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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2024**

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**” and each the “**Director**”) of Hephaestus Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) 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 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 seven days from the date of its posting. This announcement will also be published on the Company’s website at www.hephaestus.com.hk.

The board (the “**Board**”) of Directors of the Company is pleased to announce the consolidated annual results of the Group for the year ended 31 March 2024 (the “**Year**”) together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	5	27,967	35,490
Cost of services		<u>(17,226)</u>	<u>(21,255)</u>
Gross profit		10,741	14,235
Other income	6	42	1,363
Other gains and losses, net	7	(2,321)	(1,471)
Administrative expenses		<u>(15,765)</u>	<u>(16,895)</u>
Loss from operations		(7,303)	(2,768)
Share of (loss)/profit of an associate		(1,344)	18
Finance costs	8	<u>(12)</u>	<u>(22)</u>
Loss before tax	9	(8,659)	(2,772)
Income tax credit/(expense)	10	<u>104</u>	<u>(280)</u>
Loss for the year		(8,555)	(3,052)
Other comprehensive expense for the year			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		<u>3</u>	<u>–</u>
Total comprehensive expenses		<u>(8,552)</u>	<u>(3,052)</u>
Loss per share		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted	11	<u>(3.97)</u>	<u>(1.42)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,460	2,136
Right-of-use assets		165	549
Investment in an associate	13	9,874	11,218
Deferred tax assets		21	16
		11,520	13,919
CURRENT ASSETS			
Financial assets at fair value through profit or loss ("FVTPL")		428	2,319
Contract assets	14	9,408	18,136
Trade and other receivables	15	6,723	14,784
Amount due from an associate		2,500	–
Current tax assets		44	2,182
Bank and cash balances		15,621	5,076
		34,724	42,497
CURRENT LIABILITIES			
Contract liabilities	14	4,868	6,293
Trade and other payables	16	4,586	4,309
Amount due to a director		260	260
Lease liabilities		176	397
		9,890	11,259
NET CURRENT ASSETS		24,834	31,238
TOTAL ASSETS LESS CURRENT LIABILITIES		36,354	45,157
NON-CURRENT LIABILITIES			
Lease liabilities		–	180
Deferred tax liabilities		110	181
		110	361
NET ASSETS		36,244	44,796
CAPITAL AND RESERVES			
Share capital		108	108
Reserves		36,136	44,688
TOTAL EQUITY		36,244	44,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2024

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, hereinafter collectively referred to as the “**Group**”, is principally engaged in the provision of interior design and execution services.

In the opinion of the directors of the Company, as at 31 March 2024, Hong Kong Jun Tai Ting Investment Company Limited (“**Jun Tai Ting Investment**”), a company incorporated in the British Virgin Islands, is the immediate and ultimate holding company and Ms. Ye Huacong is the ultimate controlling party of the Company.

The consolidated financial statements for the year ended 31 March 2024 are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2023 for the preparation of the financial statements:

Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts

Except as described below, the application of the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

(i) ***Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

(ii) ***New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism***

In June 2022, the Hong Kong SAR Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to Mandatory Provident Fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "**offsetting mechanism**"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date. In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. The abolition of the offsetting mechanism did not have a material impact on the Group's results and financial position.

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:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ¹
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, management does not anticipate any significant impact on the Group's financial positions and results of operations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. The consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) and by the Companies Ordinance (Cap. 622) of Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on interior design and execution services. This operating segment has been identified on the basis of internal reports, prepared in accordance with accounting policies which conform with HKFRSs, that are regularly reviewed by the chief operating decision maker (the "CODM"), the directors of the Company. The CODM is responsible for making decision about resources allocation. The information provided to the CODM is the same as those disclosed in the consolidated financial statements. Accordingly, only entity-wide disclosures, geographical information and major customers are presented.

