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CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED
基石科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR
THE THREE MONTHS ENDED 31 MARCH 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Cornerstone Technologies Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the first quarterly results of the Group for the three months ended 31 March 2022. This announcement, containing the full text of the first quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of the first quarterly results.

On behalf of the Board
Cornerstone Technologies Holdings Limited
LIANG Zihao
Co-Chairman and Executive Director

Hong Kong, 13 May 2022

As at the date of this announcement, the executive Directors are Mr. LIANG Zihao, Mr. LI Man Keung Edwin, Mr. SAM WENG WA Michael, Mr. LAU Wai Yan Lawson and Mr. PAN Wenyuan, the non-executive Director is Mr. WU Jianwei and the independent non-executive Directors are Mr. TAM Ka Hei Raymond, Mr. YUEN Chun Fai and Ms. ZHU Xiaohui.

This announcement, for which the Directors 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 of Hong Kong Limited 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 GEM website of The Stock Exchange of Hong Kong Limited at <http://www.hkgem.com> and The Stock Exchange of Hong Kong Limited’s website at www.hkexnews.hk “Latest Listed Company Information” page for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.cstl.com.hk.

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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.

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This report, for which the directors (the “Directors”, each a “Director”) of Cornerstone Technologies 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.

CONTENTS

	<i>Page</i>
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Condensed Consolidated Statement of Changes in Equity	5
Notes to the Condensed Consolidated Financial Statements	7
Management Discussion and Analysis	12
Other Information	26

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2022, together with the comparative unaudited figures for the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2022

		Three months ended	
		31 March	
		2022	2021
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Revenue	3	11,716	14,389
Cost of services		(13,484)	(11,599)
Gross (loss) profit		(1,768)	2,790
Other income	4	134	218
Selling expenses		(410)	(574)
Administrative and other operating expenses		(18,162)	(14,453)
Research and development expenses		(270)	–
Finance costs	5	(659)	(351)
Loss before tax	6	(21,135)	(12,370)
Income tax credit	7	218	34
Loss and total comprehensive expense for the period		(20,917)	(12,336)

	Three months ended	
	31 March	
	2022	2021
	HK\$'000	HK\$'000
<i>Note</i>	(Unaudited)	(Unaudited)
Loss and total comprehensive expense		
for the period attributable to:		
Owners of the Company	(20,648)	(12,336)
Non-controlling interests	(269)	-
	(20,917)	(12,336)
	HK cents	HK cents
Loss per share attributable to owners		
of the Company		
Basic and diluted	<i>8</i>	(3.40)
		(2.26)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	Attributable to owners of the Company							
	Reserves					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Share-based				
				payments reserve	Accumulated losses			
HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021 (Audited)	4,805	71,268	17,802	-	(30,418)	63,456	-	63,456
Change in equity for the three months ended 31 March 2021:								
Issue of shares pursuant to the Share Placing	497	18,856	-	-	-	19,353	-	19,353
Issue of shares pursuant to the Share Subscription	696	27,154	-	-	-	27,850	-	27,850
Recognition of equity-settled share based payment	-	-	-	2,534	-	2,534	-	2,534
Loss and total comprehensive expense for the period	-	-	-	-	(12,336)	(12,336)	-	(12,336)
At 31 March 2021 (Unaudited)	5,998	117,277	17,802	2,534	(42,754)	100,857	-	100,857
At 1 January 2022 (Audited)	6,078	122,157	17,802	8,048	(91,782)	62,303	(635)	61,668
Change in equity for the three months ended 31 March 2022:								
Recognition of equity-settled share based payment	-	-	-	492	-	492	-	492
Loss and total comprehensive expense for the period	-	-	-	-	(20,648)	(20,648)	(269)	(20,917)
At 31 March 2022 (Unaudited)	6,078	122,157	17,802	8,540	(112,430)	42,147	(904)	41,243

Notes:

- (i) Share premium represents the excess of the net proceeds from issuance of the Company's share over its par value. Under the laws of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company remains able to pay our debts as and when they fall due in the ordinary course of business.

