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REF Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1631)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS

The board of directors (the “**Directors**” and the “**Board**”, respectively) 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 2023 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 2023

		Six months ended 30 June	
		2023	2022
		HK\$’000	HK\$’000
	Notes	(unaudited)	(unaudited)
Revenue	4	75,551	72,053
Cost of services		(35,469)	(35,649)
		<hr/>	<hr/>
Gross profit		40,082	36,404
Other gains and losses, net		1,131	1,517
(Provision)/reversal of allowance for expected credit losses in respect of trade receivables, net		(2,331)	1,207
Selling and distribution expenses		(7,299)	(7,140)
Administrative expenses		(19,377)	(19,958)
Finance costs		(345)	(609)
		<hr/>	<hr/>
Profit before taxation	6	11,861	11,421
Taxation	7	(1,774)	(1,620)
		<hr/>	<hr/>
Profit and total comprehensive income for the period attributable to owners of the Company		10,087	9,801
		<hr/>	<hr/>
Earnings per share			
— Basic and diluted (HK cents)	9	3.94	3.83
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
	Notes		
Assets			
Non-current assets			
Plant and equipment		6,874	8,896
Right-of-use assets		15,906	24,495
Goodwill		1,982	1,982
Deposits		500	5,986
Deferred tax assets		1,351	719
		26,613	42,078
Current assets			
Trade receivables	10	42,157	25,259
Prepayments, deposits and other receivables		7,703	2,474
Other current assets		790	639
Tax recoverable		–	30
Financial assets at fair value through profit or loss		1,026	962
Fixed deposits with original maturity over three months		–	59,000
Bank balances and cash		40,972	17,359
		92,648	105,723
Liabilities			
Current liabilities			
Trade payables	11	3,304	2,938
Accruals and other payables		12,086	6,187
Lease liabilities		15,112	19,426
Contract liabilities		12,202	11,441
Tax payable		3,573	496
		46,277	40,488
Net current assets		46,371	65,235
Total assets less current liabilities		72,984	107,313

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Non-current liabilities		
Lease liabilities	1,874	6,032
Accruals and other payables	—	1,858
	<u>1,874</u>	<u>7,890</u>
Net assets	<u>71,110</u>	<u>99,423</u>
Capital and reserves		
Share capital	2,560	2,560
Reserves	68,550	96,863
	<u>71,110</u>	<u>99,423</u>
Total equity attributable to owners of the Company	<u>71,110</u>	<u>99,423</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 Act (as revised) of the Cayman Islands. Its immediate holding company is Jumbo Ace Enterprises Limited, a company incorporated in the British Virgin Islands (the “**BVI**”) and its ultimate holding company is Rising Luck Management Limited, a company incorporated in the BVI. Its ultimate controlling party is Mr. Lau Man Tak (“**Mr. Lau**”), who is also 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.

The address of the Company’s registered office is Windward 3, Regatta Office Park, 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 Units 5906–5912, 59th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of financial printing services and investment holdings. The condensed consolidated financial statements 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

The 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 interim results announcement is unaudited but has been reviewed by the audit committee of the Company (the “**Audit Committee**”) and it was authorised for issue on 18 August 2023.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual report, except for the changes in accounting policies that are expected to be reflected in the 2023 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 judgments, 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 interim results 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 2022 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 2022 that is included in the interim results 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

Application of new and amendments to HKFRSs

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

4. REVENUE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Financial printing services recognised at a point in time:		
Printing	39,920	45,719
Translation	29,592	20,255
Media placement	6,039	6,079
	<u>75,551</u>	<u>72,053</u>

5. SEGMENT INFORMATION

During the six months ended 30 June 2023 and 2022, the Group operated in one operating segment which was the provision of financial printing services. A single management team reports to the Directors (being the chief operating decision-maker) who comprehensively manage the entire business. Accordingly, the Group does not present separately segment information. In addition, all of the Group's revenue is generated in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no business or geographical segment information is presented.

