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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 a “**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 unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2024 together with the comparative unaudited figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

		Six months ended	
	<i>Notes</i>	30 September	
		2024	2023
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Revenue	5	7,296	16,068
Cost of services		<u>(5,111)</u>	<u>(9,002)</u>
Gross profit		2,185	7,066
Other net income/(losses)	7	233	(1,486)
Administrative expenses		<u>(7,916)</u>	<u>(7,756)</u>
Loss from operations		(5,498)	(2,176)
Finance costs	8	(1)	(7)
Share of loss of an associate		<u>(4)</u>	<u>(11)</u>
Loss before tax		(5,503)	(2,194)
Income tax expenses	9	<u>–</u>	<u>(69)</u>
Loss for the period	10	(5,503)	(2,263)
Other comprehensive expenses			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
– Currency translation differences		<u>(8)</u>	<u>–</u>
Total comprehensive expenses for the period		<u>(5,511)</u>	<u>(2,263)</u>
Loss per share	12		
Basic		<u>HK(2.56) cents</u>	<u>HK(1.05) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

	<i>Notes</i>	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	13	4,542	1,460
Right-of-use assets	14	–	165
Investment in an associate	15	9,870	9,874
Deferred tax assets		21	21
Loan receivable	16	7,700	–
		<u>22,133</u>	<u>11,520</u>
Current assets			
Contract assets	17	7,774	9,408
Trade and other receivables	18	5,981	6,723
Financial assets at fair value through profit or loss	19	393	428
Amount due from an associate	20	1,250	2,500
Current tax assets		44	44
Bank and cash balances		6,315	15,621
		<u>21,757</u>	<u>34,724</u>
Current liabilities			
Contract liabilities	17	7,116	4,868
Trade and other payables	21	5,671	4,586
Amount due to a director		260	260
Lease liabilities		–	176
		<u>13,047</u>	<u>9,890</u>
Net current assets		<u>8,710</u>	<u>24,834</u>
Total assets less current liabilities		<u>30,843</u>	<u>36,354</u>
Non-current liabilities			
Deferred tax liabilities		<u>110</u>	<u>110</u>
		<u>110</u>	<u>110</u>
NET ASSETS		<u>30,733</u>	<u>36,244</u>
Capital and reserves			
Share capital	22	108	108
Reserves		30,625	36,136
TOTAL EQUITY		<u>30,733</u>	<u>36,244</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 (the “**Directors**”), as at 30 September 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.

This unaudited condensed consolidated financial information for the six months ended 30 September 2024 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 Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

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 2024. 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 2024 and there have been no significant changes in the financial risk management policies for the six months ended 30 September 2024.

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

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 2024 but they do not have a material effect on the Group’s unaudited condensed consolidated financial information for the six months ended 30 September 2024. HKFRSs comprise individual Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards; and Interpretations.

The accounting policies applied in this unaudited condensed consolidated financial information are the same as those applied in the consolidated financial statements of the Group as at and for the year ended 31 March 2024, except for the first time adoption of new and revised HKFRSs, which are mandatorily effective for the period beginning on or after 1 April 2024 as set out below:

- Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to HKAS 1 – Non-current Liabilities with Covenants
- Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements
- Amendments to HKFRS 16 – Lease liability in a Sale and Leaseback
- Hong Kong Interpretation 5 (Revised) – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

A number of new standards or amendments to standards are effective for annual periods beginning after 1 April 2024 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. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Disclosures of level in fair value hierarchy as at 30 September 2024:

Description	Fair value measurements using level 1	
	30 September 2024 (unaudited) <i>HK\$'000</i>	31 March 2024 (audited) <i>HK\$'000</i>
Recurring fair value measurements:		
Financial assets at fair value through profit or loss		
Listed securities held for trading – debt instruments	<u>393</u>	<u>428</u>

5. REVENUE

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

	Six months ended 30 September	
	2024 (unaudited) <i>HK\$'000</i>	2023 (unaudited) <i>HK\$'000</i>
Interior design and execution services	7,296	15,995
Colour-rendering services	–	55
Handling services	–	18
	<u>7,296</u>	<u>16,068</u>

