



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)



Interim Report

2015



HIGHLIGHTS

- Turnover for the six months ended 30 June 2015 was approximately HK\$40,461,000, representing a decrease of approximately 13.6% as compared with the corresponding period in 2014;
- Profit attributable to shareholders of the Company for the six months ended 30 June 2015 was approximately HK\$5,655,000, representing a decrease of approximately 13.3% as compared with the corresponding period in 2014;
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015; and
- Reference is made to the announcement of the Company dated 15 July 2015, the Directors currently do not recommend the payment of a special dividend.

The board (the “Board”) of directors (the “Directors”) of RENHENG Enterprise Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 together with the unaudited comparative figures for the corresponding year in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Turnover	4	40,461	46,828
Cost of sales		(22,637)	(25,797)
		<hr/>	<hr/>
Gross profit		17,824	21,031
Other income and gains	5	4,220	3,828
Selling and distribution costs		(6,140)	(5,117)
Administrative expenses		(7,782)	(6,794)
Research and development costs		(1,009)	(3,995)
		<hr/>	<hr/>
Profit before taxation	6	7,113	8,953
Taxation	7	(1,458)	(2,430)
		<hr/>	<hr/>
Profit for the period		5,655	6,523
Other comprehensive expense for the period:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation		(3,570)	(3,487)
		<hr/>	<hr/>
Total comprehensive income for the period		2,085	3,036
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	8	HK cents	HK cents
– Basic		2.8	3.3
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		2.8	3.3
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment	10	13,376	14,314
Land use rights		2,918	2,929
Investment properties		19,901	19,901
		36,195	37,144
Current assets			
Inventories	11	21,757	16,321
Trade and other receivables	12	56,157	82,098
Land use rights		76	76
Amounts due from customers for contract work		4,821	6,126
Amounts due from related companies		448	1,090
Restricted bank deposits	13	127,842	9,402
Bank balances and cash	13	45,903	158,337
		257,004	273,450
Current liabilities			
Trade and other payables	14	23,509	45,889
Amounts due to customers for contract work		9,938	4,306
Tax payable		2,366	5,115
		35,813	55,310
Net current assets		221,191	218,140
Total assets less current liabilities		257,386	255,284
Non-current liabilities			
Deferred tax liabilities		1,236	1,219
		256,150	254,065
Capital and reserves			
Share capital	15	2,004	2,000
Reserves		254,146	252,065
Total equity		256,150	254,065

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Discretionary surplus reserve	Statutory surplus reserve	Capital reserve	Property revaluation reserve	Share option reserve	Translation reserve	Accumulated profits	Total	
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	Merger reserve HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	
At 1 January 2014	2,000	52,940	49,091	3,338	16,716	999	2,775	685	16,931	100,394	245,869
Profit for the period	-	-	-	-	-	-	-	-	-	6,523	6,523
Exchange differences arising on translation	-	-	-	-	-	-	-	-	(3,487)	-	(3,487)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(3,487)	6,523	3,036
Transfer	-	-	-	-	3,116	-	-	-	-	(3,116)	-
At 30 June 2014	<u>2,000</u>	<u>52,940</u>	<u>49,091</u>	<u>3,338</u>	<u>19,832</u>	<u>999</u>	<u>2,775</u>	<u>685</u>	<u>13,444</u>	<u>103,801</u>	<u>248,905</u>
At 1 January 2015	2,000	52,940	49,091	3,338	19,842	999	2,775	571	14,519	107,990	254,065
Profit for the period	-	-	-	-	-	-	-	-	-	5,655	5,655
Exchange differences arising on translation	-	-	-	-	-	-	-	-	(3,570)	-	(3,570)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(3,570)	5,655	2,085
Shares issued under pre- IPO Share Options Scheme	4	224	-	-	-	-	-	(228)	-	-	-
Transfer	-	-	-	-	1,250	-	-	-	-	(1,250)	-
At 30 June 2015	<u>2,004</u>	<u>53,164</u>	<u>49,091</u>	<u>3,338</u>	<u>21,092</u>	<u>999</u>	<u>2,775</u>	<u>343</u>	<u>10,949</u>	<u>112,395</u>	<u>256,150</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	<i>Note</i>	For the six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Net cash from (used in) operating activities		12,030	(7,088)
Net cash used in investing activities		(124,794)	(15,299)
Net cash from financing activities		384	–
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(112,380)	(22,387)
Cash and cash equivalents at the beginning of period		158,337	158,593
Effect of foreign exchange rate changes		(54)	(1,218)
		<hr/>	<hr/>
Cash and cash equivalents at the end of period	13	<u>45,903</u>	<u>134,988</u>

