RENHENG Enterprise Holdings Limited
仁恒實業控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 08012)
(Stock code on Main Board: 03628)

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Financial adviser to RENHENG Enterprise Holdings Limited

SWS

Shenyin Wanguo Capital (H.K.) Limited

TRANSFER OF LISTING

Reference is made to the announcements of the Company made on 20 March 2013 and 23 September 2013 respectively in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing.

On 20 March 2013, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing, which subsequently lapsed on 19 September 2013. The Company submitted a new application to the Stock Exchange for the Transfer of Listing on 23 September 2013. The Company has applied for the listing of, and permission to deal in, (i) 200,000,000 Shares in issue; (ii) 1,200,000 new Shares which may be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme; and (iii) any new Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the Stock Exchange has granted its approval-in-principal for the Transfer of Listing on 14 November 2013.

All pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Listing Rules have, in so far as applicable, been fulfilled in relation to the Company and the Shares as of the date of this announcement.

The last day of dealings in the Shares on GEM will be 22 November 2013. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on 25 November 2013. The Shares will be traded on the Main Board under the new stock code "03628".

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. No change will be made to the existing share certificates, the stock short name of the Company in English and Chinese, the trading currency of the Shares and the Hong Kong branch share registrar and transfer office of the Company in connection with the Transfer of Listing.

TRANSFER OF THE LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

Reference is made to the announcements of the Company made on 20 March 2013 and 23 September 2013 respectively in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing.

On 20 March 2013, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing, which subsequently lapsed on 19 September 2013. The Company submitted a new application to the Stock Exchange for the proposed Transfer of Listing on 23 September 2013. The Company has applied for the listing of, and permission to deal in, (i) 200,000,000 Shares in issue; (ii) 1,200,000 new Shares which may be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme; and (iii) any new Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the Stock Exchange has granted its approval-in-principal for the Transfer of Listing on 14 November 2013.

All pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Listing Rules have, in so far as applicable, been fulfilled in relation to the Company and the Shares as of the date of this announcement.

REASONS FOR THE TRANSFER OF LISTING

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. The Board is of the view that a listing of the Shares on the Main Board will further enhance the trading liquidity of the Shares and the corporate profile of the Group, as well as recognition from the investing public, including the institutional investors, which will be beneficial to the future growth and development of the Group.

The Transfer of Listing will not involve any issue of new Shares by the Company. As at the date of this announcement, the Board does not contemplate any material change in the nature of the business activities of the Group following the Transfer of Listing.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 18 November 2011, the date on which the Shares were listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM will be 22 November 2013. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on 25 November 2013. The Shares will be traded on the Main Board under the new stock code "03628" in board lot size of 2,000 Shares each following the Transfer of Listing.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the existing share certificates, the stock short name of the Company in English and Chinese, the trading currency of the Shares and the Hong Kong branch share registrar and transfer office of the Company in connection with the Transfer of Listing.

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was adopted by the Company on 20 October 2011. As at the date of this announcement, outstanding options to subscribe for an aggregate of 1,200,000 Shares have been granted by the Company under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme were granted on 20 October 2011 and no further options will be granted under the Pre-IPO Share Option Scheme. No amendment is required to be made to the terms and conditions of the Pre-IPO Share Option Scheme in connection with the Transfer of Listing. The Pre-IPO Share Option Scheme will remain effective after the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 20 October 2011. Pursuant to the Share Option Scheme, the Board may, at its absolute discretion, offer to any qualifying participant (including but not limited to any full-time or part-time employee of the Group and any Director) options to subscribe for such number of Shares as the Board may determine.

In connection with the Transfer of Listing, the Board proposed some technical amendments to the Share Option Scheme which are summarised as follows:

(1) the definition of "Listing Rules" in the Share Option Scheme which refers to the GEM Listing Rules would be amended as a reference to the Listing Rules;

(2) to provide the Directors with the authority to change terms of the Share Option Scheme in relation to administrative and operational matters of the scheme or terms which are not of a material nature without the approval of Shareholders in the Company's general meeting; and

(3) references to certain GEM Listing Rules in the Share Option Scheme would be changed to the relevant references to the Listing Rules.

The amendments to the Share Option Scheme have been approved by an ordinary resolution at the annual general meeting of the Company held on 9 May 2013. Details of the amendments are set out in the circular of the Company dated 5 April 2013 and the amendments will take effect on the date of Transfer of Listing on 25 November 2013.

The Share Option Scheme will remain effective after the Transfer of Listing and will be implemented in full compliance with Chapter 17 of the Listing Rules.

As at the date of this announcement, no option has been granted or agreed to be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed 10% of the Shares in issue upon listing of the Shares on GEM on 18 November 2011.

Save for the outstanding options granted under the Pre-IPO Share Option Scheme which would entitle holders thereof to subscribe for an aggregate of 1,200,000 Shares, the Company does not have any other options, warrants or similar rights or convertible equity securities in issue.

COMPETING INTERESTS

As at the date of this announcement, none of the Directors, Controlling Shareholders or their respective associates has any interest in any business which competes or potentially competes, either directly or indirectly, with the business of the Group.

LATEST DEVELOPMENTS OF THE GROUP

A. Renewal of the Tobacco Production Licence

The Group's current Tobacco Production Licence is valid for a period of five years commenced from 14 April 2009 and will expire on 14 April 2014. According to 煙草專賣許可證管理辦法 (the Measures on Administration of Tobacco Monopoly Licence*), any enterprise with a Tobacco Production Licence intending to continue the production and/or operation after the expiry of the licence shall submit an application of renewal and extension of the Tobacco Production Licence to the original issuing authority 30 days before its expiration. The Group intends to submit the application for the renewal of the Tobacco Production License to the relevant authority 30 days prior to the licence expiration date on 14 April 2014. Up to the date of the announcement, (i) there is no change in the corporate capacity of Baoying Renheng under the law of the PRC; (ii) the Group is able to maintain its production and operational capabilities without any significant change; and (iii) the Group has not been involved in any material non-compliance incidents. Accordingly, the Company's legal advisers as to the PRC laws are of the view that there is no legal impediment for the Group to renew its Tobacco Production Licence.

Furthermore, as advised by the Company's legal advisers as to the PRC laws, and as far as the Directors are aware of, as at the date of this announcement, there was not any governmental policy change by STMA which may materially impact the Company, PRC cigarette manufacturers and tobacco redrying factories operationally and financially going forward. In addition, the Directors confirm that, during the three years ended 31 December 2012 and up to the date of this announcement, (i) STMA did not conduct any inspection on the operations of the Group; and (ii) the Group was in full compliance with the licensing and safety requirements applicable to the Group in the PRC.

B. Changes in guidance prices of catalogued special-purpose tobacco machinery products

On 23 April 2010 and 18 December 2012, the STMA issued changes in the guidance prices, namely the Pricing Approval 2010 and the Pricing Guidelines 2013 respectively, for certain catalogued special-purpose tobacco machinery products. The Pricing Approval 2010 basically provides detailed guidance prices for various casing and flavouring systems which were not previously covered in the pricing guidelines issued in 2004. The Pricing Guidelines 2013 raise the guidance price for an existing model of PP system and expand the range of products in the guidance price list. The Directors are of the view that the changes in the guidance prices for the Group's catalogued special-purpose tobacco machinery products as mentioned above provide a favourable condition for the operations of the Group given the upward guidance price adjustment and the expansion of the range of products covered in the guidance price list.

C. Long outstanding trade receivable balances

During the last three years, the trade receivables of the Group have increased significantly from approximately HK$14.0 million as at 31 December 2010 to approximately HK$67.8 million as at 31 December 2012 along with the growth in revenue of the Group. In particular, amount due from customers for over one year increased from approximately HK$567,000 as at 31 December 2010 to approximately HK$15.3 million as at 31 December 2012.

In recent years, the Group notices that the projects carried out by its customers to install or upgrade their production lines have been getting larger in size and complexity. These large projects usually involve a number of tobacco machinery suppliers which deliver their products at different times for installation, where the products supplied by the Group usually only form part of the entire production line. While the Group recognises its revenue using the percentage of completion method by reference to the value of work carried out for its casing and flavouring system projects or upon delivery and acceptance of other tobacco machinery products by the customers and normally grants a credit term of 90 days to its customers, some of the Group's customers would only settle the trade receivables due to the Group subsequent to completion of the required integration works for all machineries and equipment and the test run of the entire production line. Such customers normally enter into their internal invoice settlement processes for all of the suppliers in batch subsequent to completion of the test run. In this connection, the Group may experience delay in settlement of trade receivables by the customers from time to time. The executive Directors, based on their experience in the tobacco machinery industry, believe the delay in settlement of trade receivables by cigarette manufacturers pending completion of the required integration works for all machineries and equipment and the test run of the entire production line in large projects has become an industry norm. For more details of the Group's accounting policies on revenue recognition and the credit terms granted to customers, please refer to the paragraph headed "Revenue recognition and credit terms" below.

The Directors confirm that there is no significant change in the credit quality of the Group's customers and confirm that there is no dispute between the Group and its customers for the outstanding trade and retention receivable balances. The Group has not experienced any material default on its trade receivables by customers. The trade receivables due over one year decreased from approximately HK$15.3 million as at 31 December 2012 to approximately HK$6.9 million as at 30 June 2013 mainly due to the settlement of long outstanding balances of approximately HK$12.1 million by a cigarette manufacturer in Kunming, Yunnan (the "Kunming Project Customer"). Up to 30 September 2013, trade receivables of approximately HK$1.7 million due from a tobacco redrying factory in Henan ("Henan Project Customer") for over one year as at 31 December 2012 were subsequently settled. Up to 30 September 2013, only approximately HK$869,000 out of the trade receivables past due for over one year as at 31 December 2012 of approximately HK$15.3 million remained unsettled. Of the trade receivables due over one year as at 30 June 2013 of approximately HK$6.9 million, approximately HK$3.2 million remained outstanding up to 30 September 2013, among which approximately HK$2.2 million were due from a cigarette manufacturer in Guizhou (the "Guizhou Project Customer"). For further details of these customers, please refer to the paragraph headed "Customers with long outstanding trade receivable balances" below.

