



**THIRD  
QUARTERLY  
REPORT  
2021/22**

**Hephaestus Holdings Limited**  
**客思控股有限公司**

(Formerly known as "Union Asia Enterprise Holdings Ltd")

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8173)

## **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 (formerly known as Union Asia Enterprise 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 2021

	Note	Three months ended 31 December		Nine months ended 31 December	
		2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
<b>Revenue</b>	4	<b>12,642</b>	10,780	<b>38,267</b>	39,129
Cost of services		<b>(6,031)</b>	(6,381)	<b>(18,662)</b>	(19,820)
<b>Gross profit</b>		<b>6,611</b>	4,399	<b>19,605</b>	19,309
Other income		<b>1</b>	1,259	<b>593</b>	3,672
Other gains/(losses)		<b>(17)</b>	71	<b>15</b>	651
Administrative expenses		<b>(5,719)</b>	(4,803)	<b>(15,891)</b>	(15,320)
<b>Profit from operations</b>		<b>876</b>	926	<b>4,322</b>	8,312
Finance costs	5	<b>(415)</b>	(432)	<b>(1,190)</b>	(1,349)
<b>Profit before tax</b>		<b>461</b>	494	<b>3,132</b>	6,963
Income tax	6	<b>(370)</b>	43	<b>(880)</b>	(635)
<b>Profit and total comprehensive income for the period</b>	7	<b>91</b>	537	<b>2,252</b>	6,328
<b>Earnings per share</b>	8		(restated)		(restated)
Basic		<b>HK0.04 cents</b>	HK0.22 cents	<b>HK0.99 cents</b>	HK2.59 cents
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2021

	Attributable to the owners of the Company (unaudited)					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000 (Note)	Accumulated losses HK\$'000	
At 1 April 2020 (audited)	122	156,179	—	(68,482)	(41,395)	46,424
Total comprehensive income and changes in equity for the period	—	—	—	—	6,328	6,328
At 31 December 2020 (unaudited)	122	156,179	—	(68,482)	(35,067)	52,752
At 1 April 2021 (audited)	<b>122</b>	<b>156,179</b>	<b>—</b>	<b>(68,482)</b>	<b>(33,182)</b>	<b>54,637</b>
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 (Note 10 (a))	(14)	(9)	14	—	—	(9)
Changes in equity for the period	(14)	(10,940)	14	—	2,252	(8,688)
<b>At 31 December 2021 (unaudited)</b>	<b>108</b>	<b>145,239</b>	<b>14</b>	<b>(68,482)</b>	<b>(30,930)</b>	<b>45,949</b>

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 2021*

### 1. GENERAL INFORMATION

Hephaestus Holdings Limited (formerly known as Union Asia Enterprise 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 Flat B-G, 15/F, 15 Chong Yip Street, Kwun Tong, Kowloon, 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 2021, Hong Kong Jun Tai Ting Investment Company Limited, 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 2021 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 2021. 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 2021 and there have been no significant changes in the financial risk management policies for the nine months ended 31 December 2021.

### 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 2021. 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 2021 but they do not have a material effect on the Group's unaudited condensed consolidated financial information for the nine months ended 31 December 2021. 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 2021 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	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Interior design and execution services	12,612	10,583	38,018	38,450
Colour-rendering services	30	44	140	522
Handling services	—	153	109	157
	<u>12,642</u>	<u>10,780</u>	<u>38,267</u>	<u>39,129</u>

### 5. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Interest on lease liabilities	10	16	47	70
Interest on bank loans	405	416	1,143	1,279
	<u>415</u>	<u>432</u>	<u>1,190</u>	<u>1,349</u>

## 6. INCOME TAX

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

	Three months ended 31 December		Nine months ended 31 December	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Current tax				
Hong Kong Profits Tax	370	(43)	880	670
Deferred tax				
Origination and reversal of temporary differences	—	—	—	(35)
	<b>370</b>	<b>(43)</b>	<b>880</b>	<b>635</b>

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%.

## 7. PROFIT FOR THE PERIOD

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

	Three months ended 31 December		Nine months ended 31 December	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Employee benefit expense (including directors' emoluments):				
Salaries and allowances	6,250	6,797	18,989	20,881
Other benefits (represent rent paid)	87	130	261	389
Retirement benefit scheme contributions	235	252	694	766
	<b>6,572</b>	<b>7,179</b>	<b>19,944</b>	<b>22,036</b>
Depreciation of property, plant and equipment	74	173	298	585
(Gain)/Loss on disposal of property, plant and equipment	—	—	52	—
Depreciation of right-of-use assets	1,128	1,112	3,382	3,336
Rental expenses relating to short-term leases	—	130	—	389
Government grants (Note)	—	(1,259)	—	(3,639)

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 2020.