NOTES TO INTERIM REPORT

1. GENERAL

The Company was incorporated in the Cayman Islands on 2 February 2011 and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. 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 addresses of the registered office and principal place of business of the Company are PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands and Room 3805, 38/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, respectively.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The financial results for the six months ended 30 June 2015 were unaudited but have been reviewed by the audit committee of the Company. The unaudited 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"), and the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (The "Stock Exchange").

The accounting policies used in the preparation of the unaudited consolidated financial statements for the six months ended 30 June 2015 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2014.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

The Group has applied all the standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and presentation of the Group's unaudited consolidated financial statements.

4. TURNOVER

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

	For the six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Sales of goods	6,154	17,103
Revenue from construction contracts of casing and flavouring system	<u>34,307</u>	<u>29,725</u>
	<u>40,461</u>	<u>46,828</u>

The Group's operating activities are attributable to a single operating segment focusing on manufacture and sale of tobacco machinery products. An analysis of the Group's turnover by products is as follows:

	For the six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Revenue from construction contracts of casing and flavouring system	34,307	29,725
Sales of		
– pneumatic feeding system	4,379	12,630
– other products	<u>1,775</u>	<u>4,473</u>
	<u>40,461</u>	<u>46,828</u>

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of materials, parts and components, net gain	1,263	1,442
Rental income	448	487
Interest income	1,960	1,861
Subsidy income (note)	490	–
Others	59	38
	<u>4,220</u>	<u>3,828</u>

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

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

6. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arriving at after charging:		
Directors' emoluments	525	584
Other staff costs:		
Salaries, bonus and allowances	6,320	7,594
Retirement benefits scheme contributions	406	510
	<hr/>	<hr/>
Total staff costs	7,251	8,688
	<hr/>	<hr/>
Depreciation of property, plant and equipment	925	788
Auditor's remuneration	375	375
Cost of inventories recognised as an expense	2,737	7,933
Construction contract costs recognised as an expense	19,900	17,864
Release of land use rights	38	38
Operating lease rentals in respect of office premise	132	132
	<hr/> <hr/>	<hr/> <hr/>

7. TAXATION

For the six months ended 30 June	
2015	2014
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

The charge comprise:

PRC Enterprise Income Tax – current period	<u>1,458</u>	<u>2,430</u>
--	---------------------	---------------------

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

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at 15% (six months ended 30 June 2014: 15%) pursuant to the Law of the PRC on Enterprise Income Tax and Implementation Legislation.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for both periods is based on the following data:

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>5,655</u>	<u>6,523</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	<u>200,066,667</u>	200,000,000
Effect of dilutive potential shares Share options	<u>198,645</u>	<u>255,400</u>
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	<u><u>200,265,312</u></u>	<u><u>200,255,400</u></u>

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Reference is made to the announcement of the Company dated 15 July 2015, the Directors currently do not recommend the payment of a special dividend.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group purchased property, plant and equipment amounting to approximately HK\$697,000 (six months ended 30 June 2014: approximately HK\$123,000).