The following table sets out the Group's trade receivable balances (net of allowance for doubtful debts), the respective aging analysis as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 and the subsequent settlement up to 30 September 2013:

	As at 31 December			***As at 30 June***
	2010	***2011***	***2012***	***2013***
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 90 days	9,265	14,484	44,086	21,244
91–365 days	4,149	32,291	8,368	13,052
1– 2 years	279	1,687	15,325	6,858
Over 2 years	288	25	25	25
	13,981	48,487	67,804	41,179
Amount subsequently settled up to 30 September 2013	(13,811)	(48,172)	(50,885)	(16,774)
Amount outstanding as at 30 September 2013	170*	315	16,919	24,405
% outstanding as at 30 September 2013	1.2%	0.6%	25.0%	59.3%

* *The outstanding balance of approximately HK$170,000 was fully provided as doubtful debts subsequently during the year ended 31 December 2011.*

The Directors confirm that the liquidity position of the Group will not be significantly affected by the delay in settlement by its customers as experienced during the three years ended 31 December 2012 and the six months ended 30 June 2013 as:

(i) the Group has maintained sufficient liquidity as illustrated by its quick ratios of 1.71 times, 2.99 times, 3.53 times and 3.50 times as at 31 December 2010, 2011, 2012 and 30 June 2013 respectively;

(ii) the Group has generated a positive net cash flow from operating activities of approximately HK$17.3 million and HK$21.2 million for the year ended 31 December 2012 and the six months ended 30 June 2013 respectively;

(iii) the bank balances and cash of the Group amounted to approximately HK$120.7 million and HK$136.8 million as at 31 December 2012 and 30 June 2013 respectively; and

(iv) net of the unused balance of net proceeds obtained from the placing of the Shares upon the Listing of approximately HK$24.3 million as at 30 June 2013, the Group's bank balances and cash amounted to approximately HK$112.5 million as at 30 June 2013.

a. Internal control measures on trade receivables collection

The Group has the following internal control measures in place to monitor its trade receivables collection:

Settlement of trade receivables in cash by the customers is generally not allowed. Customers are required to settle the trade receivables either by cheque, bank transfer or telegraphic transfer directly into the bank accounts of the Company or its subsidiaries. Upon receipt of the settlement proceeds of the receivables, the accountant of the finance department of Baoying Renheng is responsible for checking and matching the name of the customer against the sales invoice before recording in the ledger. The finance department should also notify the sales and marketing department for the settlement by the customer.

The sales and marketing personnel of Baoying Renheng are assigned to follow up closely with the customers in their designated geographical regions in respect of the settlement of outstanding trade receivables. An aging report of outstanding trade receivables would be prepared by the finance department on a monthly basis and sent to the head of sales and marketing of Baoying Renheng for arrangement of timely follow-up by the responsible sales and marketing personnel with the customers directly. The sales and marketing personnel would document the collection status in the aging report, which is checked by the head of sales and marketing and reviewed by the general manager of Baoying Renheng, and communicated to the finance department. Moreover, the general manager, the vice general manager as well as the head of sales and marketing of Baoying Renheng pay regular visits to the Group's customers to update the project status and to follow up directly with customers in respect of overdue payment. The general manager of Baoying Renheng would provide the executive Directors updates on the collection status of material overdue trade receivables from time to time to enable the executive Directors to determine the appropriate follow up actions to be taken as and when necessary. The executive Directors shall also review the monthly aging report and determine (i) the appropriate follow up actions to be carried out to collect the overdue receivables; (ii) whether any provision should be made to the overdue receivables; and (iii) whether any legal action should be taken by the Company, and grant the approval for actions to the relevant department(s) accordingly.

In view of the business growth of the Group, the Group has enhanced its internal control measures on trade receivables collection since September 2013. The Group has designated the head of finance of Baoying Renheng to be responsible for monitoring the collection of receivables and has devised additional procedures set out as follows:

(i) At each month end, a written reminder shall be sent by the finance department of Baoying Renheng to each customer with overdue balances.

(ii) An overdue trade receivable balance report is prepared on a weekly basis by the finance department of Baoying Renheng, reviewed and approved by the head of finance of Baoying Renheng, and sent to the general manager and the head of sales and marketing for arrangement of timely follow-up by the responsible sales and marketing personnel with the customers directly.

(iii) All follow up action by the relevant sales and marketing personnel for overdue balances shall be reported to the head of sales and marketing and the head of finance of Baoying Renheng. The head of finance shall update the status of follow up actions in the overdue trade receivable balance report as soon as practicable for review by the general manager of Baoying Renheng and an executive Director. The head of finance of Baoying Renheng is also responsible for reporting to the executive Directors the status of major long outstanding receivables from time to time to enable the executive Directors to determine the appropriate follow up actions to be taken as and when necessary.

(iv) For any request by a customer to defer the payment date, the responsible sales and marketing personnel should submit a written request, which is reviewed by the head of sales and marketing and the head of finance of Baoying Renheng, and approved by the general manager of Baoying Renheng and an executive Director. Such approval and the basis thereof shall be properly documented in writing and passed to the finance department of Baoying Renheng and the finance manager of the Company for record.

(v) On a monthly basis, the aging report of trade receivables, together with the overdue trade receivable balance report, collection status of overdue receivables and the approved revision of repayment schedule (if any), shall be prepared by the finance department of Baoying Renheng, checked by the head of finance of Baoying Renheng as well as the finance manager of the Company, and reviewed by the general manager before reporting to the executive Directors for review and determining follow up actions.

The above internal control measures facilitate the Group's monitoring of the trade receivable collection. In September 2013, overdue trade receivables amounting to approximately HK$1,303,000 were collected by the Group. Furthermore, the Company has engaged Mabel Chan & Co., an independent firm of certified public accountants in Hong Kong which provides auditing, tax and risk management services as well as conducts internal control review for listed issuers in Hong Kong, to assess the adequacy and effectiveness of the Group's internal controls in relation to, among others, collection of the Group's trade receivables. According to the internal control review report of Mabel Chan & Co. dated 19 September 2013 (the "ICR Report"), Mabel Chan & Co. is not aware of any material or significant findings on deficiency in internal control in relation to trade receivables.

SW Capital has reviewed the ICR Report and has also discussed with Mabel Chan & Co. the work scope, approach and findings of their internal control review. Based on its understanding of the Group's existing policies in relation to trade receivables collection as well as its review of the ICR Report and discussions with Mabel Chan & Co., SW Capital has not identified any major factor which would lead it to cast doubt on the adequacy and effectiveness of the Group's internal controls in relation to collection of the Group's trade receivables.

b. Customers with long outstanding trade receivable balances

Of the trade receivables past due for over one year as at 31 December 2012 of approximately HK$15,350,000, approximately HK$12,141,000 and HK$1,941,000 were due from the Kunming Project Customer and the Henan Project Customer respectively. Of the trade receivables due over one year as at 30 June 2013 of approximately HK$6.9 million, approximately HK$3.5 million were due from the Guizhou Project Customer. The trade receivables and retention money receivables due from each of Kunming Project Customer, Henan Project Customer and Guizhou Project Customer as at 31 December 2010, 2011 and 2012 and as at 30 June 2013, and the subsequent settlement up to 30 September 2013 are set out below.

	Outstanding balance as at 31 December			***Outstanding balance as at 30 June***	***Subsequent settlement up to 30 September***	***Outstanding balance as at 30 September***
	2010	***2011***	***2012***	***2013***	***2013***	***2013***
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net trade receivables						
Kunming Project Customer						
0 – 90 days	84	5,132	1,809	-	-	-
91 – 365 days	1,307	27,539	705	-	-	-
1 – 2 years	-	1,369	12,141	-	-	-
	1,391	34,040	14,655	-	-	-
Henan Project Customer						
0 – 90 days	1,487	1,532	-	-	-	-
91 – 365 days	-	1,363	-	-	-	-
1 – 2 years	-	-	1,941	1,724	1,546	178
	1,487	2,895	1,941	1,724	1,546	178
Guizhou Project Customer						
0 – 90 days	-	823	217	821	-	821
91 – 365 days	1,709	540	2,829	-	-	-
1 – 2 years	-	134	738	3,554	1,329	2,225
	1,709	1,497	3,784	4,375	1,329	3,046
Retention money receivables						
Kunming Project Customer	330	4,129	4,126	3,690	-	3,690
Henan Project Customer	-	365	365	371	198	173
Guizhou Project Customer	64	353	1,350	1,330	-	1,330

(i) Kunming Project Customer

The Group commenced its business relationship with Kunming Project Customer in the year 2006. The net trade receivables due from Kunming Project Customer as at 31 December 2010, 2011 and 2012 were mainly attributable to the supply of a customised casing and flavouring system for its new production line ("Kunming Project"). The Kunming Project commenced in 2010 and had an aggregate contract value of approximately RMB79.2 million (or approximately RMB67.7 million excluding the value-added tax of 17%). Revenue recognised for the Kunming Project amounted to approximately HK$8.7 million and HK$72.5 million for each of the two years ended 31 December 2010 and 2011 respectively. The corresponding trade receivables were not fully settled by the Kunming Project Customer until June 2013 after completion of the integration works and comprehensive test run of its production line in May 2013. Of the amounts invoiced to the Kunming Project Customer for trade receivables during the two years ended 31 December 2010 and 2011, approximately 20.3% and 30.6% were settled after one year of the respective invoice dates. The delay in settlement of trade receivables by the Kunming Project Customer was due to the processing of payment of outstanding balances due to all suppliers of this new production line being withheld pending completion of the test run. The Directors confirm that no additional cost would be incurred for the Kunming Project as it had been fully completed.

