RENHENG ENTERPRISE HOLDINGS LIMITED
仁恒實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3628)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- Turnover for the year ended 31 December 2013 was approximately HK$133,872,000, representing a decrease of approximately 8.0% as compared with the corresponding year in 2012;
- Profit attributable to shareholders of the Company for the year ended 31 December 2013 was approximately HK$27,931,000, representing a decrease of approximately 5.9% as compared with the corresponding year in 2012; and
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013.

The board (the “Board”) of directors (the “Directors”) of RENHENG Enterprise Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2013 together with the audited comparative figures for the corresponding year in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	**2013 HK$’000 (Audited)**	2012 HK$’000 (Audited)
Turnover	4	**133,872**	145,461
Cost of sales		**(73,875)**	(80,961)
Gross profit		**59,997**	64,500
Other income and gains	5	**11,680**	6,646
Other gains and losses		**(26)**	688
Selling and distribution costs		**(14,775)**	(8,228)
Administrative expenses		**(15,114)**	(16,233)
Research and development costs		**(7,012)**	(10,294)
Profit before taxation		**34,750**	37,079
Taxation	7	**(6,819)**	(7,393)
Profit for the year		**27,931**	29,686
Other comprehensive income:			
Items that will not be reclassified to profit and loss:			
Exchange differences arising on translation		**7,719**	19
Total comprehensive income for the year		**35,650**	29,705
Earnings per share	8	**HK cents**	HK cents
- Basic		**14.0**	14.8
- Diluted		**13.9**	14.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December

	Notes	**2013 HK$'000 (Audited)**	2012 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**15,482**	15,093
Land use rights		**3,036**	2,997
Investment properties		**20,876**	20,101
		39,394	38,191
Current assets			
Inventories		**15,688**	11,730
Trade and other receivables	11	**81,889**	101,049
Land use rights		**77**	74
Amounts due from customers for contract work		**3,624**	2,212
Amounts due from related companies		**491**	437
Restricted bank deposits		**1,785**	-
Bank balances and cash		**158,593**	120,693
		262,147	236,195
Current liabilities			
Trade and other payables	12	**37,228**	38,699
Amounts due to customers for contract work		**12,366**	18,598
Tax payable		**5,413**	6,317
		55,007	63,614
Net current assets		**207,140**	172,581
Total assets less current liabilities		**246,534**	210,772
Non-current liabilities			
Deferred tax liabilities		**665**	553
		245,869	210,219
Capital and reserves			
Share capital		**2,000**	2,000
Reserves		**243,869**	208,219
Total equity		**245,869**	210,219

NOTES TO ANNUAL RESULTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 2 February 2011 and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM") since 18 November 2011. On 25 November 2013, the listing of the shares of the Company has been transferred from the GEM to the Main Board of The Stock Exchange of Hong Kong Limited (The "Stock Exchange").

The Company acts as an investment holding company while its subsidiaries are principally engaged in the manufacture and sale of tobacco machinery products. The address of the registered office of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of the principal place of business of the Company is Room 3805, 38/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

The functional currency of the Company is Renminbi as it is the currency in which the majority of the Group's transactions are denominated. The consolidated financial statements of the Group are presented in Hong Kong dollars ("HK$") as the management considers this presentation to be more useful for its current and potential investors.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretation (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Except for certain disclosure requirements under HKFRS 13 and Amendments to HKAS 1, the application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties that are measured at fair values, and in accordance with HKFRSs. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue arising from sale of goods and construction contracts of casing and flavouring system. An analysis of the Group's revenue is as follows:

	2013	2012
	HK$'000	HK$'000
Sales of goods	**34,098**	47,222
Revenue from construction contracts of casing and flavouring system	**99,774**	98,239
	133,872	145,461

The Group's operating activities are attributable to a single operating segment focusing on manufacture and sale of tobacco machinery products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the chief executive officer of the Company, the chief operating decision maker of the Company. The chief executive officer of the Company regularly reviews revenue analysis by products, including casing and flavouring system, pneumatic feeding system, pre-pressing packing machine and other products. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products. The chief executive officer of the Company reviews the revenue and the profit for the year of the Group as a whole to make decision about resources allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the chief executive officer of the Company. Accordingly, no segment information is presented.

