKD of roughly 4.0% comparing with the corresponding period of 2023 has increased such downside effect.

GROSS PROFIT

During the Period under Review, gross profit of the Group was approximately HK\$79.0 million (six months ended 30 June 2023: HK\$55.7 million). The gross profit margin increased to 24.8% during the Period under Review (six months ended 30 June 2023: 16.6%).

The increase in gross profit margin was mainly due to increase in efficiency of cost control primarily due to the implementation of new cost control measures.

OTHER INCOME

Other income of the Group of approximately HK\$9.5 million remains stable as compared with the corresponding period in 2023 of HK\$7.7 million.

OTHER NET GAINS AND LOSSES

Other net gains from continuing operations during the Period under Review was HK\$1.5 million when compared with other net losses of HK\$62.5 million for the corresponding period in 2023. The increase in other net gains were mainly attributable to the decrease in impairment losses on interest in an associate of approximately HK\$20.0 million and decrease in impairment losses on goodwill of approximately HK\$40.0 million for the Period under Review.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses during the Period under Review of approximately HK\$5.8 million remains stable as compared with the corresponding period of last year of HK\$6.6 million.

ADMINISTRATIVE EXPENSES

During the Period under Review, administrative expenses increased by approximately HK\$7.0 million or 21.6% to approximately HK\$39.4 million compared with the corresponding period in 2023 of HK\$32.4 million. The increase was mainly attributable to the increase in salaries and other benefits, contractual termination benefit and legal and professional fee for the Period under Review.

FINANCE COSTS

Finance costs during the Period under Review decreased by approximately HK\$0.2 million to approximately HK\$2.0 million or 9.1% as compared with the corresponding period in 2023 of HK\$2.2 million due to a decrease in the average amount of bank borrowings during the Period under Review, partially net off by increase in average interest rate of bank borrowings during the Period under Review.

TAXATION

Taxation during the Period under Review increased by approximately 56.9% to HK\$11.3 million (six months ended 30 June 2023: HK\$7.2 million) as profit before taxation increased.

PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company during the Period under Review was approximately HK\$28.8 million, as compared to the loss attributable to owners of the Company of approximately HK\$51.3 million for the corresponding period of 2023. The turnaround from loss to profit attributable to owners of the Company was primarily attributable to: (i) the decrease in impairment loss on interest in an associate of approximately HK\$20.0 million; (ii) the decrease in impairment loss on goodwill of approximately HK\$48.2 million; and (iii) the increase in efficiency of cost control of the Group primarily due to the implementation of new cost control measures.

SEGMENT INFORMATION

During the Period under Review, the revenue from continuing operations from the (i) printing and manufacturing of paper packages and related materials; and (ii) leasing of investment properties were approximately HK\$301.6 million (six months ended 30 June 2023: HK\$320.7 million) and approximately HK\$17.0 million (six months ended 30 June 2023: HK\$14.8 million) respectively. Profit from continuing operations from the printing and manufacturing of paper packages and related materials accounted for approximately 93.9% (six months ended 30 June 2023: 96.9%) of the total segment profit before unallocated items. The profit before unallocated items from continuing operations during the Period under Review from (i) printing and manufacturing of paper packages and related materials; and (ii) leasing of investment properties increased by 43.6% and 181.3% to approximately HK\$68.8 million (six month ended 30 June 2023: HK\$47.9 million) and HK\$4.5 million (six month ended 30 June 2023: HK\$1.6 million) respectively.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated resources and banking facilities. As at 30 June 2024, the Group had net current assets of approximately HK\$616.5 million (as at 31 December 2023: HK\$577.7 million) while the Group's bank balances and cash amounted to approximately HK\$501.6 million (as at 31 December 2023: HK\$345.8 million).

The increase in net current assets was mainly due to the increase in net cash of the Group as at 30 June 2024.

As at 30 June 2024, bank borrowings (repayable within one year) of the Group amounted to approximately HK\$208.3 million (as at 31 December 2023: HK\$131.6 million). Carrying amounts of bank deposits pledged for securing banking facilities of bills payables granted to the Group amounted to approximately HK\$8.6 million (as at 31 December 2023: HK\$21.8 million). The Group is with net cash of approximately HK\$301.9 million (as at 31 December 2023: approximately HK\$236.0 million). The gearing ratio as at 30 June 2024 was 14.1% (as at 31 December 2023: 10.9%), which is calculated by dividing the net cash by the total equity.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had capital commitments in respect of the acquisition of property, plant, equipment contracted for but not provided in the condensed consolidated financial statements amounting to approximately HK\$7.0 million (as at 31 December 2023: HK\$39.6 million). The decrease in capital commitments is mainly due to the committed payment for construction of new factories substantially settled by the end of 30 June 2024.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period under Review. 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.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities. As at 31 December 2023: a HK\$11.0 million corporate guarantee was provided to a bank for banking facilities granted to a third party.