Furthermore, based on all the contracts entered into by the Group in respect of the Kunming Project, the indemnity clause only applies to the non-performance of obligations or breach of contract. Having considered that (i) the Group has supplied the tobacco machinery products in accordance with the specifications set out in the relevant contracts and the Group has obtained from Kunming Project Customer the certificate of normal operation as an evidence of the customer's acceptance of the Group's products; (ii) the Group has delivered and installed the tobacco machinery products in accordance with the schedule agreed with Kunming Project Customer from time to time; and (iii) except for the retention money of approximately HK$3,127,000 in connection with the Kunming Project, the Group has received in full the contract amount in accordance with the terms of the contracts without deduction of any penalty or compensation amount, the Directors confirm that there would be no potential liability arising out of the indemnity clause.

In addition to the Kunming Project, the Group also supplied other products / services to the Kunming Project Customer during the three years ended 31 December 2012. The following table sets out the repayment record of Kunming Project Customer with respect to amounts invoiced to the customer for trade receivable balances in respect of all contracts during the three years ended 31 December 2012:

% of amounts invoiced for trade receivables during the year and settled within	**For the year ended 31 December**		
	2010	***2011***	***2012***
0 – 90 days	79.7%	54.0%	82.2%
91 to 365 days	-	15.4%	17.8%
1 to 2 years	20.3%	30.6%	-
	100.0%	100.0%	100.0%

Note:
The Group did not issue any invoice to the Kunming Project Customer during the six months ended 30 June 2013.

The Directors expect the outstanding retention money receivables from Kunming Project Customer of approximately HK$3,552,000 which were past due as at 30 June 2013 will be settled by December 2013, pending Kunming Project Customer's internal payment arrangement and approval process. Meanwhile, the balance of retention money receivables owed by Kunming Project Customer of approximately HK$138,000 which were not due as of 30 June 2013 is expected to be settled by July 2014.

(ii) Henan Project Customer

The Group commenced business relationship with Henan Project Customer in the year 2010. The outstanding trade receivables due from Henan Project Customer as at 31 December 2010, 2011, 2012 and 30 June 2013 were related to two contracts regarding the supply and installation of ancillary components/devices and provision of modification service for a PP system respectively, which were completed in December 2010 and October 2011 respectively.

The trade receivables due from the Henan Project Customer of approximately HK$1,724,000 were not settled as at 30 June 2013 as the Henan Project Customer is undergoing a corporate restructuring process involving a merger with 3 other tobacco redrying factories as approved by the relevant authorities in September 2011. Meanwhile, no further contract was entered into between the Group and the Henan Project Customer during the year ended 31 December 2012 and the six months ended 30 June 2013. Up to 30 September 2013, the trade receivables due from Henan Project Customer of approximately HK$178,000 remained outstanding.

Based on the Company's understanding from Henan Project Customer, the corporate restructuring of Henan Project Customer involved the introduction of new managerial personnel to oversee the factories, changes in management authority, consolidation and reorganisation of the finance departments of the respective tobacco redrying factories and redesign of internal control procedures, which would require considerable time to establish and operate effectively. Accordingly, Henan Project Customer has slowed down the settlement process of the trade receivables due to the Group and other suppliers pending the completion of the aforesaid corporate restructuring. The Directors confirm that such delay in settlement is an isolated incident to the Group. While the Group has no information as to the expected completion of Henan Project Customer's corporate restructuring, the general manager, vice general manager and the responsible sales and marketing personnel of Baoying Renheng closely liaise with Henan Project Customer on the settlement of the outstanding trade receivables. It is currently expected that the outstanding amount of approximately HK$178,000 will be settled by the customer by November 2013 based on the follow-up communication and discussion with Henan Project Customer by the management and sales and marketing personnel of Baoying Renheng.

The following table sets out the repayment record of Henan Project Customer with respect to amounts invoiced to the customer for trade receivable balances during the two years ended 31 December 2011:

% of amounts invoiced for trade receivables during the year and settled within	**For the year ended 31 December**	
	2010	***2011***
0 – 90 days	22.2%	-
Over 90 days	77.8%	88.6%
Outstanding as at 30 September 2013	-	11.4%
	100.0%	100.00%

The Directors expect the outstanding retention money receivables (which were not due as of 30 June 2013) owed by Henan Project Customer of HK$173,000 will be settled by March 2014.

(iii) Guizhou Project Customer

The outstanding trade receivables due from Guizhou Project Customer for over one year of approximately HK$3,554,000 as at 30 June 2013 were related to the supply, in April 2012, of a set of air stablisation dedusting system which is connected to the customer's newly installed cigarette wrapping machines. The long outstanding balance as at June 2013 arose mainly due to delay in payment processing by the customer pending completion of the test run of the production line. The test run was subsequently completed in September 2013. Approximately HK$1,329,000 were subsequently settled up to 30 September 2013. It is currently expected that the outstanding balance of HK$2,225,000 will be settled in November 2013 based on follow-up communication and discussion with Guizhou Project Customer by the management and sales and marketing personnel of Baoying Renheng.

During the three years ended 31 December 2012 and the six months ended 30 June 2013, the Group also supplied other products / services to the Guizhou Project Customer. The following table sets out the repayment record of Guizhou Project Customer with respect to amounts invoiced to the customer for trade receivable balances in respect of all contracts during the three years ended 31 December 2012 and the six months ended 30 June 2013:

% of amounts invoiced for trade receivables during the year / period and settled within	**For the year ended 31 December**			**For the six months ended 30 June**
	2010	***2011***	***2012***	***2013***
0 – 90 days	40.1%	61.0%	76.5%	66.8%
Over 90 days	59.9%	34.5%	0.5%	-
Outstanding as at 30 September 2013	-	4.5%	23.0%	33.2%
	100.0%	100.0%	100.0%	100.0%

The Directors expect the outstanding retention money receivables owed by Guizhou Project Customer of approximately HK$39,000 which were past due as at 30 June 2013 will be settled by December 2013, and approximately HK$1,291,000 which were not due as of 30 June 2013 will be settled by October 2014.

The Directors confirm that no provision was necessary for the outstanding balances due from Kunming Project Customer, Henan Project Customer and Guizhou Project Customer as at 31 December 2010, 2011 and 2012 and 30 June 2013 having considered the followings:

(a) based on communications between the Group and these customers, each of Kunming Project Customer and Guizhou Project Customer were understood to settle the overdue payments upon the completion of the test run of their respective production lines whilst Henan Project Customer would settle the outstanding amount upon completion of the corporate restructuring;

(b) each of Kunming Project Customer, Henan Project Customer and Guizhou Project Customer is financially sound and the outstanding trade receivables due from each of them are not significant when compared to their respective financial positions; and

(c) the Group has maintained good business relationship with each of Kunming Project Customer, Henan Project Customer and Guizhou Project Customer. Furthermore, there was no dispute between the Group and each of these customers in respect of the projects contracted with and services provided to them respectively.

c. Analysis of the Group's trade receivables for the three years ended 31 December 2012 and the six months ended 30 June 2013

(i) Trade receivables as at 31 December 2011 compared to trade receivables as at 31 December 2010

The Group's net trade receivables amounted to approximately HK$13,981,000 as at 31 December 2010, among which approximately HK$4,716,000 were past due but not impaired. The following tables set out the subsequent settlement status up to 30 September 2013 by aging and by the Group's top 5 customers for the year ended 31 December 2010 respectively.

Aging analysis of the trade receivables outstanding as at 31 December 2010 and subsequent settlement up to 30 September 2013

	Outstanding balance as at 31 December 2010 HK$'000 (Audited)	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000 (Unaudited)*
0 – 90 days	9,265	9,265	-
91– 365 days	4,149	4,149	-
1– 2 years	279	279	-
Over 2 years	288	118	170*
Total	13,981	13,811	170

** The outstanding balance of approximately HK$170,000 was fully provided as doubtful debts subsequently during the year ended 31 December 2011.*

Subsequent settlement of the trade receivables outstanding as at 31 December 2010 up to 30 September 2013 by the Group's top 5 customers

	Outstanding balance as at 31 December 2010 HK$'000	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000*
Customer A	-	-	-
Kunming Project Customer	1,391	1,391	-
Customer B	443	443	-
Customer C	1,046	1,046	-
Guizhou Project Customer	1,712	1,709	3**
Total	4,592	4,589	3

** *The outstanding balance of approximately HK$3,000 was fully provided as doubtful debts subsequently during the year ended 31 December 2011.*

The Group's net trade receivables increased from approximately HK$13,981,000 as at 31 December 2010 to approximately HK$48,487,000 as at 31 December 2011, among which approximately HK$34,003,000 were past due but not impaired.

The increase in net trade receivables was mainly attributable to (i) the trade receivables balance of approximately HK$1,369,000 due from Kunming Project Customer in relation to the Kunming Project as of 31 December 2010 remained unsettled as of 31 December 2011 and became past due for over one year as at 31 December 2011; (ii) the increase of trade receivable balances aged within 90 days and aged between 91 to 365 days as at 31 December 2011 owed by Kunming Project Customer of approximately HK$5,132,000 and HK$27,539,000 respectively in relation to the revenue recognised for the Kunming Project during the year of 2011.

As a result of the increase in trade receivables during the year 2011, the average trade receivable turnover days increased from 41 days for the year ended 31 December 2010 to 73 days for the year ended 31 December 2011, which remained within the credit period of 3 months normally granted to the Group's customers. The following tables set out the subsequent settlement status up to 30 September 2013 by aging and by the Group's top 5 customers for the year ended 31 December 2011 respectively.