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group during the six months ended 30 June 2023 and 2022.

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Directors' emoluments	871	1,368
Other staff costs:		
— Salaries, bonuses and other benefits	26,313	26,925
— Retirement scheme contributions	809	876
	<u>27,122</u>	<u>27,801</u>
Total employee benefit expense	<u>27,122</u>	<u>27,801</u>
Auditors' remuneration	344	344
Depreciation of plant and equipment	2,022	2,026
Depreciation of right-of-use assets	9,767	10,098
Bad debt written off	450	—
	<u>450</u>	<u>—</u>

7. TAXATION

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
— Hong Kong	2,406	1,659
Deferred tax:		
Current period	(632)	(39)
	<u>1,774</u>	<u>1,620</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

The two-tiered profits tax rates regime is applicable to the Group for the six months ended 30 June 2023 and 2022.

8. DIVIDENDS

The Board does not propose to declare the payment of any interim dividend for the six months ended 30 June 2023.

On 1 March 2023, the Board declared a final dividend of HK15 cents per share which was paid on 12 May 2023 to shareholders of the Company whose names appear on the register of members of the Company on 26 April 2023, amounting to HK\$38,400,000.

On 4 March 2022, the Board declared a final dividend of HK20 cents per share which was paid on 13 May 2022 to shareholders of the Company whose names appear on the register of members of the Company on 11 May 2022, amounting to HK\$51,200,000.

9. 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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>10,087</u>	<u>9,801</u>
	'000	'000
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (note)	<u>256,000</u>	<u>256,000</u>
Basic earnings per share (HK cents)	<u>3.94</u>	<u>3.83</u>

note:

The calculation of basic earnings per share for the six months ended 30 June 2023 and 2022 is based on the profit attributable to owners of the Company for the periods and the weighted average number of ordinary shares for the relevant periods.

Diluted earnings per share is same as the basic earnings per share for the six months ended 30 June 2023 and 2022 as there were no potential dilutive ordinary shares in issue.

10. TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables	47,976	28,747
Less: Allowance for expected credit losses	<u>(5,819)</u>	<u>(3,488)</u>
	<u>42,157</u>	<u>25,259</u>

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

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Within 30 days	13,208	8,181
31–60 days	7,670	4,695
61–90 days	20,889	2,158
91–150 days	3,531	7,686
Over 150 days	2,678	6,027
	<u>47,976</u>	<u>28,747</u>

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

The Group does not hold any collateral over the balances.

11. TRADE PAYABLES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade payables	<u>3,304</u>	<u>2,938</u>

The credit period from suppliers is up to 60 days. The following is an aged analysis of trade payables, presented based on the invoice dates at the end of the reporting period:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Within 60 days	3,185	2,802
61 to 90 days	119	134
91 to 120 days	–	–
Over 120 days	–	2
	<u>3,304</u>	<u>2,938</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

With the removal of most of the social distancing and cross-border control policies following the Covid-19 pandemic, the Hong Kong economy improved visibly for the six months ended 30 June 2023 (the “**Period**”) amid strong recovery of inbound tourism and private consumptions. However, the Hong Kong capital market has been undermined by global interest rate hikes and geopolitical entanglement for the Period. Funds raised for initial public offerings (“**IPOs**”) in Hong Kong dropped to a two-decade low in the first half of 2023, pushing the city to ninth place in the global ranking of IPOs. During the Period, the Group managed to leverage on its competitive strengths in branding, networking and servicing to expand its customer base, and continued to maintain prudent cost control measures to enhance profitability. Revenue mix has been optimised with increasing contribution from translation services, which helped to offset the decline in revenue from printing services. Thus profit attributable to owners of the Company modestly increased by approximately 2.9% from the six months ended 30 June 2022 (the “**Prior Period**”) to approximately HK\$10.1 million for the Period. Besides, the Stock Exchange on 30 June 2023 published conclusions to expand the Paperless Listing Regime, which reduce submission of documents by listed issuers and mandate these submissions by electronic means. The Group will continue to work together with our customers under the new listing requirements to enhance its sustainability performance.