Geographical information:

Information about the Group's revenue from external customers is presented based on the location of the projects:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	27,889	34,963
Macau	–	15
Mainland China	78	148
Thailand	–	364
	<u>27,967</u>	<u>35,490</u>

All the Group's non-current assets are principally located in Hong Kong.

Information about major customers:

Revenue from transactions with customers amounting to 10% or more of the Group's revenue are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer a	5,507	7,371
Customer b	5,303	N/A*
Customer c	<u>2,927</u>	<u>N/A*</u>

Revenue was derived from services provided to the above respective customers including services provided to a group of entities which are known to be under common control with the above respective customers.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. REVENUE

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interior design and execution services	27,894	35,445
Colour-rendering services	55	45
Handling services	18	–
	<u>27,967</u>	<u>35,490</u>

The amount of revenue from interior design and execution services recognised during the Year, from performance obligations satisfied in previous periods due to changes in transaction price is approximately HK\$1,848,000 (2023: HK\$144,000).

The Group provides interior design and execution services to customers. Such services are recognised as a performance obligation satisfied over time as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation using input method.

The Group's service contracts include payment schedules which require stage payments over the design period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 5% to 15% of total contract sum, when the Group receives a deposit before design service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the design services are performed, representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional upon meeting the billing milestones.

Colour-rendering services represent income from provision of design work to customers which is recognised at a point in time.

Handling services income represents income from the procurement of furniture or art pieces and other decorative items for customers which is recognised at a point in time.

Disaggregation of revenue from contracts with customers

In the following tables, revenue is disaggregated by geographical regions and timing of revenue recognition.

	For the year ended 31 March 2024		
	Interior design and execution services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographical regions			
Hong Kong	27,816	73	27,889
Mainland China	78	–	78
	<u>27,894</u>	<u>73</u>	<u>27,967</u>
Timing of revenue recognition			
Over time	27,894	–	27,894
At a point in time	–	73	73
	<u>27,894</u>	<u>73</u>	<u>27,967</u>
	For the year ended 31 March 2023		
	Interior design and execution services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographical regions			
Hong Kong	34,918	45	34,963
Macau	15	–	15
Mainland China	148	–	148
Thailand	364	–	364
	<u>35,445</u>	<u>45</u>	<u>35,490</u>
Timing of revenue recognition			
Over time	35,445	–	35,445
At a point in time	–	45	45
	<u>35,445</u>	<u>45</u>	<u>35,490</u>

6. OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Government grants (Note)	–	1,264
Interest income on bank deposits	36	8
Interest income from financial assets at FVTPL	–	30
Sundry income	6	61
	<u>42</u>	<u>1,363</u>

Note: During the year ended 31 March 2023, the Group successfully applied for funding support of HK\$1,264,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of Hong Kong Special Administrative Region. The purpose of the funding is to provide the financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

7. OTHER GAINS AND LOSSES, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Exchange losses, net	(27)	(255)
Fair value loss on financial assets at FVTPL, net	(1,891)	(489)
Gain on disposal of property, plant and equipment, net	–	6
Net loss allowances in respect of		
– Contract assets	12	(102)
– Trade receivables	(415)	(600)
Others	–	(31)
	<u>(2,321)</u>	<u>(1,471)</u>

8. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on lease liabilities	<u>12</u>	<u>22</u>

9. LOSS BEFORE TAX

The Group's loss before tax is stated after charging the following:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	850	850
– Non-audit services	72	10
Subcontracting charges	4,934	5,030
Depreciation of property, plant and equipment	827	540
Depreciation of right-of-use assets	378	380
Rental expenses relating to short-term leases	<u>3,294</u>	<u>3,516</u>