11. INVENTORIES

	As at 30 June 2015 <i>HK\$'000</i> (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
Raw materials	15,196	13,599
Work in progress	6,561	2,722
	<u>21,757</u>	<u>16,321</u>

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 <i>HK\$'000</i> (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
Trade receivables	34,947	43,769
Less: Allowance for doubtful debts	(2,426)	(2,430)
	<u>32,521</u>	<u>41,339</u>
Retention money receivables	14,807	30,354
Prepayments and deposits	3,565	3,132
Sundry receivables	5,807	7,816
Less: Allowance for doubtful debts	(543)	(543)
	<u>23,636</u>	<u>40,759</u>
	<u>56,157</u>	<u>82,098</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. Retention money receivables refer to the sum retained by customers after the delivery and completion of the contracts but before the expiry of the warranty period given by the Group, which in general, a period of 12 months.

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

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
0 – 90 days	3,235	26,916
91 – 365 days	12,761	5,861
1 – 2 years	11,067	2,326
Over 2 years	5,458	6,236
	<u>32,521</u>	<u>41,339</u>

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

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
91 – 365 days	12,761	5,861
1 – 2 years	11,067	2,326
Over 2 years	5,458	6,236
	<u>29,286</u>	<u>14,423</u>

13. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances comprising cash and short-term deposits with an original maturity of three months or less carried at prevailing market deposit rate. The effective interest rate of these deposits ranged from 0.001% to 3.05% (31.12.2014: 0.001% to 3.25%) per annum.

As at 30 June 2015, restricted bank deposits represent deposits of approximately HK\$127,842,000 (31.12.2014: HK\$9,402,000) with effective interest rate of 2% (31.12.2014: 3.25%) per annum reserved to banks, not available for use in the Group's daily operation.

14. TRADE AND OTHER PAYABLES

	As at 30 June 2015 <i>HK\$'000</i> (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
Trade payables	7,824	22,089
Bills payables	7,756	8,955
	15,580	31,044
Advances from customers	3,328	2,753
Accrued welfare expense	1,816	1,819
Valued added tax payable	837	1,301
Other payables	1,948	2,534
Other tax payables	–	6,438
	23,509	45,889

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

	As at 30 June 2015 <i>HK\$'000</i> (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
0 – 90 days	13,859	24,930
91 – 365 days	1,108	4,708
1 – 2 years	559	1,081
Over 2 years	54	325
	15,580	31,044

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

15. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2014, 31 December 2014 (Audited) and 30 June 2015 (Unaudited)	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 January 2014, 31 December 2014 (Audited)	200,000,000	2,000
Issue under pre-IPO Share Options Scheme	400,000	4
	<u>200,400,000</u>	<u>2,004</u>
At 30 June 2015 (Unaudited)		

MANAGEMENT DISCUSSION AND ANALYSIS

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

FINANCIAL REVIEW

For the six months ended 30 June 2015, the Group's revenue decreased by approximately 13.6% to HK\$40,461,000 (six months ended 30 June 2014: approximately HK\$46,828,000) as compared to the corresponding period last year. Such decrease in revenue was mainly due to the decrease of revenue from the sale of PF systems, which decreased by approximately 65.3% to HK\$4,379,000 (six months ended 30 June 2014: approximately HK\$12,630,000) and increase of revenue from construction contracts of casing and flavouring systems by approximately 15.4% to HK\$34,307,000 (six months ended 30 June 2014: approximately HK\$29,725,000) respectively. Gross profit margin for the six months ended 30 June 2015 was 44.1% (six months ended 30 June 2014: 44.9%). The gross profit margin maintained stable since most of the revenue was from our construction contracts of casing and flavouring systems, which provided a steady margin during the current period.

The operating expenditure of the Group, comprising the selling and distribution costs and administrative expenses, amounted to approximately HK\$11,911,000 and HK\$13,922,000 for the six months ended 30 June 2014 and 2015 respectively. The other income and gains increased slightly from approximately HK\$3,828,000 for the six months ended 30 June 2014 to approximately HK\$4,220,000 for the six months ended 30 June 2015, because we continuously received tax refunds from the People's Government of Baoying. The net profit for the six months ended 30 June 2015 was approximately HK\$5,655,000 (six months ended 30 June 2014: approximately HK\$6,523,000), representing a decrease of approximately 13.3%. Such decrement was mainly due to less revenue recognised by the Group during the period under review.

