REF Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1631)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of REF Holdings Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*4*	**98,507**	92,006
Cost of services		**(48,096)**	(44,688)
Gross profit		**50,411**	47,318
Other gains and losses		**678**	1,071
Selling and distribution expenses		**(7,060)**	(7,260)
Administrative expenses		**(20,278)**	(17,557)
Finance costs		**(1,083)**	(8)
Profit before taxation	*5*	**22,668**	23,564
Taxation	*6*	**(3,769)**	(3,918)
Profit for the period		**18,899**	19,646
Profit and total comprehensive income for the period attributable to owners of the Company		**18,899**	19,646
Earnings per share			
— Basic and diluted (HK cents)	*8*	**7.38**	7.67

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Assets			
Non-current assets			
Plant and equipment		**10,447**	11,940
Deferred tax assets		**234**	330
Right-of-use assets		**33,608**	–
		44,289	12,270
Current assets			
Financial assets at fair value through profit or loss		**18,543**	–
Trade receivables	9	**52,295**	28,560
Prepayments, deposits and other receivables		**10,129**	10,700
Other current assets		**2,580**	1,551
Tax recoverable		**3,561**	7,412
Fixed deposits		**177,496**	195,190
Bank balances and cash		**12,004**	12,922
		276,608	256,335
Current liabilities			
Trade payables	10	**7,505**	6,003
Accruals and other payables		**8,919**	19,661
Contract liabilities		**41,863**	35,394
Lease liabilities		**18,534**	–
		76,821	61,058
Net current assets		**199,787**	195,277
Total assets less current liabilities		**244,076**	207,547

	Notes	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Non-current liabilities			
Deferred tax liabilities		**340**	518
Lease liabilities		**17,808**	–
		18,148	518
Net assets		**225,928**	207,029
Capital and reserves			
Share capital		**2,560**	2,560
Reserves		**223,368**	204,469
Total equity attributable to owners of the Company		**225,928**	207,029

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 February 2014 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Its immediate parent is Jumbo Ace Enterprises Limited ("**Jumbo Ace**"), a company incorporated in the British Virgin Islands and its ultimate parent is Rising Luck Management Limited ("**Rising Luck**"), a company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lau Man Tak ("**Mr. Lau**"), who is also the chairman (the "**Chairman**") and non-executive director of the Company. The Company has been registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance (Cap. 622) since 12 March 2014. The Company's issued shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The address of the registered office of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the address of its headquarters, head office and principal place of business in Hong Kong is 6th Floor and 7th Floor, Nexxus Building, 77 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company and the Group is principally engaged in the provision of financial printing services. The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 are presented in Hong Kong dollars ("**HK$**") which is also the functional currency of the Company. All values are rounded to the nearest thousand ("**HK$'000**") except otherwise indicated.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This announcement is unaudited but has been reviewed by the audit committee of the Company (the "**Audit Committee**") and was authorised for issue on 23 August 2019.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual report, except for the changes in accounting policies that are expected to be reflected in the 2019 annual report. Details of any changes in accounting policies are set out in Note 3.

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual report. The condensed consolidated financial statements and notes thereto do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The financial information relating to the financial year ended 31 December 2018 that is included in the announcement as comparative information does not constitute the Group's annual financial statements for that financial year but is derived from those financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK (IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs 2015–2017 Cycle	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 ***Leases***

Impacts and changes in accounting policies of application on HKFRS 16

Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("**HKAS 17**"), and the related interpretations.

(a) Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

<u>Definition of a lease</u>

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

<u>As a lessee</u>

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

<u>Short-term leases</u>

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the date of initial application of HKFRS 16. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

— the amount of the initial measurement of the lease liability;

— any lease payments made at or before the commencement date, less any lease incentives received;

— any initial direct costs incurred by the Group; and

— an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

— fixed payments (including in-substance fixed payments) less any lease incentives receivable;

— variable lease payments that depend on an index or a rate;

— amounts expected to be paid under residual value guarantees;

— the exercise price of a purchase option reasonably certain to be exercised by the Group; and

— payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

(b) Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

(ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iv) applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of premises in Hong Kong was determined on a portfolio basis; and

(v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK$45,317,000 and right-of-use assets of approximately HK$42,443,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.38%.