10. INCOME TAX CREDIT/(EXPENSE)

Income tax has been recognised in profit or loss as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	–	67
Over-provision in prior years	<u>(28)</u>	<u>–</u>
	(28)	67
Deferred tax	<u>(76)</u>	<u>213</u>
	<u>(104)</u>	<u>280</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the current year. For the year ended 31 March 2023, under the two-tiered profits tax rates regime in Hong Kong, the profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations is lowered to 8.25%, and profits above that amount is still subject to the tax rate of 16.5%. Assessable profits of the Group entities not qualifying for the two-tiered profits tax rates regime are continued to be taxed at the rate of 16.5%.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

11. LOSS PER SHARE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basis loss per share	<u>(8,555)</u>	<u>(3,052)</u>
	2024 <i>'000</i>	2023 <i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	215,347	215,347
Basic loss per ordinary share (HK cents)	<u>(3.97)</u>	<u>(1.42)</u>

There were no dilutive potential ordinary shares during the years ended 31 March 2024 and 2023, and therefore diluted loss per share is the same as basic loss per share.

12. DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 March 2024 (2023: Nil).

13. INVESTMENT IN AN ASSOCIATE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At beginning of year	11,218	–
Cost of investment in an associate	–	11,200
Share of (loss)/profit and other comprehensive (expense)/income	<u>(1,344)</u>	<u>18</u>
At end of year	<u>9,874</u>	<u>11,218</u>

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Place of incorporation	Principal place of business	Proportion of ownership interest held by the Group	Proportion of voting right held by the Group	Principal activity
Joy Chance Investment Limited ("Joy Chance")	Hong Kong	Hong Kong	50% (2023:50%)	50% (2023:50%)	Property holding

The Group has 50% ownership interest and voting rights in Joy Chance. By considering that the Group has no sufficient dominant voting rights to direct the relevant activity of Joy Chance unilaterally, the directors of the Company conclude that the Group only has significant influence over Joy Chance and therefore it is classified as an associate of the Group.

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets	<u>22,000</u>	<u>24,657</u>
Current assets	<u>255</u>	<u>5</u>
Current liabilities	<u>2,508</u>	<u>2,226</u>
Revenue	<u>–</u>	<u>–</u>
Loss and other comprehensive expense for the year	<u>(2,689)</u>	<u>(7)</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Net assets of Joy Chance	<u>19,747</u>	22,436
Proportion of the Group's ownership interest in Joy Chance	<u>50%</u>	<u>50%</u>
The Group's share of net assets of Joy Chance	<u>9,874</u>	<u>11,218</u>

14. CONTRACT ASSETS/LIABILITIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contract assets	9,498	18,238
Less: allowance for credit losses	<u>(90)</u>	<u>(102)</u>
	<u>9,408</u>	<u>18,136</u>
 Contract liabilities	 <u>4,868</u>	 <u>6,293</u>

The contract assets represent the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional other than the passage of time.

There were no retention monies held by the customers for contract works performed at the end of reporting period.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

The contract liabilities primarily represent the advanced consideration received from customers for which revenue is recognised based on the progress toward complete satisfaction of the related services.

15. TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	6,612	12,222
Less: allowance for impairment loss	<u>(1,245)</u>	<u>(830)</u>
	5,367	11,392
 Prepayments, deposits and other receivables	 <u>1,356</u>	 <u>3,392</u>
	<u>6,723</u>	<u>14,784</u>

The Group has recognised the following trade receivables:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Arising from interior design and execution with customers	<u>5,367</u>	<u>11,392</u>

At the end of reporting period, the ageing analysis of trade receivables, net of loss allowance, based on invoice date is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	1,226	2,104
31–60 days	12	2,062
61–90 days	2,792	–
91–180 days	676	3,238
181–365 days	<u>661</u>	<u>3,988</u>
	<u>5,367</u>	<u>11,392</u>

Trade receivables are generally due within 30 to 60 days from the date of billing. The Group does not hold any collateral over these balances. Trade receivables are non-interest bearing. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

As at 31 March 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$4,141,000 (2023: HK\$7,384,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$966,000 (2023: HK\$4,122,000) has been past due more than 90 days and is not considered as in default since the amounts are still considered as recoverable based on historical experience and forward-looking estimates.