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

	Six months ended 30 September					
	Interior design and execution services		Other		Total	
	2024 (unaudited) <i>HK\$'000</i>	2023 (unaudited) <i>HK\$'000</i>	2024 (unaudited) <i>HK\$'000</i>	2023 (unaudited) <i>HK\$'000</i>	2024 (unaudited) <i>HK\$'000</i>	2023 (unaudited) <i>HK\$'000</i>
Geographical regions						
Hong Kong	6,800	15,908	–	73	6,800	15,981
Mainland China	496	87	–	–	496	87
	<u>7,296</u>	<u>15,995</u>	<u>–</u>	<u>73</u>	<u>7,296</u>	<u>16,068</u>
Timing of revenue recognition						
Over time	7,296	15,995	–	–	7,296	15,995
At a point in time	–	–	–	73	–	73
	<u>7,296</u>	<u>15,995</u>	<u>–</u>	<u>73</u>	<u>7,296</u>	<u>16,068</u>

6. 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 the Group's accounting policies that are regularly reviewed by the chief operating decision maker (the "CODM"), the Directors. The CODM is responsible for making decision about resources allocation. The information provided to the CODM is the same as those disclosed in the condensed consolidated financial information. Accordingly, no reportable segment information is presented.

Geographical information:

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

	Six months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong	6,800	15,981
Mainland China	496	87
	<u>7,296</u>	<u>16,068</u>

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

7. OTHER NET INCOME/(LOSSES)

	Six months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest income	205	15
Reversal of impairment loss on trade receivables	52	1
Fair value losses of financial assets at fair value through profit or loss	(34)	(1,492)
Net exchange differences	5	(16)
Sundry income	5	6
	<u>233</u>	<u>(1,486)</u>

8. FINANCE COSTS

	Six months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	<u>1</u>	<u>7</u>

9. INCOME TAX EXPENSES

Income tax expenses have been recognised in profit or loss as follows:

	Six months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	<u>-</u>	<u>(69)</u>

Under the two-tiered profits tax rates regime, 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%.

10. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging:

	Six months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Employee benefit expenses (including directors' emoluments):		
Salaries and allowances	6,898	9,938
Other benefits (represent rent paid)	174	174
Retirement benefit scheme contributions	<u>253</u>	<u>359</u>
	7,325	10,471
Subcontracting charges	652	2,076
Depreciation of property, plant and equipment	582	420
Depreciation of right-of-use assets	165	190
Rental expenses relating to short-term leases	<u>1,314</u>	<u>1,758</u>

11. DIVIDENDS

The board of Directors (the “**Board**”) does not recommend a payment of any dividend in respect of the six months ended 30 September 2024 (six months ended 30 September 2023: Nil).

12. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company for the six months ended 30 September 2024 are based on the following:

	Six months ended	
	30 September	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to owners of the Company	<u>(5,503)</u>	<u>(2,263)</u>
	Six months ended	
	30 September	
	2024	2023
	(unaudited)	(unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	<u>215,347</u>	<u>215,347</u>

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

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2024, the Group acquired property, plant and equipment with a cost of approximately HK\$3,665,000 (unaudited) (six months ended 30 September 2023: approximately HK\$10,000 (unaudited)).

During the six months ended 30 September 2024, there was no items of property, plant and equipment with a net carrying amount were disposed (six months ended 30 September 2023: approximately HK\$4,000 (unaudited)).

14. RIGHT-OF-USE ASSETS

The Group’s right-of-use assets represent office equipment under leases.

15. INVESTMENT IN AN ASSOCIATE

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
At beginning of reporting period	9,874	11,218
Share of loss and other comprehensive expense	(4)	(1,344)
At end of reporting period	<u>9,870</u>	<u>9,874</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% (31 March 2024: 50%)	50% (31 March 2024: 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.