	1 January 2019 ***HK$'000***
Operating lease commitment as at 31 December 2018	**48,274**
Less: total future interest expenses	**(2,957)**
Lease liabilities as at 1 January 2019	**45,317**
Analysed as:	
— Current	**18,194**
— Non-current	**27,123**
	45,317

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	1 January 2019
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	**45,316**
Less: Accrued lease liabilities relating to rent free period at 1 January 2019 *(Note)*	**(2,873)**
Right-of-use assets as at 1 January 2019	**42,443**

Note:

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

Significant changes in significant judgements and key sources of estimation uncertainty

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	**Carrying amount under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	***HK$'000***
Assets			
Right-of-use assets	–	42,443	**42,443**
Liabilities			
Lease liabilities			
— Current portion	–	18,194	**18,194**
— Non-current portion	–	27,123	**27,123**
	–	45,317	**45,317**

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

4. REVENUE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Financial printing services:		
Printing	**68,912**	65,396
Translation	**23,072**	20,653
Media placement	**6,523**	5,957
	98,507	92,006

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments	**3,074**	3,206
Total employee benefit expense	**26,316**	22,061
Auditors' remuneration	**420**	420
Depreciation of plant and equipment	**1,820**	399
Depreciation of right-of-use assets	**8,835**	–
Operating lease rental expenses in respect of rented premises	**–**	8,231

6. TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
— Hong Kong	**3,851**	3,896
Deferred tax		
Current period	**(82)**	22
	3,769	3,918

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2018.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to the Group for the six months ended 30 June 2019.

7. DIVIDENDS

The Board does not declare the payment of any dividend for the six months ended 30 June 2019 (2018: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	**18,899**	19,646
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (Note)	**256,000**	256,000
Basic earnings per share (HK cents)	**7.38**	7.67

Note:

The calculation of basic earnings per share for the six months ended 30 June 2019 and 2018 is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares for the relevant periods.

For the six months ended 30 June 2019 and 2018, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share is calculated based on 256,000,000 ordinary shares in issue.

Diluted earnings per share is same as the basic earnings per share for the six months ended 30 June 2019 and 2018 as there were no potential dilutive ordinary shares in issue.

9. TRADE RECEIVABLES

	As at 30 June 2019 *HK$'000* **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
Trade receivables *(Note)*	**52,295**	28,560

As at 30 June 2019 and 1 January 2019, trade receivables from contracts with customers amounted to approximately HK$52,295,000 and HK$28,560,000 respectively.

The following is an aged analysis of trade receivables, presented based on the invoice dates at the end of the reporting periods:

	As at 30 June 2019 *HK$'000* **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
Current — neither past due nor impaired	**24,035**	12,147
Under 31 days past due	**10,780**	7,131
31–60 days past due	**13,359**	5,454
61–120 days past due	**2,940**	3,532
121–150 days past due	**27**	239
Over 150 days past due	**1,154**	57
	52,295	28,560

The Group generally allows a credit period of 30 days to its customers.

As at 30 June 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$28,260,000 (2018: HK$16,413,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. Out of the past due balances, approximately HK$1,181,000 (2018: HK$296,000) has been past due 120 days or more and is not considered as in default due to long and on-going business relationship, good repayment record and good credit quality from these debtors.

Trade receivables that are past due but not impaired related to a number of independent debtors that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Note: No trade receivable from a related party, TEM Holdings Limited ("**TEM**") as at 30 June 2019 and 31 December 2018. Mr. Lau, a substantial shareholder, non-executive director and chairman of the Company, is the controlling shareholder of TEM. The maximum outstanding balance during the six months ended 30 June 2019 and the year ended 31 December 2018 were approximately HK$31,000 and HK$143,000, respectively.