Printing Services

Printing services revenue during the Period was approximately HK\$39,920,000 (the Prior Period: approximately HK\$45,719,000), representing a decrease of approximately 12.7% as compared to that of the Prior Period. Once again, several existing IPO projects on hand were postponed due to the unfavourable capital market sentiment in Hong Kong. For the six months ended 30 June 2023 and 2022, the revenue generated from the printing services represented approximately 52.8% and 63.5% respectively of the Group’s total revenue.

Translation Services

Translation services revenue during the Period was approximately HK\$29,592,000 (the Prior Period: approximately HK\$20,255,000), representing an increase of approximately 46.1% as compared to that of the Prior Period. The Group has taken substantial sales and marketing initiatives in translation services as the printing services were challenging. As a result, the number of translation jobs completed have been increased during the Period. For the six months ended 30 June 2023 and 2022, the revenue generated from the translation services represented approximately 39.2% and 28.1% respectively of the Group’s total revenue.

Media Placement Services

Media placement services revenue during the Period was approximately HK\$6,039,000 (the Prior Period: approximately HK\$6,079,000), representing a marginal decrease of approximately 0.7% as compared to that of the Prior Period. Customers' demand for media placement services remained stable during the Period. For the six months ended 30 June 2023 and 2022, the revenue generated from the media placement services represented approximately 8.0% and 8.4% respectively of the Group's total revenue.

Financial Review

Revenue

The Group's revenue increased by approximately HK\$3,498,000, or 4.9%, from approximately HK\$72,053,000 for the Prior Period to approximately HK\$75,551,000 for the Period. The increase was primarily attributable to the increased revenue from translation services for the Period, which helped to offset the decline in printing services.

Cost of Services

The Group's cost of services, a decrease by approximately HK\$180,000, or 0.5%, from approximately HK\$35,649,000 for the Prior Period to approximately HK\$35,469,000 for the Period, remained relatively stable during the Period.

Other Gains and Losses, Net

The Group's other gains, net decreased by approximately HK\$386,000, or 25.4%, from approximately HK\$1,517,000 for the Prior Period to approximately HK\$1,131,000 for the Period. It was mainly attributable to the absence of government grants of HK\$1,600,000 received during the Prior Period in relation to the Employment Support Scheme set up by the Government of the Hong Kong Special Administrative Region (the "HKSAR"); however such decrease had been offset by the increase of interest income of approximately HK\$721,000.

Selling and Distribution Expenses

The Group's selling and distribution expenses, an increase by approximately HK\$159,000, or 2.2%, from approximately HK\$7,140,000 for the Prior Period to approximately HK\$7,299,000 for the Period, remained under control.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$581,000, or 2.9%, from approximately HK\$19,958,000 for the Prior Period to approximately HK\$19,377,000 for the Period. The decrease was mainly attributable to the reduction in personal protective equipment for its staff and customers after the Covid-19 pandemic.

Finance Costs

Finance costs decreased by approximately HK\$264,000, or 43.3%, from approximately HK\$609,000 for the Prior Period to approximately HK\$345,000 for the Period. The decrease was mainly attributable to the decrease of finance expenses on leased properties and equipment for the Period.

Taxation

Taxation increased by approximately HK\$154,000, or 9.5%, from approximately HK\$1,620,000 for the Prior Period to approximately HK\$1,774,000 for the Period. The increase was in line with the increase in profit before taxation for the Period.

Profit for the Period

Supported by the increase in translation services revenue and stringent cost control, the profit for the Period was approximately HK\$10,087,000, representing an increase of approximately HK\$286,000, or 2.9% as compared with approximately HK\$9,801,000 for the Prior Period.

