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Hephaestus Holdings Limited

客思控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8173)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Hephaestus Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 31 December 2022. This announcement, containing the full text of the 2022 third quarterly report of the Company for the nine months ended 31 December 2022 (the “**2022 Third Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities (“**GEM Listing Rules**”) on the GEM of The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of third quarterly results. The printed version of the 2022 Third Quarterly Report will be dispatched to the shareholders of the Company and available for viewing on the website of The Stock Exchange of Hong Kong Limited and of the Company at www.hephaestus.com.hk in due course in the manner as required by the GEM Listing Rules.

By order of the Board
Hephaestus Holdings Limited
Huang Liang

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 9 February 2023

As at the date of this announcement, the Board comprised two executive Directors, Mr. Huang Liang and Ms. Lou Yi and three independent non-executive Directors, Mr. Luk Chi Shing, Mr. Lee Man Chun and Mr. Zheng Yuqiang.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its posting. This announcement will also be published on the Company’s website at www.hephaestus.com.hk.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of Hephaestus Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2022

	Note	Three months ended 31 December		Nine months ended 31 December	
		2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Revenue	4	8,126	12,642	26,283	38,267
Cost of services		(5,051)	(6,031)	(15,971)	(18,662)
Gross profit		3,075	6,611	10,312	19,605
Other income		122	1	1,413	593
Other (losses)/gains		520	(17)	(755)	15
Administrative expenses		(4,492)	(5,719)	(13,473)	(15,891)
(Loss)/profit from operations		(775)	876	(2,503)	4,322
Share of loss of an associate		(2)	—	(2)	—
Finance costs	5	(5)	(415)	(17)	(1,190)
(Loss)/profit before tax		(782)	461	(2,522)	3,132
Income tax credit/(expenses)	6	122	(370)	97	(880)
(Loss)/profit for the period	7	(660)	91	(2,425)	2,252
Other comprehensive income					
Items that will not be reclassified to profit or loss in subsequent periods:					
— Change in fair value of financial assets at fair value through other comprehensive income		(70)	—	(180)	—
Total comprehensive (loss)/income for the period		(730)	91	(2,605)	2,252
(Loss)/earnings per share					
Basic	8	HK\$(0.31) cents	HK\$0.04 cents	HK\$(1.13) cents	HK\$0.99 cents
Diluted		N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2022

	Attributable to the owners of the Company (unaudited)						
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Fair value reserve HK\$'000	Other reserves HK\$'000 (Note)	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 April 2021 (audited)	122	156,179	—	—	(68,482)	(33,182)	54,637
Total comprehensive income for the period	—	—	—	—	—	2,252	2,252
Repurchase of shares (Note 10(a))	—	(10,886)	—	—	—	—	(10,886)
Share repurchase expenses	—	(45)	—	—	—	—	(45)
Cancellation of shares	(14)	(9)	14	—	—	—	(9)
Changes in equity for the period	(14)	(10,940)	14	—	—	2,252	(8,688)
At 31 December 2021 (unaudited)	108	145,239	14	—	(68,482)	(30,930)	45,949
At 1 April 2022 (audited)	108	145,239	14	—	(68,482)	(29,031)	47,848
Loss for the period	—	—	—	—	—	(2,425)	(2,425)
Other comprehensive income:							
— Changes in fair value of financial assets at fair value through other comprehensive income	—	—	—	(180)	—	—	(180)
Total comprehensive income and changes in equity for the period	—	—	—	(180)	—	(2,425)	(2,605)
Transfer of accumulated loss on disposal of equity investments at fair value through other comprehensive income to accumulated losses	—	—	—	180	—	(180)	—
At 31 December 2022 (unaudited)	108	145,239	14	—	(68,482)	(31,636)	45,243

Note: Other reserves comprise the adjustment of the legal capital of Absolute Surge Limited (“**Absolute Surge**”) to reflect the legal capital of the Company arising from the reverse takeover completed on 13 November 2019 and the difference between the nominal value of share capital of the subsidiaries of Absolute Surge acquired pursuant to the reorganisation completed on 26 April 2019 over the nominal value of the share capital of Absolute Surge issued in exchange therefor.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months ended 31 December 2022

1. GENERAL INFORMATION

Hephaestus Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Room 1602, 16/F, Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong.

