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RENHENG ENTERPRISE HOLDINGS LIMITED

仁恒實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3628)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- Revenue for the year ended 31 December 2023 amounted to HK\$124,423,000, representing a year-on-year increase of 80.1%;
- Gross profit margin for the year ended 31 December 2023 was 36.7% (2022: 37.0%);
- Profit attributable to shareholders of the Company for the year ended 31 December 2023 was HK\$13,558,000 (2022: loss for the year of HK\$2,363,000);
- Total comprehensive income for the year ended 31 December 2023 was HK\$12,065,000 (2022: total comprehensive expense of HK\$11,877,000); and
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023.

The board (the “Board”) of directors (the “Directors”) of RENHENG Enterprise Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023 together with the comparative figures for the year 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue	4	124,423	69,083
Cost of sales		<u>(78,699)</u>	<u>(43,516)</u>
Gross profit		45,724	25,567
Other income	5	1,545	1,858
Reversal of impairment losses under expected credit loss model, net	6	322	42
Other gains and losses, net	7	1,787	721
Selling and distribution expenses		(10,210)	(7,797)
Administrative expenses		(16,578)	(16,655)
Research and development expenses		<u>(4,672)</u>	<u>(4,324)</u>
Profit (loss) before taxation		17,918	(588)
Taxation	8	<u>(4,360)</u>	<u>(1,775)</u>
Profit (loss) for the year		13,558	(2,363)
Other comprehensive expense for the year:			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation from functional currency to presentation currency		<u>(1,493)</u>	<u>(9,514)</u>
Total comprehensive income (expense) for the year		<u>12,065</u>	<u>(11,877)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per share	9		
– Basic and diluted		<u>1.69</u>	<u>(0.29)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		21,061	22,967
Right-of-use assets		5,021	5,115
		26,082	28,082
Current assets			
Inventories		72,554	97,097
Trade and other receivables	11	38,780	30,987
Restricted bank deposits		12,001	5,087
Cash and cash equivalents		86,100	97,195
		209,435	230,366
Current liabilities			
Trade and other payables	12	42,024	47,590
Lease liabilities		212	–
Contract liabilities	13	57,828	90,153
Tax payable		10,387	6,995
		110,451	144,738
Net current assets		98,984	85,628
Total assets less current liabilities		125,066	113,710

	<i>NOTE</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		<u>1,680</u>	<u>2,389</u>
		<u>1,680</u>	<u>2,389</u>
		<u>123,386</u>	<u>111,321</u>
Capital and reserves			
Share capital		2,010	2,010
Share premium and reserves		<u>121,376</u>	<u>109,311</u>
Total equity		<u>123,386</u>	<u>111,321</u>

NOTES TO ANNUAL RESULTS

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 (collectively referred to as the “Group”) 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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The address of the principal place of business of the Company are Room 3805, 38/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is different from the Company’s functional currency of Renminbi (“RMB”). The directors of the Company adopted HK\$ as presentation currency 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s for the annual periods beginning on 1 January 2023 for the preparation of the 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
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

4. REVENUE AND SEGMENT INFORMATION

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

	2023		
Type of products	Construction contracts of casing and flavouring system HK\$’000	Sales of other products HK\$’000	Total HK\$’000
Construction works	102,897	–	102,897
Sales of other products			
– pneumatic feeding system	–	18,803	18,803
– water treatment system	–	271	271
– other goods	–	2,452	2,452
	–	21,526	21,526
	102,897	21,526	124,423

	2022		
	Construction contracts of casing and flavouring system <i>HK\$'000</i>	Sales of other products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of products			
Construction works	55,551	–	55,551
Sales of other products			
– pneumatic feeding system	–	9,932	9,932
– water treatment system	–	709	709
– other goods	–	2,891	2,891
	–	13,532	13,532
	<u>55,551</u>	<u>13,532</u>	<u>69,083</u>

All of the Group's revenue are derived 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.

(ii) **Performance obligations for contracts with customers and revenue recognition policies**

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 three 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, water treatment system and other goods 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 at a point time 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.

(iii) Segment information

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

All of the Group's revenue are derived in the PRC, which are determined by the location where the systems or products being installed or delivered. The Group's non-current assets are substantially all located in the PRC (excluding Hong Kong).

