
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Cornerstone Technologies Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



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)

(1) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON UNDER SPECIFIC MANDATE;

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Independent Financial Adviser to the Independent
Board Committee and the Independent Shareholders



Capitalised terms used in this cover page have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 18 of this circular. A notice convening the extraordinary general meeting of the Company (“EGM”) to be held at 21/F., Grand Millennium Plaza, 181 Queen’s Road Central, Sheung Wan, Hong Kong on Wednesday, 22 February 2023 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same by 3:00 p.m. (Hong Kong time) on Monday, 20 February 2023 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy previously submitted shall be revoked.

This circular will remain on the website of the Company at www.cstl.com.hk and the website of the Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least seven days from the date of its posting.

PRECAUTIONARY MEASURES FOR THE EGM

Please see pages ii to iii of this circular for measures being taken to try to prevent and control the spread of the COVID-19 at the EGM, including:

- compulsory body temperature checks and health declarations
- requirement of wearing a surgical face mask for each attendee
- no distribution of corporate gift or refreshment

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

2 February 2023

CHARACTERISTICS OF GEM

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.

PRECAUTIONARY MEASURES FOR THE EGM

The Board has made reference to the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” jointly issued by the Stock Exchange and the Securities and Futures Commission of Hong Kong on 1 April 2020 in relation to the arrangement of the EGM.

Voting by proxy in advance of the EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. **Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.**

Precautionary measures at the EGM

The Company will implement the following precautionary measures at the EGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

- (i) Compulsory body temperature checks will be conducted on every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures.
- (ii) Every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
- (iii) If the number of attendees at the EGM exceeds 20 persons or the upper limited stipulated by the relevant government authorities on the date of the EGM, the attendees will be separated in different rooms or partitioned areas, each accommodating not more than 20 persons or the upper limited stipulated by the relevant government authorities on the date of the EGM.

PRECAUTIONARY MEASURES FOR THE EGM

- (iv) Seating at the EGM will be arranged so as to reduce interaction between participants.
- (v) No refreshments will be served and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the attendees at the EGM.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Government in relation to the COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Government and Shareholders will not be deprived of their right of voting on the resolution to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

If the Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, as follows:

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise required:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day on which the Stock Exchange is open for the business of dealing in securities
“Company”	Cornerstone Technologies Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on GEM (stock code: 8391)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company to consider, among other things, the Subscription Agreement, the Supplemental Subscription Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate to allot and issue the Subscription Shares
“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
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Pelican Financial”	Pelican Financial Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance being the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	Shareholder(s) other than those that are required under the GEM Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Last Trading Day”	2 September 2022, being the last full trading day of the Shares immediately prior to the signing of the Subscription Agreement
“Latest Practicable Date”	30 January 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Review Period”	1 March 2022 to 2 September 2022, being the review period to determine the Subscription Price and Subscription Shares
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ms. Wu Yanyan, an executive Director and the elder sister of Mr. Wu Jianwei, a non-executive Director
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement)
“Subscription Agreement”	the subscription agreement dated 2 September 2022 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$0.62 per Subscription Share
“Subscription Shares”	an aggregate of 20,000,000 Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement)
“Supplemental Subscription Agreement”	the supplemental agreement dated 22 December 2022 entered into between the Company and the Subscriber in relation to the Subscription

DEFINITIONS

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the percentage equivalents may not be an arithmetic sum of such figures. Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.

LETTER FROM THE BOARD



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)

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
Ms. Wu Yanyan
Mr. Yeung Chun Yue David

Non-executive Director:

Mr. Wu Jianwei (*Co-Chairman*)

Independent Non-Executive Directors:

Mr. Tam Ka Hei Raymond
Mr. Yuen Chun Fai
Ms. Zhu Xiaohui
Mr. Ko Shu Ki Kenneth

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

Office Units 1107 - 11
11th Floor
New East Ocean Centre
No. 9 Science Museum Road
Kowloon, Hong Kong

2 February 2023

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION
TO SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON
UNDER SPECIFIC MANDATE;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 5 September 2022 and 22 December 2022, in relation to, among other matters, the connected transaction in relation to the Subscription of new Shares by connected person under the Specific Mandate.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) information relating to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement); (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the Supplemental Subscription Agreement and the transactions contemplated thereunder; (iii) the letter of advice from Pelican Financial Limited to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the Supplemental Subscription Agreement and the transactions contemplated thereunder; (iv) other information as required under the GEM Listing Rules; and (v) the notice of the EGM.

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 2 September 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 20,000,000 new Shares at the Subscription Price of HK\$0.62 per Subscription Share. On 22 December 2022, the Company entered into the Supplemental Subscription Agreement with the Subscriber to extend the long stop date to 28 February 2023. Completion of the Subscription is subject to the fulfilment of the conditions referred to in the paragraph headed “Conditions of the Subscription” of this circular.