CAPITAL STRUCTURE

During the Period under Review, the Group's operation was mainly financed by funds generated from its operation and bank borrowings. As at 30 June 2024, bank borrowings were all denominated in HKD and RMB, while the cash and cash equivalents held by the Group were mainly denominated in HKD and RMB. The Group's revenue is mainly denominated in RMB, while its costs and expenses are mainly denominated in HKD and RMB. 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 Period under Review. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EQUITY FUND RAISING

There was no equity fund raising activity by the Company during the Period under Review, nor were there any unutilised proceeds brought forward from any issue of equity securities made in previous financial years.

CHARGES ON ASSETS

As at 30 June 2024, bank deposits with gross carrying amount of approximately HK\$8.6 million (31 December 2023: HK\$21.8 million) were pledged to banks for bank facilities of bills payables granted to the Group.

As at 30 June 2024, the bank loan facilities granted to the Group were secured by the Group's property, plant and equipment with carrying value of approximately HK\$169.7 million (31 December 2023: HK\$177.6 million), investment properties with carrying value of approximately HK\$37.0 million (31 December 2023: HK\$37.8 million) and corporate guarantee issued by the Company.

SIGNIFICANT INVESTMENTS

Save for Changde Gold Roc, the particulars of which are disclosed in below section headed "Material Acquisition and Disposed of Subsidiaries and Associates", and as disclosed above, there were no significant investments held by the Group with a value of 5% or more of the Company's total assets as at 30 June 2024 and 30 June 2023. Save as disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

(a) Jiangsu HY Link

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.

(b) Changde Gold Roc

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"), effective on 28 December 2023 to dispose of its 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 upon completion of the disposal. As at the date of this announcement, the parties are still in negotiation on the terms of the disposal in order to finalise the terms of the definitive sale and purchase agreement. The signing of the definitive sale and purchase agreement as well as the completion of the disposal are expected to take place in the second half of 2024.

Save as disclosed in this announcement, there was no material acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the Period under Review.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

No important events affecting the Group has taken place since 30 June 2024 and up to the date of this announcement.

HUMAN RESOURCES

As at 30 June 2024, the Group had 8 and 615 full-time staff based in Hong Kong and the PRC respectively. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group operates 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 appropriate laws and regulations in the PRC.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK2 cents (2023: nil) per share for the Period under Review. The proposed interim dividend will be payable on or about 8 November 2024 to shareholders whose names appear on the register of members of the Company on 17 October 2024.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Code") contained in Part 2 of Appendix C1 of the Listing Rules. For the Period under Review, the Company has complied in general with the Code, except code provisions B.2.4(b) and C.2.1.

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.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Huang Wanru is the chairman of the Company but the Company has not appointed an individual to take up the vacancy of the chief executive officer. The roles and functions of the chief executive officer have been performed by all the executive Directors collectively. The Board will continue to review its current structure from time to time and will appoint a chief executive officer if the Board considers it appropriate and necessary.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities (including the sale of treasury shares) during the Period under Review. As at 30 June 2024, there were no treasury shares (as defined under the Listing Rules) held by the Company.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control, risk management and financial reporting matters including a review of the interim report and the unaudited condensed consolidated financial statements for the Period under Review with the Directors. In addition, the interim financial information of the Group for the Period under Review has also been reviewed by the independent auditor of the Company, Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited). The audit committee of the Company comprises the three independent non-executive Directors, namely, Mr. Lui Tin Nang, Mr. Lam Ying Hung, Andy and Mr. Siu Man Ho, Simon, and the non-executive Director, Ms. Li Li.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements to the proposed interim dividend, the register of members will be closed from Wednesday, 16 October 2024 to Thursday, 17 October 2024 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 15 October 2024 for registration.

APPRECIATION

I would like to thank our fellow Directors for their contribution and support throughout the period, and our management and staff for their dedication and hard work.

I would like to express our sincere appreciation to our shareholders, customers and suppliers as well as our business associates for their continuing support.

By order of the Board
Litu Holdings Limited
Huang Wanru
Chairman

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Huang Wanru (Chairman) and Ms. Chen Lin Lin Caddie, 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.