- (ii) Capital reserve represents the aggregate amount of the issued share capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any) in relation to the group reorganisation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 24 January 2017. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of placing and public offer on 11 May 2018. The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is situated at Room 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of printing, typesetting and translation services, and electric vehicle charging business in Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results for the three months ended 31 March 2022 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the annual financial statements for the year ended 31 December 2021, except for the new and revised HKFRSs issued by the HKICPA that are effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs has had no material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 have not been audited by the Company's auditors but have been reviewed by the audit committee of the Company (the "Audit Committee").

3. REVENUE

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

	Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<u>Printing business</u>		
- Commercial printing services	5,355	9,651
- Financial printing services	2,419	3,198
- Other services (<i>Note</i>)	366	914
	8,140	13,763
<u>Electric vehicle charging business</u>		
- Sales of electric vehicle charging systems	3,436	578
- Subscription fee income	140	48
	3,576	626
Total	11,716	14,389

Note:

Other services included ad hoc design and artwork, and/or translation services, etc.

4. OTHER INCOME

	Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment, net	-	1
Interest income	59	31
Sundry income	75	186
	134	218

5. FINANCE COSTS

	Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	8	8
Interest on promissory note	-	55
Interest on lease liabilities	651	288
	659	351

6. LOSS BEFORE TAX

This is stated after charging (crediting):

	Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
- Salaries and other benefits	15,480	11,665
- Contributions to defined contribution plans	460	454
Total staff costs	15,940	12,119
Auditor's remuneration	205	205
Cost of inventories (<i>Note</i>)	13,484	11,599
Depreciation of property, plant and equipment	1,350	1,629
Depreciation of right-of-use assets	4,134	2,931
Amortisation of other intangible assets	302	269
Exchange loss, net	5	3
Reversal of impairment loss on trade receivables	(634)	(605)
Gain on disposal of property, plant and equipment, net	-	(1)
Equity-settled share-based payment expense	492	2,534

Note:

During the three months ended 31 March 2022, cost of inventories included approximately HK\$7.3 million (2021: approximately HK\$7.1 million) relating to the aggregate amount of certain staff costs, depreciation of property, plant and equipment and right-of-use assets and operating lease charges, which were included in the respective amounts as disclosed above.

7. INCOME TAX CREDIT

	Three months ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax:		
Provision for the period	–	33
Deferred taxation	(218)	(67)
	(218)	(34)

The Group's entities established in the Cayman Islands and the British Virgin Islands are exempted from income tax.

Under the two-tiered profits tax rates regime, Hong Kong Profits Tax is calculated at the rate of 8.25% on the first HK\$2,000,000 of the estimated assessable profits of the qualifying group entity and 16.5% on the remaining amount of the estimated assessable profits for the three months ended 31 March 2022. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2021: 16.5%).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributed to the owners of the Company is based on the following data:

	Three months ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<i>Loss:</i>		
Loss for the purpose of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)	(20,648)	(12,336)
	'000	'000
	(Unaudited)	(Unaudited)
<i>Number of shares:</i>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	607,791	545,531

Diluted loss per share for the three months ended 31 March 2022 is the same as the basic loss per share as the share options of the Company outstanding as at 31 March 2022 had an anti-dilutive effect on the basic loss per share.

The computation of diluted loss per share for the three months ended 31 March 2021 does not assume the exercise of outstanding share options of the Company since the outstanding options have not been vested as of 31 March 2021.

9. SHARE-BASED PAYMENT TRANSACTION

Pursuant to the share option scheme adopted by the Company on 19 April 2018 (the "Share Option Scheme"), 28,428,000 share options were granted to eligible participants of the Group on 28 January 2021. No share options were granted, exercised, cancelled or lapsed during the three months ended 31 March 2022. As at 31 March 2022, the number of share options outstanding was 27,464,000.

The equity-settled share-based payments amounted to approximately HK\$492,000 (2021: approximately HK\$2,534,000) were charged to administrative and other operating expenses during the three months ended 31 March 2022.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2022 (2021: nil).

11. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events subsequent to 31 March 2022 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Electric vehicle charging business

Since the commencement of electric vehicle (“EV”) business in August 2020 through acquisition of the entire interest of Cornerstone EV Charging Service Limited (“Cornerstone EV” or “Cornerstone Charging”), our service points covered numbers of residential and commercial sites with affordable monthly subscription fee plan and energy based charging scheme.

