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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)

CONTINUING CONNECTED TRANSACTION TENANCY AGREEMENT

THE 2022 TENANCY AGREEMENT

The Board announces that on 1 January 2022, the Tenant, an indirect wholly owned subsidiary of the Company as tenant and the Landlord as landlord entered into the 2022 Tenancy Agreement in relation to the lease of the Reduced Premises for a term of twelve months from 1 January 2022 to 31 December 2022 (both days inclusive).

IMPLICATIONS UNDER THE GEM LISTING RULES

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.

Given that all of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the 2022 Tenancy Agreement are less than 5%, the 2022 Tenancy Agreement and the transactions contemplated thereunder is subject to the reporting and announcement requirements under Chapter 20 of the GEM Listing Rules but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements 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 2021 Tenancy Agreement in relation to the lease of the Premises for the term from 1 January 2021 to 31 December 2021. Having considered that (i) the Premises

has been used by the Group as principal place of business for over five years; (ii) it will enable the Group to secure its stable operation at the Premises without incurring additional costs and expenses in identifying, renovating and relocating to alternative premises and ensure that there will be no disruption to the operations, business and growth of the Group; and (iii) the expected need in office spaces of the Group in the future and as the lease of the Premises will expire on 31 December 2021, after arm's length negotiations, the Board announces that on 1 January 2022, the Tenant as the tenant and the Landlord as the landlord entered into the 2022 Tenancy Agreement in relation to the lease of the Reduced Premises for a term of twelve months from 1 January 2022 to 31 December 2022 (both days inclusive).

2022 TENANCY AGREEMENT

The principal terms of the 2022 Tenancy Agreement are set out below:

Date:	1 January 2022
Parties:	(i) Waldorf Holdings Limited, a company wholly-owned by Mr. Norman Chan as landlord; and (ii) BTR (HK) Limited, an indirect wholly owned subsidiary of the Company, as tenant
Premises:	Flats B, C, D, E, F and G on 15th Floor and private parking space Nos. P10 and P11 on 3rd Floor of Monterey Plaza at 15 Chong Yip Street, Kowloon, Hong Kong
Term:	twelve months from 1 January 2022 to 31 December 2022 (both days inclusive)
Monthly rent:	HK\$293,000 per calendar month (inclusive of all government rents and rates and management fee) payable in advance in cash without any deduction on the first day of each and every calendar month.
Deposit:	HK\$586,000 (being two months' rent)

Historical transaction value

The actual rents paid by the Tenant to the Landlord under the Previous Tenancy Agreement and the Option Notice and 2021 Tenancy Agreement are as follows:

	Actual rent paid
Year ended 31 March 2018 (from 1 January 2018 to 31 March 2018)	HK\$1,044,000
Year ended 31 March 2019	HK\$4,176,000
Year ended 31 March 2020	HK\$4,176,000
Year ended 31 March 2021	HK\$4,176,000
Year ending 31 March 2022 (from 1 April 2021 to 31 December 2021)	HK\$3,132,000

Annual Caps

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:

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

In arriving at the above Annual Caps, the Directors have taken into account the following factors:

- (a) the historical figures of the actual amounts paid by Tenant under the 2021 Tenancy Agreement; and
- (b) the prevailing market conditions and the prevailing market rent for similar properties in the vicinity of the Reduced Premises at the relevant time.

REASONS AND BENEFITS FOR ENTERING INTO THE 2022 TENANCY AGREEMENT

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

The Tenant is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the provision of interior design services to premises including private residences, corporate offices, service apartments, hotels, residential clubhouses, show flats and sales galleries.

The Landlord is a company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Norman Chan, an executive Director and the Landlord is principally engaged in the holding and leasing of the Premises.

The terms of the 2022 Tenancy Agreement were determined after arm's length negotiations between the Tenant and the Landlord with reference to the market rent of the Reduced Premises as opined by an independent property valuer under a direct comparison approach. Having considered the above and that (i) the Premises has been used by the Group as principal place of business for over five years; (ii) it will enable the Group to secure its stable operation at the Premises without incurring additional costs and expenses in identifying, renovating and relocating to alternative premises and ensure that there will be no disruption to the operations, business and growth of the Group; and (iii) the expected need in office spaces of the Group in the future, the Directors (including the independent non-executive Directors) are of the view that the terms of the 2022 Tenancy Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the 2022 Tenancy Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Norman Chan has a material interest in the 2022 Tenancy Agreement and the transactions contemplated thereunder, Mr. Norman Chan had therefore abstained from voting on the resolutions passed by the Board to approve the 2022 Tenancy Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the 2022 Tenancy Agreement and the transactions contemplated thereunder and was required to abstain from voting on the relevant Board resolutions approving the 2022 Tenancy Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE GEM LISTING RULES

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.

Given that all the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Annual Caps under the 2022 Tenancy Agreement (as aggregated with the 2021 Tenancy Agreement) are less than 5%, the 2022 Tenancy Agreement and the transactions contemplated thereunder is subject to the reporting and announcement requirements under Chapter 20 of the GEM Listing Rules but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DEFINITION

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

“2021 Tenancy Agreement”	a tenancy agreement dated 11 December 2020 entered into between the Tenant (an indirect wholly-owned subsidiary of the Company) as tenant and the Landlord as the landlord in relation to the lease of the Premises
“2022 Tenancy Agreement”	a tenancy agreement dated 1 January 2022 entered into between the Tenant (an indirect wholly-owned subsidiary of the Company) as tenant and the Landlord as the landlord in relation to the lease of the Reduced Premises
“Board”	board of Directors
“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 of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Landlord”	Waldorf Holdings Limited, a company incorporated in Hong Kong with limited liability on 3 July 2012, which is wholly owned by Mr. Norman Chan
“Mr. Norman Chan”	Mr. Chan Norman Enrique, an executive Director, the chairman and the chief executive officer of the Company
“Option Notice”	the option notice dated 21 October 2019 signed by the Tenant and the Landlord in relation to the exercise of the option by the Tenant to extend the term of the lease of the Premises for a term of one year from 1 January 2020 to 31 December 2020
“Premises”	Flats A, B, C, D, E, F and G on 15th Floor and private parking space Nos. P9, P10 and P11 on 3rd Floor of Monterey Plaza at 15 Chong Yip Street, Kowloon, Hong Kong
“Previous Tenancy Agreement”	the tenancy agreement dated 22 February 2018 entered into between the Tenant and the Landlord in relation to the lease of the Premises
“Reduced Premises”	Flats B, C, D, E, F and G on 15th Floor and private parking space Nos. P10 and P11 on 3rd Floor of Monterey Plaza at 15 Chong Yip Street, Kowloon, Hong Kong
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	BTR (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Hephaestus Holdings Limited
Chan Norman Enrique
Chairman and Executive Director

Hong Kong, 2 January 2022

As at the date of this announcement, 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.

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 at www.hkgem.com 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.