Principal terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) are set out below:

THE SUBSCRIPTION AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL SUBSCRIPTION AGREEMENT)

Date: 2 September 2022 (after trading hours)

Parties: (1) the Company as issuer; and
(2) the Subscriber.

Subscription Shares

The Subscription Shares represent:

- (a) approximately 2.66% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (b) approximately 2.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscription, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the Latest Practicable Date and the date of Completion.

The aggregate nominal value of the Subscription Shares will be HK\$200,000.

LETTER FROM THE BOARD

The Subscription Shares were determined after arm's length negotiations between the parties with reference to, among other things, (i) the prevailing market price; (ii) financial position, prospects and potential of the business development of (a) EV-charging and (b) commercial and financial printing business.

Subscription Price

The Subscription Price of HK\$0.62 per Subscription Share represents:

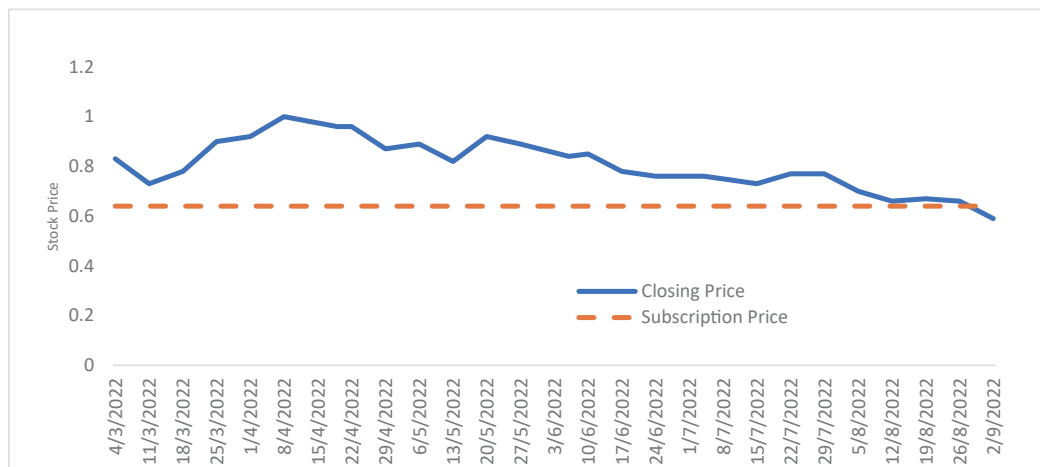
- (a) a premium of approximately 5.1% over the closing price of HK\$0.590 per Share as quoted on the Stock Exchange on 2 September 2022, being the Last Trading Day;
- (b) a discount of approximately 2.8% to the average closing price of HK\$0.638 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement;
- (c) a discount of approximately 59.7% to the closing price of HK\$1.54 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 0.075% represented by the theoretical diluted price of approximately HK\$0.6375 to the benchmarked price of HK\$0.638 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.59 and the average closing price of the Shares for the last five consecutive trading days immediately preceding the date of the Subscription Agreement of HK\$0.638 per Share).

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent market prices of the Shares and the market conditions up to the date of the Subscription Agreement. The Directors (including all the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) were entered into on normal commercial terms and the terms therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

When determining the Subscription Price, the Directors have reviewed the closing prices and the trading volume of the Shares during the Review Period from 1 March 2022 to 2 September 2022 (being the date of Subscription Agreement). The Directors consider that the Review Period covering approximately 6 months prior to the date of the Subscription Agreement represents a reasonable and sufficient period to provide a general and fair overview of the recent trend of the Share Price free from the influence of, if any short term market volatility, when assessing the Subscription Price. The Review Period covering approximately 6 months was determined by the Directors with reference to, among other things, the financial and business performance of the Company and the market conditions.

LETTER FROM THE BOARD

The following chart illustrates the trend of the closing prices of the Shares during the Review Period:



The following table sets out (a) the average daily trading volume of the Shares during the Review Period; and (b) the percentage of the average daily trading volume of the Shares in proportion to the total number of issued Shares as at the end of the month/period during the Review Period:

Period	Total trading volume of Shares	Number of Trading days	Average daily trading volume of the Shares	Percentage of average Daily trading volume to total number of issued shares as at the end of the month/period
March	3,422,000	23	148,783	0.02%
April	26,776,000	18	1,487,556	0.24%
May	34,764,000	20	1,738,200	0.29%
June	45,670,000	21	2,174,762	0.31%
July	80,024,000	20	4,001,200	0.57%
August	55,308,000	23	2,404,696	0.33%
Up to 2 September	5,924,000	2	2,962,000	0.40%