As per Hong Kong Roadmap on Popularization of Electric Vehicles issued by the Environmental Protection Department in March 2021, the government is determined to drive Hong Kong towards the vision of “Zero Carbon Emissions. Clean Air. Smart City”. To achieve carbon neutrality before 2050, the government identified key measures including, i) E-private cars, ii) E-commercial vehicles, iii) government fleet, iv) charging network, v) maintenance services, and vi) battery recycling.

For private charging facilities, the government targeted to have at least 150,000 parking spaces in private and commercial buildings equipped with EV charging infrastructure before 2025, to support mainly EV and certain e-light goods vehicles. In particular, the HK\$2 billion EV-charging at Home Subsidy Scheme (“EHSS”) aimed at assisting car park of private residential buildings to install EV charging-enabling infrastructure (“EVCEI”) covering 60,000 parking spaces opened for application in October 2020. Because of the overwhelming responses, EHSS further increased to HK\$3.5 billion in February 2022. As at 30 March 2022, we entered into a green facility agreement in HK\$150,000,000 with Gaw Capital in support of finance payments in relation to the projects awarded under EHSS.

As at end-March 2022, more than 273 application were received covering over 115,000 parking spaces, nearly double the original target of about 60,000 parking spaces, and the amount of subsidy involved has already reached the ceiling of the total funding of EHSS. As of 31 March 2022, the government has approved more than 273 applications under this scheme.

For the three months ended 31 March 2022, Cornerstone Charging has undertaken EV charging projects in several residential car parks including the seven estates managed by People's Place in Hong Kong. The total number of parking spaces covered was approximately 5,800.

While Cornerstone Charging has been focusing on "Destination Charging", allowing users to charge their EVs at home, we have now made "Opportunity Charging" available for those who need to charge up while they are on the go. Our direct current ("DC") charger is a fast-charging EV product that meet customers' needs in the hectic pace of life. By charging for 30 minutes, the EV private car drivers will be able to drive for another 100 km. Our 30 kW DC chargers have been installed Admiralty Car Park, which is running by a major car park operator. We have our customers in mind, more convenient plans and locations will continue to be rolled out to meet the needs of the public.

For public charging facilities, the government has allocated HK\$120 million for a three-year programme to gradually increase the number of chargers in government car parks from 1,100 at end-2020 to 1,800 by 2022. The government further targets to have at least 5,000 chargers provided by the government by 2025, and plans to double the number in the future. With the growing EV uptake, it is essential to marketize the EV charging services so as to promote their sustainable development in the long run and avoid abuse of the chargers. Cornerstone Charging is supporting the government on the preparation work, hardware and software upgrade, etc, for fee charging, with a view to imposing EV charging fees in the government car parks from around 2025. The marketization of charging services is also expected to give impetus to the provision of additional public charging facilities by the private sector. For existing public charging facilities, we are ready to support the maintenance services required by the government.

During the three months ended 31 March 2022, Cornerstone Charging has continued to support the system development of a government project which is a back-end system of a smart parking system to monitor the operation of 1,800 EV chargers in several government carparks. The smart parking system will provide real-time information on parking vacancy, EV charging status, etc. The project also includes the development of major mobile applications which is a platform for EV drivers to locate nearby vacant public chargers and the type of chargers as they are on the road. The target to complete the overall system development of the project is the second quarter of 2022.

To promote trials for electric public transport and commercial vehicles, the government earmarked HK\$180 million trial for single-deck e-buses to put into service progressively to test the operational performance. The government has work closely with franchised bus companies to install new charging facilities and explore arrangements for electrifying the bus fleet. During the three months ended 31 March 2022, Cornerstone Charging has installed four sets of DC charging facilities at two designated bus depots for The Kowloon Motor Bus Company (1933) Limited in Hong Kong. Cornerstone Charging won a tender of dual-standards DC charging facilities with power up to 200kw which are capable to re-charge the batteries of the battery-electric buses (“eBuses”) in November 2021. The DC charging facilities are monitor usage and charging. The system allows multiple operating fleet staff to log in to monitor at more than one depot that are located at separate locations, gaining data on users behaviour. We keep looking for more opportunities to support franchised bus companies in the development of eBuses deposits.