Aging analysis of the trade receivables outstanding as at 31 December 2011 and subsequent settlement up to 30 September 2013

	Outstanding balance as at 31 December 2011 HK$'000 (Audited)	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000 (Unaudited)*
0 – 90 days	14,484	14,194	290
91– 365 days	32,291	32,291	-
1– 2 years	1,687	1,687	-
Over 2 years	25	-	25
Total	48,487	48,172	315

Subsequent settlement of the trade receivables outstanding as at 31 December 2011 up to 30 September 2013 by the Group's top 5 customers

	Outstanding balance as at 31 December 2011 HK$'000	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000*
Kunming Project Customer	34,040	34,040	-
Customer A	-	-	-
Customer B	1,379	1,379	-
Customer D	1,514	1,514	-
Customer E	1,426	1,426	-
Total	38,359	38,359	-

(ii) Trade receivables as at 31 December 2012 compared to trade receivables as at 31 December 2011

The Group's net trade receivables increased from approximately HK$48,487,000 as at 31 December 2011 to approximately HK$67,804,000 as at 31 December 2012, among which approximately HK$44,086,000 were due within 90 days and approximately HK$23,718,000 were past due but not impaired.

The increase in trade receivable balances aged between 0 to 90 days as at 31 December 2012 of approximately HK$29,602,000 as compared to that of the previous year was mainly attributable to the trade receivables due from a customer ("Customer A", being the largest customer of the Group for the year ended 31 December 2012) of approximately HK$22,125,000 (as at 31 December 2011: nil) in connection with the sale of catalogued special-purpose tobacco machinery products during the last quarter of 2012. The said trade receivables balance was subsequently settled in full by Customer A in January 2013.

The decrease in net trade receivable balances aged between 91 to 365 days as at 31 December 2012 of approximately HK$23,923,000 as compared to that as at 31 December 2011 was mainly attributable to the collection of trade receivables by the Group and the trade receivables balances in the aggregate amount of approximately HK$14,081,000 due from Kunming Project Customer and Henan Project Customer in this aging category as at 31 December 2011 that remained unsettled and became past due for over one year as at 31 December 2012.

The increase in net trade receivables aged between 1 to 2 years of as at 31 December 2012 of approximately HK$13,638,000 as compared to that of the previous year was mainly attributable to the outstanding balances of (i) approximately HK$12,141,000 due from Kunming Project Customer brought forward from 2011; and (ii) approximately HK$1,940,000 due from the Henan Project Customer in relation to contracts completed prior to 2012.

As a result of the increase in trade receivables during the year 2012 as described above, the average trade receivable turnover days increased from 73 days for the year ended 31 December 2011 to 146 days for the year ended 31 December 2012. The following tables set out the subsequent settlement status up to 30 September 2013 by aging and by the Group's top 5 customers for the year ended 31 December 2012 respectively.

Aging analysis of the trade receivables outstanding as at 31 December 2012 and subsequent settlement up to 30 September 2013

	Outstanding balance as at 31 December 2012 HK$'000 (Audited)	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000 (Unaudited)*
0 – 90 days	44,086	31,243	12,843
91– 365 days	8,368	5,161	3,207
1– 2 years	15,325	14,481	844
Over 2 years	25	-	25
Total	67,804	50,885	16,919

Subsequent settlement of the trade receivables outstanding as at 31 December 2012 up to 30 September 2013 by the Group's top 5 customers

	Outstanding balance as at 31 December 2012 HK$'000	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000*
Customer A	23,241	23,241	-
Guizhou Project Customer	3,784	1,340	2,444
Customer D	3,269	3,269	-
Kunming Project Customer	14,655	14,655	-
Customer B	1,924	1,230	694
Total	46,873	43,735	3,138

(iii) Trade receivables as at 30 June 2013 compared to trade receivables as at 31 December 2012

The Group's trade receivables decreased from approximately HK$67,804,000 as at 31 December 2012 to approximately HK$41,179,000 as at 30 June 2013, among which approximately HK$21,244,000 were due within 90 days and approximately HK$19,935,000 were past due but not impaired.

The decrease in trade receivable balances aged between 0 to 90 days as at 30 June 2013 of HK$22,842,000 as compared to that of 31 December 2012 was mainly attributable to the lower level of revenue recognised during the three months ended 30 June 2013 as compared to that recognised in the last quarter of 2012. In particular, of the trade receivables due within 90 days as at 30 June 2013, the balance due from Customer A (the largest customer of the Group for the six months ended 30 June 2013) decreased from approximately HK$23,241,000 as at 31 December 2012 to approximately HK$8,498,000 as at 30 June 2013 whilst trade receivables due from Customer D (the third largest customer of the Group for the six months ended 30 June 2013) decreased from approximately HK$3,269,000 as at 31 December 2012 to approximately HK$1,623,000 as at 30 June 2013.

The increase in trade receivable balances aged between 91 to 365 days as at 30 June 2013 of approximately HK$4,684,000 as compared to that as at 31 December 2012 was mainly attributable to the outstanding balances of an aggregate of approximately HK$9,880,000 due from three customers from Chongqing, Hunan and Anhui brought forward from the last quarter of 2012, whilst an amount of approximately HK$2,829,000 due from Guizhou Project Customer aged between 91 to 365 days as of 31 December 2012 remained unsettled and became past due for over one year as at 30 June 2013. The balance due from the customer in Chongqing of approximately HK$4,237,000, which related to the supply of tobacco machinery components, was not settled up to 30 June 2013 as the customer was processing the payment approval and settlement procedure. The Company expects the outstanding balance from this customer will be settled in December 2013 based on the follow-up communication and discussion with this customer by the management and sales and marketing personnel of Baoying Renheng. The outstanding balance from the customer in Hunan of approximately HK$3,401,000 corresponded to the sale of components for its casing and flavouring system and was not settled up to 30 June 2013 as the relevant project with this customer is still in progress and is expected to be completed by the end of 2013 in accordance with the schedule as agreed between the Group and this customer. The Company expects the outstanding balance from this customer will be settled in January

2014 based on the follow-up communication and discussion with this customer by the management and sales and marketing personnel of Baoying Renheng. The outstanding balance of approximately HK$2,242,000 from the customer in Anhui corresponded to the sale of tobacco machinery parts and the provision of modification services which were completed in November 2012. The balance was not settled up to 30 June 2013 by this customer as the test run of the production line had not been completed as of 30 June 2013 and payments to all suppliers were yet to be processed by the customer. The test run was subsequently completed in September 2013. Up to 30 September 2013, approximately HK$669,000 has been settled by this customer and the remaining balance of approximately HK$1,573,000 is expected to be settled in December 2013 based on the follow-up communication and discussion with this customer by the management and sales and marketing personnel of Baoying Renheng.

The decrease in net trade receivables aged between 1 to 2 years as at 30 June 2013 of approximately HK$8,467,000 as compared to that as at 31 December 2012 was mainly due to the settlement of outstanding balance by Kunming Project Customer of approximately HK$12,141,000 in relation to the Kunming Project during the period, whilst the amount of approximately HK$3,554,000 that remained outstanding from the Guizhou Project Customer.

Notwithstanding the decrease in the trade receivable balance as of 30 June 2013 as compared to that as of 31 December 2012, the average trade receivable turnover days increased from 146 days for the year ended 31 December 2012 to 221 days for the six months ended 30 June 2013 mainly due to the trade receivable balances brought forward from 2012 and the lower level of revenue recognised in the first half of 2013 as compared to that recognised in 2012, which was mainly attributable to the decrease of revenue from (i) the sale of PF systems by approximately HK$3.0 million since several PF system projects were still undergoing and expected to be completed in the second half of 2013; and (ii) the sale of other products by approximately HK$5.3 million primarily because the Group completed a dedusting system project with aggregate contract value of approximately RMB8.4 million in the first half of 2012 while no such type of project was completed in the first half of 2013. The following tables set out the subsequent settlement status as at 30 September 2013 by aging and by the Group's top 5 customer for the six months ended 30 June 2013 respectively.

Aging analysis of the trade receivables outstanding as at 30 June 2013 and subsequent settlement up to 30 September 2013

	Outstanding balance as at 30 June 2013 HK$'000 (Unaudited)	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000 (Unaudited)*
0 – 90 days	21,244	11,093	10,151
91– 365 days	13,052	2,057	10,995
1– 2 years	6,858	3,624	3,234
Over 2 years	25	-	25
Total	41,179	16,774	24,405

Subsequent settlement of the trade receivables outstanding as at 30 June 2013 up to 30 September 2013 by the Group's top 5 customers

	Outstanding balance as at 30 June 2013 HK$'000	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000*
Customer A	8,498	8,498	-
Customer F	7,489	-	7,489
Customer D	1,700	1,700	-
Guizhou Project Customer	4,375	1,329	3,046
Customer G	2,172	1,632	540
Total	24,234	13,159	11,075

d. Retention money receivables

The subsequent settlement of retention money receivables by aging and by top 5 customers as at 31 December 2010, 2011, 2012 and 30 June 2013 up to 30 September 2013 is set out as follows.

