

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

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 3628)

## HIGHLIGHTS

- Revenue for the six months ended 30 June 2023 was HK\$57,840,000, representing an increase of 73% as compared with the corresponding period in 2022;
- Profit attributable to shareholders of the Company for the six months ended 30 June 2023 was HK\$804,000 as compared of the loss attributable to shareholders of the Company of HK\$2,029,000 for the six months ended 30 June 2022; and
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023.



The board (the “Board”) of directors (the “Directors”) of RENHENG Enterprise Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2023 together with the unaudited comparative figures for the corresponding period in 2022 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Revenue</b>			
Cost of sales	4	<b>57,840</b> <b>(43,337)</b>	33,368 (24,192)
<b>Gross profit</b>		<b>14,503</b>	9,176
Other income	5	<b>335</b>	687
Other gains and losses	6	<b>812</b>	825
Selling and distribution costs		<b>(4,274)</b>	(3,814)
Administrative expenses		<b>(8,123)</b>	(7,099)
Research and development costs		<b>(1,500)</b>	(1,591)
<b>Profit (loss) before taxation</b>	7	<b>1,753</b>	(1,816)
Taxation	8	<b>(949)</b>	(213)
<b>Profit (loss) for the period</b>		<b>804</b>	(2,029)
Other comprehensive expense for the period: Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		<b>(3,360)</b>	(4,892)
Total comprehensive expense for the period		<b>(2,556)</b>	(6,921)
<b>Earnings (loss) per share</b>		<b>HK cents</b>	<b>HK cents</b>
– Basic	9	<b>0.10</b>	(0.25)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June</b> <b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		<b>21,576</b>	22,967
Right-of-use assets		<b>5,078</b>	5,115
		<b>26,654</b>	28,082
<b>Current assets</b>			
Inventories	11	<b>84,590</b>	97,097
Trade and other receivables	12	<b>37,425</b>	30,987
Restricted bank deposits	13	<b>3,892</b>	5,087
Bank balances and cash	13	<b>72,264</b>	97,195
		<b>198,171</b>	230,366
<b>Current liabilities</b>			
Trade and other payables	14	<b>43,537</b>	47,590
Lease liabilities		<b>288</b>	–
Contract liabilities		<b>62,848</b>	90,153
Tax payable		<b>7,206</b>	6,995
		<b>113,879</b>	144,738
<b>Net current assets</b>		<b>84,292</b>	85,628
<b>Total assets less current liabilities</b>		<b>110,946</b>	113,710
<b>Non-current liability</b>			
Deferred tax liabilities		<b>2,181</b>	2,389
<b>Net assets</b>		<b>108,765</b>	111,321
<b>Capital and reserves</b>			
Share capital		<b>2,010</b>	2,010
Share premium		<b>41,818</b>	41,818
Reserves		<b>78,029</b>	80,761
Accumulated losses		<b>(13,092)</b>	(13,268)
<b>Total equity</b>		<b>108,765</b>	111,321

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Discretionary surplus and other reserve HK\$'000 (Notes b and d)	Statutory surplus reserve HK\$'000 (Note b)	Capital reserve HK\$'000 (Note c)	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2022 (Audited)	2,010	41,818	49,091	3,338	24,797	999	2,775	8,632	(9,136)	124,324
Loss for the year	-	-	-	-	-	-	-	-	(2,029)	(2,029)
Exchange difference arising on translation from functional currency to presentation currency	-	-	-	-	-	-	-	(4,892)	-	(4,892)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(4,892)	(2,029)	(6,921)
At 30 June 2022 (Unaudited)	2,010	41,818	49,091	3,338	25,359	999	2,775	3,573	(12,666)	116,277
At 1 January 2023 (Audited)	<b>2,010</b>	<b>41,818</b>	<b>49,091</b>	<b>3,338</b>	<b>25,607</b>	<b>999</b>	<b>2,775</b>	<b>(1,049)</b>	<b>(13,268)</b>	<b>111,321</b>
Profit for the year	-	-	-	-	-	-	-	-	804	804
Transfer	-	-	-	628	-	-	-	-	(628)	-
Exchange difference arising on translation from functional currency to presentation currency	-	-	-	-	-	-	-	(3,360)	-	(3,360)
Total comprehensive income for the period	-	-	-	628	-	-	-	(3,360)	176	(2,556)
At 30 June 2023 (Unaudited)	<b>2,010</b>	<b>41,818</b>	<b>49,091</b>	<b>3,966</b>	<b>25,607</b>	<b>999</b>	<b>2,775</b>	<b>(4,409)</b>	<b>(13,092)</b>	<b>108,765</b>



