REF Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1631)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

ANNUAL RESULTS

The board of directors (the "**Directors**" and the "**Board**", respectively) of REF Holdings Limited (the "**Company**") announces the audited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Year**") together with the comparative audited figures for the year ended 31 December 2018. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*4*	**190,491**	192,392
Cost of services		**(93,102)**	(92,938)
Gross profit		**97,389**	99,454
Other gains and losses		**2,093**	3,270
Selling and distribution expenses		**(16,201)**	(17,141)
Administrative expenses		**(41,126)**	(42,033)
Finance costs		**(1,919)**	(15)
Profit before taxation		**40,236**	43,535
Taxation	*6*	**(6,698)**	(6,796)
Profit and total comprehensive income for the year attributable to owners of the Company	*7*	**33,538**	36,739
Earnings per share			
— Basic and diluted (HK cents)	*9*	**13.10**	14.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Plant and equipment		**8,852**	11,940
Right-of-use assets		**24,773**	–
Deferred tax assets		**230**	330
		33,855	12,270
Current assets			
Trade receivables	*10*	**23,644**	28,560
Prepayments, deposits and other receivables		**10,041**	10,700
Other current assets		**3,008**	1,551
Tax recoverable		**402**	7,412
Financial assets at fair value through profit or loss		**17,702**	–
Fixed deposits		**218,240**	195,190
Bank balances and cash		**14,011**	12,922
		287,048	256,335
Current liabilities			
Trade payables	*11*	**6,285**	6,003
Accruals and other payables		**12,195**	19,661
Lease liabilities		**18,652**	–
Contract liabilities		**34,627**	35,394
		71,759	61,058
Net current assets		**215,289**	195,277
Total assets less current liabilities		**249,144**	207,547
Non-current liabilities			
Lease liabilities		**8,471**	–
Deferred tax liabilities		**106**	518
		8,577	518
Net assets		**240,567**	207,029
Capital and reserves			
Share capital		**2,560**	2,560
Reserves		**238,007**	204,469
Total equity attributable to owners of the Company		**240,567**	207,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 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, who is also the chairman ("**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 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 its subsidiaries are principally engaged in the provision of financial printing services and investment holdings. The consolidated financial statements of the Group (the "**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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

The Group has applied the following new and amendments to HKFRSs (the "**New and Amendments to HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle
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

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

HKFRS 16 *Leases*

HKFRS 16 supersedes HKAS 17 *Leases*, and the related interpretations, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC) 15 *Operating Leases — Incentives* and HK(SIC) 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effects of those changes in accounting policies as adjustments to the opening balances at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17.

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

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in a similar economic environment;

(iii) 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 options;

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

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	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**
Lease liabilities as at 1 January 2019	**45,317**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

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	**45,317**
Less: Accrued lease liabilities at 1 January 2019 (Note)	**(2,874)**
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 accrued lease liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:	**Carrying amounts previously reported as at 31 December 2018** *HK$'000*	**Adjustments** *HK$'000*	**Carrying amounts under HKFRS 16 as at 1 January 2019** *HK$'000*
Assets			
Right-of-use assets	**–**	**42,443**	**42,443**
Liabilities			
Accruals and other payables	**19,661**	**(2,874)**	**16,787**
Lease liabilities			
— Current portion	**–**	**18,194**	**18,194**
— Non-current portion	**–**	**27,123**	**27,123**

Note:

The application of HKFRS 16 to leases previously classified as operating leases under HKAS 17 resulted in the recognition of right-of-use assets and lease liabilities of approximately HK$42,443,000 and HK$45,317,000 respectively and decrease in accruals and other payables of approximately HK$2,874,000 at the initial adoption of HKFRS 16.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following New and Amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 3 (Amendments)	Definition of a Business[4]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Directors anticipate that the application of all New and Amendments to HKFRSs will have no material impact on the Consolidated Financial Statements in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the Consolidated Financial Statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Companies Ordinance.