Source: the website of the Stock Exchange

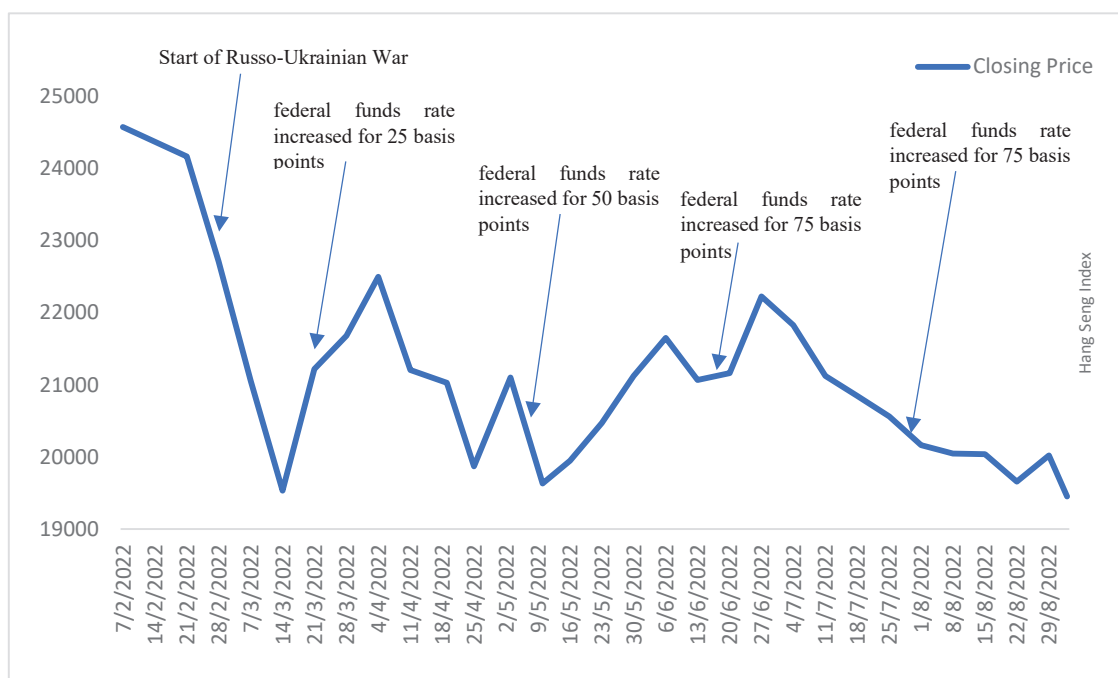
The Board (including members of the Independent Board Committee) considers that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable based on the current market conditions and the financial status of the Company for the below reasons:

LETTER FROM THE BOARD

Having considered (i) the general downward trend of the closing price of the Shares during the Review Period (ranged from the lowest of HK\$0.59 per Share on 2 September 2022 to the highest of HK\$1.04 per Share on 4 April 2022 and 6 April 2022 and the average Share price of HK\$0.81 per Share); (ii) the relatively low liquidity of the Shares during the Review Period (the monthly/periodic average daily trading volume in proportion to the total number of issued Shares ranged from approximately 0.02% to 0.57%); and (iii) the current financial situation of the Company, the Board (including the members of the Independent Board Committee) are of the view that the Subscription Price is reasonable.

In addition to the above, the Directors have also monitored the Hang Seng Index from 1 February 2022 up to the date of the Subscription Agreement and noticed a downward trend of the Hang Seng Index from 24,579.55 on 7 February 2022 to 19,452.09 on 2 September 2022 being the date of the Subscription Agreement (ranged from the lowest of 19,452.09 on 2 September 2022 to the highest of 24,579.55 on 7 February 2022 and 6 April 2022 and the average 21,056.97) which may be caused by, among other things, the start of Russo-Ukrainian War, elevated inflation and continued monetary policy tightening in major advanced economies (i.e. the increase in federal funds rate).

The following chart illustrates the trend of the closing prices of the Hang Seng Index from 1 February 2022 up to the date of the Subscription Agreement.



The Directors after taking into account of the above and that the Subscription Price of HK\$0.62 represents a premium of approximately 5.1% over the closing price of HK\$0.590 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement, consider the Subscription Price is fair and reasonable. While the proceeds from the Subscription may allow the Company to conduct further business expansion and development. For further information on the use of proceeds, please refer to the section headed “Intended Use of Proceeds” in this circular.