The carrying amounts of trade receivables are denominated in the following currencies:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
HK\$	5,271	11,259
Renminbi (“ <i>RMB</i> ”)	<u>96</u>	<u>133</u>
	<u>5,367</u>	<u>11,392</u>

16. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	176	–
Accruals and other payables	<u>4,410</u>	<u>4,309</u>
	<u><u>4,586</u></u>	<u><u>4,309</u></u>

Trade payables as at 31 March 2024 were due within 7 days from the date of billing.

The ageing analysis of the trade payables based on invoice date is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	<u><u>176</u></u>	<u><u>–</u></u>

The carrying amounts of trade and other payables are denominated in the following currencies:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
HK\$	4,265	4,302
RMB	315	–
New Taiwan dollar	<u>6</u>	<u>7</u>
	<u><u>4,586</u></u>	<u><u>4,309</u></u>

17. EVENT AFTER THE REPORTING PERIOD

In May 2024, a subsidiary of the Group (the “**lender**”) entered into a loan agreement with an independent third party (the “**borrower**”), pursuant to which the lender has agreed to make the loan available to the borrower. The principal loan amount is HK\$7,700,000. The loan is secured and interest-bearing, payable annually in arrears from the date of drawdown of the loan. The borrower shall repay the loan on the date falling two years from the date of drawdown. For details of the provision of loan, please refer to the Company’s announcement dated 20 May 2024. The relevant financial impact of the provision of loan will be reflected in the consolidated financial statements of the Group for the year ending 31 March 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

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, especially heightened geopolitical tensions and high interest-rate environment. Despite weakening market sentiment, the further expansion of the Individual Visit Scheme from the mainland and several government initiatives should boost local consumer sentiment. Further property mortgage relaxation measures and the potential relocation of more professionals from the Top Talent Pass Scheme should benefit the Hong Kong residential market.

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.

FINANCIAL REVIEW

Revenue

Revenue decreased from approximately HK\$35.5 million for the year ended 31 March 2023 to approximately HK\$28.0 million for the year ended 31 March 2024, representing a decrease of approximately HK\$7.5 million or 21.2%. The decrease was mainly attributable to the decrease in revenue from residential and show flat and sales office projects.

Cost of services

Cost of services for the years ended 31 March 2023 and 2024 amounted to approximately HK\$21.3 million and HK\$17.2 million, respectively, representing a decrease of approximately HK\$4.0 million or 19.0%. The decrease was mainly due to the decrease in direct staff costs.

Gross profit and gross profit margin

For the year ended 31 March 2024, gross profit amounted to approximately HK\$10.7 million, which decreased by approximately HK\$3.5 million from approximately HK\$14.2 million for the year ended 31 March 2023. The decrease in gross profit was mainly due to a combination of factors, including (i) the decrease in revenue of approximately HK\$7.5 million; and (ii) a decrease in cost of services of approximately HK\$4.0 million. The overall gross profit margin decreased from approximately 40.1% in 2023 to approximately 38.4% in 2024 due to the decrease of cost of services relatively lower than decrease of revenue.

Other income

Other income for the years ended 31 March 2023 and 2024 amounted to approximately HK\$1,363,000 and HK\$42,000, respectively, representing a significant decrease of approximately HK\$1.3 million. The decrease was mainly due to government grants for the Employment Support Scheme (the “ESS”) of approximately HK\$1.3 million received for the year ended 31 March 2023 but no government grants received during the year ended 31 March 2024.

Other gains and losses, net

Other loss increased from approximately HK\$1.5 million for the year ended 31 March 2023 to approximately HK\$2.3 million for the year ended 31 March 2024. Such increase was mainly attributable to the increase of fair value loss of approximately HK\$1.4 million on financial assets at FVTPL recognised during the year ended 31 March 2024.