The Company together with its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of interior design and execution services.

In the opinion of the directors of the Company, as at 31 December 2022, Hong Kong Jun Tai Ting Investment Company Limited (“**Jun Tai Ting Investment**”), a company incorporated in the British Virgin Islands with limited liability, is the ultimate holding company and Ms. Ye Huacong is the ultimate controlling party of the Company.

This unaudited condensed consolidated financial information for the nine months ended 31 December 2022 is presented in Hong Kong dollars (“**HK\$**”) which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information has been prepared in accordance with the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The unaudited condensed consolidated financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which are measured at fair value.

The unaudited condensed consolidated financial information should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 March 2022. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of the unaudited condensed consolidated financial information are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 March 2022 and there have been no significant changes in the financial risk management policies for the nine months ended 31 December 2022.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies applied in this unaudited condensed consolidated financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 March 2022. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2022 but they do not have a material effect on the Group's unaudited condensed consolidated financial information for the nine months ended 31 December 2022. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing this unaudited condensed consolidated financial information.

4. REVENUE

An analysis of the Group's revenue for the period is as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Interior design and execution services	8,126	12,612	26,238	38,018
Colour-rendering services	—	30	45	140
Handling services	—	—	—	109
	8,126	12,642	26,283	38,267

5. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Interest on lease liabilities	5	10	17	47
Interest on bank loans	—	405	—	1,143
	<u>5</u>	<u>415</u>	<u>17</u>	<u>1,190</u>

6. INCOME TAX CREDIT/(EXPENSES)

Income tax credit/(expenses) has been recognised in profit or loss as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Current tax				
Hong Kong Profits Tax	122	(370)	122	(880)
PRC Corporate Income Tax ("CIT")	—	—	(2)	—
Deferred tax	—	—	(23)	—
	<u>122</u>	<u>(370)</u>	<u>97</u>	<u>(880)</u>

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong is lowered to 8.25%, and profits above that amount is subject to the tax rate of 16.5%.

PRC CIT has been provided at a rate of 25%.

7. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is arrived at after charging/(crediting):

	Three months ended 31 December		Nine months ended 31 December	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Employee benefit expense (including directors' emoluments):				
Salaries and allowances	5,240	6,250	17,294	18,989
Other benefits (represent rent paid)	87	87	261	261
Retirement benefit scheme contributions	188	235	603	694
Other long-term benefits	—	—	115	—
	5,515	6,572	18,273	19,944
Depreciation of property, plant and equipment	212	74	327	298
(Gain)/Loss on disposal of property, plant and equipment	—	—	(7)	52
Depreciation of right-of-use assets	95	1,128	285	3,382
Rental expenses relating to short-term leases	879	—	2,637	—
Government grants (Note)	(120)	—	(1,264)	—

Note: Government grants for the Employment Support Scheme (the "ESS") in respect of the COVID-19 pandemic were received to provide financial support to the Group to retain its employees during the nine months ended 31 December 2022.

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share attributable to the owners of the Company for the three months and nine months ended 31 December 2022 are based on the following:

	Three months ended 31 December		Nine months ended 31 December	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
(Loss)/earnings (Loss)/profit attributable to owners of the Company	(660)	91	(2,425)	2,252
	<u><u>(660)</u></u>	<u><u>91</u></u>	<u><u>(2,425)</u></u>	<u><u>2,252</u></u>
	Three months ended 31 December		Nine months ended 31 December	
	2022 (unaudited) '000	2021 (unaudited) '000	2022 (unaudited) '000	2021 (unaudited) '000
Number of shares Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation	215,347	215,473	215,347	226,625
	<u><u>215,347</u></u>	<u><u>215,473</u></u>	<u><u>215,347</u></u>	<u><u>226,625</u></u>

No diluted (loss)/earnings per share for the periods has been presented as there were no potential dilutive shares outstanding.

9. DIVIDENDS

The Board of Directors does not recommend a payment of any dividend in respect of the nine months ended 31 December 2022 (nine months ended 31 December 2021: Nil).