Entity-wide information

An analysis of the Group's turnover by products is as follows:

	2013	2012
	HK$'000	HK$'000
Revenue from construction contracts of casing and flavouring system	**99,774**	98,239
Sales of		
- pneumatic feeding system	**17,270**	10,442
- pre-pressing packing machine	**60**	13,551
- other products	**16,768**	23,229
	133,872	145,461

4. TURNOVER AND SEGMENT INFORMATION (Continued)

Revenue from customers of the corresponding year contributing over 10% of the total sales of the Group are as follows:

	2013	2012
	HK$'000	HK$'000
Customer A[1]	**81,860**	79,064

[1] Revenue from sales of all products.

All of the Group's turnover are derived in the People's Republic of China (the "PRC"), which are determined by the location where the systems or products being installed or delivered. The Group's non-current assets comprise of HK$39,394,000 (2012: HK$38,171,000) which are located in the PRC (excluding Hong Kong) and nil (2012: HK$20,000) which are located in Hong Kong.

5. OTHER INCOME AND GAINS

	2013	2012
	HK$'000	HK$'000
Sales of materials, parts and components, net gain	**3,591**	2,563
Subsidy income (note)	**3,576**	1,912
Rental income	**964**	874
Interest income	**3,544**	976
Others	**5**	321
	11,680	6,646

Note: During the year ended 31 December 2013, the Group received a subsidy income of HK$2,513,000 (2012: nil) and tax refund of HK$1,063,000 (2012: HK$1,912,000).

Pursuant to a document issued by the People's Government of Yangzhou, Bao Ying Ren Heng Industrial Co., Ltd. ("Baoying Renheng") is entitled to one-off subsidy income for successful listing of the Company's shares on the GEM.

Based on another document issued by the People's Government of Baoying, Baoying Renheng is entitled to tax refunds representing approximately 12.5% of the excess value added tax paid in prior year as compared with the reference amount as stated in that document.

There were no unfulfilled conditions attached to these subsidy income and refunds, therefore, the Group recognised the income upon receipts.

6. DEPRECIATION AND AMORTISATION

During the year ended 31 December 2013, depreciation and amortisation amounting to HK$1,604,000 and HK$75,000 (2012: HK$1,433,000 and HK$74,000) were charged to profit or loss in respect of the Group's property, plant and equipment and land use rights respectively.

7. TAXATION

	2013	2012
	HK$'000	HK$'000
The charge comprise:		
PRC Enterprise Income Tax		
- current year	**6,730**	6,670
- underprovision in prior year	**-**	530
	6,730	7,200
Deferred taxation		
- current year	**89**	193
	6,819	7,393

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit arisen in, or was derived from, Hong Kong.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purpose at 15% (2012: 15%) pursuant to the Law of the PRC on Enterprise Income Tax and Implementation Legislation (the "EIT Law").

Under the EIT Law, a qualified High and New-Tech Enterprise ("HNTE") can enjoy a reduced tax rate at 15%. Baoying Renheng has been recognised and approved as a HNTE since 2011. Tax concession has renewed by the local tax authority in 2013, and is therefore entitled to a reduced tax rate at 15% for 3 years.

8. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**27,931**	29,686
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**200,000,000**	200,000,000
Effect of dilutive potential shares		
Share options	**265,538**	302,151
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**200,265, 538**	200,302,151

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2013, the Group purchased property, plant and equipment amounting to HK$1,450,000 (2012: HK$1,161,000).