5. OTHER INCOME

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Subsidy income (<i>Note</i>)	574	628
Bank interest income	971	1,230
	<u>1,545</u>	<u>1,858</u>

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. REVERSAL OF IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET

	2023	2022
	HK\$'000	HK\$'000
Reversal of impairment losses on trade receivables and retention money receivables (“Trade-related Receivables”)	<u>(322)</u>	<u>(42)</u>

7. OTHER GAINS AND LOSSES

	2023	2022
	HK\$'000	HK\$'000
Sales of scrap materials, parts and components, net gain	2,076	1,960
Net foreign exchange loss	(289)	(1,123)
Loss on fair value change of investment properties, unrealised	<u>–</u>	<u>(116)</u>
	<u>1,787</u>	<u>721</u>

8. TAXATION

	2022	2021
	HK\$'000	HK\$'000
The charge comprises:		
Current Tax		
PRC Enterprise Income Tax (“EIT”)	5,284	1,052
PRC withholding tax	(880)	–
	4,404	1,052
Overprovision in prior year:		
PRC EIT	(244)	–
	4,160	1,052
Deferred taxation	200	723
	<u>4,360</u>	<u>1,775</u>

No provision for taxation in Hong Kong has been made 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 (2022: 25%) under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law.

Under the EIT Law, a qualified High and New-Tech Enterprise (“HNTE”) can enjoy a reduced tax rate at 15%. A PRC subsidiary of the Company had been recognised and approved as a HNTE during the year ended 31 December 2021 and renewed in 2023. The HNTE qualification is effective since 2020 and the PRC subsidiary renewed in 2023, therefore the PRC subsidiary entitled to a reduced tax rate at 15% for the years ended 31 December 2023 and 2022.

9. EARNINGS (LOSS) PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	<u>13,558</u>	<u>(2,363)</u>
	Number of shares	
	2023	2022
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings (loss) per share	<u>804,000,000</u>	<u>804,000,000</u>

No diluted earnings (loss) per share is presented for both 2023 and 2022 as there was no potential ordinary share in issue for both years.

10. DIVIDENDS

No dividend was paid or proposed for shareholders of the Company during 2023 (2022: Nil), nor was any dividend been proposed by the Company since the end of the reporting period.

11. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	24,787	13,075
Less: allowance for credit losses	<u>(3,215)</u>	<u>(3,862)</u>
	<u>21,572</u>	<u>9,213</u>
Retention money receivables	7,271	8,475
Less: allowance for credit losses	<u>(931)</u>	<u>(668)</u>
	<u>6,340</u>	<u>7,807</u>
	<u>27,912</u>	<u>17,020</u>
Prepayments and deposits	5,161	1,598
Other receivables from third parties	5,802	3,777
Less: allowance for credit losses	<u>(462)</u>	<u>(470)</u>
Value-added tax recoverable	–	8,242
Cash advance to staff	<u>367</u>	<u>820</u>
	<u>38,780</u>	<u>30,987</u>

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 following is an aged analysis of trade receivables (net of allowance for credit losses) presented based on the invoice date at the end of the reporting periods.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–90 days	20,048	6,542
91–365 days	1,524	959
1–2 years	–	1,712
	<u>21,572</u>	<u>9,213</u>

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,524,000 (2022: HK\$2,671,000) which are past due as at the reporting date. The past due balances are not considered as in default as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	16,622	31,297
Bills payables	9,176	5,086
	<u>25,798</u>	<u>36,383</u>
Accrued warranty provision (<i>Note</i>)	5,406	3,273
Accrued welfare expenses	2,687	1,607
Other payables	5,274	5,840
Other tax payables	2,859	487
	<u>42,024</u>	<u>47,590</u>

Note: The balance of accrued warranty provision represents management's best estimate of the Group's liability under the relevant contracts with customers for the construction contracts of casing and flavouring system and sales of other products, based on prior experience and industry averages for defective products at the end of each reporting period.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–90 days	14,587	23,561
91–365 days	9,164	11,127
1–2 years	1,443	1,421
Over 2 years	604	274
	25,798	36,383

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

13. CONTRACT LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Construction contracts of casing and flavouring system	45,113	68,304
Sales of other products	12,715	21,849
	57,828	90,153

The Group receives 10% to 30% of the contract value as deposits from customers when they sign the sale and purchase agreement, this will give rise to contract liabilities at the start of a contract. The deposits result in contract liabilities being recognised throughout the construction period until the performance obligation has been satisfied.