4. REVENUE

	2019	2018
	HK$'000	*HK$'000*
Financial printing services recognised at a point in time:		
Printing	**133,724**	136,472
Translation	**43,397**	42,845
Media placement	**13,370**	13,075
	190,491	192,392

5. SEGMENT INFORMATION

During the years ended 31 December 2019 and 2018, 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 years ended 31 December 2019 and 2018.

6. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current tax		
— Hong Kong	**6,888**	6,209
Under/(over) provision in prior year		
— Hong Kong	**122**	(30)
Deferred tax:		
Current year	**(312)**	617
	6,698	6,796

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 years ended 31 December 2019 and 2018.

At the end of the reporting period, the Group had unused tax losses of approximately HK$8,890,000 (2018: HK$8,021,000) available for offset against the future assessable profits.

7. PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**6,798**	6,949
Other staff costs:		
— Salaries and other benefits	**40,825**	36,900
— Discretionary bonuses	**10,167**	10,972
— Retirement scheme contributions	**1,685**	1,525
Total employee benefit expense	**52,677**	49,397
Auditors' remuneration		
— Audit services	**840**	840
— Non-audit services	**55**	16
Depreciation of plant and equipment	**3,653**	1,927
Depreciation of right-of-use assets	**17,670**	–
Loss on disposal of plant and equipment	**1**	680
Unrealised loss on fair value of financial assets at fair value through profit or loss	**1,874**	–
Allowance for expected credit losses	**281**	–
Bad debt written off	**66**	–
Interest on lease liabilities	**1,906**	–
Total minimum lease payments for rented premises previously classified as operating leases under HKAS 17	**–**	17,785

8. DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

9. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings:		
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	**33,538**	36,739
	'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)	**13.10**	14.35

Note:

The calculation of basic earnings per share for the years ended 31 December 2019 and 2018 is based on the profit attributable to owners of the Company for the years and the weighted average number of shares for the relevant period.

Diluted earnings per share is the same as the basic earnings per share for the years ended 31 December 2019 and 2018 as there were no potential dilutive ordinary shares in issue.

10. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**23,925**	28,560
Less: Allowance for expected credit losses	**(281)**	–
	23,644	28,560

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

	2019	2018
	HK$'000	*HK$'000*
Current — neither past due nor impaired	**8,664**	12,147
Under 31 days past due	**4,756**	7,131
31–60 days past due	**3,501**	5,454
61–120 days past due	**5,116**	3,532
121–150 days past due	**1,055**	239
Over 150 days past due	**833**	57
	23,925	28,560

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

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**6,285**	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 dates at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Current–up to 60 days	**5,727**	6,003
Under 31 days past due	**–**	–
31–60 days past due	**–**	–
61–120 days past due	**558**	–
	6,285	6,003

MANAGEMENT DISCUSSION AND ANALYSIS

Review

Global economy remains sluggish in the midst of, amongst other factors, the ongoing trade war between the People's Republic of China and the United States and the social movements in Hong Kong since June 2019 had cast shadow on both the capital and initial public offering markets in Hong Kong. Notwithstanding that, we believed that our one-stop service model not only provided a comprehensive range of convenient and quality services to our customers, but also attracted potential customers and enabled us to react to the changing needs of our customers efficiently.

For the Year, the Group's turnover decreased by approximately 1.0% as compared to that of the year ended 31 December 2018 (the "**Year 2018**"). The profit attributable to owners of the Company for the Year was approximately HK$33.5 million (2018: approximately HK$36.7 million), representing a decrease of about 8.7% as compared to that of Year 2018. Basic earnings per share for the Year was approximately HK cents 13.10 (2018: approximately HK cents 14.35).

Financial Review

Revenue

The Group's revenue decreased by approximately HK$1.9 million, or 1.0%, from approximately HK$192.4 million for the Year 2018 to approximately HK$190.5 million for the Year. The decrease was attributable to the decreases in revenue from printing services, amounting to approximately HK$2.8 million, which partly offset by increase of revenue by translation services, amounting to approximately HK$0.6 million, and media placement services, amounting to approximately HK$0.3 million.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK$2.1 million, or 2.1%, from approximately HK$99.5 million for the Year 2018 to approximately HK$97.4 million for the Year, which was mainly due to the decrease in revenue. Our gross profit margin for the Year and for the Year 2018 were approximately 51.1% and 51.7% respectively.