10. SHARE CAPITAL

	Note	Number of shares	Amount HK\$'000
Authorised:			
At 1 April 2021			
Ordinary shares of HK\$0.0001 each		100,000,000,000	10,000
Share consolidation	(b)	<u>(80,000,000,000)</u>	<u>—</u>
At 31 December 2021, 1 April 2022 and 31 December 2022			
Ordinary shares of HK\$0.0005 each		<u>20,000,000,000</u>	<u>10,000</u>
Issued and fully paid:			
At 1 April 2021			
Ordinary shares of HK\$0.0001 each		1,221,052,631	122
Repurchase and cancellation of shares	(a)	(115,904,000)	(14)
Share consolidation	(b)	<u>(889,802,105)</u>	<u>—</u>
At 31 December 2021, 1 April 2022 and 31 December 2022			
Ordinary shares of HK\$0.0005 each (unaudited)		<u>215,346,526</u>	<u>108</u>

Notes:

(a) Repurchase and cancellation of shares

During the nine months ended 31 December 2021, the Company repurchased and cancelled its own shares as follows:

	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
Before share consolidation:				
June 2021	100,960,000	0.076	0.070	7,457
July 2021	7,840,000	0.067	0.063	507
August 2021	1,520,000	0.043	0.043	65
September 2021	40,000	0.042	0.042	2
	<u>110,360,000</u>			<u>8,031</u>
After share consolidation:				
September 2021	4,072,000	0.475	0.230	1,549
October 2021	2,720,000	0.480	0.480	1,306
	<u>117,152,000</u>			<u>10,886</u>

Out of 114,432,000 shares, 108,800,000 shares at an aggregate cost of approximately HK\$7,964,000 (before related expenses) were cancelled during the six months ended 30 September 2021.

Pursuant to section 37 of the Cayman Islands Companies Act, an amount equivalent to the nominal value of the shares cancelled of approximately HK\$14,000 was transferred to the capital redemption reserve and the share premium account was adjusted accordingly.

(b) Share consolidation

With the approval of the Company's shareholders at an extraordinary general meeting held on 31 August 2021, every five issued and unissued shares of HK\$0.0001 each were consolidated into one share of HK\$0.0005 each in the share capital of the Company with effect from 2 September 2021.

11. RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that during the period, transactions with the following parties are considered as related party transactions:

Name of related party	Relationship with the Group
Waldorf Holdings Limited	Controlled by Mr. Chan Norman Enrique, a former executive director of the Company (resigned on 4 March 2022) and a former director of significant subsidiaries of the Company (resigned on 19 April 2022)

(a) The Group had the following transactions with its related parties during the period:

	Three months ended 31 December		Nine months ended 31 December	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Office rental paid to Waldorf Holdings Limited	—	1,044	186	3,132

(b) Key management personnel compensation

The emoluments of directors and other key management personnel of the Group during the period are as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Salaries and allowances	327	837	1,099	2,510
Other benefits (represent rent paid)	87	87	261	261
Retirement benefit scheme contributions	5	13	16	40
Other long-term benefits	—	—	115	—
	419	937	1,491	2,811

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “**Board**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the nine months ended 31 December 2022, together with the comparative unaudited figures for the corresponding periods in 2021.

FINANCIAL REVIEW

Revenue

Revenue decreased from approximately HK\$38.3 million for the nine months ended 31 December 2021 to approximately HK\$26.3 million for the nine months ended 31 December 2022, representing a decrease of approximately HK\$12.0 million or 31.3%. The decrease was mainly attributable to a combination of factors including (i) the increase in revenue from commercial; and (ii) the decrease in revenue from residential, show flat and sales office projects.

Cost of services

Cost of services for the nine months ended 31 December 2021 and 2022 amounted to approximately HK\$18.7 million and HK\$16.0 million, respectively, representing a decrease of approximately HK\$2.7 million or 14.4%. The decrease was in line with the decrease in revenue.

Gross profit and gross profit margin

For the nine months ended 31 December 2022, gross profit amounted to approximately HK\$10.3 million, which decreased by approximately HK\$9.3 million from approximately HK\$19.6 million for the nine months ended 31 December 2021. The decrease in gross profit was mainly due to the decrease in revenue which decreased by approximately HK\$12.0 million. Gross profit margin decreased from approximately 51.2% for the nine months ended 31 December 2021 to approximately 39.2% for the nine months ended 31 December 2022.