Profitability

As a result of the Group's stringent cost control, the Group's gross profit margin for the Period increased by 2.6pp to 53.1%.

Gearing Ratio

As at 30 June 2023, the gearing ratio of the Group was 0.24 (31 December 2022: 0.26). The decrease was due to the decrease in total debt as a result of reduction in lease liabilities.

Liquidity and Financial Resources

As at 30 June 2023, fixed deposits with original maturity over three months and bank balances and cash of the Group amounted to approximately HK\$40,972,000 (31 December 2022: approximately HK\$76,359,000). The current ratios (current assets divided by current liabilities) of the Group were 2.0 times and 2.6 times as at 30 June 2023 and 31 December 2022, respectively.

Capital Expenditure

No capital expenditure during the Period was related to expenditures on additions of plant and equipment (31 December 2022: approximately HK\$1,005,000).

Dividends

The Board does not propose to declare the payment of any interim dividend for the Period.

On 1 March 2023, the Board declared a final dividend of HK15 cents per share which was paid on 12 May 2023 to shareholders of the Company whose names appear on the register of members of the Company on 26 April 2023, amounting to HK\$38,400,000.

On 4 March 2022, the Board declared a final dividend of HK20 cents per share which was paid on 13 May 2022 to shareholders of the Company whose names appear on the register of members of the Company on 11 May 2022, amounting to HK\$51,200,000.

Capital Structure

As at 30 June 2023 and 31 December 2022, 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 “**Ordinary 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 the Ordinary Shares. There was no change in the share capital of the Company during the Period.

Employees and Remuneration Policy

As at 30 June 2023, the Group had 101 (30 June 2022: 109) full-time employees in Hong Kong. The Group believes that hiring, motivating and retaining qualified employees are crucial to the success as a reliable financial printer. During the Period, total staff costs (including Directors' emoluments) were approximately HK\$27,993,000 (the Prior Period: approximately HK\$29,169,000). The remuneration policies of the Group, including promotion, bonus, salary increment and other benefits, are based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as those benefits comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. The Group also provides and arranges on-the-job training for its employees.

In addition, the Company adopted a share option scheme (the "**Scheme**") on 12 August 2015 (please refer to "SHARE OPTION SCHEME" for more information).

Outlook

Looking ahead, the Hong Kong capital market will continue to fluctuate due to the uncertainties faced by the global economy. The impacts of the stimulus economic policies of the Government of the People's Republic of China and the Government of the HKSAR remain to be seen. Having said that, the Stock Exchange introduced certain favorable policies to facilitate IPO listings in Hong Kong, such as the Specialist Technology Companies regime, which should enhance the city's competitiveness. As always, the Group will try to utilise its best efforts to capture the opportunities when they arise.

CORPORATE GOVERNANCE

The Company has adopted the principles and the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules to ensure that business activities and decision making processes of the Group are regulated in a proper and prudent manner. The Board is satisfied that the Company had complied with the applicable code provisions as set out in the CG Code during the Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions. Following a specific enquiry made by the Company on each of the Directors, all of them confirmed that they had complied with the Model Code and its code of conduct regarding Directors' securities transactions during the Period.

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

During the Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold 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 of the Company 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 the date of this interim results announcement, there were a total of 25,600,000 shares, representing 10% of the issued shares, available for issue under the Scheme.

No share option has been granted since the adoption of the Scheme. Therefore, there was no share option outstanding as at 30 June 2023 and 2022 and no share option lapsed or was exercised or cancelled 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 this announcement of the Company and the accounting principles and practices adopted by the Group and is of the view that the financial information and announcement 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2023 interim report 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, 18 August 2023

As at the date of this announcement, the Board of the Company comprises Ms. Fan Jia Yin as executive director; Mr. Lau Man Tak (Chairman) as non-executive director; and Mr. Leung Chi Hung, Mr. Wong Kun Kau and Mr. Lee Hon Man Eric as independent non-executive directors.