Other Gains and Losses

Other gains and losses decreased by approximately HK$1.2 million, or 36.4% from approximately HK$3.3 million for the Year 2018 to approximately HK$2.1 million for the Year. The decrease was primarily due to the unrealised loss on fair value of financial assets at fair value through profit or loss amounting to approximately HK$1.9 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately HK$0.9 million, or 5.3%, from approximately HK$17.1 million for the Year 2018 to approximately HK$16.2 million for the Year. The decrease was in line with decrease in revenue.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK$0.9 million, or 2.1%, from approximately HK$42.0 million for the Year 2018 to approximately HK$41.1 million for the Year. The decrease was mainly due to the tighten control of cost by management's effort.

Finance Costs

Finance costs increased by approximately HK$1.9 million was mainly due to the increase of approximately HK$1.9 million of interest on lease liabilities for the Year (2018: Nil).

Taxation

Taxation expense decreased by approximately HK$0.1 million, or 1.5%, from approximately HK$6.8 million for the Year 2018 to approximately HK$6.7 million for the Year, which had no significant change.

Profit for the Year and Net Profit Margin

Profit for the Year decreased by approximately HK$3.2 million, or 8.7%, from approximately HK$36.7 million for the Year 2018 to approximately HK$33.5 million for the Year. The decrease was primarily attributable to the decrease in revenue and other gains and losses. The net profit margins for the Year and the Year 2018 were approximately 17.6% and 19.1%, respectively.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2019,

(a) the Group's total assets increased to approximately HK$320.9 million (2018: approximately HK$268.6 million) while the total equity increased to approximately HK$240.6 million (2018: approximately HK$207.0 million);

(b) the Group's current assets increased to approximately HK$287.0 million (2018: approximately HK$256.3 million) and the current liabilities increased to approximately HK$71.8 million (2018: approximately HK$61.1 million);

(c) the Group had approximately HK$232.3 million in fixed deposits, bank balances and cash available (2018: approximately HK$208.1 million) and the current ratio of the Group was approximately 4.0 (2018: approximately 4.2);

(d) the Group did not have any bank borrowings, bank overdrafts and tax loans (2018: Nil); and

(e) As at 31 December 2019, the gearing ratio of the Group was 11.3% due to the increase in lease liabilities after the initial application of HKFRS 16 on 1 January 2019 (2018: not applicable).

PROSPECT

Looking ahead, certain unfavourable factors such as fluctuation of the global financial markets and the outbreak of the novel coronavirus may exert pressure in Hong Kong in general. It might also have impact on the number of applications for new listing activities on the Stock Exchange, which in turn, will pose challenges to the business environment of the Group.

Nevertheless, we continue to provide a wide range of financial printing services to meet our customers' demands and requirements. In addition, we shall further enhance our multiple points of quality control and inspection throughout our production process to ensure the quality of our financial printing services.

CAPITAL EXPENDITURE

The capital expenditure during the Year was related to expenditures on additions of office equipment and furniture and fixtures, amounting to approximately HK$0.2 million and HK$0.4 million respectively, mainly to cope with our operation needs. As at 31 December 2019, the Group did not have any significant capital commitments (2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group maintained a portfolio of equity investments with total carrying amount of approximately HK$17.7 million (2018: Nil). The portfolio of equity investments as at 31 December 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 31 December 2019**	**Unrealised loss on fair value for the year ended 31 December 2019**	**Fair value of the investment in listed securities as at 31 December 2019**
	HK$'000		*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	19,576	5.5%	1,874	17,702

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

During the year ended 31 December 2019, the stock market in Hong Kong continued to behave unstable, 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 31 December 2019 (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 126 (2018: 118) full-time employees in Hong Kong. We believe that hiring, motivating and retaining qualified employees are crucial to our success as a reliable financial printer. Total staff costs (including Directors' emoluments) were approximately HK$59.5 million (2018: approximately HK$56.3 million). The remuneration packages of the Group's employees include basic salary, allowances, medical schemes, mandatory provident fund scheme, commission and bonuses. 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 dedication and hard work of the Group's staff during the Year are generally appreciated and recognised.