Other income

Other income for the nine months ended 31 December 2021 and 2022 amounted to approximately HK\$0.6 million and HK\$1.4 million, respectively, representing a significant increase of approximately HK\$0.8 million. The increase was mainly due to government grants for the Employment Support Scheme (the “**ESS**”) of approximately HK\$1.3 million received for the nine months ended 31 December 2022.

Other gains/(loss)

Other gains decreased from approximately HK\$15,000 for the nine months ended 31 December 2021 to approximately loss of HK\$0.8 million for the nine months ended 31 December 2022. Such decrease was mainly attributable to the decrease in fair value of financial assets at fair value through profit or loss of approximately HK\$0.4 million and net exchange loss of approximately HK\$0.3 million.

Administrative expenses

Administrative expenses decreased from approximately HK\$15.9 million for the nine months ended 31 December 2021 to approximately HK\$13.5 million for the nine months ended 31 December 2022, representing a decrease of approximately HK\$2.4 million or 15.1%. The decrease was mainly due to the decrease in office rents and legal and professional fees during the nine months ended 31 December 2022, as compared with the same period last year.

Finance costs

Finance costs decreased by approximately HK\$1.2 million or 98.6%, from approximately HK\$1.2 million for the nine months ended 31 December 2021 to approximately HK\$17,000 for the nine months ended 31 December 2022. Such decrease was mainly due to decrease in interest on bank loans of approximately HK\$1.1 million in relation to the full repayment of the outstanding amounts of secured bank loans during the year ended 31 March 2022.

(Loss)/profit before tax

Profit before tax decreased from approximately HK\$3.1 million for the nine months ended 31 December 2021 to loss of approximately HK\$2.5 million for the nine months ended 31 December 2022, representing a decrease of approximately HK\$5.6 million or 180.6%. Such decrease was mainly attributable to a combination of factors, including (i) the decrease in revenue of approximately HK\$12.0 million; (ii) the decrease in cost of services of approximately HK\$2.7 million; and (iii) the decrease in administrative expenses of approximately HK\$2.4 million for the nine months ended 31 December 2022.

Income tax credit/(expenses)

Income tax expenses decreased by approximately HK\$977,000 from approximately HK\$880,000 for the nine months ended 31 December 2021 to an income tax credit of approximately HK\$97,000 for the nine months ended 31 December 2022. Such decrease in income tax expenses was mainly due to the loss before tax of approximately HK\$2.5 million and over provision of income tax expenses.

Total comprehensive (loss)/income

The Group recorded a total comprehensive loss for the period of approximately HK\$2.6 million for the nine months ended 31 December 2022. The total comprehensive loss for the period was mainly attributable to the combined effect of the aforementioned items.

Charge over assets of the Group

As at 31 December 2022, the Group had no charge on assets.

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in provision of interior design and execution services to premises including private residences, corporate offices, service apartments, hotels, residential clubhouses, show flats and sales galleries.

The Group's goals are to achieve sustainable growth and further strengthen its overall competitiveness and business growth in the interior design industry in Hong Kong. The Directors are of the view that the Group's capability to understand customers' requirements and transform far-fetched concepts into visionary solutions that embrace functionality and aesthetics has gained trust and appreciation from customers and enabled the Group to be one of the reputable players in the interior design industry in Hong Kong.

The Group will remain cautiously attentive over the market conditions given the unpredictable macroeconomic environment across the globe, particularly when COVID-19 pandemic remains as a threat to the health and safety of global and local communities. Moreover, the vaccination rate in Hong Kong as well as worldwide, all of which play a crucial role in the economic recovery. Despite weakening market sentiment, the Company is of the view that the Hong Kong residential market is likely to be supported by relatively low mortgage rates and continuous demand.

The Group will continue to capitalise on opportunities by leveraging the Group's competitive strengths and implementing the following strategies: (i) maintain and strengthen market position in Hong Kong; (ii) enhance brand recognition and strengthen marketing efforts; and (iii) continue to recruit talents and enhance internal training to support future growth.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2022, so far as is known to any Directors or chief executive of the Company, the interests or short positions of the Directors and chief executives of the Company in any shares (the "**Share(s)**"), underlying Shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest	Interest in shares of the Company (Note 1)	Interest in underlying shares of the Company (Note 1)	Total interest in shares of the Company (Note 1)	Approximate percentage of shareholding (Note 1 and 3)
Mr. Huang Liang	Interest of spouse (Note 2)	159,068,639(L)	—	159,068,639(L)	73.87%(L)

