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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 IN RELATION TO THE PROVISION OF THE LOAN

THE LOAN AGREEMENT

On 20 May 2024 (after trading hours), the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower pursuant to which the Lender has agreed to make the Loan available to the Borrower.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Loan are more than 5% but less than 25%, the Loan constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements, but is exempt from the Shareholders' approval requirements, under Chapter 19 of the GEM Listing Rules.

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.

INTRODUCTION

The Board is pleased to announce that on 20 May 2024 (after trading hours), the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower pursuant to which the Lender has agreed to make the Loan available to the Borrower.

THE LOAN AGREEMENT

The principal terms of the Loan Agreement are set out below:

- Date : 20 May 2024 (after trading hours of the Stock Exchange)
- Parties : (i) The Lender; and
(ii) The Borrower
- Principal loan amount : HK\$7,700,000
- Interest rate (per annum) : 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 “**Drawdown Date**”)
- Default interest : If the Borrower defaults in repayment on the due date of the Loan, interest or other amounts payable thereunder under the Loan Agreement, the Borrower shall pay interest on such overdue sums from the due date until payment in full (before and after judgment) at the rate of 6.875% per annum
- Repayment and prepayment : The Borrower shall repay the Loan in full in one lump sum on the date falling two (2) years from the Drawdown Date (the “**Repayment Date**”) save where an event of default as set out in the Loan Agreement occurs in which the Lender may by notice in writing to the Borrower (i) declare the Loan, and all other monies payable under the Loan Agreement to be forthwith due and payable whereupon the same shall be forthwith due and payable; and (ii) declare that the security constituted by the Security Documents or any of them has become immediately enforceable, whereupon such security shall become immediately enforceable as against the Borrower and against any of the Security Parties
- The Borrower may at any time during the term of the Loan prepay the Loan in whole or in part together with the accrued interest thereon by giving prior written notice to the Lender before the Repayment Date

Security : The Loan is secured by:

- (i) the Share Charge;
- (ii) the Debt Security Assignment; and
- (iii) the Subordination Agreement

INFORMATION ON THE PARTIES

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 in Hong Kong.

The Borrower

The Borrower is a company incorporated in Hong Kong with limited liability and principally engaged in car trading, storage, repair and maintenance. It has three subsidiaries in the United Kingdom, Hong Kong and Taiwan respectively. The Borrower is wholly-owned by Panasia Automobilia Limited, a company incorporated in Hong Kong with limited liability. Panasia Automobilia Limited is owned as to 87.5% by Mr. Yu Zhen Hua Johnny, as to 8.33% by Magic Combo Limited and as to 4.17% by Mr. Li Man Tak. Magic Combo Limited is owned as to 50% by Mr. Chu Law Kwong Jones, as to 25% by Mr. Ho Shan Ming and as to 25% by Mr. Lee Ricky Sheung Yan. Save for the Loan, there is no outstanding loan owing by the Borrower to the Group as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Borrower and its ultimate beneficial owners is an Independent Third Party.

Joy Chance and the Property

Each of the Borrower and the Group holds 50% of the issued share capital of Joy Chance respectively. Joy Chance is a property holding company incorporated in Hong Kong with limited liability. Joy Chance is principally engaged in holding the Property and has not carried on any other business or activities. The value of the Property was HK\$22,000,000 as at 31 March 2024 (the "**Valuation Date**") according to the valuation report (the "**Valuation**") prepared by an independent valuer, Roma Appraisals Limited (the "**Independent Valuer**"). The Independent Valuer adopted a market approach as at the Valuation Date for the Valuation.

The valuation adopted the market approach in which the value of the Property was determined by the direct comparison approach assuming sales of the Property in its existing state with the benefit of vacant possession and making reference to comparable sales transactions in the relevant market.

The market approach was adopted as there are sufficient comparable lands that could be identified in the market to facilitate a meaningful comparison and to form a reliable opinion of value. The valuation has been made on the assumption that the owner sells the Property in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no allowance has been made for the Property to be sold in one lot or to a single purchaser.