As at 31 March 2022, we entered into a memorandum of understanding with Golden Cambodia Century Limited (“GCC”), a conglomerate in Cambodia, in relation to the potential cooperation with GCC for the development of EV charging business in that country as the first step of our expansion to Southeast Asia. We and GCC shall establish a joint venture company (the “JV Company”), whereby we and GCC will hold 51% and 49% equity interest in the JV Company, respectively. The first phase of this cooperation shall include setting up and operating charging points in ten locations at major shopping malls and gas stations in Cambodia. We shall bear the investment cost of EV chargers and is responsible for providing technologies and maintenance of EV charging solutions to the JV Company. GCC shall provide the sites which they own, control or manage exclusively to the JV Company for development of the EV business, and shall bear the cost of infrastructure works of the EV charging solutions and is responsible for managing the deployment at the sites.

PRINTING BUSINESS

Our printing business enters its fourth decade, we must evolve to meet the financial sector's new paradigms and to offer our valuable clients an even broader spectrum of services. To underpin our rapidly growing business, our printing business therefore be repositioned and rebranded, starting the new journey by naming as Elegance Financial Communications Limited. The office will relocate from Sheung Wan Shun Tak Centre to Grand Millennium Plaza in June 2022, a brand new, spacious and innovative office where also on top of Sheung Wan MTR station and our in-house printing production factory located at 7th Floor, Oceanic Industrial Centre, 2 Lee Lok Street, Hong Kong, with a usable area of approximately 32,000 sq. feets, as well as our in-house translation team in Hong Kong, which enables us to maintain timely and responsive printing and translation services to our commercial and financial printing customers.

Outlook

Cornerstone Charging has taken a pro-active move since EHSS rollout. We have been awarded the first EV charging infrastructure installation project ("Project") under EHSS as at 6 May 2022. The Project is expected to commence from May 2022 for approximately six months. We act as the main contractor of the Project whose role entails project management, coordination and implement of the site works to be provided by subcontractors according its past rich experience of EV-charging related projects. The project covers approximately 302 parking space for supply and installation of EV-charging-enabling infrastructure.

Our business development team has conducted series of seminar for private estates management covering all 18 districts in Hong Kong. Our team studied the plan thoroughly and was able to help disseminate the know-how in submitting the applications and all other technical details. Cornerstone Charging is committed to providing solutions for installation works of EVCEI throughout the application process.

The government unveiled the Clean Air Plan for Hong Kong 2035, setting out the vision of “Healthy Living. Low-carbon Transformation. World Class”, and the challenges, goals and strategies to enhance the air quality of Hong Kong to 2035. The 2050 roadmap for EV is one of the six major areas of action formulated by the 2035 plan. The Group will keep innovating and making progress to support the expanding EV charging market resulting from the acceleratingly growing EV automobile market.

Looking ahead, we will continue to innovate ourselves and continue to put effort to expand our business in various aspects. We are seeing most of the renowned automakers promising onslaughts of new electric cars built on dedicated EV platforms, and many current iconic vehicles will to electric soon as well, Cornerstone Charging, therefore, has taken the initiative to cooperate with different brands by providing diversified integrated charging solutions for electric vehicles. In line with the Government’s policies, we have actively participated in the Government’s Electric Vehicle Charging Project and successfully winning the tender of several charging facility projects of the Hong Kong government department recently. Entering the Southeast Asian EV charging market is one of our strategic development goals. With the entering into Cambodia, we will continue to enhance its software capabilities and technologies to maintain our competitive advantage, thereby increasing and consolidating our market position, with a view to making the electric vehicle charging business a core profit contribution to the Group.

For printing business, the Group strives on developing the financial printing sector. By recruiting talents in the industry, to adopt an advanced project management system, take the paperless measures for example two-monitors instead of print-outs during production. In order to make improvements and balance the disadvantages of paperless in printing industry.