As at 30 June 2015, the Group had a sound capital structure with a net current assets of approximately HK\$221,191,000 (31 December 2014: approximately HK\$218,140,000) and continued with zero bank borrowings (31 December 2014: zero). As at 30 June 2015, trade receivables balance (net of allowance for doubtful debt) decreased by approximately HK\$8,818,000 or 21.3% to HK\$32,521,000 (31 December 2014: approximately HK\$41,339,000).

BUSINESS REVIEW

For the six months ended 30 June 2015, the Group generated majority of the revenue from the sale of catalogued special-purpose tobacco machinery products, amounting to approximately HK\$38,686,000 (six months ended 30 June 2014: approximately HK\$42,355,000) with a decrease of approximately HK\$3,669,000 or 8.7% as compared with the same period last year. During the period under review, the Group has provided our casing and flavouring systems to customers mainly located in Shandong and Zhejiang.

Revenue arising from PF systems for the six months ended 30 June 2015 amounted to HK\$4,379,000, representing a decrease of approximately 65.3% as compared to approximately HK\$12,630,000 for the six months ended 30 June 2014. During the period under review, the Group has provided our PF system to customers mainly located in Fujian. Meanwhile, our sales and marketing personnel were still actively identifying and discussing with respective tobacco redrying factories in respect of contracting PP system projects in the market. Based on the current economic, political and social developments in the PRC, the Group estimates that the average replacement cycle of our tobacco machinery products will be lengthened, notwithstanding the Group continues to acquire new contracts from our customers.

Our technical personnel is always committed to new product design and development and strives to bring along extended range of products to customers. During the six months ended 30 June 2015, the Group is continuously carrying on the development of tobacco redrying system.

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 originally 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.

As at 30 June 2015, details of the options granted under the Pre-IPO Share Option Scheme were as follows:

Name of grantee	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Exercise price per share (HK\$)	Outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2015	Approximate percentage of issued share capital of the Company
Director										
Xu Jiagui (appointed on 18/08/2014)	20/10/2011	01/01/2013 – 19/10/2021	0.96	200,000	-	-	-	-	200,000	0.10%
Senior management and employees of the Group	20/10/2011	01/01/2013 – 19/10/2021	0.96	800,000	-	(400,000)	-	-	400,000	0.20%
				<u>1,000,000</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>0.30%</u>

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 2015, no options were granted to Directors, eligible employees and other outside third parties under the Share Option Scheme.

The total number of shares available for issue under the Share Option Scheme is 40,000,000 shares, representing approximately 19.96% of the issued share capital as at 30 June 2015. The life of the Share Option Scheme is 10 years from the date of adoption.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, 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 Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"), were as follows:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name	Capacity/ Nature of Interest	Number of issued ordinary shares held	Number of underlying shares subject to the Pre-IPO Share Option Scheme	Approximate percentage of the issued share capital of the Company*
Directors				
Mr. Wei Sheng Peng ⁽¹⁾	Interest of a controlled corporation and family interest	150,000,000	–	74.85%
Ms. Liu Li ⁽²⁾	Interest of a controlled corporation and family interest	150,000,000	–	74.85%
Mr. Xu Jiagui	Personal interest	–	200,000	0.10%

* The percentage represents the number of shares/underlying shares interested divided by the number of the Company's issued share as at 30 June 2015.

Notes:

1. LinkBest Capital Group Limited ("LinkBest"), which is wholly owned by Mr. Wei Sheng Peng, is interested in 90,000,000 shares of the Company. Mr. Wei Sheng Peng is also the spouse of Ms. Liu Li, so he is deemed to be interested in 60,000,000 shares held by Open Venture Global Limited ("Open Venture"), being a corporation wholly owned by Ms. Liu Li.
2. Open Venture, which is wholly owned by Ms. Liu Li, is interested in 60,000,000 shares of the Company. Ms. Liu Li is also the spouse of Mr. Wei Sheng Peng, so she is deemed to be interested in 90,000,000 shares held by LinkBest, being a corporation wholly owned by Mr. Wei Sheng Peng.