Subsequent settlement of the retention money receivables outstanding as at 31 December 2010 up to 30 September 2013 by aging of retention money receivables

	Outstanding balance as at 31 December 2010 HK$'000		*Subsequent settlement up to 30 September 2013 HK$'000*		*Outstanding balance as at 30 September 2013 HK$'000*	
Amount not due for payment		7,375		7,375		-
Overdue amounts						
- 0 – 90 days	2,307		2,307		-	
- 91 – 365 days	1,590	3,897	1,590	3,897	-	-
Total		11,272		11,272		-

Subsequent settlement of the retention money receivables outstanding as at 31 December 2010 up to 30 September 2013 by top 5 customers

	Outstanding balance as at 31 December 2010 HK$'000	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000*
Customer A	10,137	10,137	-
Kunming Project Customer	245	245	-
Customer B	-	-	-
Customer C	148	148	-
Guizhou Project Customer	64	64	-
Total	10,594	10,594	-

Subsequent settlement of the retention money receivables outstanding as at 31 December 2011 up to 30 September 2013 by aging of retention receivables

	Outstanding balance as at 31 December 2011 HK$'000	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000*
Amount not due for payment	19,088	13,584	5,504
Overdue amounts	-	-	-
Total	19,088	13,584	5,504

Subsequent settlement of the retention money receivables outstanding as at 31 December 2011 up to 30 September 2013 by top 5 customers

	Outstanding balance as at 31 December 2011 HK$'000	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000*
Kunming Project Customer	4,129	503	3,626
Customer A	10,608	9,420	1,188
Customer B	1,299	1,299	-
Customer D	-	-	-
Customer E	452	452	-
Total	16,488	11,674	4,814

Subsequent settlement of the retention money receivables outstanding as at 31 December 2012 up to 30 September 2013 by aging of retention receivables

		Outstanding balance as at 31 December 2012 HK$'000		*Subsequent settlement up to 30 September 2013 HK$'000*		*Outstanding balance as at 30 September 2013 HK$'000*
Amount not due for payment		18,695		7,416		11,279
Overdue amounts						
- 0 – 90 days	3,490		-		3,490	
- 91 – 365 days	584	4,074	584	584	-	3,490
Total		22,769		8,000		14,769

Subsequent settlement of the retention money receivables outstanding as at 31 December 2012 up to 30 September 2013 by top 5 customers

	Outstanding balance as at 31 December 2012 HK$'000	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000*
Customer A	11,612	5,096	6,516
Guizhou Project Customer	1,350	172	1,178
Customer D	-	-	-
Kunming Project Customer	4,126	501	3,625
Customer B	1,458	928	530
Total	18,546	6,697	11,849

Subsequent settlement of the retention money receivables outstanding as at 30 June 2013 up to 30 September 2013 by aging of retention receivables

		Outstanding balance as at 30 June 2013 HK$'000		*Subsequent settlement up to 30 September 2013 HK$'000*		*Outstanding balance as at 30 September 2013 HK$'000*
Amount not due for payment		18,279		317		17,962
Overdue amounts						
- 0 – 90 days	8		8		-	
- 91 – 365 days	5,247	5,255	161	169	5,086	5,086
Total		23,534		486		23,048

Subsequent settlement of the retention money receivables outstanding as at 30 June 2013 up to 30 September 2013 by top 5 customers

	Outstanding balance as at 30 June 2013 HK$'000	*Subsequent settlement up to 30 September 2013 HK$'000*	*Outstanding balance as at 30 September 2013 HK$'000*
Customer A	13,095	-	13,095
Customer F	451	-	451
Customer D	-	-	-
Guizhou Project Customer	1,330	-	1,330
Customer G	-	-	-
Total	14,876	-	14,876

e. Repayment record of the Group's customers

Approximately 99.99%, 99.52%, and 93.15% of the trade receivable balances billed to the Group's customers (other than Kunming Project Customer, Henan Project Customer and Guizhou Project Customer) during the three years ended 31 December 2012 were subsequently settled up to 30 September 2013. The following table sets out the repayment record of the Group's customers (other than Kunming Project Customer, Henan Project Customer and Guizhou Project Customer, which was discussed in the paragraph headed "Customers with long outstanding trade receivable balances" above in this announcement) with respect to amounts invoiced to the customers for trade receivable balances during the three years ended 31 December 2012 and the six months ended 30 June 2013:

	For the year ended 31 December			**For the six months ended 30 June**
% of amounts invoiced for trade receivables during the year / period	***2010***	***2011***	***2012***	***2013***
Settled within				
0 – 90 days	92.23%	87.78%	86.33%	23.44%
Over 90 days	7.76%	11.74%	6.82%	7.29%
Outstanding as at 30 September 2013	0.01%	0.48%	6.85%	69.27%
	100.00%	100.00%	100.00%	100.00%

During the three years ended 31 December 2012, a majority of the Group's customers (other than Kunming Project Customer, Henan Project Customer and Guizhou Project Customer) settled the amounts invoiced for trade receivables within the normal credit term of 90 days. Of the amounts invoiced for trade receivables during the first half 2013, approximately 30.73% has been settled as at 30 September 2013.

The Directors confirm that there is no significant change in the credit quality of the Group's customers with outstanding trade receivables and retention money receivables as (i) the Group's management and the sales and marketing personnel of Baoying Renheng are not aware of any downturn in the PRC tobacco industry and/or indications of adverse change in the operations and financial positions of the Group's customers through discussion with respective customers during their regular visits; and (ii) based on the information disclosed in the China Tobacco Yearbook 2010 and China Tobacco Yearbook 2011-12, the Group is not aware of any material deterioration in the financial conditions of the Group's customers, majority of which are state-owned enterprises in the PRC.

The Directors confirm that there is no dispute between the Group and each of the customers with outstanding trade receivables balances or retention money receivables. SW Capital has conducted interviews with and/or sent written confirmations to the Group's customers with outstanding trade receivables balances or retention receivables as at 30 June 2013. Based on the understanding obtained during the interviews and the replies of the customers received, nothing has come to SW Capital's attention that causes it to believe that there is dispute between the Group and the relevant customers.

The Directors considered that the trade receivables and retention money receivables outstanding as at 30 September 2013 are recoverable, and no additional provision was necessary for the outstanding trade receivables and retention money receivables as at 31 December 2010, 2011 and 2012 and 30 June 2013 having considered the followings:

(i) the Group has maintained good business relationship with each of the customers with overdue outstanding balances as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the Group is not aware of any significant change in their credit quality;

(ii) there is no dispute between the Group and each of the customers with overdue outstanding balances as at 31 December 2010, 2011 and 2012 and 30 June 2013;

(iii) the Group has designated sales and marketing personnel to collect the overdue trade receivables, and the general manager, the vice general manager as well as the head of sales and marketing department of Baoying Renheng pay regular visits to the Group's customers to follow up directly on the settlement of overdue payments and provide updates to the executive Directors on the situation from time to time; and

(iv) the Directors have not identified any matter which would raise their concern as to the recoverability of the overdue outstanding trade receivables as at 31 December 2010, 2011 and 2012, and 30 June 2013.

Based on the audit procedures performed for the purpose of giving a true and fair view of the Group's consolidated financial statements for each of the three years ended 31 December 2010, 2011 and 2012 as a whole, Deloitte Touche Tohmatsu, the auditor of the Company, concurred the basis of provision for doubtful debts of the Group.

SW Capital concurs with the Directors that no additional provision was necessary for the outstanding trade receivables and retention money receivables as at 31 December 2010, 2011 and 2012 and 30 June 2013 having considered the followings:

(i) there is no indication in the China Tobacco Yearbook 2011-2012 of any dissolution or liquidation of cigarette manufacturer or tobacco redrying factory due to undesirable operating environment or financial difficulty;

(ii) the PRC tobacco market has experienced a steady growth during the past few years and the total cigarette sales volume in China represented more than 99% of the total cigarette production volume during the five-year period from 2006 to 2011. Accordingly, no accumulation of unsold finished goods is expected for the cigarette manufacturing industry as a whole which might impact the working capital position of the Group's customers;

(iii) during the three years ended 31 December 2012 and the six months ended 30 June 2013, the Group in general has not experienced any collection problem with CTMC, with which the Group enters into contracts with respect to the supply of its catalogued special-purpose tobacco machinery products;

(iv) the Group has not experienced any material default on its trade receivables by customers. Approximately 99.99%, 99.52%, and 93.15% of the trade receivable balances billed to the Group's customers (other than Kunming Project Customer, Henan Project Customer and Guizhou Project Customer) during the three years ended 31 December 2012 were subsequently settled up to 30 September 2013; and

(v) notwithstanding the delay in settlement by Kunming Project Customer and Henan Project Customer, up to 30 September 2013, Kunming Project Customer had no outstanding trade receivables balance whilst the trade receivables due from Henan Project Customer amounted to only approximately HK$178,000.

f. Revenue recognition and credit terms

According to the accounting policies of the Group as disclosed in the Prospectus and the annual reports of the Company for each of the three years ended 31 December 2012, revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. Revenue from sales of goods is recognised when goods are delivered and title has passed. Revenue from construction contracts is recognised using the percentage of completion method by reference to the value of work carried out during the year/period as determined by progress verification certificate issued by the customers. Accordingly, revenue generated from construction contracts of casing and flavouring systems is recognised in accordance with Hong Kong Accounting Standard ("HKAS") 11 "Construction Contracts" whereas revenue generated from the sales of other products, including the PF system and PP system, is recognized in accordance with HKAS 18 "Revenue".

In accordance with HKAS 11, the recognition of the revenue by the Group for casing and flavouring systems relies on external confirmation in the form of progress verification certificate (i.e. certificate of normal operation) issued by the Group's customers on a project by project basis with reference to, among others, the delivery, installation and testing of the casting and flavouring systems. Therefore, the Directors confirmed that the Group could make reliable estimate of the revenue recognised during each of the three years ended 31 December 2010, 2011 and 2012. Deloitte Touche Tohmatsu, the auditor of the Company, concurred with the accounting treatment for the purpose of issue an audit opinion on the Group's consolidated financial statements as a whole.

For projects contracted with CTMC in respect of the sale of catalogued special-purpose tobacco machinery products, invoices bearing the full contract amount are issued to CTMC after receipt of the delivery permit from STMA or its authorised agencies and upon the delivery of system to the end customers, i.e. cigarette manufacturers or tobacco redrying factories. For other projects, invoices bearing the full contract amounts are generally issued to the customers upon the delivery and acceptance of the products by the customers or completion of the services.