Administrative expenses

Administrative expenses decreased from approximately HK\$16.9 million for the year ended 31 March 2023 to approximately HK\$15.8 million for the year ended 31 March 2024, representing a decrease of approximately HK\$1.1 million or 6.7%. Such decrease was mainly attributable to the cost saving in professional fees during the year ended 31 March 2024, as compared with last year.

Share of (loss)/profit of an associate

The share of profit of an associate decreased by approximately HK\$1,362,000 from share of profit of approximately HK\$18,000 for the year ended 31 March 2023 to share of loss of approximately HK\$1,344,000 for the Year. The decrease was mainly due to the fair value loss on the valuation of the investment property held by the associate for the Year.

Finance costs

The finance costs for the years ended 31 March 2023 and 2024 amounted to approximately HK\$22,000 and HK\$12,000 respectively. There was no significant change for the finance costs.

Loss before tax

Loss before tax increased from approximately HK\$2.8 million for the year ended 31 March 2023 to approximately HK\$8.7 million for the year ended 31 March 2024, representing a significant increase of approximately HK\$5.9 million. Such increase was mainly attributable to a combination of factors, including (i) the decrease in revenue of approximately HK\$7.5 million; (ii) the decrease in cost of services of approximately HK\$4.0 million; (iii) in turn decrease in gross profit of approximately HK\$3.5 million; (iv) decrease in other income of approximately HK\$1.3 million; (v) increase in share of loss of an associate of approximately HK\$1.4 million and (vi) increase of fair value loss on financial assets at FVTPL of approximately HK\$1.4 million.

Income tax credit/(expense)

Income tax expenses decreased by approximately HK\$384,000 from approximately HK\$280,000 for the year ended 31 March 2023 to income tax credit of approximately HK\$104,000 for the year ended 31 March 2024. Such decrease in income tax expenses was mainly due to decrease in revenue and gross profit for the year ended 31 March 2024.

Loss and total comprehensive expenses

Loss and total comprehensive expenses increased by approximately HK\$5.5 million, from approximately HK\$3.1 million for the year ended 31 March 2023 to approximately HK\$8.6 million for the year ended 31 March 2024. Such increase was mainly attributable to the combined effect of the aforementioned items.

Charge over assets of the Group

As at 31 March 2024, the Group did not have any charges on its assets (As at 31 March 2023: Nil).

FINANCIAL RESOURCES REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2024, the lease liabilities of the Group were approximately HK\$0.2 million (31 March 2023: approximately HK\$0.6 million). As at 31 March 2024, the Group had total assets of approximately HK\$46.2 million (31 March 2023: approximately HK\$56.4 million), including cash and cash equivalents of approximately HK\$15.6 million (31 March 2023: approximately HK\$5.1 million).

CURRENT RATIO AND GEARING RATIO

As at 31 March 2024, the Group has a current ratio of approximately 3.5 times (as at 31 March 2023: approximately 3.8 times). Gearing ratio was not applicable as the Group was in net cash position as at 31 March 2024 and 2023.

COMMITMENTS

As at 31 March 2024, the Group did not have any material capital commitment (as at 31 March 2023: Nil).

CONTINGENT LIABILITIES

As at 31 March 2024, the Group had no material contingent liabilities (as at 31 March 2023: Nil).

CAPITAL STRUCTURE

As at 31 March 2024, the capital structure of the Company comprised issued share capital and reserves.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

EMPLOYEES

As at 31 March 2024, the Group had 41 employees (as at 31 March 2023: 52 employees). Total staff costs including directors' emolument for the year ended 31 March 2024 amounted to approximately HK\$18.8 million (for the year ended 31 March 2023: approximately HK\$23.4 million). Their remuneration, promotion and salary review are assessed based on each employee's qualifications, relevant experience, position and seniority. The employees in Hong Kong joined the mandatory provident fund scheme.