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	HK$'000
Trade receivables	**42,804**	70,169
Less: Allowance for doubtful debts	**(2,455)**	(2,365)
	40,349	67,804
Retention money receivables	**32,353**	22,769
Prepayments and deposits	**3,044**	6,328
Sundry receivables	**6,691**	4,676
Less: Allowance for doubtful debts	**(548)**	(528)
	41,540	33,245
	81,889	101,049

The Group normally allows a credit period of three months to its trade customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits. Retention money receivables refer to the sum retained by customers after the delivery and completion of the contracts (including construction contracts of casing and flavouring system, and sales of pneumatic feeding system and other products) but before the expiry of the warranty period given by the Group, which in general, a period of 12 months. Included in retention money receivables with carrying amount of HK$5,102,000 (2012: HK$3,990,000) which is past due but not impaired as the management of the Group considers that there has not been a significant change in credit quality and the amount is considered recoverable. The Group does not hold any collateral over the balance.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period.

	2013	2012
	HK$'000	HK$'000
0 – 90 days	**9,545**	44,086
91 – 365 days	**19,347**	8,368
1 – 2 years	**11,432**	15,325
Over 2 years	**25**	25
	40,349	67,804

11. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period which are past due but not impaired as the management of the Group considers that there has not been a significant change in credit quality and the amounts are considered recoverable. The Group does not hold any collateral over these balances.

	2013	2012
	HK$'000	HK$'000
91 – 365 days	**19,347**	8,368
1 – 2 years	**11,432**	15,325
Over 2 years	**25**	25
	30,804	23,718

12. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	HK$'000
Trade payables	**22,652**	32,845
Advances from customers	**8,664**	1,093
Accrued welfare expense	**1,838**	1,770
Valued added tax payables	**1,938**	771
Other payables	**2,136**	2,220
	37,228	38,699

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2013	2012
	HK$'000	HK$'000
0 – 90 days	**21,472**	30,662
91 – 365 days	**868**	1,852
1 – 2 years	**8**	4
Over 2 years	**304**	327
	22,652	32,845

The average credit period on purchase of goods is 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacture, sale and provision of maintenance, overhaul and modification services in respect of tobacco machinery products in the PRC. We generate our turnover primarily from projects related to three types of catalogued special-purpose tobacco machinery products, namely the casing and flavouring systems, pneumatic feeding systems ("PF system") and pre-pressing packing machines ("PP system").

FINANCIAL REVIEW

For the year ended 31 December 2013, the turnover of the Group dropped by approximately HK$11,589,000 or 8.0% to HK$133,872,000 as compared to HK$145,461,000 for the previous year. Such decrease was mainly attributable to drop in revenue recognised from the PP system. For the year under review, the Group completed a PP system project with turnover of approximately HK$60,000, whereas the aggregate turnover recognised in 2012 amounted to approximately HK$13,551,000, representing a drop of approximately HK$13,491,000 or 99.6%. The gross profit margin of the Group remained stable at 44.3% and 44.8% for the year ended 31 December 2012 and 2013 respectively following the continuous effort in refining our respective system design and modification by our technical personnel.

Operating expenditure of the Group, comprising the selling and distribution costs and administrative expenses, amounted to approximately HK$29,889,000 (2012: approximately HK$24,461,000), representing an increase of approximately HK$5,428,000 or 22.2%. The overall increment was mainly attributable to the increase in entertainment expenses resulting from our visits to various potential customers, handling fee to be paid to China Tobacco Machinery (Group) Co., Ltd. ("CTMC") and charitable donation made to The Community Chest of Hong Kong upon the transfer of listing of the Company in November 2013.

The net profit of the Group for the year ended 31 December 2013 amounted to approximately HK$27,931,000. Despite the decrease in turnover and increase in operating expenditure, the net profit decreased by only approximately HK$1,755,000 or 5.9% as a result of more other income generated during the year. Such increment was mainly attributable to the receipt of a one-off subsidy income of approximately HK$2,513,000 and the increase in interest income of approximately HK$2,568,000 in 2013 and compared to prior year.

As at 31 December 2013, the capital structure of the Group remained strong with a current ratio of approximately 4.8 (2012: approximately 3.7), a positive cash inflow from operations and continuous business operation with zero bank borrowings (2012: zero). Such sound and stable financial position allowed the Group to meet the needs of current operations and future development, and to maintain the business in case of any adverse market condition.