Notes:

- a. The merger reserve represents the aggregate amount of paid-in capital of Bao Ying Ren Heng Industrial Co. Limited 寶應仁恒實業有限公司 ("Baoying Renheng") and share capital of RENHENG Global Limited ("RENHENG Global"), subsidiaries of the Company, acquired pursuant to group reorganisation in prior years.
- b. As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), Baoying Renheng is required to maintain two reserves, being a statutory surplus reserve and a discretionary surplus reserve which are non-distributable. Appropriations to such reserves are made out of profit after taxation of Baoying Renheng based on the relevant accounting principles and financial regulations applicable to the PRC enterprises while the amount and allocation basis are decided by its board of directors annually. Pursuant to the relevant laws and regulations in the PRC, appropriation to the statutory surplus reserve is required until the balance reaches 50% of the registered capital. The statutory surplus reserve and the discretionary surplus reserve can be used to make up its prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.
- c. The capital reserve represented waiver of an amount due to a former shareholder of a subsidiary of the Company in prior years.
- d. The Group is required to make appropriations based on its revenue in accordance with CaiZi [2022] No.136 "Measures for the provision and utilisation of the safety production fund" that is issued by the Ministry of Finance and the Ministry of Emergency Management. The reserve is for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<b>(24,208)</b>	(34,618)
Investing activities		
Release of restricted bank deposits	<b>9,907</b>	21,174
Interest received	<b>278</b>	1,666
Placement of restricted bank deposits	<b>(8,827)</b>	(3,865)
Purchase of property, plant and equipment	<b>(381)</b>	(438)
Net cash from investing activities	<b>977</b>	18,537
Financing activity		
Repayment of lease liabilities	<b>(202)</b>	(125)
Net cash used in financing activity	<b>(202)</b>	(125)
Net decrease in cash and cash equivalents	<b>(23,433)</b>	(16,206)
Cash and cash equivalents at beginning of the period	<b>97,195</b>	96,040
Effect of foreign exchange rate change	<b>(1,498)</b>	(3,234)
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>72,264</b>	76,600



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is jointly controlled by LinkBest Capital Group Limited and Open Venture Global Limited. The ultimate controlling shareholder is Ms. Liu Li, who is also the chairman and chief executive officer of the Company.

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

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is different from the Company's functional currency of Renminbi ("RMB"). The Directors of the Company adopted HK\$ as presentation currency as the Company's shares are listed on the Stock Exchange and the management considers this presentation to be more useful for its current and potential investors.

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2023 were unaudited but have been approved by the Board of Directors and the audit committee of the Company. The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional/change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

#### ***Application of amendments to HKFRSs***

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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



#### 4. REVENUE AND SEGMENT INFORMATION

(i) *Disaggregation of revenue from contracts with customers and segment information*

For the six months ended 30 June 2023

	<b>Construction contracts of casing and flavouring system HK\$'000 (Unaudited)</b>	<b>Sales of other products HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>Type of products</b>			
Construction works	57,452	–	57,452
<b>Sales of other products</b>			
– pneumatic feeding system	–	195	195
– other goods	–	193	193
	–	388	388
	<b>57,452</b>	<b>388</b>	<b>57,840</b>

For the six months ended 30 June 2022

	<b>Construction contracts of casing and flavouring system HK\$'000 (Unaudited)</b>	<b>Sales of other product HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>Type of products</b>			
Construction works	32,788	–	32,788
<b>Sales of other products</b>			
– pneumatic feeding system	–	164	164
– other goods	–	416	416
	–	580	580
	<b>32,788</b>	<b>580</b>	<b>33,368</b>

The Group's operating activities are attributable to a single operating segment focusing on manufacture and sale of tobacco machinery products.

All of the Group's revenue are derived in PRC and majority of the Group's non-current assets are located in the PRC, which are determined by the location where the systems or products being installed or delivered. The revenue from construction contracts of casing and flavouring system and sales of other products are recognised at point in time.



No other discrete financial information, analysis of segment assets or segment liabilities is presented as they are not regularly provided to the chief executive officer of the Company, being the chief operating decision maker of the Company, for the purposes of resources allocation and assessment. Accordingly, no segment information, other than the Group's results and financial position as a whole, is presented.