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Non-current assets	<u>22,146</u>	<u>22,000</u>
Current assets	<u>95</u>	<u>255</u>
Current liabilities	<u>2,500</u>	<u>2,508</u>

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Revenue	<u>–</u>	<u>–</u>
Loss and other comprehensive expenses for the period/year	<u>(8)</u>	<u>(2,689)</u>

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

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Net assets of Joy Chance	19,741	19,747
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>9,870</u>	<u>9,874</u>

16. LOAN RECEIVABLE

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Loan receivable	<u>7,700</u>	<u>–</u>

As at 30 September 2024, the loan receivable with gross principal amount of HK\$7,700,000 (as at 31 March 2024: Nil) and related interest receivable of approximately HK\$193,000 (as at 31 March 2024: Nil) is due from an independent third party. The loan is secured and interest bearing, payable annually in arrears from the date of drawdown of the loan. The loan is repayable in full in one lump sum 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.

No impairment loss has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2024 (six months ended 30 September 2023: Nil).

17. CONTRACT ASSETS/LIABILITIES

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.

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

Significant changes in the contract assets and contract liabilities during the six months ended 30 September 2024 are as follows:

	Contract assets (unaudited) HK\$'000	Contract liabilities (unaudited) HK\$'000
Transfer from contract assets recognised at the beginning of the period to trade receivables	(5,226)	–
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>–</u>	<u>344</u>

18. TRADE AND OTHER RECEIVABLES

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Trade receivables	5,691	6,612
Allowance for impairment loss	<u>(963)</u>	<u>(1,245)</u>
	4,728	5,367
Prepayments, deposits and other receivables	<u>1,253</u>	<u>1,356</u>
	<u>5,981</u>	<u>6,723</u>

The Group has recognised the following trade receivables:

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Arising from interior design and execution with customers	<u>4,728</u>	<u>5,367</u>

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

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Within 30 days	1,663	1,226
31–60 days	1,535	12
61–90 days	–	2,792
91–180 days	837	676
181–365 days	261	661
Over 365 days	<u>432</u>	<u>–</u>
	<u>4,728</u>	<u>5,367</u>

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Listed securities held for trading		
– Debt instruments	<u>393</u>	<u>428</u>

During the year ended 31 March 2024, the Group subscribed debt instruments with principal amount of HK\$13,650,000 with fixed interest rate ranged from 7.875% to 11.7% which were listed in Singapore Exchange Securities Trading Limited with variety of maturity date.

20. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, interest free and has no fixed repayment terms.

21. TRADE AND OTHER PAYABLES

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Trade payables	–	176
Accruals and other payables	<u>5,671</u>	<u>4,410</u>
	<u>5,671</u>	<u>4,586</u>

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

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Within 30 days	<u>–</u>	<u>176</u>

22. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 April 2023 (audited), 31 March 2024 (audited) and 30 September 2024 (unaudited) Ordinary shares of HK\$0.0005 each	<u>20,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 April 2023 (audited), 31 March 2024 (audited) and 30 September 2024 (unaudited) Ordinary shares of HK\$0.0005 each	<u>215,346,526</u>	<u>108</u>

23. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

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

	Six months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Salaries and allowances	654	669
Other benefits (represent rent paid)	174	174
Retirement benefit scheme contributions	<u>9</u>	<u>9</u>
	<u>837</u>	<u>852</u>

24. CONTINGENT LIABILITIES

As at 30 September 2024, the Group did not have any significant contingent liabilities (as at 31 March 2024: Nil).

25. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event which had material effect on the Group's operating and financial performance subsequent to 30 September 2024 and up to the date of this announcement.

26. APPROVAL OF FINANCIAL INFORMATION

The unaudited condensed consolidated financial information for the six months ended 30 September 2024 was approved and authorised for issue by the Board on 22 November 2024.

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. Despite weakening market sentiment, 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\$16.1 million for the six months ended 30 September 2023 to approximately HK\$7.3 million for the six months ended 30 September 2024, representing a decrease of approximately HK\$8.8 million or approximately 54.7%. The decrease was mainly attributable to the decrease in revenue from interior design and execution services of approximately 54.4%.

Cost of services

Cost of services for the six months ended 30 September 2023 and 2024 amounted to approximately HK\$9.0 million and HK\$5.1 million, respectively, representing a decrease of approximately HK\$3.9 million or approximately 43.3%. The decrease was in line with the decrease in revenue.