The Group normally grants a credit term of 90 days to its customers. The Group will internally assess the credit quality of the customers and set appropriate credit amount to the relevant customers with reference to the potential contract amounts. The sales and marketing personnel of Baoying Renheng will gather background information of the customers, including their shareholding structure, management, business and financial information (if available) and their past repayment record (for existing customers). The sales and marketing personnel would also pay a visit to the customer's production facilities so as to understand its production and operational conditions. The head of sales and marketing of Baoying Renheng will review and discuss the information gathered with the head of finance of Baoying Renheng and consider the need to gather further information for the assessment. Based on the information gathered, the general manager of Baoying Renheng and an executive Director are responsible for the overall assessment and approval for the granting of the relevant credit amounts to the relevant customers.

BUSINESS PROSPECTS OF THE GROUP

The PRC tobacco market has experienced a steady growth in the past few years. According to the statistics shown in the China Tobacco Year Books 2011-2012 issued by STMA in October 2012, the total cigarette production volume in China rose from approximately 2,021.8 billion units in 2006 to approximately 2,447.4 billion units in 2011, while the total cigarette sales volume in China rose from approximately 2,035.2 billion units in 2006 to 2,424.5 billion units in 2011, representing a compound annual growth rate of approximately 3.9% and 3.6% over the five-year period respectively.

The demand for the Group's tobacco machinery products depends on the level of capital investment on tobacco machinery by cigarette manufacturers and tobacco redrying factories in the PRC. According to the China Statistics Year Book 2012, the fixed asset investment in relation to equipment purchasing in the tobacco products industry in urban areas increased by approximately 29.0% in 2011 as compared to the previous year, and grew at a compound annual growth rate of approximately 14.7% during the years between 2006 and 2011. Considering the continuous increase in the level of spending on equipment purchasing in the tobacco products industry as described above, the Directors are of the view that the tobacco machinery industry would be in a steady and modest growth momentum.

The Directors believe that the users of the Group's products, being mainly cigarette manufacturers in the PRC, are focused on continuous technological improvements in their cigarette production process, which shall be beneficial to the business growth of the Group. STMA announced in 2006 that one of the core tasks in respect of technology innovation in the tobacco industry was the lowering of cigarette tar content. Specifically, pursuant to《關於調整卷煙盒焦油最高限量的通知》(Notice for Adjustment of the Upper Limit of Cigarette Tar-level*) issued by STMA in April 2012, the sale and import of cigarettes which carry tar-level of over 11 milligrams per stick are prohibited from 1 January 2013 onwards. In view of such policy, the Directors are of the opinion that cigarette manufacturers will continue to strive to formulate production technologies that could maintain the flavor of cigarettes despite the reduction of tar content, which in turn may lead to increased investment in tobacco manufacturing machineries that are related to cigarette flavor enhancement, and thus leads to a greater demand for one of the Group's main products, namely the casing and flavouring system. In addition, taking into account the strategic plans and policies proposed by STMA, including the policies in relation to "Enhancing Standards of Cigarettes" ("捲煙上水平") which set out plans to continuously improve the quality and brand image of cigarettes produced, aiming to enhance the competitiveness of domestic cigarette manufacturers, the Directors believe that the cigarette manufacturers will continue to invest in tobacco machineries to meet the policy objectives.

The Directors believe that under the policies in respect of consolidation in the tobacco industry, cigarette manufacturers will continue to undergo consolidation and grow larger in size, and thus more resources will be available for deployment in research and development given the economies of scale brought by the expansion of their operations. As cigarette manufacturers in the PRC are encouraged to focus on continuous technological improvements in their cigarette production process, the Directors expect that these domestic cigarette manufacturers will continue the development and improvement of their production technologies so as to align with the policies of STMA in relation to "Enhancing Standards of Cigarettes" as mentioned above. In this connection, the Directors expect the capital investment on tobacco machinery in the coming years would continue to grow. This, in turn, may create business opportunities for tobacco machinery manufacturers, including the Group, in the PRC.

Domestic cigarette manufacturers, being the major customers of the Group, generally have more than one production line and/or operate multiple cigarette manufacturing factories, and would require additional products and services, overhaul and maintenance services on existing tobacco machinery and modification of tobacco machinery resulting from technology advancement from time to time. Accordingly, the Directors believe that there are potential business opportunities in the tobacco industry from existing and new customers to sustain the Group's sales growth.

Moreover, the Group's sales and marketing personnel are responsible for marketing and promoting to the Group's existing and potential customers, which are located in 21 provinces, 4 centrally administered municipalities and 4 autonomous regions across the PRC to strengthen customer relationships, introduce the Group's latest products, collect market information, provide prompt feedback to the demands of cigarette manufacturers and tobacco redrying factories and identify business opportunities.

Leveraging on the Group's competitive strengths in product customisation and development capabilities, as demonstrated by the Group's provision of the newly designed casing and flavouring system with moveable tanks to a customer, and the completion of development of a new set of PF system and PP system up to 31 December 2012 as well as the Group's long standing relationships with its 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 Directors believe that 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.

As at the date of this announcement, the Company is not aware of any other unfavorable trends and developments which might have a material adverse impact on its business and financial performance going forward and the Group's business outlook subsequent to 30 June 2013.

FUTURE PLANS AND USE OF PROCEEDS

The Group intends to continue with the implementation of its future plans set out in the section headed "Future plans and prospects" in the Prospectus, namely (i) continuous product development and innovation; (ii) enhancing corporate profile and increasing market penetration; and (iii) enhancing production processing capabilities, during the six month period ending 31 December 2013 and the year ending 31 December 2014 to achieve the Group's business objectives as disclosed in the Prospectus.

The following sets out the proposed use of proceeds and the actual use of proceeds for the period from 24 October 2011, being the latest practicable date as defined in the Prospectus, to 30 June 2013 (the "Relevant Period") together with an analysis comparing the future plans as set out in the Prospectus with the Group's actual business progress:

	Proposed use of net proceeds in the Prospectus	Planned use of net proceeds as stated in the Prospectus during the Relevant Period	Actual use of net proceeds up to 30 June 2013	Unused net proceeds as at 30 June 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(i) Continuous product development and innovation	33,713	29,953	16,648 (Note 1)	17,065
(ii) Enhancing corporate profile and increasing market penetration	3,700	2,490	169 (Note 2)	3,531
(iii) Enhancing production processing capabilities	4,830	3,610	1,198 (Note 3)	3,632
(iv) Strengthening management information system	480	480	382 (Note 4)	98
Total	42,723	36,533	18,397	24,326

Notes:

1.

Future plans and prospects as disclosed in the Prospectus	Actual business progress during the Relevant Period	Actual use of net proceeds up to 30 June 2013 *HK$'000*
Design and develop new set of PP system	Completed the development of a new set of PP system	3,903
Design and develop new set of spraying device	Commenced and continuously develop a new type of spraying device	351
Design and develop new casing and flavouring system	Commenced and continuously developed a new set of casing and flavouring system	10,166
Design and develop new PF system	Completed the development of a new set of PF system	928
Design and develop tobacco bale slicers	Continued the technical feasibility study of tobacco bale slicers	-
Design and develop tobacco redrying system	Rescheduled the design and development of tobacco redrying system to the second half of 2013	-
Recruit technical personnel	Recruited technical personnel for product research and development	1,300
		16,648

The deviation between actual and proposed use of net proceeds during the Relevant Period was mainly due to (i) the delay of 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 to commence in the second half of year 2013 as the Group would like to focus and utilise its resources on the completion of the new PP system and the new PF system development and the design and development of the casing and flavouring system in progress with the intention to providing an extended range of these products to customers earlier.

2.

Future plans and prospects as disclosed in the Prospectus	Actual business progress during the Relevant Period	Actual use of net proceeds up to 30 June 2013 *HK$'000*
Post advertisement in tobacco magazines	Posted advertisement in local publications	14
Design and distribute corporate and product brochures as well as video compact disc	Continued the design of corporate and product brochures and videos	155
Participate in trade exhibitions	Explored the opportunity of any trade exhibitions in the PRC	-
Organise promotional activities for existing and new products	Formulated initial plan for product launch for casing and flavouring system	-
		169

The deviation between actual and proposed use of net proceeds during the Relevant Period was mainly due to delay in promotional activities and delay in completion of the corporate and product brochures and videos planned to release to customers as the company intends these to be synchronized with the launch of the new set of casing and flavouring system which is also delayed. Please refer to Note 1 in the above for more details.

3.

Future plans and prospects as disclosed in the Prospectus	**Actual business progress during the Relevant Period**	**Actual use of net proceeds up to 30 June 2013** *HK$'000*
Purchase machinery and Equipment	Purchased certain machinery and equipment	1,198
Upgrade production facilities	Scheduled the upgrade to commence in the second half of 2013	-
		1,198

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.

4.

Future plans and prospects as disclosed in the Prospectus	**Actual business progress during the Relevant Period**	**Actual use of net proceeds up to 30 June 2013** *HK$'000*
Evaluate, acquire and implement management information system	Completed installation and upgrade of management information system by service provider	382

The Group completed the installation and upgrade of management information system during the Relevant Period and is in the process of monitoring the results of the implementation. The saved amount of approximately HK$98,000 may be used by the Group if further upgrades are to be made to the system in future.