(ii) **Performance obligations for contracts with customers**

**Construction contracts of casing and flavouring system**

The Group provides construction services of casing and flavouring system to its customers which are cigarette manufacturers in the PRC. For the contracts entered into with customers, the contract prices are fixed and the relevant casing and flavouring system specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant casing and flavouring system to customers. Revenue from construction contracts of casing and flavouring system is therefore recognised at a point in time when the completed casing and flavouring system is transferred to customers, being at the point that the customer obtains the control of the completed casing and flavouring system and the Group has unconditional right to payment and collection of the consideration is probable.

The Group receives 10% to 30% of the contract value as deposits from customers when they sign the construction agreement. Such advance payment schemes result in contract liabilities being recognised throughout the construction period for the full amount of the contract price.

The defect liability period, ranging from one to two years from the date of the practical completion of the construction, serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

**Sales of other products**

The Group sells pneumatic feeding system, pre-pressing packing machine, water treatment system and other products directly to the customers which are cigarette manufacturers and tobacco redrying factories in the PRC. For the sales of other products to the customers, revenue is recognised when control of the goods has transferred, being the point the goods has delivered to the customers. The normal credit term is 90 days upon delivery.

**5. OTHER INCOME**

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Subsidy income (Note)	<b>57</b>	593
Bank interest income	<b>278</b>	94
	<b>335</b>	687

Note: These government grants were for immediate and unconditional financial support with no future related costs nor related to any assets, therefore, the Group recognised the income upon receipts.

## 6. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Sales of scrap materials, parts and components, net gain	753	825
Exchange gains	59	–
	<b>812</b>	825

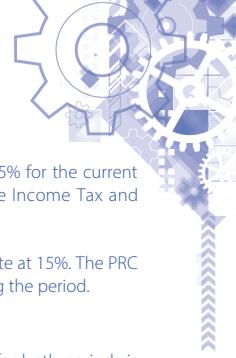
## 7. PROFIT (LOSS) BEFORE TAXATION

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit (loss) before taxation has been arriving at after charging:		
Directors' emoluments	854	947
Other staff costs:		
Salaries, bonus and allowances	7,402	4,708
Retirement benefits scheme contributions	1,070	541
Total staff costs	<b>9,326</b>	6,196
Auditor's remuneration	631	544
Research and development cost recognised as an expense	1,500	1,591
Depreciation of property, plant and equipment	1,057	652
Depreciation of right-of-use assets	233	193

## 8. TAXATION

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
The charge (credit) comprises:		
PRC Enterprise Income Tax ("EIT") – current period	1,088	355
Deferred taxation	(139)	(142)
	<b>949</b>	213

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2023 and 2022 as the Group has no assessable profit arisen in, or was derived from Hong Kong.



The provision for EIT is based on the estimated taxable income for PRC taxation purposes at 25% for the current period (six months ended 30 June 2022: 15%) pursuant to the Law of the PRC on Enterprise Income Tax and Implementation Legislation (the "EIT Law").

Under the EIT Law, a qualified High and New-Tech Enterprise ("HNTE") can enjoy a reduced tax rate at 15%. The PRC subsidiary of the Company applied renew and has been waiting for the approval as a HNTE during the period.

## 9. EARNINGS (LOSS) PER SHARE

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit (loss)</b>		
Profit (loss) for the period attributable to owners of the Company for the purposes of basic earnings (loss) per share	<b>804</b>	(2,029)
	<hr/>	
	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Number of shares</b>		
Number of ordinary shares for the purposes of calculating basic earnings (loss) per share	<b>804,000,000</b>	804,000,000
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No diluted earnings (loss) per share were presented for both periods as there were no potential ordinary shares in issue for both periods.

## 10. DIVIDEND

No dividend was paid or proposed for shareholders of the Company during the interim period. The Directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 11. INVENTORIES

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
Raw materials	<b>5,693</b>	10,238
Work in progress	<b>78,897</b>	86,859
	<hr/>	
	<b>84,590</b>	97,097
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## 12. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
Trade receivables	<b>20,540</b>	13,075
Less: allowance for credit losses	<b>(3,742)</b>	(3,862)
	<b>16,798</b>	9,213
Retention money receivables	<b>8,606</b>	8,475
Less: allowance for credit losses	<b>(646)</b>	(668)
	<b>7,960</b>	7,807
Other receivables from third parties	<b>3,993</b>	3,777
Less: allowance for credit losses	<b>(454)</b>	(470)
	<b>3,539</b>	3,307
Prepayments and deposits	<b>2,299</b>	1,598
Value-added tax recoverable	<b>5,739</b>	8,242
Cash advance to staff	<b>1,090</b>	820
	<b>37,425</b>	30,987