14. EVENT AFTER THE REPORTING PERIOD

The directors of the Company are not aware of any other significant events that have taken place subsequent to 31 December 2023 and up to the date of approval of this report.

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 two types of catalogued special-purpose tobacco machinery products, namely the casing and flavouring system and pneumatic feeding system.

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group recorded a profit of HK\$13,558,000 while it was a loss of HK\$2,363,000 for the year ended 31 December 2022. In the current year, attributable to the increases of the Group's business of the product of the construction contracts of casing and flavouring system and pneumatic feeding system, there is a year-on-year increase in revenue of approximately 80.1% in comparison to the prior year.

Revenue from construction contracts of casing and flavouring systems continued to have outperformed other type of products and goods, contributing HK\$102,897,000, accounting for 82.7% of the total revenue in the current year (2022: HK\$55,551,000 or 80.4%).

Revenue from pneumatic feeding system has increased approximately 89.3% from HK\$9,932,000 for the year ended 31 December 2022 to HK\$18,803,000 for the year ended 31 December 2023. There was no sales of pre-pressing packing machine for the years ended 31 December 2023 and 31 December 2022. The sales of water treatment system escalated from HK\$709,000 for the year ended 31 December 2022 to HK\$271,000 for the year ended 31 December 2023. The sales of other goods amounted from HK\$2,891,000 for the year ended 31 December 2022 to HK\$2,452,000 for the year ended 31 December 2023.

The gross profit margin for the current year was 36.7% and has dropped by 0.3% when comparing with the gross profit margin for the prior year which was 37.0%. The gross profit margin for the construction contracts on casing and flavouring systems has increased by 1.3% from 33.0% for the year ended 31 December 2022 to 34.3% for the year ended 31 December 2023. The gross profit of construction contracts on casing and flavouring systems is HK\$35,283,000 for the current year and it was HK\$18,313,000 for the prior year. The gross profit of pneumatic feeding system amounted to HK\$9,193,000 for the year ended 31 December 2023 (2022: HK\$5,531,000). The gross profit of the water treatment system amounted to HK\$122,000 for the year ended 31 December 2023 (2022: HK\$280,000).

Allowance for inventories (included in cost of sales) amounted to HK\$351,000 had been recognised during the year ended 31 December 2023 while HK\$915,000 allowance loss was made in the prior year. The identification of obsolete inventories required the use of judgement and estimates on the conditions and usefulness of the inventories.

The average contract sum of construction contracts on casing and flavouring systems completed was HK\$6,431,000 for the current year while it was HK\$2,222,000 for the year ended 31 December 2022. The revenue from the 3 largest construction contracts on casing and flavouring systems completed during the current year was HK\$77,348,000 while it was HK\$33,134,000 for the preceding year. The design and complexity of the products varies by customers and therefore there is a wide range of contract prices.

Other income was down by HK\$313,000 or 16.8% and amounted to HK\$1,545,000 in aggregate for the year ended 31 December 2023 (2022: HK\$1,858,000) due to the decrease on the bank interest income and the subsidy income. In the current year, the bank interest income is HK\$971,000 (2022: HK\$1,230,000) and subsidy income of HK\$574,000 was received while HK\$628,000 was received in the prior year.

The other gains and losses had increased by HK\$1,066,000 or 147.9% to HK\$1,787,000 for the year ended 31 December 2023 (2022: HK\$721,000), mainly due to less net foreign exchange loss in the current year amounted to HK\$289,000 (2022: HK\$1,123,000). The sales of scrap materials, parts and components amounted to HK\$2,076,000 for the year ended 31 December 2023 (2022: HK\$1,960,000) and it was increased by HK\$116,000 or 5.9% compared to the prior year.

A reversal of impairment loss on Trade-related receivables under expected credit loss model amounting to HK\$322,000 had been recognised during the year ended 31 December 2023, while it was an impairment loss reversal of HK\$42,000 for the year ended 31 December 2022.

Impacting by the trend of tobacco regulatory policies and the end of COVID-19 epidemic, marketing initiatives had been placed in the current year and led to an increment in selling and distribution expenses by HK\$2,413,000 from HK\$7,797,000 for the year ended 31 December 2022 to HK\$10,210,000 for the year ended 31 December 2023 or 30.9% as compared to the prior year.