BUSINESS REVIEW

The sale of catalogued special-purpose tobacco machinery products continued to contribute the majority of the turnover of the Group, amounting to approximately HK$117,104,000 or 87.5% of total turnover (2012: approximately HK$122,232,000 or 84.0% of total turnover). For the year ended 31 December 2013, the Group has completed projects in delivering casing and flavouring system to cigarette manufacturers located in Chongqing, Jiangxi and Jilin, and PF system to customers located in Henan, Shangdong and Chongqing. During the year, revenue generated from the sale of PP system was minimal and our sales and marketing personnel were actively identifying and discussing with respective tobacco redrying factories in respect of contracting PP system projects in coming year.

Our technical personnel is always committed to new product design and development and strives to bring along extended range of products to customers. For the year ended 31 December 2013, the expenditure incurred on research and development amounted to approximately HK$7,012,000 (2012: approximately HK$10,294,000). During the year, the Group has completed the development of a new set of casing and flavouring system, equipping with the operational features of moveable tanks and automated storage, retrieval and feeding devices. The Group has also proceeded the formulation of an initial prototype for a new set of spraying device and the feasibility study of tobacco bale slicer and tobacco redrying system.

Following the completion of development of respective products, in particular the new set of casing and flavouring system, our sales and marketing personnel has commenced during the year and is in the process of organising promotional activities to launch and introduce these new products in a large scale basis to existing and potential customers, with expectation of building business relationship and to further enhance our penetration into the tobacco machinery market.

BUSINESS OUTLOOK

According to the National Bureau of Statistics of China, the fixed asset investment in the tobacco products industry in urban areas grew at a compound annual growth rate of approximately 12.6% between 2007 and 2012 from RMB11.7 billion to RMB23.9 billion. Considering the trend in the tobacco products industry as described above, it is believed that the tobacco machinery industry would be in a steady and modest growth momentum.

Leveraging on the Group’s competitive strengths in product customisation and development capabilities, and the completion of development of a new set of PF system, PP system and casing and flavouring system, as well as our long standing relationships with customers, which enables both the sales and technical personnel to obtain good and timely understanding of customers’ requests in the prevailing PRC tobacco industry, the Group is capable of capturing market opportunities for its specialised products and securing contracts with cigarette manufacturers and tobacco redrying factories in the foreseeable future, hence delivering greater value to our shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our operations were financed principally by revenues generated from business operations, available bank balances and the net proceeds from the placing of shares upon the initial public offering (the "Placing"). As at 31 December 2013, bank balances and cash amounted to approximately HK$158,593,000 (2012: approximately HK$120,693,000) and the net current assets was approximately HK$207,140,000 (2012: approximately HK$172,581,000). As at 31 December 2013, the current ratio was approximately 4.8 (2012: approximately 3.7). The improvement was mainly resulted from the increase in operating cash flow during the year ended 31 December 2013.

The Group did not have any borrowings, mortgages or charges as at 31 December 2013 (2012: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group had a total of 151 employees (2012: 146). Total staff costs (including directors' remuneration) were approximately HK$12,667,000 for the year ended 31 December 2013 as compared to approximately HK$11,377,000 for the year ended 31 December 2012.

Remuneration in the form of salaries and bonus is determined by reference to our employees' respective experience, responsibilities, qualifications and competence displayed and our operation results. Our employees also receive reimbursements for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to our operations. Our Directors and employees may also receive options granted under the share option scheme after listing.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition and disposal of subsidiaries for two years ended 31 December 2012 and 31 December 2013.