FINANCIAL REVIEW

Revenue

During the three months ended 31 March 2022 (the “Period”), we generate revenue from the provision of printing services in Hong Kong which are classified into (i) commercial printing services; (ii) financial printing services; and (iii) others services. Commercial printing services refers to printing services for our customers’ needs of commercial paper printing products and the book publisher’s needs of textbooks and leisure reading materials (such as novels, essays and articles). Financial printing services range from designing the cover, layout and artwork of the document, typesetting, translation, uploading, printing, and/or distribution services for listing applicants in respect of listing on the Stock Exchange and listed companies on the Stock Exchange pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) or the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”). Others services primarily comprise standalone ad hoc design and/or translation work ordered by corporate customers (which is not related to listing matters) on a case-by-case basis. During the Period, revenue is also generated from electric vehicle charging business, which can be classified into (i) sales of electric vehicle charging system to customers directly; and (ii) subscription fee income for rental of electric vehicle chargers at public and private carparks.

The following table sets forth a breakdown of our revenue by service categories for the periods indicated.

	Three months ended	
	31 March	
	2022	2021
	HK\$'000	<i>HK\$'000</i>
Commercial printing services	5,355	9,651
Financial printing services	2,419	3,198
Other services	366	914
	<hr/>	
Printing business	8,140	13,763
	<hr/>	
Sales of electric vehicle charging systems	3,436	578
Subscription fee income	140	48
	<hr/>	
Electric vehicle charging business	3,576	626
	<hr/>	
Total	11,716	14,389

Our revenue decreased by approximately 18.8%, from approximately HK\$14.4 million for the three months ended 31 March 2021 to approximately HK\$11.7 million for the Period. As illustrated in the table above, such decrease was mainly due to the decrease in revenue from commercial printing services of approximately HK\$4.3 million, which was partially offset by the increase in revenue from sales of electric vehicle charging systems of approximately HK\$2.9 million.

Printing business

Commercial printing services

Revenue from commercial printing services decreased by approximately 44.3%, from approximately HK\$9.7 million for the three months ended 31 March 2021 to approximately HK\$5.4 million for the Period. Such decrease was mainly attributable to the decrease in sales orders from existing customers.

Financial printing services

Revenue from financial printing services decreased by approximately 25.0%, from approximately HK\$3.2 million for the three months ended 31 March 2021 to approximately HK\$2.4 million for the Period.

The decrease in revenue from financial printing services was mainly attributable to the decrease in revenue from printing of financial reporting documents, compliance documents, IPO prospectuses and application forms, resulting from the decrease in the number of corporate transactions of our customers and decrease in the number of engagement of IPO projects.

Other services

Revenue from other services decreased by approximately 55.6%, from approximately HK\$0.9 million for the three months ended 31 March 2021 to approximately HK\$0.4 million for the Period, resulting from the decrease in income from ad hoc design and artwork services.

Electric vehicle charging business

Sales of electric vehicle charging systems

The Group recorded a revenue of approximately HK\$3.4 million for the Period (2021: approximately HK\$0.6 million) from sales of electric vehicle charging systems. Such increase was mainly attributable to the sales derived from tenders awarded by the Environmental Protection Department amounting to approximately HK\$1.9 million.

Subscription fee income

The Group recorded a revenue of approximately HK\$140,000 for the Period (2021: approximately HK\$48,000) from subscription fee income for rental of electric vehicle chargers.

Cost of services

Our cost of services mainly comprises direct labour cost, cost of raw materials, depreciation, electricity and water and production overheads.

The cost of services incurred in relation to the printing business decreased by approximately 7.2%, from approximately HK\$11.1 million for the three months ended 31 March 2021 to approximately HK\$10.3 million for the Period. Such decrease was mainly attributable to the decrease in paper costs and printing materials.

The cost of services incurred in relation to the electric vehicle charging business increased by approximately 5.4 times, from approximately HK\$0.5 million for the three months ended 31 March 2021 to approximately HK\$3.2 million for the Period. Such increase was in line with the increase in revenue from the electric vehicle charging business.