10. TRADE PAYABLES

	As at 30 June 2019 *HK$'000* (unaudited)	As at 31 December 2018 *HK$'000* (audited)
Trade payables	**7,505**	6,003

The credit period from suppliers is up to 60 days. 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 2019 *HK$'000* (unaudited)	As at 31 December 2018 *HK$'000* (audited)
Current — up to 60 days	**6,883**	6,003
Under 31 days past due	**350**	–
31–60 days past due	**2**	–
61–120 days past due	**149**	–
121–150 days past due	**121**	–
	7,505	6,003

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group aims to establish itself as one of the top-notch financial printing service providers in the financial sector by strengthening its core competitiveness in order to meet customers' expectations and provide them with a unique and perfect experience. The Group is principally engaged in the provision of financial printing services for the financial sector in Hong Kong. The Group offers ancillary services such as provision of conference room facilities in Hong Kong. The core financial printing services of the Group cover printing of listing documents, financial reports, debt offering circulars, compliance documents and other documents. The services of the Group can be broadly categorised into three types, namely printing, translation and media placement. Most of the Group's customers are listed on the Stock Exchange and/or other stock exchanges.

Printing Services

Printing revenue during the six months ended 30 June 2019 (the "**Period**") was approximately HK$68.9 million (six months ended 30 June 2018: approximately HK$65.4 million), representing an increase of approximately 5.4% as compared to that of the same period last year, which was primarily due to an increase in the number of jobs completed. For the six months ended 30 June 2019 and 2018, the revenue generated from the printing services represented approximately 70.0% and 71.0% respectively of our total revenue.

Translation Services

Translation revenue during the Period was approximately HK$23.1 million (six months ended 30 June 2018: approximately HK$20.7 million), representing an increase of approximately 11.6% as compared to that of the same period last year, which was primarily due to an increase in the number of jobs completed. For the six months ended 30 June 2019 and 2018, the revenue generated from the translation services represented approximately 23.4% and 22.5% respectively of our total revenue.

Media Placement Services

Media placement revenue during the Period was approximately HK$6.5 million (six months ended 30 June 2018: approximately HK$6.0 million), representing an increase of approximately 8.3% as compared to that of the same period last year, which was primarily due to an increase in the number of jobs completed. For the six months ended 30 June 2019 and 2018, the revenue generated from the media placement services represented approximately 6.6% and 6.5% respectively of our total revenue.

For the Period, the Group's turnover increased by approximately 7.1% as compared to that of the same period last year.

With the increasing number of listed companies in Hong Kong, we see business opportunities in providing financial printing services. To further enhance our competitive edge, we continue improving and acquiring office facilities, equipment and software, and strengthening our design capabilities regularly. We shall continue to provide a comprehensive range of convenient and quality services to our customers and react to their changing needs more efficiently and effectively. Through the above, we aim to capture market opportunities so as to achieve a sustainable business growth and long-term benefits for our shareholders (the "**Shareholders**").

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$6.5 million, or 7.1%, from approximately HK$92.0 million for the six months ended 30 June 2018 to approximately HK$98.5 million for the six months ended 30 June 2019. The increase was primarily attributable to the increase in printing activity, translation activity and media placement services.

Cost Of Services

The Group's cost of services increased by approximately HK$3.4 million, or 7.6%, from approximately HK$44.7 million for the six months ended 30 June 2018 to approximately HK$48.1 million for the six months ended 30 June 2019. The increase was in line with the increase in revenue generated from printing activity, translation activity and media placement services.

Other Gains and Losses

Other gains and losses decreased by approximately HK$0.4 million, or 36.4% from approximately HK$1.1 million for the six months ended 30 June 2018 to approximately HK$0.7 million for the six months ended 30 June 2019. The decrease was mainly due to the net loss of financial assets at fair value through profit or loss amounting to approximately HK$1.0 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately HK$0.2 million, or 2.7%, from approximately HK$7.3 million for the six months ended 30 June 2018 to approximately HK$7.1 million for the six months ended 30 June 2019. The decrease was mainly due to the tighten control of cost by the management's effort.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$2.7 million, or 15.3%, from approximately HK$17.6 million for the six months ended 30 June 2018 to approximately HK$20.3 million for the six months ended 30 June 2019. The increase was mainly due to the increase of (i) depreciation of right-of-use assets and (ii) depreciation for the assets purchased in second half of 2018.