COMPARISON BETWEEN FUTURE PLANS AND PROSPECTS AND ACTUAL BUSINESS PROGRESS

An analysis comparing the section headed "Future plans and prospects" as set out in the prospectus of the Company dated 28 October 2011 ("Prospectus") with our actual business progress for the period from 24 October 2011, being the latest practicable date as defined in the Prospectus, to 31 December 2013 (the "Relevant Period") is set out below:

COMPARISON BETWEEN FUTURE PLANS AND PROSPECTS AND ACTUAL BUSINESS PROGRESS (Continued)

	Future plans and prospects	Actual business progress during the Relevant Period
Continuous product development and innovation	Design and develop new set of PP system	Completed the development of a new set of PP system
	Design and develop new set of spraying device	Commenced and continuously develop a new type of spraying device
	Design and develop new casing and flavouring system	Completed the development of a new set of casing and flavouring system
	Design and develop new PF system	Completed the development of a new set of PF system
	Design and develop tobacco bale slicers	Continued the technical feasibility study of tobacco bale slicers
	Design and develop tobacco redrying system	Commenced the technical feasibility study of tobacco redrying system
	Recruit technical personnel	Completed the recruitment of technical personnel for product research and development
Enhancing corporate profile and increasing market penetration	Post advertisement in tobacco magazines	Posted advertisement in local publications
	Design and distribute corporate and product brochures as well as video compact disc	Completed the design of corporate and product brochures and videos
	Participate in trade exhibitions	Explored the opportunity of trade exhibitions in the PRC
	Organise promotional activities for existing and new products	Formulated plan and arrangement in progress for product launch for casing and flavouring system
Enhancing production processing capabilities	Purchase machinery and equipment	Purchased certain machinery and equipment
	Upgrade production facilities	Commenced the discussion with potential constructors for the upgrade
Strengthening management information system	Evaluate, acquire and implement management information system	Completed installation and upgrade of management information system by service provider

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Placing were approximately HK$45.7 million, which is approximately HK$1.6 million lower than that was anticipated in the Prospectus due to the underestimated listing expenses and related disbursements. During the Relevant Period, the net proceeds from the Placing had been applied as follows:

	Proposed use of net proceeds in the Prospectus (HK$'000)	Planned use of net proceeds as stated in the Prospectus during the Relevant Period (HK$'000)	Actual use of net proceeds during the Relevant Period (HK$'000)	Unused net proceeds as at 31 December 2013 (HK$'000)
Continuous product development and innovation (*Note 1*)	33,713	33,713	19,649	14,064
Enhancing corporate profile and increasing market penetration (*Note 2*)	3,700	3,700	340	3,360
Enhancing production processing capabilities (*Note 3*)	4,830	4,830	2,128	2,702
Strengthening management information system (*Note 4*)	480	480	446	34
Total	42,723	42,723	22,563	20,160

Notes:

1. The design and development of a new set of casing and flavouring system, PP system and PF system has been completed and approximately HK$11,515,000, HK$3,903,000 and HK$928,000 were used. In addition, approximately HK$2,003,000 was used for the development of new type of spraying device during the Relevant Period. The deviation between actual and proposed use of net proceeds during the Relevant Period was mainly due to (i) the delay of design and development of a new tobacco bale slicer as this product is still under the technical feasibility study stage in its development; and (ii) the design and development of the new tobacco redrying system being rescheduled as the Group would like to focus and utilise its resources on the completion of development of the new casing and flavouring system, new PP system and the new PF system.

   The remaining balance was used to employ technical personnel and the recruitment was completed during the Relevant Period.

2. The amounts represented the payment made to a service provider for designing corporate and product brochures and videos of approximately HK$313,000, and certain advertisement and promotional expenses of approximately HK$27,000. The deviation between actual and proposed use of net proceeds during the Relevant Period was mainly due to the delay of promotional activities for the product launch of casing and flavouring system as the Group required more time in the arrangement especially the liaison with existing and potential cigarette manufacturers, as well as CTMC. The preparation of the promotional activities was in progress up to 31 December 2013.

FUTURE PLANS AND USE OF PROCEEDS (Continued)

Notes:

3. The Group has purchased certain machinery and equipment, including computerised numerical control ("CNC") shearing machine, CNC press brake, automatic pipe welding machine, CNC lathes and turret punch machine during the Relevant Period. The postponement of upgrade to production facilities was to avoid any significant disturbance to the production and delivery of products to customers in the previous year, whereas the delay in purchase of certain machineries was because the spending was still pending review by the management of Baoying Renheng on their appropriateness and production capacity to meet the Group's production needs. Baoying Renheng commenced the discussion with potential constructors for the upgrade in the fourth quarter of 2013, pending feedback from the constructors for further negotiation and finalisation. It is expected that the upgrade will be completed in first half of 2014.