Gross profit and gross profit margin

The following table sets forth a breakdown of the Group's gross profit and gross profit margin for the periods indicated:

	Three months ended 31 March 2022		
	Printing business HK\$'000	Electric vehicle charging business HK\$'000	Total HK\$'000
Revenue	8,140	3,576	11,716
Cost of services	(10,318)	(3,166)	(13,484)
Gross (loss) profit	(2,178)	410	(1,768)
Gross profit margin	(26.8)%	11.5%	(15.1)%

	Three months ended 31 March 2021		
	Printing	Electric	Total
	business	vehicle	
	charging		
	business	business	
	HK\$'000	HK\$'000	HK\$'000
Revenue	13,763	626	14,389
Cost of services	(11,100)	(499)	(11,599)
Gross profit	2,663	127	2,790
Gross profit margin	19.3%	20.3%	19.4%

Our gross profit decreased by approximately 164.3%, from approximately HK\$2.8 million for the three months ended 31 March 2021 to a gross loss of approximately HK\$1.8 million for the Period. The decrease in the overall gross profit margin from approximately 19.4% for the three months ended 31 March 2021 to a negative gross profit margin of approximately 15.1% for the Period was primarily because of the decrease in revenue from the printing business without a proportionate decrease in cost of services.

Other income

Our other income decreased by approximately 38.5%, from approximately HK\$218,000 for the three months ended 31 March 2021 to approximately HK\$134,000 for the Period.

Selling expenses

Our selling expenses refer to expenses incurred on a regular basis for the selling activities of our Group.

Our selling expenses decreased by approximately 28.6%, from approximately HK\$574,000 for the three months ended 31 March 2021 to approximately HK\$410,000 for the Period.

Administrative and other operating expenses

Our administrative and other operating expenses primarily comprise staff costs and benefits for our administrative staff, rental and rates for our office for financial printing services, depreciation, office expenses, directors' remuneration, repair and maintenance of our office premises, IT maintenance and others.

Our administrative and other operating expenses increased by approximately 25.5%, from approximately HK\$14.5 million for the three months ended 31 March 2021 to approximately HK\$18.2 million for the Period. Such increase was mainly attributable to the increase in staff costs resulting from the expansion of the electric vehicle charging business.

Research and development expenses

Our research and development expenses mainly included staff costs, office rental and other material costs incurred for our internal projects.

Our research and development expenses increased from nil for the three months ended 31 March 2021 to approximately HK\$270,000 for the Period.

Finance costs

Our finance costs mainly represent interests on bank borrowings, promissory note and lease liabilities.

Our finance costs increased by approximately 87.7%, from approximately HK\$351,000 for the three months ended 31 March 2021 to approximately HK\$659,000 for the Period, mainly attributable to the increase in interest on lease liabilities arising from leases of office entered into by the Group after 31 March 2021.

Income tax credit

The Group's entities established in the Cayman Islands and the British Virgin Islands are exempted from income tax of the jurisdiction, respectively.

For the three months ended 31 March 2022, the assessable profits of one of the Hong Kong incorporated subsidiary of the Group (as elected by the management of the Group) is subject to the two-tiered profits tax rates regime, under which the first HK\$2.0 million of assessable profits will be taxed at 8.25% and assessable profits above HK\$2.0 million will be taxed at 16.5%. The Hong Kong Profits Tax of other Hong Kong incorporated subsidiaries of the Group is calculated at the standard tax rate of 16.5% of the respective estimated assessable profits for the Period (2021: 16.5%).

For the Period and the three months ended 31 March 2021, we recorded an income tax credit of approximately HK\$218,000 and HK\$34,000 respectively.

Loss and total comprehensive expense for the period

We recorded a loss and total comprehensive expense of approximately HK\$20.9 million for the Period (2021: approximately HK\$12.3 million).

The loss-making position of the Group for the Period was mainly attributable to (1) the decrease in gross profit from the printing business; and (2) the incurrence of additional administrative and other operating expenses due to the expansion of the electric vehicle charging business.

EVENTS AFTER REPORTING PERIOD

No material subsequent event has occurred in relation to the Company or the Group after 31 March 2022 and up to the date of this report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group did not have any significant investments, material acquisitions nor disposals of subsidiaries and affiliated companies.