Finance Costs

Finance costs increased by approximately HK$1.1 million was mainly due to the increase of approximately HK$1.1 million of interest on lease liabilities for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Taxation

Profits tax expenses decreased by approximately HK$0.1 million, or 2.6%, from approximately HK$3.9 million for the six months ended 30 June 2018 to approximately HK$3.8 million for the six months ended 30 June 2019.

Profit for the Period

The profit for the six months ended 30 June 2019 was approximately HK$18.9 million, representing a decrease of approximately HK$0.7 million, or 3.6% as compared with approximately HK$19.6 million for the six months ended 30 June 2018. The decrease was primarily attributable to the net loss of finance assets at fair value through profit or loss for the six months ended 30 June 2019.

GEARING RATIO

As at 30 June 2019, the gearing ratio of the Group was 16.1% due to the increase in lease liabilities after the initial application of HKFRS 16 on 1 January 2019 (31 December 2018: not applicable).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, fixed deposits, bank balances and cash of the Group amounted to approximately HK$189.5 million (31 December 2018: HK$208.1 million). The current ratios (current assets divided by current liabilities) of the Group were 3.6 times and 4.2 times as at 30 June 2019 and 31 December 2018, respectively. In view of the Group's current level of fixed deposits, bank balances and cash and funds generated internally from our operations, the Board is confident that the Group will have sufficient resources to meet the financial needs for its operations.

CAPITAL STRUCTURE

As at 30 June 2019 and 31 December 2018, the authorised share capital of the Company was HK$100,000,000 divided into 10,000,000,000 ordinary shares of par value of HK$0.01 each (the "**Shares**") and the issued share capital of the Company was HK$2,560,000 divided into 256,000,000 Shares. The share capital of the Company only comprised Shares. There was no change in the share capital of the Company during the Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 116 (30 June 2018: 110) full-time employees. Employees are remunerated according to their performance, qualification and work experience. On top of basic salaries, discretionary bonus may be granted to eligible staff by reference to the Group's performance, individual staff's performance and the market conditions. The total staff costs (including remuneration of the Directors) amounted to approximately HK$25.3 million for the six months ended 30 June 2018 and approximately HK$29.4 million for the six months ended 30 June 2019. The dedication and hard work of the Group's staff during the six months ended 30 June 2019 are generally appreciated and recognised.

In addition, the Company adopted a share option scheme (the "**Scheme**") on 12 August 2015 (please refer to the section of "SHARE OPTION SCHEME" below for more information). The Group also provides and arranges on-the-job training for its employees.

CAPITAL COMMITMENT

As at 30 June 2019, the Group did not have any significant capital commitment (31 December 2018: Nil).

FOREIGN CURRENCY EXPOSURE

The Group's sales and purchases are denominated in Hong Kong dollars. The Group will review and monitor from time to time the risk relating to foreign exchanges whenever applicable.

SIGNIFICANT INVESTMENTS

As at 30 June 2019, the Group maintained a portfolio of equity investments with total carrying amount of approximately HK$18.5 million (31 December 2018: Nil). The portfolio of equity investments as at 30 June 2019 are set out as follows:

	Investment cost	Percentage of fair value of the investment in listed securities/total assets of the Group as at 30 June 2019	Fair value losses for the period ended 30 June 2019	Fair value of the investment in listed securities as at 30 June 2019
	HK$'000		*HK$'000*	*HK$'000*
Equity investments at fair value through profit or loss	19,576	5.8%	1,033	18,543

The Group held less than 0.1% of shareholding in each of the listed securities in the above equity investments portfolio.

During the six months ended 30 June 2019, the stock market witnessed a sustaining pullback, the Group will continue to adopt the cautious approach in making investment decision in securities trading so as to obtain a balance between risk and return.

Save as disclosed above, the Group did not have any significant investment as at 30 June 2019 (31 December 2018: Nil).

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2019 and 31 December 2018, the Group had no charges on the Group's assets.

CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, the Group did not have any material contingent liabilities or guarantees.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2019.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2019, there was no acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders of the Company nor any of their respective close associates that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person or entity had or might have with the Group during the Period.

EVENTS AFTER REPORTING PERIOD

There were no significant events after the reporting period up to the approval date on these financial statements.