Notes:

- (1) "L" represents long position in shares or underlying shares of the Company and "S" represents short position in shares or underlying shares of the Company.
- (2) Jun Tai Ting Investment is wholly and beneficially owned by Ms. Ye Huacong. Under the SFO, Ms. Ye Huacong is deemed to be interested in the Shares held by Jun Tai Ting Investment. Mr. Huang Liang is the spouse of Ms. Ye Huacong. Mr. Huang Liang is deemed to be interested in all the Shares in which Ms. Ye Huacong is interested in for the purpose of the SFO.
- (3) The percentage is calculated on the basis of 215,346,526 Shares in issue as at 31 December 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, so far as is known to the Directors and the chief executives of the Company, the interests and shorts positions of the persons or corporations (other than the Directors and the chief executive of the Company) in the Shares and underlying Shares as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Interest in shares of the Company (Note 1)	Interest in underlying shares of the Company (Note 1)	Total interest in shares of the Company (Note 1)	Approximate percentage of shareholding (Note 1 and 3)
Jun Tai Ting Investment	Beneficial owner (Note 2)	159,068,639(L)	—	159,068,639(L)	73.87%(L)
Ms. Ye Huacong	Interest of controlled corporation (Note 2)	159,068,639(L)	—	159,068,639(L)	73.87%(L)
Mr. Huang Liang	Interest of spouse (Note 2)	159,068,639(L)	—	159,068,639(L)	73.87%(L)

Notes:

- (1) "L" represents long position in shares or underlying shares of the Company and "S" represents short position in shares or underlying shares of the Company.
- (2) Jun Tai Ting Investment is wholly and beneficially owned by Ms. Ye Huacong. Under the SFO, Ms. Ye Huacong is deemed to be interested in the Shares held by Jun Tai Ting Investment. Mr. Huang Liang is the spouse of Ms. Ye Huacong. Mr. Huang Liang is deemed to be interested in all the Shares in which Ms. Ye Huacong is interested in for the purpose of the SFO.
- (3) The percentage is calculated on the basis of 215,346,526 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other persons or corporations (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme at the annual general meeting of the Company held on 30 July 2012 (the “**Share Option Scheme**”) for the purpose of providing incentives and rewards to the eligible participants who contributed to the growth of the Group which will expire on 29 July 2022.

On 29 July 2022, the Share Option Scheme expired. During the nine months ended 31 December 2022, no share options were granted, exercised, cancelled, lapsed or forfeited.

As at 31 December 2022, there were no outstanding share options.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Save as disclosed in this report, at no time during the nine months ended 31 December 2022 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouses and children under the age of 18) to acquire benefits by means of the acquisition of the Shares or underlying Shares in, or debentures of, the Company or any of its associated corporations, and none of the Directors or their respective spouses or children under the age of 18 had any right to subscribe for Shares of the Company or any of its associated corporations or had exercised any such right during the nine months ended 31 December 2022.

COMPETING INTERESTS OF DIRECTORS

As at 31 December 2022, none of the Directors, the substantial shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) had any interest in a business which has or may have significant competition with the business of the Group or any other conflict of interest.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND AFFILIATED COMPANIES

Acquisition of the 50% of the issued shares of Joy Chance Investment Limited (the “Target Company”)

On 4 November 2022, BTR (HK) Limited, which is an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the vendor and the Target Company. Pursuant to the sale and purchase agreement, BTR (HK) Limited has agreed to acquire, and the vendor has agreed to sell the shares, representing 50% of the issued share capital of the Target Company, at a consideration of HK\$11,200,000. The Target Company held the property which comprises a piece of agricultural land situated at the northern side of Lam Kam Road in the district of Yuen Long of the New Territories which is currently vacant. The site area of the property is about 13,939 sq.ft. For details of this acquisition, please refer to the announcement of the Company dated 4 November 2022.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries, associates and affiliated companies during the nine months ended 31 December 2022.

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

During the nine months ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the nine months ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Company considers the maintenance of a high standard of corporate governance is important to the continuous growth of the Group. The Company's corporate governance practices are based on code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules. The Company has adopted the CG Code to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Huang Liang is acting as the chairman and chief executive officer. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board considers the deviation from code provision C.2.1 of the CG Code to be appropriate in such circumstance.