GREEN FACILITY AGREEMENT AND PROPOSED ISSUE OF UNLISTED WARRANTS UNDER SPECIFIC MANDATE

On 30 March 2022, the Group entered into a green loan facility agreement (the "Agreement") with Captain Source Limited (the "Lender"), a green loan advisor and an independent company managed and controlled by Gaw Capital Partners, for a term loan facility with a limit of HK\$150,000,000 (the "Loan Facility"). The loans under the Loan Facility will be secured, interest-bearing at 10% per annum and repayable in the eighteenth month from the date of drawdown. Subject to the terms and conditions of the Agreement, 1% of non-refundable arrangement fee on the Loan Facility will be payable to the Lender. As at the date of this report, no facility had been drawn down by the Group.

Gaw Capital Partners is a private equity fund management company focusing on real estate and private equity markets in Asia Pacific and other high barrier-to-entry markets globally. Gaw Capital Partners' investments span the entire spectrum of real estate sectors, including carparks, residential development, offices, retail malls, hospitality, logistics warehouses and Internet data centre projects.

In consideration of the granting of the Loan Facility by the Lender, the Company entered into the subscription agreements with two of the Lender's group companies, namely Steady Flake Limited and Seed Lock Limited, pursuant to which:

- (i) Steady Flake Limited has conditionally agreed to subscribe 153,000,000 warrants conferring the rights to subscribe for an aggregate of 153,000,000 warrant shares at the initial warrant subscription price of HK\$0.5 per warrant share; and
- (ii) Seed Lock Limited has conditionally agreed to subscribe 27,000,000 warrants conferring the rights to subscribe for an aggregate of 27,000,000 warrant shares at the initial warrant subscription price of HK\$0.5 per warrant share.

The initial warrant subscription price above was determined after arm's length negotiations between the Company and the subscribers with reference to the prevailing market price of the shares, current market sentiment, the Group's financial position, the historical share price, liquidity of the shares in the market and the market conditions. The Directors consider that the initial warrant subscription price is fair and reasonable and is in the interests of the Company and its shareholders as a whole.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

The corporate governance practice of the Group are based on the principles and the code provisions in the Corporate Governance Code (the “Code”) as set out in Appendix 15 to the GEM Listing Rules. During the Period, the Company had complied with all the applicable code provisions of the Code.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Standard of Dealings”), as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the Standard of Dealings from 1 January 2022 and up to the date of this report.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”), the principal terms of which are summarised in the section headed “Appendix IV — Statutory and General Information — D. Share Option Scheme” in the prospectus of the Company dated 30 April 2018.

As at 31 March 2022, the number of share options outstanding was 27,464,000. No share options was exercised during the Period (2021: nil).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' and chief executives' interests and/or short positions in shares, underlying shares and debentures of the Company or any associated corporation" below and "Share option scheme" above, at no time during the Period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Neither of the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and 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 were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in the shares or underlying shares of the Company

Name of Directors	Capacity	Number of shares or underlying shares held	Percentage of issue share capital
Mr. Wu Jianwei ("Mr. Wu")	Interest of controlled corporation	235,603,225 (Note 1)	38.76%
	Beneficial owner	4,400,000 (Note 6)	0.72%
Mr. Liang Zihao ("Mr. Liang")	Interest of controlled corporation	235,603,225 (Note 2)	38.76%
	Beneficial owner	4,400,000 (Note 6)	0.72%
Mr. Lau Wai Yan Lawson ("Mr. Lau")	Beneficial owner/Interest of controlled corporation	30,302,703 (Note 3)	4.99%
	Beneficial owner	4,400,000 (Note 6)	0.72%
Mr. Pan Wenyuan ("Mr. Pan")	Interest of controlled corporation	23,872,000 (Note 4)	3.93%
Mr. Li Man Keung Edwin ("Mr. Li")	Beneficial owner/Interest of controlled corporation	19,112,613 (Note 5)	3.14%
	Beneficial owner	4,400,000 (Note 6)	0.72%
Mr. Sam Weng Wa Michael	Beneficial owner	440,000 (Note 6)	0.07%
Mr. Tam Ka Hei Raymond	Beneficial owner	440,000 (Note 6)	0.07%
Mr. Yuen Chun Fai	Beneficial owner	440,000 (Note 6)	0.07%
Ms. Zhu Xiaohui	Beneficial owner	440,000 (Note 6)	0.07%

Notes:

1. Mr. Wu owns 51% of the issued share capital of Global Fortune Global Limited ("Global Fortune"). Mr. Wu is deemed to be interested in the Shares in which Global Fortune is interested under the SFO.
2. Mr. Liang owns 49% of the issued share capital of Global Fortune. Mr. Liang is deemed to be interested in the Shares in which Global Fortune is interested under the SFO.
3. Mr. Lau owns 100% of the issued share capital of Cornerstone Wealth Holdings Limited ("Cornerstone Wealth"). Mr. Lau is deemed to be interested in the Shares in which Cornerstone Wealth is interested under the SFO.
4. Mr. Pan owns 100% of the issued share capital of Silver Rocket Limited ("Silver Rocket"). Mr. Pan is deemed to be interested in the Shares in which Silver Rocket is interested under SFO.
5. Mr. Li owns 100% of the issued share capital of Tanner Enterprises Group Limited ("Tanner Enterprises"). Mr. Li is deemed to be interested in the Shares in which Tanner Enterprises is interested under the SFO.
6. These shares were the shares which would be allotted and issued upon exercise in full of the share options granted to such Director under the share option scheme of the Company.

Save as disclosed above, as at 31 March 2022, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) 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' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2022, the interests and short positions of the substantial shareholders of the Company (other than the Directors and the chief executives of the Company) in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register to therein, were as follows:

Long positions in the shares or underlying shares of the Company

Name of substantial shareholders	Capacity	Number of shares held	Percentage of issued share capital
Global Fortune	Beneficial owner <i>(Note 1)</i>	235,603,225	38.76%
Glorytwin Limited ("Glorytwin")	Beneficial owner <i>(Note 2)</i>	81,000,000	13.33%
Colorful Bay Limited ("Colorful Bay")	Deemed interest, interest in controlled corporation <i>(Note 2)</i>	81,000,000	13.33%

Notes:

- Global Fortune is legally and beneficially owned as to 51% and 49% by Mr. Wu and Mr. Liang respectively. Therefore by virtue of the SFO, Mr. Wu and Mr. Liang are deemed to have the interest owned by Global Fortune.
- Glorytwin is legally and beneficially owned as to 100% by Colorful Bay. Therefore by virtue of the SFO, Colorful Bay is deemed to have the interest owned by Glorytwin. Colorful Bay is legally and beneficially owned as to 100% by Mr. So. Therefore by virtue of the SFO, Mr. So is deemed to have the interest owned by Colorful Bay.

Save as disclosed above, as at 31 March 2022, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS IN COMPETING BUSINESS

For the Period, none of the Directors or any of their respective close associates (as defined under the GEM Listing Rules) were engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor were they aware of any other conflicts of interest which any such persons had or may have with the Group.

AUDIT COMMITTEE

The Company established the Audit Committee on 19 April 2018 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Audit Committee are, among others, (i) to assist the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management systems; (ii) to oversee the audit process; (iii) to make recommendations to the Board on the appointment and removal of external auditors; (iv) to monitor any continuing connected transaction; (v) to ensure the compliance with relevant laws and regulations and performance of the corporate governance functions delegated by the Board; and (vi) to perform other duties and responsibilities as assigned by the Board. The Audit Committee comprises of three independent non-executive Directors, namely Mr. Yuen Chun Fai (chairman of the Audit Committee), Mr. Tam Ka Hei Raymond and Ms. Zhu Xiaohui.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period and is of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosures have been made in respect thereof.

BOARD OF DIRECTORS

As at the date of this report, the Directors are:

Executive Directors:

Mr. Liang Zihao (*Co-Chairman*)
Mr. Li Man Keung Edwin (*Vice Chairman*)
Mr. Sam Weng Wa Michael
Mr. Lau Wai Yan Lawson
Mr. Pan Wenyuan

Non-executive Director:

Mr. Wu Jianwei (*Co-Chairman*)

Independent Non-Executive Directors:

Mr. Tam Ka Hei Raymond
Mr. Yuen Chun Fai
Ms. Zhu Xiaohui

By Order of the Board
Cornerstone Technologies Holdings Limited
Liang Zihao
Co-Chairman and Executive Director

Hong Kong, 13 May 2022