LETTER FROM THE BOARD

The Directors noted that the Company's shares had unusual price and trading volume movement during the period between 6 December 2022 and 16 December 2022 ranging from the lowest closing price of HK\$1.56 per Share on 13 December 2022 to the highest closing price of HK\$3.07 per Share on 9 December 2022 and the average Share closing price of HK\$2.26 per Share; while the average daily trading volume for the period between 6 December 2022 and 16 December 2022 was approximately 38,666,000 shares and the average daily trading volume in proportion to the total number of issued Shares for the period between 6 December 2022 and 16 December 2022 was approximately 5.27%. Having made such enquiries with respect to the Company as is reasonable in the circumstances, the Board confirms that, it is not aware of any reasons for these share price or trading volume movements, and it is not aware of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance.

In addition, despite the recent increase in Share price, given that (i) the Subscription Agreement was signed on 2 September 2022; (ii) the Subscription Price was at a premium of 5.1% over the closing price of HK\$0.590 per Share as quoted on the Stock Exchange on 2 September 2022, being the date of the Subscription Agreement; (iii) the terms and conditions of the Subscription Agreement were agreed on 2 September 2022; (iv) the Subscription Price represents a premium of approximately 501.9% to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2022 of approximately HK\$0.101 (based on the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2022 (the date to which the latest unaudited financial results of the Group were made up) divided by 752,991,399 Shares in issue as at the Latest Practicable Date; (v) the Board believes that the price and trading volume movement during the period between 6 December 2022 and 16 December 2022 as compared to the share price and trading volume during the Review Period is unusual (the average daily trading volume of the Shares amount to approximately 1,983,370 for the Review Period, while the average daily trading volume of the Shares amount to approximately 38,666,000 between 6 December 2022 and 16 December 2022, representing an approximate twentyfold increase) and is short term market volatility; and (vi) as an honest Company and to preserve its good faith in commercial transactions and business ethics, the Company must honour and oblige with the contracts that it has entered into the Board considers the Subscription Price to be fair and reasonable based on the above analysis.

For the period from 16 December 2022 and up to the Latest Practicable Date, the Directors noted (i) a general downward trend of the closing price of the Shares (ranged from the lowest of HK\$1.44 per Share on 30 December 2022 to the highest of HK\$1.93 per Share on 16 December 2022 and the average Share price of HK\$1.66 per Share); and (ii) the relatively low liquidity of the Shares as compared to the period from 6 December 2022 to 16 December 2022 (the periodic average daily trading volume in proportion to the total number of issued Shares to be approximately 0.66%). Given that the terms of the Subscription Agreement were agreed and dated on 2 September 2022, the Directors are of the view that the Company must honour and oblige the terms of the Subscription Agreement and therefore consider the Subscription to be fair and reasonable.

Pursuant to the announcement published by the Company on 7 December 2022, on the same day, the Company and Mr. Wu Jianwei, Ms. Wu Yanyan, Mr. Liang Zihao and Mr. Li Man Keung Edwin (the "**2nd Subscription Subscribers**") entered into a subscription agreement, where the 2nd Subscription Subscribers shall subscribe an aggregate of 35,200,000 new Shares at the subscription price of HK\$1.144 (the "**2nd Subscription Price**") per new Share (the "**2nd Subscription**").

LETTER FROM THE BOARD

Though the 2nd Subscription and the Subscription is 3 months apart, the Board believes that both subscriptions are critical in order to finance the upcoming projects, the details of which are set forth in the section headed “Reasons for the Subscription and Use of Proceeds” in this Circular. Besides, given the recent increase in Share price of the Company, the Board is of the view that it is reasonable that there is a difference in the subscription price of the Subscription as compared to the 2nd Subscription.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription

Completion is conditional upon the fulfilment of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and such approval has not been revoked prior to Completion;
- (b) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate relating to the Subscription to issue and allot the Subscription Shares;
- (c) the necessary consents and approvals in relation to the Subscription Agreement and the transactions contemplated thereunder having been obtained; and
- (d) the representation and warranties of the Company remaining true and accurate in all material respects and are not misleading as at the date of the Subscription Agreement and the date of Completion.

None of the conditions precedent set out in (a) to (d) above can be waived by the parties to the Subscription Agreement. If the above conditions are not fulfilled by 5:00 p.m. on 28 February 2023 (as supplemented by the Supplemental Subscription Agreement) (or such other date as the parties may agree in writing), the Subscription Agreement will be automatically terminated and lapsed and none of the parties to the Subscription Agreement shall have any claim against the other in respect of the Subscription, save for any antecedent breaches thereof.

Completion

Completion of the Subscription will take place within ten Business Days after the date of fulfillment of the conditions referred to above.

APPLICATION FOR LISTING OF THE SUBSCRIPTION SHARES

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

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.