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company for the three months and nine months ended 31 December 2021 are based on the following:

	Three months ended 31 December		Nine months ended 31 December	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
<b>Earnings</b>				
Profit attributable to owners of the Company	<b>91</b>	537	<b>2,252</b>	6,328
	<b>2021 (unaudited) '000</b>	2020 (unaudited) '000 (restated)	<b>2021 (unaudited) '000</b>	2020 (unaudited) '000 (restated)
<b>Number of shares</b>				
Weighted average number of ordinary shares used in basic earnings per share calculation	<b>215,473</b>	244,211	<b>226,625</b>	244,211

The weighted average number of shares and the basic earnings per share for the three months and nine months ended 31 December 2020 are adjusted retrospectively to take into account the effect of the share consolidation during the period (Note 10(b)) as if it had taken place before the beginning of the comparative period.

No diluted 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 2021 (nine months ended 31 December 2020: Nil).

## 10. SHARE CAPITAL

	Note	Number of shares	Amount HK\$'000
<b>Authorised:</b>			
At 1 April 2020, 31 December 2020 and 1 April 2021			
Ordinary shares of HK\$0.0001 each		100,000,000,000	10,000
Share consolidation	(b)	(80,000,000,000)	—
<b>At 31 December 2021</b>		<b>20,000,000,000</b>	<b>10,000</b>
<b>Ordinary shares of HK\$0.0005 each</b>			
<b>Issued and fully paid:</b>			
At 1 April 2020, 31 December 2020 and 1 April 2021			
Ordinary shares of HK\$0.0001 each		1,221,052,631	122
Repurchase and cancellation of shares	(a)	(117,152,000)	(14)
Share consolidation	(b)	(888,554,105)	—
<b>At 31 December 2021</b>		<b>215,346,526</b>	<b>108</b>
<b>Ordinary shares of HK\$0.0005 each (unaudited)</b>			

Notes:

### (a) Repurchase and cancellation of shares

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

	Number of shares of HK\$0.0001 each repurchased	Number of shares of HK\$0.0005 each repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
<b>Before share consolidation:</b>					
June 2021	100,960,000	N/A	0.076	0.070	7,457
July 2021	7,840,000	N/A	0.067	0.063	507
August 2021	1,520,000	N/A	0.043	0.043	65
September 2021	40,000	N/A	0.042	0.042	2
<b>After share consolidation:</b>					
September 2021	N/A	4,072,000	0.475	0.230	1,549
October 2021	N/A	2,720,000	0.480	0.480	1,306
	<u>110,360,000</u>	<u>6,792,000</u>			<u>10,886</u>

Total of 110,360,000 shares of HK\$0.0001 each and 6,792,000 shares of HK\$0.0005 each at an aggregate cost of approximately HK\$10,886,000 (before related expenses) were cancelled during the nine months ended 31 December 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:

<b>Name of related party</b>	<b>Relationship with the Group</b>
Waldorf Holdings Limited	Controlled by Mr. Chan Norman Enrique, the chairman and an executive director of the Company (" <b>Mr. Norman Chan</b> ")
H. S. Chan Company Limited	Controlled by a close family member of Mr. Norman Chan

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

	<b>Three months ended 31 December</b>		<b>Nine months ended 31 December</b>	
	<b>2021 (unaudited) HK\$'000</b>	2020 (unaudited) HK\$'000	<b>2021 (unaudited) HK\$'000</b>	2020 (unaudited) HK\$'000
Office rental paid to Waldorf Holdings Limited	<b>1,044</b>	1,044	<b>3,132</b>	3,132
Cleaning expense to H. S. Chan Company Limited	<b>4</b>	4	<b>13</b>	12
	<b>1,048</b>	1,048	<b>3,145</b>	3,144

**(b) Key management personnel compensation**

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

	<b>Three months ended 31 December</b>		<b>Nine months ended 31 December</b>	
	<b>2021 (unaudited) HK\$'000</b>	2020 (unaudited) HK\$'000	<b>2021 (unaudited) HK\$'000</b>	2020 (unaudited) HK\$'000
Salaries and allowances	<b>837</b>	827	<b>2,510</b>	2,476
Other benefits (represent rent paid)	<b>87</b>	87	<b>261</b>	261
Retirement benefit scheme contributions	<b>13</b>	13	<b>40</b>	40
	<b>937</b>	927	<b>2,811</b>	2,777

## 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 2021, together with the comparative unaudited figures for the corresponding periods in 2020.