The remaining net proceeds as at 30 June 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 Directors have 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 30 June 2013 of approximately HK$24,228,000 designated for each six-month period during the six months ending 31 December 2013 and the year ending 31 December 2014 is summarised as follows:

	Six months ending			
	31 December 2013	**30 June 2014**	**31 December 2014**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Continuous product development and innovation	3,760	8,462	4,843	17,065 (Note 1)
Enhancing corporate profile and increasing market penetration	2,291	1,240	-	3,531 (Note 2)
Enhancing production processing capabilities	2,832	800	-	3,632 (Note 3)
Total	8,883	10,502	4,843	24,228 (Note 4)

Notes

1. Continuous product development and innovation

From 1 July 2013 to 31 December 2013	**From 1 January 2014 to 30 June 2014**	**From 1 July 2014 to 31 December 2014**	**Funding requirements for each category**
Design and develop new casing and flavouring system	-	-	HK$1,066,000
Design and develop new spraying device	Design and develop new spraying device	Design and develop new spraying device	HK$3,989,000
Design and develop new tobacco bale slicer	Design and develop new tobacco bale slicer	Design and develop new tobacco bale slicer	HK$4,780,000
Design and develop new tobacco redrying system	Design and develop new tobacco redrying system	Design and develop new tobacco redrying system	HK$7,230,000
Funding requirements:			
HK$3,760,000	HK$8,462,000	HK$4,843,000	HK$17,065,000

2. Enhancing corporate profile and market penetration

From 1 July 2013 to 31 December 2013	From 1 January 2014 to 30 June 2014	From 1 July 2014 to 31 December 2014	Funding requirements for each category
Post advertisement in tobacco magazines	Post advertisement in tobacco magazines	-	HK$136,000
Design and distribute corporate and product brochures as well as video compact disc	-	-	HK$85,000
Organise product launch promotional activities for existing and new products	Organise promotional activities for existing and new products	-	HK$3,310,000
Funding requirements:			
HK$2,291,000	HK$1,240,000	Nil	HK$3,531,000

3. Enhancing production processing capabilities

From 1 July 2013 to 31 December 2013	From 1 January 2014 to 30 June 2014	From 1 July 2014 to 31 December 2014	Funding requirements for each category
Purchase machinery and equipment	Purchase machinery and equipment	-	HK$2,612,000 (note a)
Upgrade production facilities	-	-	HK$1,020,000
Funding requirements:			
HK$2,832,000	HK$800,000	Nil	HK$3,632,000

Note a:

	HK$'000
CNC shearing machine	605
CNC press brake and lathe	381
Automatic pipe welding machine	286
Turret punch machine	800
Hydraulic press machine	540
Total	2,612

4. The difference of HK$98,000 between the total unused net proceeds of HK$24,326,000 and HK$24,228,000 set out on expected application of the unused net proceeds above in the table was attributable to savings for installation and upgrade of management information system by service provider and may be used by the Group if further upgrades are to be made to the system in future.

REGULAR PUBLICATIONS OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of quarterly reporting of financial results and will follow the relevant requirements of the Listing Rules which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board is of the view that the investors and Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Listing Rules.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the Stock Exchange's website at http://www.hkexnews.hk and the Company's website at http://www.renhengenterprise.com:

(a) the Directors' report and the annual report of the Company for the financial year ended 31 December 2012;

(b) the interim report of the Company for the six months ended 30 June 2013;

(c) the third quarterly report of the Company for the nine months ended 30 September 2013;

(d) the Memorandum and Articles of Association;

(e) the circular of the Company dated 26 March 2012 in respect of the renewal of general mandate, re-election of Directors and notice of annual general meeting;

(f) the circular of the Company dated 5 April 2013 in respect of the renewal of general mandate, re-election of Directors, notice of annual general meeting, proposed amendment to Share Option Scheme and proposed amendment to the Memorandum and Articles of Association; and

(g) a copy of each of the announcements and other corporate communications made by the Company as required under the GEM Listing Rules and the Listing Rules.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

The Company discloses below the biographical information of each current Director:

Executive Directors

Mr. Wei Sheng Pang (魏勝鵬), aged 45, is an executive Director, the chairman of the Board, and one of the founders of Baoying Renheng. Mr. Wei was appointed as a Director with effect from 2 February 2011 and was redesignated as an executive Director with effect from 20 October 2011. Mr. Wei is also the director of two subsidiaries of the Company, namely RENHENG Global Limited and RENHENG Tech Limited, appointed on 15 October 2009 and 28 October 2009 respectively. Mr. Wei is primarily responsible for the overall business planning and strategic development of the Group. Mr. Wei has more than 16 years of experience in the electrical and mechanical equipment industry. Between October 1996 to July 2001, Mr. Wei was the legal representative of Zhuhai Special Economic Zone Ren Heng Electromechanical Company Limited (珠海經濟特區仁恒機電有限公司), a company incorporated in the PRC with a business scope of manufacturing and selling automatic machinery, electrical and electronic products as well as tobacco related machinery products. As a founding member of Baoying Renheng, Mr. Wei has gained knowledge and experience in the tobacco machinery industry during the last 11 years. Mr. Wei was a director and the legal representative of Baoying Renheng between November 2001 and March 2005, and he has served as the director of the holding companies of Baoying Renheng including Yanlord (Holdings) Industrial Limited since August 1992 and Yanlord Industry Investment Limited since May 2005 to monitor the operation of Baoying Renheng. Mr. Wei graduated from Lufeng County Donghai Secondary School* (陸豐縣東海中學) in July 1987. Mr. Wei is the spouse of Ms. Liu.

Mr. Wei is a Controlling Shareholder and as of the date of this announcement, he is indirectly interested in 90,000,000 Shares, representing 45% of the issued share capital of the Company, through LinkBest, and indirectly interested in 60,000,000 Shares, representing 30% of the issued share capital of the Company, which are held by his spouse, Ms. Liu, through Open Venture. Save as disclosed above, Mr. Wei does not hold any other interests or short position in the Shares, underlying shares or debentures of the Company or its associate corporations within the meaning of Part XV of the SFO.

Mr. Wei has entered into a service contract with the Company as an executive Director for a term of three years commencing from 20 October 2011 and will be subject to the retirement by rotation and re-election provisions in the Memorandum and Articles of Association. Salary and allowances will be determined by the Board with reference to his contribution in terms of time, effort, experience and his expertise. Pursuant to the terms of his service agreement, Mr. Wei is entitled to HK$120,000 basic salaries and allowances per year. Bonus will be paid at the absolute discretion of the Board after taking into account the operating results of the Group and the performance of the Directors.

Ms. Liu Li (劉利), aged 43, is an executive Director. Ms. Liu was appointed as a Director with effect from 2 February 2011 and was redesignated as an executive Director with effect from 20 October 2011. She is responsible for overseeing the human resources and administration functions of the Group. Ms. Liu was appointed as a director of GrandBright International Pte. Ltd., a company engaged in the manufacture of furniture and fixture primarily made of metal, since February 2006. She is principally responsible for the treasury, human resources and administrative functions of the Company. In February 2007, Ms Liu was appointed as a director of Yanlord Industry Investment Limited and has been responsible for overseeing the operation of Baoying Renheng thereafter since the completion of the transfer of 91.6% equity interest in Baoying Renheng from Yanlord (Holdings) Industrial Limited to Yanlord Industry Investment Limited in 2008. Ms. Liu obtained a bachelor's degree in sport management from Beijing Sport University (北京體育大學) (formerly known as Beijing Institute of Physical Education (北京體育學院)) in July 1992. Ms. Liu immigrated to Hong Kong in 1999 and has been living in Hong Kong since then. Ms. Liu is the spouse of Mr. Wei.

Ms. Liu is a Controlling Shareholder and as of the date of this announcement, she is indirectly interested in 60,000,000 Shares, representing 30% of the issued share capital of the Company, through Open Venture, and is indirectly interested in 90,000,000 Shares, representing 45% of the issued share capital of the Company, which are held by her spouse, Mr. Wei, through LinkBest. Save as disclosed above, Ms. Liu does not hold any other interests or short position in the Shares, underlying shares or debentures of the Company or its associate corporations within the meaning of Part XV of the SFO.

Ms. Liu has entered into a service contract with the Company as an executive Director for a term of three years commencing from 20 October 2011 and will be subject to the retirement by rotation and re-election provisions in the Memorandum and Articles of Association. Salary and allowances will be determined by the Board with reference to her contribution in terms of time, effort, experience and his expertise. Pursuant to the terms of his service agreement, Ms. Liu is entitled to HK$120,000 basic salaries and allowances per year. Bonus will be paid at the absolute discretion of the Board after taking into account the operating results of the Group and the performance of the Directors.

Mr. Sun Zhaohui (孫朝暉), aged 46, is an executive Director, the chief executive officer of the Company and the legal representative of Baoying Renheng. Mr. Sun was appointed as an executive Director with effect from 20 October 2011. Mr. Sun is primarily responsible for the overall management and corporate development, acquisition and strategy implementation of Baoying Renheng. He has accumulated no less than 12 years of experience in engineering field. Mr. Sun joined IPACS Asia Pte Ltd. as a senior engineer in October 1997, and subsequently took up the position of vice general manager of IPACS Computer System Engineering (Shanghai) Co. Ltd. (宇博計算機系統工程(上海)有限公司) in December 1999. Mr. Sun then worked as the general manager of Quantum Automation (Shanghai) Co., Ltd. (上海貫通自控系統有限公司) for over 8 years from September 2001 to March 2010. Mr. Sun graduated with a bachelor's degree in engineering mechanics from Harbin Institute of Technology (哈爾濱工業大學) in July 1990.

As of the date of this announcement, Mr. Sun is interested in 200,000 Shares, representing approximately 0.11% of the issued share capital of the Company, through shares options granted under the Pre-IPO Share Option Scheme. Save as disclosed above, Mr. Sun does not hold any other interests or short position in the Shares, underlying shares or debentures of the Company or its associate corporations within the meaning of Part XV of the SFO.

Mr. Sun has entered into a service contract with the Company as an executive Director for a term of three years commencing from 20 October 2011 and will be subject to the retirement by rotation and re-election provisions in the Memorandum and Articles of Association. Salary and allowances will be determined by the Board with reference to his contribution in terms of time, effort, experience and his expertise. Pursuant to the terms of his service agreement, Mr. Sun is entitled to HK$540,000 basic salaries and allowances per year. Bonus will be paid at the absolute discretion of the Board after taking into account the operating results of the Group and the performance of the Directors.