The administrative expenses were slightly decreased by HK\$77,000 or 0.5% in comparison with prior year, for the year ended 31 December 2023 amounted to HK\$16,578,000 (2022: HK\$16,655,000). Salaries of management and the depreciation expenses are relatively stable for the years ended 31 December 2023 and 31 December 2022, resulting in only minor fluctuations in administrative expenses.

The research and development expenses amounted to HK\$4,672,000 for the year ended 31 December 2023 (2022: HK\$4,324,000), and it had slightly increased by HK\$348,000 or 8.0%.

The tax expense of HK\$4,360,000 was recorded for the year ended 31 December 2023 and it was HK\$1,775,000 for the year ended 31 December 2022. The tax expense was resulted from profit generation and provision of PRC withholding tax on undistributed profit from the PRC subsidiary.

The Directors do not recommend the payment of dividend for the year ended 31 December 2023 (2022: Nil).

BUSINESS REVIEW AND PROSPECT

The Group mainly deals with the customer named “Tobacco Monopoly Administration of the PRC”, which is one of 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 own the most automatic factory. It is believed that the tobacco machinery industry would maintain in a steady momentum in the coming years.

The tobacco machinery industry renders our company’s technical developments especially the innovations on the machinery related technologies. Being one of the suppliers of Tobacco Monopoly Administration of the PRC and its subsidiaries provides a stable financial proposition to our Group. Furthermore, our subsidiary company of the Group, Baoying Renheng Industrial Company Limited, has been rewarded the recognition of “The Excellent Supplier” from Qinhuangdao Tobacco Machinery Company Limited in both 2022 and 2023. The absolute controlling shareholder of Qinhuangdao Tobacco Machinery Company Limited is China Tobacco Machinery Group Company Limited.

The volatilities, uncertainties, complexities and ambiguities existed in the current economic environment. However, the tobacco machinery business provides a good condition and chances for our new developments on diversifying our revenue structure including different products on tobacco industry and the Group has the change to serve different industries which need to have technical supports of non-standardised automatic machinery service. Leveraging on the Group’s competitive strengths in product customisation, development capabilities and our brand on machinery industry, our sales and technical personnel can 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 secure 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.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, there was no change in the capital structure of the Group and cash and cash equivalents of the Group as at 31 December 2023 amounted to HK\$86,100,000 (2022: HK\$97,195,000, which was mainly denominated in RMB and HK\$).

During the year ended 31 December 2023, there was no repayment to advance from a director (2022: Nil). The Group had no bank borrowings, mortgages or charges and its gearing ratio was Nil at 31 December 2023 (2022: Nil).

As at 31 December 2023, the Group's net current assets was HK\$98,984,000 (2022: HK\$85,628,000). Current ratio and quick ratio of the Group were 1.9 (2022: 1.6) and 1.2 (2022: 0.9), respectively.

SIGNIFICANT INVESTMENTS HELD

The Group's investing activities mainly include placement and withdrawal of short-term fixed deposits and purchase of property, plant and equipment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 147 employees (2022: 142). Total staff costs (including directors' emoluments) were approximately HK\$19,981,000 for the year ended 31 December 2023 (2022: HK\$19,041,000).

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

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2023.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CHANGE OF DIRECTOR

With effect from 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. Please refer to the announcement of the Company dated 19 July 2023 for more details.

CORPORATE GOVERNANCE

Pursuant to the Corporate Governance Code (the “CG Code”) contained in Appendix C1 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 year ended 31 December 2023, save and except the Code Provisions C.2.1 regarding segregation of chairman and chief executive as explained below.

The roles of chairman and chief executive of the Company are both 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.

The Company has applied the principles of the required standard of securities transactions by our Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules. Having made specific enquiry of all Directors, the Company was confirmed that all Directors have complied with or they were not aware of any non-compliance with the required standard of dealings as set out in the Listing Rules during the year ended 31 December 2023.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 28 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF ANNUAL RESULTS

The audited consolidated results for the year ended 31 December 2023 have been reviewed by the audit committee of the Company. The audit committee was of the opinion that such results complied with the applicable accounting standards and that adequate disclosures had been made.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.renhengenterprise.com>). The annual report for the year ended 31 December 2023 will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 March 2024

As at the date of this announcement, 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.