The following is an aged analysis of trade receivables (net of allowance of credit losses) presented based on the invoice date at the end of the reporting period:

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
0–90 days	<b>12,978</b>	6,542
91–365 days	<b>3,820</b>	959
1–2 years	<b>–</b>	1,712
	<b>16,798</b>	9,213

The Group normally allows a credit period of three months to its trade customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

### 13. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

As at 30 June 2023, the restricted bank deposits carry effect interest rate of 2.85% (31 December 2022: 2.85%) per annum, representing amounts with held in a bank for settlement of bills payables and to secure certain construction contracts.

Bank balances comprising cash and short-term deposits with an original maturity of three months or less carried at prevailing market deposits rate. The effective interest rate of these deposits ranged from 0.001% to 3.40% (31 December 2022: 0.001% to 2.01%) per annum.

### 14. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
Trade payables	<b>28,241</b>	31,297
Bills payables	<b>3,892</b>	5,086
	<b>32,133</b>	36,383
Accrued warranty provision	<b>4,160</b>	3,273
Accrued welfare expenses	<b>1,557</b>	1,607
Other payables	<b>5,546</b>	5,840
Other tax payables	<b>141</b>	487
	<b>43,537</b>	47,590

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

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
0–90 days	<b>19,321</b>	23,561
91–365 days	<b>11,972</b>	11,127
1–2 years	<b>331</b>	1,421
Over 2 years	<b>509</b>	274
	<b>32,133</b>	36,383

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacture, sale and provision of maintenance, overhaul and modification services in respect of tobacco machinery products in the PRC. We have obtained the Tobacco Monopoly Production Enterprise Licence (煙草專賣生產企業許可證) issued by the State Tobacco Monopoly Administration of the PRC (中國國家煙草專賣局), under which we are permitted to manufacture, sell and provide maintenance, overhaul as well as modification services in respect of the aforesaid machinery products, and we are one of the thirty-five licenced manufacturers in the PRC. We generate our turnover primarily from projects related to three types of catalogued special-purpose tobacco machinery products, namely the casing and flavouring system, pneumatic feeding system and pre-pressing packing machine.

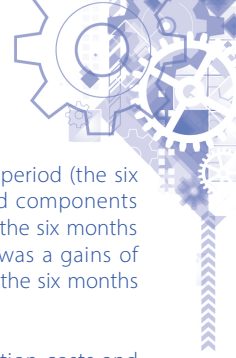
## FINANCIAL REVIEW

For the six months ended 30 June 2023, the Group recorded a profit of HK\$804,000 for the period while it was a loss of HK\$2,029,000 for the six months ended 30 June 2022. In the current period, there is an increase in the revenue of HK\$57,840,000, representing a year-on-year increase of approximately 73.3% from HK\$33,368,000 for the six months ended 30 June 2022. There was decrease in other income amounted to HK\$335,000 in the current period (the six months ended 30 June 2022: HK\$687,000) due to a decrease on subsidy income in comparison to the prior period. The administrative expenses amounted to HK\$8,123,000 (the six months ended 30 June 2022: HK\$7,099,000), representing an increase of HK\$1,024,000 or 14.4%. The selling and distribution costs amount to HK\$4,274,000 (the six months ended 30 June 2022: HK\$3,814,000), representing an increase of HK\$460,000 and 12.1%.

Revenue from construction contracts of casing and flavouring systems continued to have outperformed other type of products and goods, of which it contributed HK\$57,452,000 or 99.3% of the total revenue in the current period (the six months ended 30 June 2022: HK\$32,788,000 or 98.3%). Sales of pneumatic feeding system contributed HK\$195,000 in the current period (the six months ended 30 June 2022: HK\$164,000). The sales of other goods decreased from HK\$416,000 in the six months ended 30 June 2022 to HK\$193,000 in the current period. The sales of other products have dropped from HK\$580,000 for the six months ended 30 June 2022 to HK\$388,000 in the current period.

The gross profit margin for the current period was 25.1% and has slightly dropped compared with the gross profit margin in prior period which was 27.5%.