In addition, the Company adopted a share option scheme (the "**Scheme**"). Since its adoption, no options have been granted or agreed to be granted pursuant to the Scheme and, therefore, there were no outstanding options as at 31 December 2019 (2018: Nil). The Group also provides and arranges on-the-job trainings for the employees.

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 December 2019, the Group had no borrowings or charges on the Group's assets (2018: Nil).

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

FOREIGN CURRENCY EXPOSURE

The Group's businesses are solely operated in Hong Kong. The sales and purchases are mainly denominated in HK$ and customers rarely request settling our billing by other foreign currencies such as United States dollars ("**USD**").

The Group's assets, liabilities and transactions are mainly denominated in HK$. Only a little portion of the Group's bank balances in licensed banks are denominated in USD which is freely convertible into HK$. The Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and therefore, no hedging arrangements were made during the Year. However, the Group will review and monitor the relevant foreign exchange risk from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when applicable.

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders, customers, suppliers and employees of the Company. The Company has adopted the principles and the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules to ensure that business activities and decision making processes of the Group are regulated in a proper and prudent manner. During the Year, the Board is satisfied that the Company had complied with all applicable code provisions as set out in the CG Code 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.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee (the "**Audit Committee**"), a remuneration committee and a nomination committee with specific written terms of reference.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Year, the Group was in compliance with all the laws and regulations applicable to the business operations of the Group.

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (the "**Model Code**") of Listing Rules 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 transaction during the Year.

USE OF PROCEEDS

The net proceeds from the placing of new shares of the Company (the "**Shares**") completed on 25 September 2015 (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 31 December 2019, all of the unused proceeds were deposited in licensed banks in Hong Kong. During the Year, 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 31 December 2019**	**Amount estimated to be used for the next 6 months**	**Changes and explanations**
Enhance competitiveness through expansion of workforce as well as improve and acquire 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

Proposed use of proceeds	Proposed amount to be used and time frame	Amount used as of 31 December 2019	Amount estimated to be used for the next 6 months	Changes and explanations
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 30 June 2020)	Approximately HK$1.8 million has been used to set up a new office for the in-house translation team; and approximately HK$14.9 million has been used as operating expenses for the new office and the newly recruited translation personnel	Approximately HK$1.8 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 30 June 2020

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the year ended 31 December 2019 and up to the date of this announcement.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the Year (2018: Nil).

ANNUAL GENERAL MEETING ("AGM")

The forthcoming AGM will be held on Friday, 24 April 2020. A notice convening the AGM will be published in due course in the manner required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 April 2020 to Friday, 24 April 2020, both days inclusive, during which period no transfer of Shares will be registered. For determining the entitlement of the Shareholders to attend and vote at the AGM, the non-registered Shareholders must lodge all share transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, no later than 4:00 p.m. on Monday, 20 April 2020 for registration.

AUDIT COMMITTEE

The Company had established the Audit Committee on 12 August 2015. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Company, make recommendations to the Board on the appointment, reappointment and removal of the independent auditors, and review the Company's financial information.

The Audit Committee comprises three members, all being independent non-executive Directors, namely Mr. Leung Chi Hung (chairman of the Audit Committee), Mr. Wong Kun Kau and Mr. Lee Hon Man Eric. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, risk management, internal control and financial reporting matters, including review of the Consolidated Financial Statements for the Year.

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

Hong Kong, 3 March 2020

As at the date of this announcement, the executive Director is Ms. Kwok Kam Lai; the non-executive Director is Mr. Lau Man Tak (Chairman); and the independent non-executive Directors are Mr. Leung Chi Hung, Mr. Wong Kun Kau and Mr. Lee Hon Man Eric.