INFORMATION ON THE SUBSCRIBER

The Subscriber is an executive Director and the elder sister of Mr. Wu Jianwei, a non-executive Director, and is therefore a connected person of the Company. As at the Latest Practicable Date, the Subscriber is interested in 18,750,000 Shares, representing approximately 2.49% of the total issued share capital of the Company.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

Pursuant to the interim report of the Company published on 12 August 2022, as at 30 June 2022 the Company's cash and bank balances were approximately HK\$10.4 million, representing a decrease of approximately HK\$6.2 million from the Company's cash and bank balances of approximately HK\$16.6 million as at 31 December 2021. As the Directors hold a positive prospect for the future of the Company and the EV-charging market in Hong Kong, the Directors (including the independent non-executive Directors) are of the view that the Subscription will bring additional working capital and immediate funding for the Company's operations in the upcoming months. The Directors are of the view that the Subscription shall also provide incentive for the Subscriber's commitment and contribution to the Group in the future.

As disclosed in the third quarterly report 2022 published by the Company on 11 November 2022, the Company accomplished the following recent achievements:

- in October 2022, the Group officially launched Cornerstone GO, which is a technology platform aggregating landlords, charge point operators (“CPO”), EV drivers and marketers under one comprehensive platform. Cornerstone GO provides immediate benefits to stakeholders of the eco-system, in particular, the improvement in charging facilities utilisation of CPOs, customers experience satisfaction, and unlocking the marketing opportunity to target EV drivers. Under this platform, the Group currently has over 70 charge points, looking to expand to over 100 charge points by year end;
- in addition to the Group's joint venture formation in Cambodia, the Group further expanded its Southeast Asian presence into Thailand, Malaysia and Indonesia. In October 2022, the Group formed a joint venture with Zigma EV Power Company Limited, an affiliate company of ONPA Company Limited, whose primary business includes real estate, media, entertainment, chemical and electronic products. The Group has also been selling its hardware into Malaysia and Indonesia via its distribution channels; and
- in November 2022, the Group was selected by Link Asset Management Limited, the manager of Link Real Estate Investment Trust (Link REIT; Hong Kong stock code: 823), as one of the partners in its Link EV Charging Programme, which is an important milestone in Link's sustainability strategy. The Group will provide EV charging points in respect of 33 of the 113 Link Hong Kong car parks that will provide this service (the “**Link Project**”).

LETTER FROM THE BOARD

Given the recent achievements of the Group, the Directors have high expectations of the development of the Group's EV-charging business and would continuously require to conduct fundraising activities to support the vigorous growth of the Group's EV-charging business.

Prior to the Subscription, the Company has considered other financing alternatives. Regarding the possibility of debt financing, as the Company is currently operating in a loss-making stage and the ability to repay debt in a short period is in doubt, the Directors have enquired with the Company's long-term relationship bank and the bank is observing our business performance and offered only to provide the required debt financing once our profitability has been improved. Further given the current financial state of the Company, the Directors are of the view that the Company may not enter into favourable terms with a bank for debt financing. Therefore, the Directors considered that bank borrowing was not the most favourable financing means to the Company. Whereas, the Subscription as compared to bank facilities, carries no payment obligation to the Group and at the same time is able to enlarge the Company's capital base for its business development. Hence, the Subscription is able to widen the Company's shareholders' structure and enlarge the Company's capital base for its business development.

In addition, fund raising activities conducted through rights issue or open offer generally are more time-consuming compared to Subscription due to the involvement of the issue of listing documents together with other application and extensive administrative procedures (e.g. trading arrangements), which would usually take on additional two to three months to complete as compared to Subscription. Rights issue or open offer is also less cost-effective than subscription due to the additional costs incurred by the engagement of professionals i.e. reporting accountants, lawyers and/or brokerage agent(s) for the purpose of compiling and issuing the listing document which is estimated to be at least HK\$1.0 million. Based on the above, the Directors consider that the issue of Subscription Shares under the Subscription Agreement is a more desirable solution for the business development of the Group.

Pursuant to the announcement dated 31 March 2022 published by the Company, the Company has obtained a secured term loan facility in an aggregate amount of HK\$150,000,000 from a company managed and controlled by Gaw Capital Partners (the "**Green Loan Facility**"). However, the Company is subject to various limitations to drawing down a loan from the Green Loan Facility, in particular the loan must be used for carrying out a project which complies with the requirements in the green financing framework and falls within one of the categories of eligibility in the green project categories specified in the agreement in relation to Green Loan Facility, for example a project under the EV-charging at Home Subsidy Scheme issued by the Environmental Protection Department. Therefore, the Green Loan Facility could not be utilised as working capital for the Company, but only as capital for specific projects and are subject to approval by the lender. Moreover, the interest rate of the Green Loan Facility is 10.0% per annum, to protect the interests of the Company and the Shareholders, the Directors will seek alternatives so as to reduce the costs of any capital contributions for the business expansion by the Company. As the use of proceeds is intended to apply on the Link Project, the Company is unable to draw down from the Green Loan Facility to finance the Link Project.