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 2015.

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

As at 30 June 2015, 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\$0.01 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 ⁽¹⁾	Beneficial owner	90,000,000	44.91%
Open Venture ⁽²⁾	Beneficial owner	60,000,000	29.94%
Mr. Wei Sheng Peng ⁽³⁾	Interest of a controlled corporation and family interest	150,000,000	74.85%
Ms. Liu Li ⁽⁴⁾	Interest of a controlled corporation and family interest	150,000,000	74.85%

Notes:

1. LinkBest is wholly owned by Mr. Wei Sheng Peng.
2. Open Venture is wholly owned by Ms. Liu Li.
3. Mr. Wei Sheng Peng is the sole shareholder of LinkBest which is interested in 90,000,000 shares of the Company and as the spouse of Ms. Liu Li, he is deemed to be interested in 60,000,000 shares held by Open Venture, being a corporation wholly owned by Ms. Liu Li.
4. Ms. Liu Li is the sole shareholder of Open Venture which is interested in 60,000,000 shares of the Company and as the spouse of Mr. Wei Sheng Peng, she is deemed to be interested in 90,000,000 shares held by LinkBest, being a corporation wholly owned by Mr. Wei Sheng Peng.

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 2015.

COMPARISON BETWEEN FUTURE PLANS AND PROSPECTS AND ACTUAL BUSINESS PROGRESS

An analysis comparing the section headed “Future plans and prospects” as set out in the prospectus of the Company dated 28 October 2011 (“Prospectus”) with our actual business progress for the period from 24 October 2011, being the latest practicable date as defined in the Prospectus, to 30 June 2015 (the “Relevant Period”) is set out below:

	Future plans and prospects	Actual business progress during the Relevant Period
Continuous product development and innovation	Design and develop new set of PP system	Completed the development of a new set of PP system
	Design and develop new type of spraying device	Completed the development of a new type of spraying device
	Design and develop new casing and flavouring system	Completed the development of a new set of casing and flavouring system
	Design and develop new PF system	Completed the development of a new set of PF system
	Design and develop tobacco bale slicers	Completed the development of tobacco bale slicers
	Design and develop tobacco redrying system	Continued the development of tobacco redrying system
	Recruit technical personnel	Recruited technical personnel for product research and development

	Future plans and prospects	Actual business progress during the Relevant Period
Enhancing corporate profile and increasing market penetration	Post advertisement in tobacco magazines	Posted advertisement in local publications
	Design and distribute corporate and product brochures as well as video compact disc	Completed the design of corporate and product brochures and videos
	Participate in trade exhibitions	Explored the opportunity of any trade exhibitions in the PRC
	Organise promotional activities for existing and new products	Formulated plan and arrangement in progress for product launch for casing and flavouring system
Enhancing production processing capabilities	Purchase machinery and equipment	Purchased certain machinery and equipment
	Upgrade production facilities	Completed the upgrade
Strengthening management information system	Evaluate, acquire and implement management information system	Completed installation and upgrade of management information system by service provider

USE OF PROCEEDS

The net proceeds from the placing of shares upon the initial public offering (the “Placing”) were approximately HK\$45.7 million, which is approximately HK\$1.6 million lower than that was anticipated in the Prospectus due to the underestimated listing expenses and related disbursements. During the Relevant Period, the net proceeds from the Placing had been applied as follows:

	Proposed use of net proceeds in the Prospectus (HK\$'000)	Planned use of net proceeds as stated in the Prospectus during the Relevant Period (HK\$'000)	Actual use of net proceeds during the Relevant Period (HK\$'000)	Unused net proceeds as at 30 June 2015 (HK\$'000)
Continuous product development and innovation (Note 1)	33,713	33,713	27,276	6,437
Enhancing corporate profile and increasing market penetration (Note 2)	3,700	3,700	527	3,173
Enhancing production processing capabilities (Note 3)	4,830	4,830	2,867	1,963
Strengthening management information system (Note 4)	480	480	446	34
Total	<u>42,723</u>	<u>42,723</u>	<u>31,116</u>	<u>11,607</u>

Notes:

1. The design and development of a new set of casing and flavouring system, PP system, PF system, spraying device and bale sliver has been completed in or before year 2014 and approximately HK\$11,515,000, HK\$3,903,000, HK\$928,000, HK\$4,194,000 and HK\$3,427,000 were used respectively. In addition, approximately HK\$2,009,000 was used for the design and development of new type of tobacco redrying system during the Relevant Period.

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

2. The amounts represented the payment made to a service provider for designing corporate and product brochures and videos of approximately HK\$313,000, and certain advertisement and promotional expenses of approximately HK\$214,000. The deviation between actual and proposed use of net proceeds during the Relevant Period was mainly due to the delay of promotional activities for the product launch of casing and flavouring system as the Group required more time in the arrangement especially the liaison with existing and potential cigarette manufacturers, as well as China Tobacco Machinery (Group) Co., Ltd..
3. The Group has purchased certain machinery and equipment, including computerised numerical control ("CNC") shearing machine, CNC press brake, automatic pipe welding machine, CNC lathes, turret punch machine and hydraulic press machine together with the upgrade completion to our production facilities during the Relevant Period.
4. 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\$34,000 may be used by the Group if further upgrades are to be made to the system in future.

The remaining net proceeds as at 30 June 2015 were placed as interest bearing deposits with licensed banks in Hong Kong and the PRC.

To cope with the Group's ongoing operation and business development, the Director has updated the implementation plan, adopting the same strategies as disclosed in the Prospectus with adjustment to the execution time frame. The breakdown of expected application of the unused net proceeds up to 30 June 2015 of approximately HK\$11,573,000 designated for the six months ending 31 December 2015 is summarised as follows:

	Six month ending 31 December 2015 HK\$'000
Continuous product development and innovation	6,437
Enhancing corporate profile and increasing market penetration	3,173
Enhancing production processing capabilities	1,963
	<hr/>
	11,573
	<hr/> <hr/>

Further information regarding the deployment of the unused net proceeds up to 30 June 2015 for each strategy is set out below.

1. Continuous product development and innovation

From 1 July 2015 to 31 December 2015

Design and develop new tobacco redrying system

Funding requirements:

HK\$6,437,000

2. Enhancing corporate profile and increasing market penetration

From 1 July 2015 to 31 December 2015

Post advertisement in tobacco magazines

Organise promotional activities for existing and new products

Funding requirements:

HK\$3,173,000

3. Enhancing production processing capabilities

From 1 July 2015 to 31 December 2015

Purchase machinery and equipment

Funding requirements:

HK\$1,963,000

COMPETING INTERESTS

None of the Directors or controlling shareholders of the Company 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 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

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 2015, except for the Code Provisions A.2.1 of the CG Code as follows:

The roles of chairman and chief executive officer are performed by the same individual.

AUDIT COMMITTEE

The Company has established an audit committee on 20 October 2011, currently comprising three independent non-executive Directors and is chaired by Mr. Wong Yiu Kit. The rest of the members are Mr. Kong Hing Ki and Mr. Wu Wei. The unaudited consolidated results for the six months ended 30 June 2015 have been reviewed by the audit committee in accordance with 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

Wei Sheng Peng

Chairman & Chief Executive Officer

Hong Kong, 10 August 2015

As at the date of this report, the executive Directors are Mr. Wei Sheng Peng, Ms. Liu Li and Mr. Xu Jiagui and the independent non-executive Directors are Mr. Wong Yiu Kit, Mr. Kong Hing Ki and Mr. Wu Wei.