Other income was down by HK\$352,000 or 51.2%, amounted to HK\$335,000 for the current period (the six months ended 30 June 2022: HK\$687,000). During the current period, subsidy income of HK\$57,000 was received while subsidy income of HK\$593,000 was received in the prior period. The bank interest income amounted to HK\$278,000 in the current period in comparison with HK\$94,000 in the prior period.



For the item of other gains and losses, it amounted to HK\$812,000 in the current period (the six months ended 30 June 2022: HK\$825,000). The sales of scrap materials, parts and components constantly contributed the other gains and losses and amounted to HK\$753,000 for the six months ended 30 June 2023 while it was HK\$825,000 in the prior period. In addition it was a gains of HK\$59,000 on the exchange gains in comparison with no exchange gains/losses for the six months ended 30 June 2022.

For the operating expenditure of the Group, comprising the selling and distribution costs and administrative expenses, amounted to HK\$12,397,000 for the current period (the six months ended 30 June 2022: HK\$10,913,000), representing an increase of HK\$1,484,000 or 13.6% due to the lifting of the travel restrictions. Impacting by the main increment on the related expenses about warranty service in the current year led to an increase in selling and distribution costs by HK\$460,000 or 12.1% in compare with the prior period especially on the expenses of warranty related service. The administrative expensive was increased by HK\$1,024,000 or 14.4% mostly because of the increments on legal and professional fees, discretionary bonus and traveling expenses.

During the period ended 30 June 2023, research and development costs slightly decreased to HK\$1,500,000 in comparison to HK\$1,591,000 for the period ended 30 June 2022.

The tax expense of HK\$949,000 was incurred for the period ended 30 June 2023 in comparison to the tax expense of HK\$213,000 for the prior period. During the current period, our PRC subsidiary has been renewing the qualification of HNTE. The provision for EIT is based on the estimated taxable income for PRC taxable purposes at 25% for the current period. The Group will apply tax refund when the HNTE status is effective.

During the six months ended 30 June 2023, the functional currency of the Company and its subsidiaries is RMB. Exchange difference arising on translation of foreign operations amounted to a loss of HK\$3,360,000 was resulted from the depreciation of RMB to HK\$ and led to a total comprehensive expense HK\$2,556,000 for the six months ended 30 June 2023, while it was a total comprehensive expenses of HK\$6,921,000 for the prior period. Our management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the functional currency and presentation currency of our group entities. The Company did not hedge against any fluctuation in foreign currency during the six months ended 30 June 2023.

## **DIVIDENDS**

The Directors do not recommend the payment of dividend for the six months ended 30 June 2023.



## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2023, the Group had a comparatively stable capital structure with net current assets of HK\$84,292,000 (31 December 2022: HK\$85,628,000). Bank balances and cash of the Group as at 30 June 2023 amounted to HK\$72,264,000 (31 December 2022: HK\$97,195,000), which were mainly denominated in RMB and HK\$. The Company had no other borrowings, mortgages or charges as at 30 June 2023 and 31 December 2022.

## **SEGMENTAL INFORMATION**

An analysis of the Group's performance for the six months ended 30 June 2023 by business segment is set out in note 4 to the condensed consolidated financial statements.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group did not have any material contingent liabilities.

## **SIGNIFICANT INVESTMENTS HELD**

During the period ended 30 June 2023, the Group's investing activities mainly include placement and withdrawal of short-term fixed deposits and purchase of property, plant and equipment.

## **MATERIAL ACQUISITION AND DISPOSAL**

The Group had no material acquisition and disposal of subsidiaries for the six months ended 30 June 2023.

## **BUSINESS REVIEW AND PROSPECT**

The Group mainly deal with the customer Tobacco Monopoly Administration of the PRC which is the world's largest tobacco manufacturer, China produces more than two million metric tons of tobacco each year. The majority of China's tobacco production serves its massive domestic market, so tobacco industry occupies an important position in China's economic development. In the annual fiscal revenue of the Chinese government, tax revenue from the tobacco industry has always maintained a relatively high share, contributing nearly one-tenth of the country's fiscal revenue in the recent year. The tobacco factories in China owns the most automatic factory. It is believed that the tobacco machinery industry would be in a steady momentum in the years.

The tobacco machinery industry renders our company's technical developments especially the innovations on the machinery related technologies. Tobacco Monopoly Administration of the PRC provides a stable financial proposition, and a good condition for our new developments on diversified our revenue structure. Leveraging on the Group's competitive strengths in product customisation, development capabilities and our brand on machinery industry, which enables both the sales and technical personnel to obtain good and timely understanding of customers' requests in the tobacco machinery industry and other industries. The Group intends to capture the market opportunities for its specialised products and securing contracts more than one machinery industry and will try to dedicate to innovate the key technologies for the customised automatic machinery industry, hence hope to deliver greater value to our shareholders.