### FINANCIAL REVIEW

#### Revenue

Revenue decreased from approximately HK\$39.1 million for the nine months ended 31 December 2020 to approximately HK\$38.3 million for the nine months ended 31 December 2021, representing a decrease of approximately HK\$0.8 million or 2.2%. The decrease was mainly attributable to the decrease in revenue from commercial and show flat and sales office projects.

#### Cost of services

Cost of services for the nine months ended 31 December 2020 and 2021 amounted to approximately HK\$19.8 million and HK\$18.7 million, respectively, representing a decrease of approximately HK\$1.1 million or 5.8%. The decrease was mainly due to a combination of factors, including (i) an increase in subcontracting charges; and (ii) a decrease in direct staff costs.

#### Gross profit and gross profit margin

For the nine months ended 31 December 2021, gross profit amounted to approximately HK\$19.6 million, which increased by approximately HK\$0.3 million from approximately HK\$19.3 million for the nine months ended 31 December 2020. The increase in gross profit was mainly due to a combination of factors, including (i) the decrease in revenue of approximately HK\$0.8 million; and (ii) a decrease in cost of services of approximately HK\$1.1 million.

Gross profit margin increased from approximately 49.3% for the nine months ended 31 December 2020 to approximately 51.2% for the nine months ended 31 December 2021.

#### Other income

Other income for the nine months ended 31 December 2020 and 2021 amounted to approximately HK\$3.7 million and HK\$0.6 million, respectively, representing a significant decrease of approximately HK\$3.1 million. The decrease was mainly due to a combination of factors, including (i) reversal of other payables of approximately HK\$0.5 million for the nine months ended 31 December 2021; and (ii) government grants for the Employment Support Scheme (the “**ESS**”) of approximately HK\$3.6 million received for the nine months ended 31 December 2020 but no government grants received during the nine months ended 31 December 2021.

## **Other gains**

Other gains decreased from approximately HK\$0.7 million for the nine months ended 31 December 2020 to approximately HK\$15,000 for the nine months ended 31 December 2021. Such decrease was mainly attributable to the decrease in fair value gain of approximately HK\$0.5 million on key management insurance policies.

## **Administrative expenses**

Administrative expenses increased from approximately HK\$15.3 million for the nine months ended 31 December 2020 to approximately HK\$15.9 million for the nine months ended 31 December 2021, representing an increase of approximately HK\$0.6 million or 3.7%. Such increase was mainly attributable to the non-recurring legal and professional fees incurred for the mandatory unconditional cash offer during the nine months ended 31 December 2021, as compared with the same period last year.

## **Finance costs**

Finance costs, which comprised interests on bank loans and lease liabilities, decreased by approximately HK\$0.1 million or 11.8%, from approximately HK\$1.3 million for the nine months ended 31 December 2020 to approximately HK\$1.2 million for the nine months ended 31 December 2021. Such decrease was mainly due to decrease in interest on bank loans of approximately HK\$0.1 million in relation to the full repayment of the outstanding amounts of secured bank loans during the nine months ended 31 December 2021.

## **Profit before tax**

Profit before tax decreased from approximately HK\$7.0 million for the nine months ended 31 December 2020 to approximately HK\$3.1 million for the nine months ended 31 December 2021, representing a decrease of approximately HK\$3.9 million or 55.0%. Such decrease was mainly attributable to a combination of factors, including (i) the decrease in revenue of approximately HK\$0.8 million; (ii) the decrease in cost of services of approximately HK\$1.1 million; and (iii) government grants for the ESS of approximately HK\$3.6 million accounted for as other income for the nine months ended 31 December 2020.

## **Income tax**

Income tax increased by approximately HK\$0.3 million from approximately HK\$0.6 million for the nine months ended 31 December 2020 to approximately HK\$0.9 million for the nine months ended 31 December 2021. Such increase in income tax was mainly due to a combination of factors, including (i) the increase in non-tax deductible expense of legal and professional fees for the nine months ended 31 December 2021 as compared with the same period last year; and (ii) the effect of non-taxable income of the ESS subsidiary of approximately HK\$3.6 million for the nine months ended 31 December 2020.