Gross profit and gross profit margin

For the six months ended 30 September 2024, gross profit amounted to approximately HK\$2.2 million, which decreased by approximately HK\$4.9 million from approximately HK\$7.1 million for the six months ended 30 September 2023. The decrease in gross profit was mainly due to a combination of factors, including (i) decrease in revenue which decreased by approximately HK\$8.8 million and (ii) decrease in cost of services of approximately HK\$3.9 million. Gross profit margin decreased from approximately 44.0% for the six months ended 30 September 2023 to approximately 29.9% for the six months ended 30 September 2024.

Other net income/(losses)

Other net income/(losses) for the six months ended 30 September 2023 and 2024 amounted to other net losses of approximately HK\$1.5 million and other net income of approximately HK\$0.2 million, respectively, representing a significant increase of net income of approximately HK\$1.7 million. The increase was mainly due to a combination of factors, including (i) the decrease in fair value losses of financial assets at fair value through profit or loss of approximately HK\$1.5 million; (ii) the increase in loan interest income of approximately HK\$193,000; and (iii) the increase in reversal of impairment loss on trade receivables of approximately HK\$51,000.

Administrative expenses

Administrative expenses increased from approximately HK\$7.8 million for the six months ended 30 September 2023 to approximately HK\$7.9 million for the six months ended 30 September 2024, representing an increase of approximately HK\$0.1 million or approximately 1.3%. The increase was mainly due to the increase in administration fees during the six months ended 30 September 2024, as compared with the same period last year.

Finance costs

Finance costs decreased from approximately HK\$7,000 for the six months ended 30 September 2023 to approximately HK\$1,000 for the six months ended 30 September 2024, representing a significant decrease by approximately HK\$6,000 or approximately 85.7%. The decrease was mainly attributable to the decrease in interest on lease liabilities.

Loss before tax

The Group recorded a loss before tax of approximately HK\$5.5 million for the six months ended 30 September 2024. The Group's loss before tax was mainly attributable to a combination of factors, including (i) the decrease in revenue of approximately HK\$8.8 million; (ii) the decrease in cost of services of approximately HK\$3.9 million; (iii) the increase in administrative expenses of approximately HK\$0.1 million; and (iv) offset by the increase in other net income of approximately HK\$1.7 million.

Income tax expenses

The Group did not have any income tax expenses for the six months ended 30 September 2024 due to the loss for the period (six months ended 30 September 2023: approximately HK\$69,000).

Loss for the period

The Group recorded a loss for the period of approximately HK\$5.5 million for the six months ended 30 September 2024. The Group's loss for the period was mainly attributable to the combined effect of the aforementioned items.

FINANCIAL RESOURCES REVIEW

Liquidity and financial resources

As at 30 September 2024, the Group did not have any lease liability (31 March 2024: approximately HK\$176,000).

As at 30 September 2024, the Group had total assets of approximately HK\$43.9 million (31 March 2024: approximately HK\$46.2 million), including cash and cash equivalents of approximately HK\$6.3 million (31 March 2024: approximately HK\$15.6 million).

Capital structure

As at 30 September 2024 and 31 March 2024, the capital structure of the Company comprised issued share capital and reserves.

Current ratio and gearing ratio

As at 30 September 2024, the Group had a current ratio of approximately 1.7 times (31 March 2024: approximately 3.5 times). Gearing ratio at 30 September 2024 and at 31 March 2024 was not applicable as the Group was in net cash position.

Capital commitments

As at 30 September 2024, the Group did not have any material capital commitment (31 March 2024: Nil).

Contingent liabilities

As at 30 September 2024, the Group had no material contingent liabilities (31 March 2024: Nil).

Charge over assets of the Group

As at 30 September 2024, the Group had no charge on assets (31 March 2024: Nil).

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 six months ended 30 September 2024.

Foreign exchange risk

The Group is mainly exposed to the foreign exchange risk of United States dollars (“US\$”), Renminbi (“RMB”) and New Taiwan dollars. Under the pegged exchange rate system, the financial impact on exchange difference between HK\$ and US\$ will be immaterial as all US\$ denominated monetary assets and liabilities are held by group entities having HK\$ as their functional currency. For RMB and New Taiwan dollars, as the amount involved is insignificant, the foreign currency risk arising from RMB and New Taiwan dollars is immaterial.