Independent non-executive Directors

Mr. Tam Yuk Sang, Sammy (譚旭生), aged 50, is the independent non-executive Director and the chairman of the nomination committee, and a member of the remuneration committee and the audit committee of the Company. Mr. Tam was appointed as an independent non-executive Director with effect from 20 October 2011. He has over 22 years of experience in accounting, auditing and finance. He is currently president of Essentack Limited, a corporate strategy and management advisory company. He is an independent non-executive director and the audit committee chairman of Kith Holdings Limited (stock code: 01201), a company whose shares are listed on the Stock Exchange, and also an independent non-executive director of KEE Holdings Company Limited (stock code: 02011), a company whose shares are listed on the Stock Exchange. Mr. Tam served as the chief financial officer of Ngai Lik Industrial Holdings Limited (stock code: 00332), a company whose shares are listed on the Stock Exchange, from August 1993 to January 2000 and general manager of Tom.com International Limited from February 2000 to July 2001. Mr. Tam was the chief financial officer of Chen Hsong Holdings Limited (stock code: 00057), a company whose shares are listed on the Stock Exchange, from 2001 to 2002. Mr. Tam was also an independent non-executive director of Ngai Lik Industrial Holdings Limited (stock code: 00332), a company whose shares are listed on the Stock Exchange, from 2004 to 2010, and an independent non-executive director of Long Success International (Holdings) Limited (stock code: 08017), a company whose shares are listed on GEM, from January

2013 to October 2013. Mr. Tam obtained from the Hong Kong Polytechnic University a professional diploma in accountancy in November 1986 and is a fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tam is entitled to a Director's fee of HK$120,000 per year.

As of the date of this announcement, Mr. Tam does not hold any interests or short position in the Shares, underlying shares or debentures of the Company or its associate corporations within the meaning of Part XV of the SFO.

Mr. Wong Yiu Kit (黃耀傑), aged 46, is an independent non-executive Director and the chairman of the audit committee, and a member of the remuneration committee and the nomination committee of the Company. Mr. Wong was appointed as an independent non-executive Director with effect from 20 October 2011. Mr. Wong has over 16 years of experience in venture capital, corporate finance, business development, financial and general management. Currently he is the president and group chief financial officer of KVB Kunlun Holdings Limited ("KVB") which he joined in November 2011. KVB is an international financial services corporation providing forex, equities, commodities trading and asset management services with operations in Auckland, Sydney, Melbourne, Toronto, Hong Kong, Beijing and Tokyo. Besides, he has served as the executive director of China Private Equity Investment Holdings Limited ("CPE") since April 2008. CPE focuses on private equity investment and is a listed company on the Alternative Investment Market of the London Stock Exchange Plc. (stock code: CPEH). He also served as the chief financial officer of CPE from April 2008 to October 2011. Before that, he was the manager and head of supervision of business department of Guangdong Investment Limited (stock code: 00270), a company whose shares are listed on the Stock Exchange, from August 1997 to June 2000, the vice president of Vertex Management (HK) from July 2000 to October 2002, the chief financial officer of Hong Kong Applied Science and Technology Research Institute Company Limited from November 2002 to April 2008. Mr. Wong obtained a bachelor's degree in business administration from the University of Hong Kong in November 1991, a master of science in Investment Management from the Hong Kong University of Science and Technology in November 1998, and a master of science in Electronic Engineering from the Chinese University of Hong Kong in December 2008. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of the Institute of Chartered Accountants in England and Wales. He is also a charter-holder of Chartered Financial Analyst and a member of Hong Kong Securities Institute. Mr. Wong is entitled to a Director's fee of HK$120,000 per year.

As of the date of this announcement, Mr. Wong does not hold any interests or short position in the Shares, underlying shares or debentures of the Company or its associate corporations within the meaning of Part XV of the SFO.

Mr. Kong Hing Ki (江興琪), aged 42, is the independent non-executive Director and the chairman of the remuneration committee, and a member of the audit committee and the nomination committee of the Company. Mr. Kong Hing Ki was appointed as an independent non-executive Director with effect from 20 October 2011. He has over 11 years of experience in accounting, auditing and finance, gained from accountancy and commercial firms. Currently, he is a financial controller of a company whose ultimate holding company is listed on the main board of the Singapore Exchange Securities Trading Limited, and is an independent non-executive director and the audit committee chairman of Hing Lee (HK) Holdings Limited (stock code: 00396), a company whose shares are listed on the Stock Exchange, and also an independent non-executive director of KEE Holdings Company Limited (stock code: 02011), a company whose shares are listed on the Stock Exchange. Mr. Kong obtained a

Bachelor's Degree in Commerce from The Australian National University and a Master of Business Administration Degree from Deakin University, which is a joint program of Deakin University and CPA Australia conducted in Hong Kong. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Kong is entitled to a Director's fee of HK$120,000 per year.

As of the date of this announcement, Mr. Kong does not hold any interests or short position in the Shares, underlying shares or debentures of the Company or its associate corporations within the meaning of Part XV of the SFO.

Save as disclosed, there is no other information in relation to the Directors which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DEFINITIONS

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

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Baoying Renheng"	寶應仁恒實業有限公司 (Bao Ying Ren Heng Industrial Co., Ltd*) , a wholly foreign owned company incorporated in the PRC on 1 November 2001 and an indirect wholly-owned subsidiary of the Company
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"casing and flavouring system"	an automated system designed for the purpose of creating the signature taste of cigarettes by blending numerous kinds of flavours and casings according to the unique recipes of individual cigarette brands (煙用香精香料調配及加料加香機械)
"catalogued special-purpose tobacco machinery"	any type of tobacco machinery listed on the Tobacco Machinery Documents
"China Statistics Year Book 2012"	中國統計年鑒 2012 compiled by the National Bureau of Statistics of China (中華人民共和國國家統計局)
"Companies Law"	the Companies Law (2010 Revision) of the Cayman Islands, as amended supplemented or otherwise modified from time to time

"Company"	RENHENG Enterprise Holdings Limited (仁恒實業控股有限公司), a company incorporated in the Cayman Islands with limited liability on 2 February 2011 under the Companies Law
"Controlling Shareholder(s)"	Mr. Wei, Ms. Liu, LinkBest and Open Venture who are entitled to control, in aggregate, the exercise of 75% of the voting rights at general meetings of the Company
"CTMC"	中國煙草機械集團有限責任公司 (China Tobacco Machinery (Group) Co., Ltd.*), a company incorporated in the PRC on 7 January 1998
"Director(s)"	the director(s) of the Company
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company together with its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"LinkBest"	LinkBest Capital Group Limited, a company incorporated in BVI on 1 July 2010 with limited liability which is wholly owned by Mr. Wei
"Listing"	the listing of the Shares on GEM on 18 November 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM, and for avoidance of doubt, it does not include GEM for the purpose hereof
"Memorandum and Articles of Association"	the memorandum and articles of association of the Company adopted on 20 October 2011 and as amended from time to time
"Mr. Wei"	Mr. Wei Sheng Peng, an executive Director
"Ms. Liu"	Ms. Liu Li, an executive Director

“Open Venture”	Open Venture Global Limited, a company incorporated in BVI on 8 October 2010 with limited liability which is wholly owned by Ms. Liu
“PF system”	pneumatic feeding system, which is a type of pneumatic based feeding system used to deliver the processed cut tobacco inside an enclosed piping system to the cigarette wrapping machine (風力送絲系統)
“PP system”	pre-pressing packing machine, a piece of equipment to compress and pack tobacco leaves (煙用預壓打包機械)
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 20 October 2011
“Pricing Approval 2010”	國家煙草專賣局關於 SJ41 型糖香料廚房系統等煙機產品出廠價格的批覆(the Approval of STMA Regarding the Ex-factory Prices of Tobacco Machinery Products including Casing and Flavouring System Model SJ41*) issued by STMA on 22 April 2010 and became effective on 23 April 2010, being the approval in response to applications for guidance price of casing and flavouring systems produced by several tobacco machinery manufacturers, including the Group
“Pricing Guidelines 2013”	2013 年全國煙草專用機械產品指導價格目錄 (the 2013 Pricing Guidelines on the Pricing of Catalogued Special-purpose Tobacco Machinery*) issued by STMA and became effective on 18 December 2012
“PRC”	The People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 28 October 2011
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SW Capital”	Shenyin Wanguo Capital (H.K.) Limited, a licensed corporation for carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Share(s)”	share(s) of HK$0.01 each in the share capital of the Company

"Share Option Scheme"	the share option scheme adopted by the Company on 20 October 2011 and amended by resolution passed at the annual general meeting of the Company held on 9 May 2013
"Shareholder(s)"	holder(s) of the Shares
"STMA"	中國國家煙草專賣局 (State Tobacco Monopoly Administration of the PRC), a division of the PRC government established on 1 November 1983
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Tobacco Machinery Documents"	collectively refer to the Tobacco Machinery List, 2004年全國煙草專用機械產品指導價格目錄(暫行) (the 2004 Provisional Pricing Guidelines on the Pricing of Catalogued Special-purpose Tobacco Machinery*), the Pricing Approval 2010 and the Pricing Guidelines 2013
"Tobacco Machinery List"	煙草專用機械名錄 (List of Catalogued Special-purpose Tobacco Machinery*) issued by STMA on 24 May 2004 and became effective on 1 June 2004
"Tobacco Production Licence"	煙草專賣生產企業許可證 (tobacco monopoly production enterprise licence*) issued by STMA
"Transfer of Listing"	the transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of the Listing Rules
"%"	per cent

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

Hong Kong, 15 November 2013

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.

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its publication and will also be published on the "Listing Company Information" page of the Stock Exchange's website at http://www.hkexnews.hk and on the Company's website at http://www.renhengenterprise.com.

* *For identification purposes only*