## **Profit and total comprehensive income**

Profit and total comprehensive income decreased by approximately HK\$4.1 million, from approximately HK\$6.3 million for the nine months ended 31 December 2020 to approximately HK\$2.2 million for the nine months ended 31 December 2021. Such decrease was mainly attributable to the combined effect of the aforementioned items.

## **Charge over assets of the Group**

As at 31 December 2021, 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 2021, so far as is known to any Directors or chief executive of the Company, none of the Directors and chief executives of the Company had any interests or short positions 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 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2021, 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 (Notes 1 and 4)	Interest in underlying shares of the Company (Notes 1 and 4)	Total interest in shares of the Company (Notes 1 and 4)	Approximate percentage of shareholding (Notes 1, 3 and 4)
Hong Kong Jun Tai Ting Investment Company Limited (" <b>Jun Tai Ting Investment</b> ")	Beneficial owner (Note 2)	158,947,368(L)	—	158,947,368(L)	73.81%(L)
Ms. Ye Huacong	Interest of controlled corporation (Note 2)	158,947,368(L)	—	158,947,368(L)	73.81%(L)
Mr. Huang Liang	Interest of spouse (Note 2)	158,947,368(L)	—	158,947,368(L)	73.81%(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 2021.
4. On 26 November 2021, Whistle Up Limited ("**Whistle Up**"), Mr. Norman Chan and Jun Tai Ting Investment entered into the sale and purchase agreement pursuant to which Whistle Up has agreed to sell and Jun Tai Ting Investment has agreed to purchase an aggregate of 158,947,368 Shares (the "**Sale Shares**"), representing approximately 73.81% of the total issued share capital of the Company for a total consideration of HK\$73,810,000 (equivalent to approximately HK\$0.4644 per Share). After the completion of the sale and purchase of the Sale Shares on 29 November 2021, Whistle Up ceased to have any interest in Shares. Jun Tai Ting Investment's interest in Shares was increased to 158,947,368 Shares, representing approximately 73.81% of the total issued share capital of the Company, and incurring an obligation for Jun Tai Ting Investment to make mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by Jun Tai Ting Investment and the parties acting in concert with it) under the Takeovers Code. For more details, please refer to the composite offer and response document dated 28 December 2021 jointly issued by Jun Tai Ting Investment and the Company and announcements dated 6 December 2021, 28 December 2021, 5 January 2022 and 18 January 2022 jointly issued by Jun Tai Ting investment and the Company.

Save as disclosed above, as at 31 December 2021, 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.

During the nine months ended 31 December 2021, no share options were granted, exercised, cancelled, lapsed or forfeited. As at 31 December 2021, there were no outstanding share option.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY**

Save as disclosed in this report, at no time during the nine months ended 31 December 2021 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 2021.

### **COMPETING INTERESTS OF DIRECTORS**

As at 31 December 2021, 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**

The Group had no material acquisitions or disposals of subsidiaries, associates and affiliated companies during the nine months ended 31 December 2021.

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

During the nine months ended 31 December 2021, the Company has repurchased 110,360,000 ordinary shares of HK\$0.0001 each and 6,792,000 ordinary shares of HK\$0.0005 each on Stock Exchange, of which 108,800,000 and 1,560,000 ordinary shares of HK\$0.0001 each have been cancelled by the Company on 19 July 2021 and 5 October 2021 respectively and 1,872,000 and 4,920,000 ordinary shares of HK\$0.0005 each have been cancelled by the Company on 5 October 2021 and 26 October 2021 respectively. As

at the date of this report, the number of the issued ordinary shares of the Company is 215,346,526. The Directors believe that the share repurchases were exercised in the best interests of the Company and its shareholders and would ultimately benefit the Company and create value for its shareholders. Details of these repurchased shares are as follows:

<b>Date of repurchase</b>	<b>Number of shares repurchased (before Share Consolidation)</b>	<b>Number of shares repurchased (after Share Consolidation)</b>	<b>Highest purchase price per Share</b> HK\$	<b>Lowest purchase price per Share</b> HK\$	<b>Consideration</b> HK\$
24 June 2021	50,000,000	N/A	0.075	0.075	3,750,000
25 June 2021	50,960,000	N/A	0.076	0.070	3,707,200
5 July 2021	800,000	N/A	0.063	0.063	50,400
6 July 2021	5,920,000	N/A	0.067	0.063	384,960
7 July 2021	1,120,000	N/A	0.064	0.064	71,680
30 August 2021	1,440,000	N/A	0.043	0.043	61,920
31 August 2021	80,000	N/A	0.043	0.043	3,440
1 September 2021	40,000	N/A	0.042	0.042	1,680
3 September 2021	N/A	40,000	0.233	0.233	9,320
7 September 2021	N/A	1,072,000	0.230	0.230	246,560
8 September 2021	N/A	112,000	0.245	0.245	27,440
14 September 2021	N/A	16,000	0.30	0.30	4,800
15 September 2021	N/A	56,000	0.345	0.345	19,320
16 September 2021	N/A	576,000	0.37	0.37	213,120
17 September 2021	N/A	60,000	0.40	0.40	24,000
21 September 2021	N/A	620,000	0.46	0.46	285,200
23 September 2021	N/A	1,300,000	0.475	0.475	617,500
30 September 2021	N/A	220,000	0.460	0.460	101,200
4 October 2021	N/A	500,000	0.480	0.480	240,000
5 October 2021	N/A	1,000,000	0.480	0.480	480,000
6 October 2021	N/A	1,220,000	0.480	0.480	585,600
	<u>110,360,000</u>	<u>6,792,000</u>			<u>10,885,340</u>

Save as disclosed above, during the nine months ended 31 December 2021, 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 2021.

## **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 A.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. Norman Chan 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 A.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 nine months ended 31 December 2021 and up to the date of this report, other than the deviation from code provision A.2.1, 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 2021.

## TENANCY AGREEMENT

On 1 January 2022, 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 “**2022 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 15 Chong Yip Street, Kowloon, Hong Kong (the “**Reduced Premises**”) for a term of twelve months from 1 January 2022 to 31 December 2022 (both days inclusive).

The terms of the 2022 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 11 December 2020 (“**2021 Tenancy Agreement**”); and (ii) the prevailing market conditions and the prevailing market rent for similar properties in the vicinity of the Reduced Premises at the relevant time.

The Landlord is wholly and beneficially owned by Mr. Norman Chan, who is an executive Director, the Chairman and the chief executive officer of the Company. The Landlord is therefore a connected person of the Company. Accordingly, the 2022 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 11 December 2020 in relation to the lease of the Premises under the 2021 Tenancy Agreement. As the 2021 Tenancy Agreement and the 2022 Tenancy Agreement both relate to the leasing of the Premises and the Reduced Premises, the 2021 Tenancy Agreement and the 2022 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 2023, 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 2021 Tenancy Agreement and 2022 Tenancy Agreement, are as follows:

	<b>Year ending 31 March 2022</b>	<b>Year ending 31 March 2023</b>
	HK\$	HK\$
2021 Tenancy Agreement	3,132,000	—
2022 Tenancy Agreement	879,000	2,637,000
Annual Caps	4,011,000	2,637,000

For details of the 2022 Tenancy Agreement and the transactions contemplated thereunder, please refer to the announcements of the Company dated 2 January 2022 and 3 January 2022.

## **EVENT AFTER THE REPORTING PERIOD**

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 2021.

## **INTEREST OF THE COMPLIANCE ADVISER**

As notified by Messis Capital, the Company's compliance adviser, save for the compliance adviser agreement entered into between the Company and Messis Capital dated 31 October 2019, neither Messis Capital, its close associates (as defined in the GEM Listing Rules) nor any of its directors, employees has or may have any interest in the Group or which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2021.

## **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 C.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 of three independent non-executive Directors, namely Mr. Chi Chi Hung Kenneth, Mr. Kwong U Hoi Andrew and Mr. Wong Jonathan. The chairman of the Audit Committee is Mr. Chi Chi Hung Kenneth, 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 2021 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 2021 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**  
**Chan Norman Enrique**  
*Executive Director*

Hong Kong, 10 February 2022

*As at the date of this report, the Board comprised two executive Directors, Mr. Chan Norman Enrique and Mr. Lee Alex Kam-fai and three independent non-executive Directors, Mr. Kwong U Hoi Andrew, Mr. Wong Jonathan and Mr. Chi Chi Hung Kenneth.*