Credit risk

The Group’s credit risk is primarily attributable to its loan receivable, investment in debt securities, trade and other receivables, amount due from an associate, contract assets and bank balances. The management manages this exposure of credit risk from investment in debt securities by maintaining a portfolio of investments with different risk and return profiles. In respect of trade receivables and contract assets, individual credit evaluations are performed on all customers, which focus on the customer’s reputation and past history of making payments. In addition, management reviews the recoverable amount of each individual trade debt and contract asset regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. For other receivables, management makes periodic individual and collective assessments on the recoverability of other receivables based on historical settlement records and past experience. In this regard, the Group’s credit risk is significantly reduced. For loan receivable, the management performed due diligence analysis on the borrower and obtained sufficient level of security for the loan receivable.

Liquidity risk

The Group’s policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Advance to an entity

On 20 May 2024, BTR (HK) Limited (the “**Lender**”), an indirect wholly-owned subsidiary of the Company, entered into the loan agreement with Auto Cave Limited (the “**Borrower**”) pursuant to which the Lender has agreed to make the loan with a principal amount of HK\$7,700,000 available to the Borrower. As the amount of the loan granted to the Borrower exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules, the advance of the loan is subject to the disclosure obligations under Rule 17.15 of the GEM Listing Rules. Details of the relevant interest rates, repayment terms and collaterals are disclosed in the announcement of the Company dated 20 May 2024.

The loan of HK\$7,770,000 has been fully drawdown by the Borrower on 21 May 2024. Save as disclosed above, subsequent to 31 March 2024 and up to the date of this announcement, the Group had no other circumstances which would give rise to a disclosure obligation under Rule 17.22 of the GEM Listing Rules.

As at 30 September 2024, the details of the advance of the loan are disclosed in note 16 to the condensed consolidated financial information.

Significant investment held

The Group held a significant investment in Joy Chance Investment Limited (“**Joy Chance**”), which is classified as an investment in an associate. As of 30 September 2024, the Group’s share of the net assets of Joy Chance was approximately HK\$9.9 million (as at 31 March 2024: approximately HK\$9.9 million).

Joy Chance is a property holding company that is principally engaged in holding the property. The investment in Joy Chance is expected to be held for long-term strategic purposes.

Further details of the investment in an associate and the summarized financial information are disclosed in note 15 to the condensed consolidated financial information.

Save as disclosed above, the Group had no other significant investment held with a value of 5% or more of the Company’s total assets for the six months ended 30 September 2024.

Future plans for material investments or capital assets

The Group does not have any concrete plan for material investments or capital assets as at 30 September 2024.

EMPLOYEES

As at 30 September 2024, the Group had 40 employees (as at 31 March 2024: 41 employees). Total staff costs including directors' emoluments for the six months ended 30 September 2024 amounted to approximately HK\$7.3 million (for the six months ended 30 September 2023: approximately HK\$10.5 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.

INTERIM DIVIDEND

The Board does not recommend a payment of any dividend by the Company for the six months ended 30 September 2024.

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

During the six months ended 30 September 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (within the meaning of the GEM Listing Rules), if any). As at 30 September 2024, the Company did not hold any such treasury shares.

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 C1 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.

Throughout the six months ended 30 September 2024 and up to the date of this announcement, other than the deviation from code provision C.2.1, the Company has complied with all the code provisions of the CG Code as set out in Appendix C1 to the GEM Listing Rules.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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 as its own code of conduct regarding securities transactions by Directors. 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 six months ended 30 September 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.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the unaudited condensed consolidated financial statement of the Group for the six months ended 30 September 2024 and this announcement and is of the opinion that the preparation of such interim financial information 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.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event which had material effect on the Group's operating and financial performance subsequent to 30 September 2024 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 printed version of the Interim Report 2024/25 will be dispatched to the shareholders of the Company who has chosen to receive printed version and will be available for viewing on the website of the Stock Exchange at www.hkexnews.hk and of the Company at www.hephaestus.com.hk in due course in the manner as required by the GEM Listing Rules.

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 six months ended 30 September 2024.

By order of the Board
Hephaestus Holdings Limited
Huang Liang

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 22 November 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.