INTERIM DIVIDEND

The Board does not declare the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

USE OF PROCEEDS

The net proceeds from the placing of new Shares completed on the Date of Listing (the "**Placing**") were approximately HK$31.4 million, after deducting the expenses relating to the listing of the Shares on GEM of the Stock Exchange. As at 30 June 2019, all of the unused proceeds were deposited in licensed banks in Hong Kong and a large portion of the net proceeds from the Placing was utilised and the corresponding explanations are set out in the table below:

Proposed use of proceeds	Proposed amount to be used and time frame	Amount used as of 30 June 2019	Amount estimated to be used for the next 6 months	Changes and explanations
Enhance competitiveness through expansion of workforce as well as improving and acquiring office facilities, equipment and software	HK$9.1 million (extended from before 30 June 2017 to 30 June 2018)	HK$3.0 million has been used to purchase office facilities, equipment and software; and HK$6.1 million has been used to expand workforce	Not applicable	Not applicable
Strengthen design capabilities	HK$2.1 million (extended from before 30 June 2017 to 30 June 2018)	HK$1.3 million has been used to employ additional design personnel; and HK$0.8 million has been used to purchase various equipment and software to improve the design efficiency	Not applicable	Not applicable
Set up an in-house translation team	HK$18.5 million (extended from before 30 June 2017 to 31 December 2019)	Approximately HK$1.8 million has been used to set up a new office for the in-house translation team; and approximately HK$11.6 million has been used as operating expenses for the new office and the newly recruited translation personnel	Approximately HK$5.1 million will be used as operating expenses for the new office and the newly recruited translation personnel	Will be fully utilised as intended on or before 31 December 2019

CORPORATE GOVERNANCE PRACTICES

During the Period, the Company complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules except for the following deviation:

In respect of the code provisions A.6.7 and E.1.2 of the CG Code, Mr. Lau Man Tak, the Chairman and non-executive Director was unable to attend the annual general meeting of the Company held on 21 May 2019 due to his business engagement.

In respect of the code provisions A.6.7 and E.1.2 of the CG Code, Mr. Wong Kun Kau, an independent non-executive Director and the chairman of the nomination committee of the Company, was unable to attend the annual general meeting of the Company held on 21 May 2019 due to his business engagement.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for securities transactions by Directors of Listed Issuer as set out in Appendix 10 ("**Model Code**") of the Listing Rules as the codes of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and its code of conduct regarding directors' securities transactions throughout the Period.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The Company adopted the Scheme on 12 August 2015. The purpose of the Scheme is to advance the interests of the Company and the Shareholders by enabling (i) the Company to grant options to attract, retain and reward the eligible persons and to provide them with an incentive or reward for their contribution to the Group and (ii) such persons' contribution to further advance the interests of the Group.

As at 30 June 2019, the total number of Shares available for issue under the Scheme is 25,600,000 Shares and represents 10% of the issued share capital of the Company.

No share option has been granted since the adoption of the Scheme and no share option was outstanding as at 30 June 2019 (2018: Nil) and no share option was exercised or cancelled or lapsed during the Period.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management of the Company on the unaudited condensed consolidated results of the Group for the Period including the announcement and the 2019 interim report of the Company and the accounting principles and practices adopted by the Group and is of the view that the financial information and report have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

APPRECIATION

On behalf of the Board and management, I would like to express my sincere gratitude to all our clients, investors, suppliers, business partners and Shareholders for their continued valuable support and trust. I would also like to take this opportunity to thank my fellow Directors for their wise counsel and all of our staff for their dedication, hard work and contribution during the Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2019 interim report of the Company will be dispatched to the Shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.ref.com.hk in due course. This announcement can also be accessed on the above websites.

By order of the Board
REF Holdings Limited
Lau Man Tak
Chairman

Hong Kong, 23 August 2019

As at the date of this announcement, the executive directors of the Company are Ms. Chiu Hok Yu and Ms. Kwok Kam Lai; the non-executive director of the Company is Mr. Lau Man Tak (Chairman); and the independent non-executive directors of the Company are Mr. Leung Chi Hung, Mr. Wong Kun Kau and Mr. Lum Chor Wah Richard.