4. The Group completed the installation and upgrade of management information system during the Relevant Period and the result of the implementation is satisfactory. The saved amount of approximately HK$34,000 may be used by the Group if further upgrades are to be made to the system in future.

The remaining net proceeds as at 31 December 2013 were placed as interest bearing deposits with licensed banks in Hong Kong and the PRC.

To cope with the Group's ongoing operation and business development, the Director has updated the implementation plan, adopting the same strategies as disclosed in the Prospectus with adjustment to the execution time frame. The breakdown of expected application of the unused net proceeds up to 31 December 2013 of approximately HK$20,126,000 designated for each six-month period during the year ending 31 December 2014 is summarised as follows:

	Six-month ending		
	30 June 2014 HK$'000	**31 December 2014 HK$'000**	**Total HK$'000**
Continuous product development and innovation	9,081	4,983	14,064
Enhancing corporate profile and increasing market penetration	3,360	-	3,360
Enhancing production processing capabilities	1,820	882	2,702
	14,261	5,865	20,126

FUTURE PLANS AND USE OF PROCEEDS (Continued)

Further information regarding the deployment of the unused net proceeds up to 31 December 2013 for each strategy is set out below.

1. Continuous product development and innovation

From 1 January 2014 to 30 June 2014	**From 1 July 2014 to 31 December 2014**
Design and develop new spraying device	Design and develop new spraying device
Design and develop new tobacco bale slicer	Design and develop new tobacco bale slicer
Design and develop new tobacco redrying system	Design and develop new tobacco redrying system
Funding requirements:	
HK$9,081,000	HK$4,983,000

2. Enhancing corporate profile and increasing market penetration

From 1 January 2014 to 30 June 2014	**From 1 July 2014 to 31 December 2014**
Post advertisement in tobacco magazines	-
Organise promotional activities for existing and new products	-
Funding requirements:	
HK$3,360,000	Nil

3. Enhancing production processing capabilities

From 1 January 2014 to 30 June 2014	**From 1 July 2014 to 31 December 2014**
Purchase machinery and equipment	Purchase machinery and equipment
Upgrade production facilities	-
Funding requirements	
HK$1,820,000	HK$882,000

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 May to 12 May 2014, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to be eligible for the attendance of the forthcoming annual general meeting of the Company, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration not later than 4:30 p.m. on 7 May 2014.

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

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

CORPORATE GOVERNANCE

Pursuant to the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules which sets out the principles of good corporate governance and the code provisions (the "Code Provisions"), the Company has applied all the Code Provisions as set out in the Code during the year ended 31 December 2013, save and except the Code Provisions E.1.2 of the CG Code.

The chairman of the Board was unable to attend the annual general meeting of the Company due to other business engagement.

The Company has applied the principles of the required standard of securities transactions by our Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company was confirmed that all Directors have complied with or they were not aware of any non-compliance with the required standard of dealings as set out in the Listing Rules during the year ended 31 December 2013.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The financial figures in this announcement have been agreed by the Company's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2013. The work performed by Deloitte Touche Tohmatsu 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 Deloitte Touche Tohmatsu on this announcement.

REVIEW OF ANNUAL RESULTS

The audited consolidated results for the year ended 31 December 2013 have been reviewed by the audit committee of the Company. The audit committee was of the opinion that such results complied with the applicable accounting standards and that adequate disclosures had been made.

By order of the Board
RENHENG Enterprise Holdings Limited
Wei Sheng Peng
Chairman

Hong Kong, 19 March 2014

As at the date of this announcement, the executive Directors are Mr. Wei Sheng Peng, Ms. Liu Li and Mr. Sun Zhaohui and the independent non-executive Directors are Mr. Tam Yuk Sang, Sammy, Mr. Wong Yiu Kit and Mr. Kong Hing Ki.