The valuation is prepared in compliance with the requirements set out in Chapter 8 of the GEM Listing Rules and in accordance with the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

With respect to the Independent Valuer, Mr. Frank F. Wong, a director of the Independent Valuer, is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering with over 25 years of valuation, transaction advisory and project consultancy experience of properties in Hong Kong and 17 years of experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, Thailand, France, Germany, Austria, Czech Republic, Poland, United Kingdom, United States, Abu Dhabi (UAE), Ukraine and Jordan. The Independent Valuer possesses the requisite qualifications for conducting valuation for the Property.

As at the date of this announcement, Joy Chance owes each of the Borrower and the Group a shareholder's loan of HK\$1,250,000 respectively. Except for the Property, bank deposit in the amount of approximately HK\$255,000 and such shareholders' loan, Joy Chance has no other material assets and liabilities. Taking into account the shareholder's loan owed by Joy Chance to the Borrower shall be assigned to the Lender by way of security and the value of the Property, the value of the Charged Shares is approximately HK\$11.12 million.

FUNDING OF THE LOANS

The Loan is funded by the idle funds of the Group.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE LOAN

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 in Hong Kong.

The terms of the Loan Agreement (including the applicable interest rate) were negotiated on an arm's length basis between the Lender and the Borrower, 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 the Borrower; (ii) the principal amount of the Loan represents approximately 69.24% of the value of the Charged Shares; (iii) the underlying asset of the Charged Shares is the Property; (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.

GEM LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Loan are more than 5% but less than 25%, the Loan constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements, but is exempt from the Shareholders' approval requirements, under Chapter 19 of the GEM Listing Rules.

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.

DEFINITIONS

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

“Board”	the board of Directors
“Borrower”	Auto Cave Limited, the borrower of the Loan

“Charged Shares”	5,000 shares of Joy Chance legally and beneficially owned by the Borrower, representing 50% of the issued share capital of Joy Chance
“Company”	Hephaestus Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Debt Security Assignment”	the assignment of debt by way of security dated 20 May 2024 in respect of the amount owed by Joy Chance to the Borrower, which as at the date of the Loan Agreement is HK\$1,250,000, entered into by the Borrower in favour of the Lender for securing the Outstanding Indebtedness
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the GEM Listing Rules) with the Company and connected person(s) of the Company
“Joy Chance”	Joy Chance Investment Limited, a company incorporated in Hong Kong with limited liability and an associate of the Group
“Lender”	BTR (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Loan”	the loan with a principal amount of HK\$7,700,000 granted by the Lender to the Borrower pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement dated 20 May 2024 and entered into between the Lender and the Borrower as the borrower of the Loan

“Outstanding Indebtedness”	the Loan and interest accrued thereon and all other moneys, debts and liabilities whatsoever, whether past, present or future, actual or contingent, which are now or which may at any time hereafter be, or become from time to time due, owing, incurred or outstanding to the Lender under the terms of, or pursuant to, the Loan Agreement and/or the Security Documents, or any of them
“Panasia Automobilia”	Panasia Automobilia Limited, a company incorporated in Hong Kong with limited liability, being the sole shareholder of the Borrower
“Panasia Debts”	HK\$10,000,000 owing by the Borrower to Panasia Automobilia as at the date of the Loan Agreement
“Property”	Section A and the remaining portion of Lot No. 682 in Demarcation District No. 114, Yuen Long, New Territories, Hong Kong
“Security Documents”	the Share Charge, the Debt Security Assignment, the Subordination Agreement and such other documents as may have been or may be executed by the Borrower or any other person in favour of the Lender as security for the performance of the Borrower’s obligations under the Loan Agreement and all documents executed pursuant to any of them
“Security Parties”	the Borrower, Joy Chance and any party whom has provided security or subsequently provides security for all or any part of the Borrower’s obligations under the Loan Agreement
“Share(s)”	ordinary share(s) of HK\$0.0005 each in the share capital of the Company
“Share Charge”	the share charge over the Charged Shares dated 20 May 2024 and executed by the Borrower in favour of the Lender for securing the Outstanding Indebtedness
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subordination Agreement”

the subordination agreement dated 20 May 2024 and executed by Panasia Automobilia, the Lender and the Borrower to subordinate the Panasia Debts to the Outstanding Indebtedness

By order of the Board
Hephaestus Holdings Limited
Huang Liang

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 20 May 2024

As at the date of this announcement, the Board comprises of 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.

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

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