## **PRE-IPO SHARE OPTION SCHEME**

The Company's pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was adopted pursuant to a written resolution passed by the shareholders on 20 October 2011. The purpose of the Pre-IPO Share Option Scheme is to grant options to the participants as incentive or rewards for their contributions to the Group.

Options to subscribe for an aggregate of 1,300,000 shares at an exercise price of HK\$0.96 were granted to 10 participants including one executive Director, four members of the senior management of the Group and five employees of the Group, each at a consideration of HK\$10.00 under the Pre-IPO Share Option Scheme on 20 October 2011.

Up to 30 June 2023, no outstanding options were resulted.

## **SHARE OPTION SCHEME**

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution passed by the shareholders on 20 October 2011 for the primary purpose of providing the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Up to 30 June 2023, no options were granted to Directors, eligible employees and other outside third parties under the Share Option Scheme.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2023, the Group has a total of 138 employees (31 December 2022: 142 employees). Total staff costs (including directors' emoluments) were HK\$9,326,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$6,196,000).

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

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, were as follows:

### Long positions

Ordinary shares of HK\$0.0025 each of the Company

Names	Capacity/Nature of Interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
<b>Directors</b>			
Ms. Liu Li ( <i>Note</i> )	Interest of controlled corporations	600,000,000	74.6%
Mr. Xu Jiagui	Beneficial interest	800,000	0.1%

*Note:* Open Venture Global Limited ("Open Venture") and LinkBest Capital Group Limited ("LinkBest"), which are both wholly owned by Ms. Liu Li, are interested in 240,000,000 shares and 360,000,000 shares of the Company, respectively.

Save as disclosed above, none of the Directors and the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2023.



## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, according to the register of interests required to be kept by the Company under Section 336 of the SFO other than the interests disclosed above in respect of Directors and chief executive of the Company, the following parties had interests in shares of the Company, as notified to the Company and the Stock Exchange, as follows:

### Long positions

Ordinary shares of HK\$0.0025 each of the Company

Name of shareholders	Capacity/Nature of Interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
LinkBest (Note)	Beneficial owner	360,000,000	44.8%
Open Venture (Note)	Beneficial owner	240,000,000	29.9%

Note: LinkBest and Open Venture are wholly owned by Ms. Liu Li.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2023.

### COMPETING INTERESTS

None of the Directors nor their respective associates (as defined under the Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### CORPORATE GOVERNANCE PRACTICES

Pursuant to the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules which sets out the principles of good corporate governance and the code provisions (the "Code Provisions"), the Company has applied all the Code Provisions as set out in the CG Code during the six months ended 30 June 2023, save and except the Code Provision A.2.1 of the CG Code as follows:

The roles of chairman and chief executive of the Company are performed by the same individual – Ms. Liu Li. Ms. Liu Li will ensure that all the Board members keep abreast of the conduct, business activities and development of the Group and adequate, complete and reliable information is provided to Directors on issues to be considered by the Board.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. During the six months ended 30 June 2023, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

## CHANGE OF DIRECTOR

On 19 July 2023: (1) Mr. Kong Hing Ki has resigned as an independent non-executive Director, the chairman of the remuneration committee, and a member of each of the nomination committee and the audit committee of the Company; and (2) Mr. Lam Chi Wing has been appointed as an independent non-executive Director, the chairman of the remuneration committee, and a member of each of the nomination committee and the audit committee of the Company.

## AUDIT COMMITTEE

The audit committee comprising three independent non-executive Directors and is chaired by Dr. Lam, Lee G.. The rest of the members are Mr. Lam Chi Wing and Mr. Wu Wei. The interim results for the six months ended 30 June 2023 have been reviewed by the audit committee in accordance with the Listing Rules. The audit committee was of the opinion that such results complied with the applicable accounting standards and that adequate disclosures had been made.

By order of the Board  
**RENHENG Enterprise Holdings Limited**  
**Liu Li**  
*Chairman and Chief Executive Officer*

Hong Kong, 30 August 2023

*As at the date of this report, the executive Directors are Ms. Liu Li and Mr. Xu Jiagui and the independent non-executive Directors are Dr. Lam, Lee G., Mr. Lam Chi Wing and Mr. Wu Wei.*