SIGNIFICANT INVESTMENT HELD

The Group did not make any significant investments during the Year which would constitute a discloseable transaction under GEM Listing Rules.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plan for material investments or capital assets for the coming year.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2024 (31 March 2023: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the Corporate Governance Code (the "CG Code") contained in Appendix 15 (which has been re-numbered as Appendix C1 with effect from 31 December 2023) to the GEM Listing Rules which sets out the principles and the code provisions which listed issuers are expected to apply and comply with. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code.

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business based on the principles and code provisions as set out in the CG Code. In the opinion of the Board, other than the deviation from code provision C.2.1 (as disclosed below), the Company has complied with all the code provisions set forth in the section headed "Part 1–Mandatory disclosure requirements" and the applicable code provisions set out in the section headed "Part 2–Principles of good corporate governance, code provisions and recommended best practices" of CG Code throughout the year ended 31 March 2024.

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 of the Board 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. During the Year, the Company issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of quarterly, interim and annual results.

The Company confirms that, having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the year ended 31 March 2024.

The Company has adopted the same code of conduct for securities transactions by relevant employees to regulate certain employees of the Group who are deemed to be in possession of unpublished inside information of the Company when dealing in the securities of the Company.

SCOPE OF WORK OF LIF & WONG CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in this announcement have been agreed by the Company's auditors, LIF & Wong CPA Limited ("**LIF & WONG**") to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by LIF & WONG in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by LIF & WONG on this announcement.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the accounting principles and standards adopted by the Group, the consolidated financial statements of the Group for the year ended 31 March 2024 and financial reporting matters of the Group.

EVENTS AFTER THE REPORTING PERIOD

On 20 May 2024, BTR (HK) Limited (as lender), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company ("**BTR**"), entered into the loan agreement (the "**Loan Agreement**") with Auto Cave Limited (as borrower) ("**Auto Cave**") pursuant to which BTR has agreed to make the loan available to Auto Cave (the "**Loan**"). The principal loan amount is HK\$7,700,000 and the interest on the Loan shall accrue at the rate which is 6.875% per annum, payable annually in arrears from the date of drawdown of the Loan.

The terms of the Loan Agreement (including the applicable interest rate) were negotiated on an arm's length basis between BTR and Auto Cave, having considered the prevailing market terms of loans of similar nature. The provision of the Loan represents an opportunity of the Group to better utilise its idle funds to generate more interest income to the Group. Taking into account (i) the results of due diligence on the financial background and repayment ability of Auto Cave; (ii) the principal amount of the Loan represents approximately 69.24% of the value of the Charged Shares (as defined in the announcement of the Company dated 20 May 2024); (iii) the underlying asset of the Charged Shares is the Property (as defined in the announcement of the Company dated 20 May 2024); (iv) the security provided for the Loan; (iv) the interest rate represents 1% above the best lending rate of 5.875% announced by The Hong Kong and Shanghai Banking Corporation Limited; and (v) the interest income derived from the provision of the Loan is significantly higher than the interest income which can be generated from making time deposit for the idle funds, the Directors are of the view that the terms of the Loan Agreement are fair and reasonable, on normal commercial terms, and the provision of the Loan is in the interests of the Company and the Shareholders as a whole. For details, please refer to the announcement of the Company dated 20 May 2024.

Save as disclosed above, there have been no other material events occurring after the reporting period and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.hephaestus.com.hk. The Annual Report 2023/24 will be dispatched to the shareholders of the Company and made available on the above websites in due course.

APPRECIATION

The Board would like to take this opportunity to extend our gratitude and sincere appreciation to the management team and all staff for their diligence and dedication throughout the Year.

By Order of the Board
Hephaestus Holdings Limited
Huang Liang

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 June 2024

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Huang Liang and Ms. Yip Hiu Ying, and three independent non-executive Directors, namely Mr. Tang Chin Ting, Mr. Lee Man Chun and Ms. Tong Yuk Ying Yannie.