The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Under the code provision C.1.8 of the CG Code, provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. After 8 January 2022, the Company did not arrange any new insurance cover in respect of potential legal actions against its Directors and officers. The management of the Group believe that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is very low. On 9 June 2022, the Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers with retroactive date starting from 29 November 2021.

Throughout the nine months ended 31 December 2022 and up to the date of this report, other than the deviation from code provision C.2.1 and C.1.8, the Company complied with the provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules.

DIVIDEND

The Board does not recommend a payment of any dividend by the Company for the nine months ended 31 December 2022.

EVENT AFTER THE REPORTING PERIOD

Tenancy Agreement

On 1 January 2023, BTR (HK) Limited (the “**Tenant**”), an indirect wholly owned subsidiary of the Company as the tenant and Waldorf Holdings Limited (the “**Landlord**”) as the landlord entered into a tenancy agreement (the “**2023 Tenancy Agreement**”) in relation to the lease of the premises located at Flats B, C, D, E, F and G on 15th Floor and private parking space Nos. P10 and P11 on 3rd Floor of Monterey Plaza at 15 Chong Yip Street, Kowloon, Hong Kong (the “**Premises**”) for a term of twelve months from 1 January 2023 to 31 December 2023 (both days inclusive).

The terms of the 2023 Tenancy Agreement were determined after arm’s length negotiations between the Tenant and the Landlord with reference to (i) the historical figures of the actual amounts paid by the Tenant under the previous tenancy agreement dated 1 January 2022 (“**2022 Tenancy Agreement**”); and (ii) the prevailing market conditions and the prevailing market rent for similar properties in the vicinity of the Premises at the relevant time.

The Landlord is wholly and beneficially owned by Mr. Chan Norman Enrique, who is a former executive director of the Company (resigned on 4 March 2022) and a former director of significant subsidiaries of the Company (resigned on 19 April 2022). The Landlord is therefore a connected person of the Company. Accordingly, the 2023 Tenancy Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

Reference is made to the announcement of the Company dated 2 January 2022 in relation to the lease of the Premises under the 2022 Tenancy Agreement. As the 2022 Tenancy Agreement and the 2023 Tenancy Agreement both relate to the leasing of the Premises, the 2022 Tenancy Agreement and the 2023 Tenancy Agreement have been aggregated for determination of the annual caps under Chapter 20 of the GEM Listing Rules.

For the two years ending 31 March 2024, the maximum annual aggregate amounts payable (the “**Annual Caps**”) by the Tenant to the Landlord, which are determined with reference to the rents payable by the Tenant to the Landlord under the 2022 Tenancy Agreement and 2023 Tenancy Agreement, are as follows:

	Year ending 31 March 2023	Year ending 31 March 2024
	HK\$	HK\$
2022 Tenancy Agreement	2,637,000	—
2023 Tenancy Agreement	879,000	2,637,000
Annual Caps	3,516,000	2,637,000

For details of the 2023 Tenancy Agreement and the transactions contemplated thereunder, please refer to the announcements of the Company dated 2 January 2023.

Save as disclosed herein, the Directors are not aware of any significant event which had material effect on the Group’s operating and financial performance subsequent to 31 December 2022.

AUDIT COMMITTEE AND REVIEW OF QUARTERLY RESULTS

The Group has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision D.3.3 of the CG Code. The primary duties of the Audit Committee are to oversee the relationship with Company’s auditor, review of the Company’s financial information and oversee the Company’s financial reporting system, risk management and internal control system.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Luk Chi Shing, Mr. Lee Man Chun and Mr. Zheng Yuqiang. The chairman of the Audit Committee is Mr. Luk Chi Shing, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules to serve as the chairman of the Audit Committee.

The third quarterly results of the Group for the nine months ended 31 December 2022 have not been audited. The Audit Committee has reviewed and approved the unaudited condensed consolidated financial information of the Group for the nine months ended 31 December 2022 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

Hephaestus Holdings Limited

Huang Liang

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 9 February 2023

As at the date of this report, the Board comprised two executive Directors, Mr. Huang Liang and Ms. Lou Yi and three independent non-executive Directors, Mr. Luk Chi Shing, Mr. Lee Man Chun and Mr. Zheng Yuqiang.