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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)

DISCLOSEABLE TRANSACTION WITHDRAWAL OF LIFE INSURANCE POLICY

WITHDRAWAL OF LIFE INSURANCE POLICY

The Board hereby announces that on 8 June 2022 (after trading hours), the Board has approved and submitted the relevant form to FWD for the Withdrawal by BTR, an indirect wholly owned subsidiary of the Company as the policy holder and beneficiary, of the Life Insurance Policy at the Surrender Value (after deduction of Surrender Charge by FWD). The net proceeds from the Withdrawal will be used for general working capital for the Group.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Withdrawal exceed 5% but are less than 25%, the Withdrawal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements under the GEM Listing Rules.

The Board is aware that the Surrender Value could vary upon the effective date of the Withdrawal. Therefore, the actual applicable percentage ratios in respect of the Withdrawal could vary based on the Surrender Value at the effective date of the Withdrawal. The Company will ensure that the highest applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Withdrawal at the effective date will be less than 25% and will comply with the relevant GEM Listing Rules.

WITHDRAWAL OF THE LIFE INSURANCE POLICY

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The Surrender Value represented the cash value of the Life Insurance Policy as at the date of withdrawal, which is determined by reference to the accumulated gross premium paid, plus accumulated interest earned and minus accumulated Life Insurance Policy expenses charged and any surrender charge.

As at the date of this announcement, the Surrender Value of the Life Insurance Policy amounted to an aggregate of approximately US\$1,045,000 (equivalent to approximately HK\$8,199,000).

As the Withdrawal will take effect on a date to be mutually agreed between FWD and BTR, after all surrender requirements are received in good order by the Company to FWD, the Surrender Value may vary upon the effective date of the Withdrawal.

INFORMATION ABOUT THE LIFE INSURANCE POLICY

On 3 September 2019, BTR entered into the Life Insurance Policy with FWD to insure Mr. Norman Chan, who resigned as the chairman, the chief executive officer, an executive Director, the compliance officer and an authorised representative of the Company under Rule 5.24 of the GEM Listing Rules of the Stock Exchange on 4 March 2022. Under the Life Insurance Policy, BTR is the policy holder and beneficiary. BTR paid a single premium of US\$1,025,000 for the Life Insurance Policy (equivalent to approximately HK\$8,042,000) as the inception of the Life Insurance Policy. BTR may request a surrender of the Life Insurance Policy at any time and receive cash based on the Surrender Value.

The amount of the Surrender Charge decreases over time and is no longer required from the 10th year of contract conclusion onwards. BTR is entitled to interest at a rate of 5% per annum applied on the balance of the cash value for two years from the date of the payment of the premium. Commencing from the third year, the interest rate is 1.25% per annum plus a premium determined by FWD on an annual basis.

The investment in the Life Insurance Policy had been accounted for as a financial asset at fair value through profit or loss in the Company's audited consolidated financial statements for the year ended 31 March 2021 and the accumulated interests earned were reflected in the changes in fair value of the Life Insurance Policy.

Details of the Life Insurance Policy classified as a financial asset at fair value through profit or loss for the two financial years ended 31 March 2020 and 2021 are presented as follows:

	For the year ended	
	31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value gain recognised in profit or loss	<u>152</u>	<u>115</u>
	As at 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value of the Life Insurance Policy	<u>8,321</u>	<u>8,169</u>

The unaudited fair value of the Life Insurance Policy was approximately US\$1,068,000 (equivalent to approximately HK\$8,321,000) at as 30 September 2021.

INFORMATION ABOUT THE GROUP

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

INFORMATION ABOUT FWD

FWD, a company incorporated in Bermuda with limited liability, is a financial services company that offers a diverse range of financial products and wealth management services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, FWD and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

FINANCIAL EFFECTS AND USE OF PROCEEDS OF THE WITHDRAWAL

For illustrative purpose, based on the Surrender Value as at the date of this announcement of approximately US\$1,045,000 (equivalent to approximately HK\$8,199,000) and the single premium paid of the Life Insurance Policy, the value of Life Insurance Policy is nearly breakeven. It should be noted that the actual gain or loss on the Withdrawal to be recognised by the Group will depend on the Surrender Value as at the effective date of the Withdrawal. It is expected that the net proceeds from the Withdrawal will be used for general working capital for the Group.

REASONS FOR AND BENEFITS OF THE WITHDRAWAL

Taking into account that the Withdrawal will be near breakeven, after due and careful consideration by the Board, it is considered that the Company could increase the Group's cash level for general working capital.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Withdrawal are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Withdrawal exceed 5% but are less than 25%, the Withdrawal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements under the GEM Listing Rules.

The Board is aware that the Surrender Value could vary upon the effective date of the Withdrawal. Therefore, the actual applicable percentage ratios in respect of the Withdrawal could vary based on the Surrender Value at the effective date of the Withdrawal. The Company will ensure that the highest applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Withdrawal at the effective date will be less than 25% and will comply with the relevant GEM Listing Rules.

DEFINITION

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	board of Directors
“BTR”	BTR (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	Hephaestus Holdings Limited 客思控股有限公司 (stock code: 8173), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“FWD”	FWD Life Insurance Company (Bermuda) Limited, a company incorporated in Bermuda with limited liability
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Life Insurance Policy”	the life insurance policy entered into by BTR with FWD on 3 September 2019 to insure Mr. Norman Chan
“Mr. Norman Chan”	Mr. Chan Norman Enrique, who resigned as the chairman, the chief executive officer, an executive Director, the compliance officer and an authorised representative of the Company under Rule 5.24 of the GEM Listing Rules of the Stock Exchange on 4 March 2022
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Surrender Charge”	a specified amount of surrender charge by FWD in the event that the Withdrawal is made between the first and tenth policy years
“Surrender Value”	the cash value available to the policy holder on the surrender of the Life Insurance Policy
“US\$”	United States dollar, the lawful currency of United States of America
“Withdrawal”	withdrawal of the Life Insurance Policy at the request of BTR
“%”	per cent

For the purpose of this announcement, the translation of US\$ into HK\$ is calculated based on the exchange rate of approximately US\$1.0 to HK\$7.846 for illustration purpose. No representation has been made that any amounts in US\$ or HK\$ have been, could have been or may be converted at such rate, any other rate or at all.

By order of the Board
Hephaestus Holdings Limited
Huang Liang
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 8 June 2022

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

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

This announcement will remain on the website of the GEM of The Stock Exchange of Hong Kong Limited on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the website of the Company at www.hephaestus.com.hk.