LETTER FROM THE BOARD

In view of the above, notwithstanding that the shareholding of the existing Shareholders will be diluted upon Completion, after taking into account: (a) the Subscription being the most feasible, favourable and cost-effective financing method to raise sufficient funds as compared to debt financing, rights issue, and open offer; and (b) the Directors' assessment of the fairness and reasonableness of the Subscription Price as stated under the section headed "Subscription Price" above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) (including the Subscription Price) were entered into on normal commercial terms and the terms therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for the Subscription and the 2nd Subscription, as at the Latest Practicable Date, the Company does not have any current intention or plans to undertake any fundraising plans. However, the Directors will not rule out any fundraising activities they may consider when it is reasonably necessary for the Group to raise fund to meet its operational needs or for future development. The Directors will carefully consider the likely impact on the Shareholders before they will proceed on any fundraising exercises. The Directors believe that the net proceeds received from the Subscription would satisfy the Company's expected funding needs for the next 6 months based on their assessment of the Company's current financial status.

INTENDED USE OF PROCEEDS

The gross proceeds from the Subscription will be HK\$12.4 million. The estimated net proceeds from the Subscription after deduction of expenses, will amount to approximately HK\$12.2 million. On such basis, the net price per Subscription Share will be approximately HK\$0.61.

The Company intends to apply the net proceeds from the Subscription for as follows:

- (i) as to approximately 80% of the net proceeds, for EV-charging business development;
- (ii) as to approximately 10% of the net proceeds, for commercial and financial printing business operation; and
- (iii) as to approximately 10% of the net proceeds, as working capital and general corporate purposes for the Group.

Intended uses of the Net Proceeds	Allocation <i>HKD'000</i>	Expected time of full utilisation of remaining balance
EV charging infrastructure investment	9,760	By 30 June 2023
Upgrade and acquire new equipment, hardware and software	1,220	By 30 June 2023
Working capital and general corporate purposes	1,220	By 30 June 2023
	<u>12,200</u>	

LETTER FROM THE BOARD

The use of proceeds in the EV charging division is estimated to last for 6 months which includes the EV charging infrastructure investment of the Link Project. It is expected that the Link Project will commence from January 2023.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 752,991,399 Shares in issue. The following is a table illustrating the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the Latest Practicable Date and the date of Completion:

	As at the Latest Practicable Date		Immediately after completion of the Subscription	
	<i>Number of Shares</i>	<i>Approx.% of shareholding</i>	<i>Number of Shares</i>	<i>Approx.% of shareholding</i>
Controlling Shareholder, Substantial Shareholders and Directors				
Global Fortune Global Limited <i>(Note 1)</i>	235,603,225	31.28%	235,603,225	30.47%
Glorytwin Limited <i>(Note 2)</i>	81,000,000	10.76%	81,000,000	10.48%
Mr. Pan Wenyuan	27,096,000	3.60%	27,096,000	3.51%
Mr. Wu Jianwei <i>(Note 1)</i>	24,192,000	3.21%	24,192,000	3.13%
Cornerstone Wealth Holdings Limited <i>(Note 3)</i>	22,802,703	3.03%	22,802,703	2.95%
Tanner Enterprises Group Limited <i>(Note 2)</i>	17,392,000	2.31%	17,392,000	2.25%
Mr. Liang Zihao <i>(Note 1)</i>	13,708,000	1.82%	13,708,000	1.77%
Mr. Lau Wai Yan Lawson <i>(Note 3)</i>	7,500,000	1.00%	7,500,000	0.97%
Mr. Yip Shiu Hong	5,997,905	0.80%	5,997,905	0.78%
Mr. Li Man Keung Edwin <i>(Note 2)</i>	5,912,613	0.79%	5,912,613	0.76%
Mr. Ng Sze Chun	2,998,953	0.40%	2,998,953	0.39%
Mr. Ko Shu Ki Kenneth	932,000	0.12%	932,000	0.12%
 The Subscriber	 18,750,000	 2.49%	 38,750,000	 5.01%
 Other public Shareholders	 289,106,000	 38.39%	 289,106,000	 37.40%
 Total	 <u>752,991,399</u>	 <u>100.00%</u>	 <u>772,991,399</u>	 <u>100.00%</u>

LETTER FROM THE BOARD

Notes:

- (1) 235,603,225 Shares are held by Global Fortune Global Limited which is owned as to 51% by Mr. Wu Jianwei, the non-executive Director and Co-Chairman of the Board, and as to 49% by Mr. Liang Zihao, the executive Director and Co-Chairman of the Board. Mr. Wu Jianwei also directly holds 24,192,000 Shares and Mr. Liang Zihao also directly holds 13,708,000 Shares.
- (2) 81,000,000 Shares are held by Glorytwin Limited which is wholly owned by Mr. Li Man Keung Edwin, executive Director and Vice Chairman of the Board. 17,392,000 Shares are held by Tanner Enterprises Group Limited which is wholly owned by Mr. Li Man Keung Edwin. Mr. Li Man Keung Edwin also directly holds 5,912,613 Shares. The aggregate Shares beneficially owned by Mr. Li Man Keung Edwin is 104,304,613 Shares.
- (3) 22,802,703 Shares are held by Cornerstone Wealth Holdings Limited which is wholly owned by Mr. Lau Wai Yan Lawson, the executive Director. Mr. Lau Wai Yan Lawson also directly holds 7,500,000 Shares. The aggregate Shares beneficially owned by Mr. Lau Wai Yan Lawson is 30,302,703 Shares.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The following is the equity fund raising activity conducted by the Company in the past 12 months immediately before the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
7 December 2022	Subscription of 35,320,000 new Shares under specific mandate	Approximately HK\$40.1 million	financing the Link Project and as working capital of the Group	The Group has not utilised any of the proceeds
27 June 2022 and 13 July 2022	Subscription of 32,320,000 new Shares under general mandate	Approximately HK\$19.5 million	EV-charging business development and general working capital	Fully utilised in accordance with the intended use
30 September 2021, 4 October 2021, 7 October 2021, 9 November 2021, 30 December 2021, 13 January 2022, 21 March 2022 and 31 May 2022	Placing of 39,520,000 new Shares under specific mandate	Approximately HK\$23.3 million	EV-charging business development, commercial and financial printing business operation and as general corporate purposes	Fully utilized in accordance with the intended use

The equity fund raising activities for the past twelve months together with the Subscription resulted in a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of the approximately 10.06%, which is below 25% as required under Rule 10.44A of the GEM Listing Rules.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

In accordance with the GEM Listing Rules, the Subscriber and its associates will be required to abstain from voting on the resolution(s) to approve the Subscription and the transactions contemplated thereunder at the EGM. The Subscriber is the elder sister of Mr. Wu Jianwei, while Global Fortune Global Limited is owned as to 51% by Mr. Wu Jianwei, hence, each of the Subscriber, Mr. Wu Jianwei and Global Fortune Global Limited is required to abstain from voting on the relevant resolutions at the EGM.

The Subscriber and Mr. Wu Jianwei, as Directors, are considered to have a material interest in the Subscription, therefore they did not participate in the Board's deliberations on the Subscription and had abstained from voting on the Board's resolution.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Subscription and will be required to abstain from voting on the resolution(s) to approve the Subscription and the transactions contemplated thereunder at the EGM.

EGM

A notice convening the EGM to be held at 21/F., Grand Millennium Plaza, 181 Queen's Road Central, Sheung Wan, Hong Kong on Wednesday, 22 February 2023 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. At the EGM, ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve (i) the Subscription Agreement and the Supplemental Subscription Agreement; and (ii) the Specific Mandate and the transactions contemplated thereunder. As the Subscriber, Mr. Wu Jianwei and Global Fortune Global Limited are connected persons of the Company under Chapter 20 of the GEM Listing Rules, and shall be required to abstain from voting on the resolution(s) of the Company approving the Subscription Agreement and the Supplemental Subscription Agreement and the grant of the Specific Mandate for the issuance and allotment of the Subscription Shares at the EGM.

Save as disclosed above and to the best of the knowledge, information and belief of the Directors and having making all reasonable enquiries, no other Shareholders have a material interest in (i) the Subscription Agreement and the Supplemental Subscription Agreement; and (ii) the Specific Mandate and the transactions contemplated thereunder. Accordingly, no other shareholder will be required to abstain from voting on the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same by 3:00 p.m. (Hong Kong time) on Monday, 20 February 2023 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked. A form of proxy for use at the EGM is enclosed with this circular. For further information please refer to the section headed "Precautionary Measures for the EGM" set out on pages ii to iii of this circular.

INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Tam Ka Hei Raymond, Mr. Yuen Chun Fai, Ms. Zhu Xiaohui and Mr. Ko Shu Ki Kenneth, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and the reasonableness of the terms of the Subscription and as to how to vote at the EGM. Pelican Financial has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate). The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, consider that the terms of the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. While the Subscription and the grant of the Specific Mandate are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) which will be proposed at the EGM for approving, inter alia, the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate). The text of the letter from the Independent Board Committee is set out on pages 4 to 18 of this circular while the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 21 to 44 of this circular.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17 February 2023 to Wednesday, 22 February 2023, both dates inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 16 February 2023.

LETTER FROM THE BOARD

RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 21 to 44 of this circular, consider that the terms of the Subscription are on normal commercial terms, fair and reasonable and, although the Subscription are not conducted in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the allotment and issue of the Subscription Shares pursuant to the Subscription Agreement and the Supplemental Subscription Agreement.

The Board (including members of the Independent Board Committee) considers that the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the Specific Mandate are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

WARNING OF THE RISKS OF DEALING IN THE SHARES

Completion of the Subscription is subject to the fulfillment of the conditions precedent set forth in the Subscription Agreement (as supplemented by the Subscription Agreement). As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

2 February 2023

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 2 February 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise the Independent Shareholders as to whether, in our opinion, the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Pelican Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 21 to 44 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 18 of the Circular and the additional information set out in Appendix to this Circular.

Having considered the terms and conditions of the Subscription and the principal factors and reasons considered by, and the advice and recommendation of the Independent Financial Adviser, we concur with its views and consider that the terms of the Subscription and the transactions contemplated thereunder are on normal commercial terms although it is not conducted in the ordinary and usual course of business of the Company, and that the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Yours faithfully,
on behalf of

Independent Board Committee of
Cornerstone Technologies Holdings Limited

TAM Ka Hei

Raymond
Independent
non-executive
Director

YUEN Chun Fai
Independent
non-executive
Director

ZHU Xiaohui
Independent
non-executive
Director

KO Shu Ki Kenneth
Independent
non-executive
Director

LETTER FROM PELICAN FINANCIAL

PELICAN FINANCIAL LIMITED



28//F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong

2 February 2023

*To the Independent Board Committee and the Independent Shareholders of
Cornerstone Technologies Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 2 February 2023 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcements of the Company dated 5 September 2022 and 22 December 2022 in relation to among other matters (the “**Announcements**”), the connected transaction in relation to the entering into the Subscription Agreement with the Subscriber under the Specific Mandate.

On 2 September 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 20,000,000 new Shares at the Subscription Price of HK\$0.62 per Subscription Share. On 22 December 2022, the Company entered into the Supplemental Subscription Agreement with the Subscriber to extend the long stop date to 28 February 2023. Completion of the Subscription is subject to the fulfilment of the conditions referred to in the paragraph headed “Conditions of the Subscription” of the Board Letter.

As at the Latest Practicable Date, the Subscriber is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

LETTER FROM PELICAN FINANCIAL

In accordance with the GEM Listing Rules, the Subscriber and its associates will be required to abstain from voting on the resolution(s) to approve the Subscription and the transactions contemplated thereunder at the EGM. The Subscriber is the elder sister of Mr. Wu Jianwei, while Global Fortune Global Limited is owned as to 51% by Mr. Wu Jianwei, hence, each of the Subscriber, Mr. Wu Jianwei and Global Fortune Global Limited is required to abstain from voting on the relevant resolutions at the EGM.

The Subscriber and Mr. Wu Jianwei, as Directors, are considered to have a material interest in the Subscription, therefore they did not participate in the Board's deliberations on the Subscription and had abstained from voting on the Board's resolution.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Subscription and will be required to abstain from voting on the resolution(s) to approve the Subscription and the transactions contemplated thereunder at the EGM.

The Board currently comprises seven executive Directors, one non-executive Director and four independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, namely Mr. Tam Ka Hei Raymond, Mr. Yuen Chun Fai, Ms. Zhu Xiaohui and Mr. Ko Shu Ki Kenneth, has been established to advise the Independent Shareholders regarding the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate). We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited ("**Pelican Financial**") is not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican Financial and the Company nor any other parties, or any circumstance as set out in GEM Listing Rules 17.96, that could be reasonably be regarded as a hindrance to Pelican Financial's independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate). We also confirm that in the last two years, there had been no business engagement between the Company and Pelican Financial.

Apart from normal professional fees payable to us in connection with our current appointment, no arrangement exists whereby Pelican Financial will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate).

LETTER FROM PELICAN FINANCIAL

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Subscription and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution(s) regarding the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Subscription Agreement, the Announcements, the third quarterly report of the Group for the nine months ended 30 September 2022 (the “**2022 Third Quarterly Report**”), the annual report of the Group for the financial year ended 31 December 2021 (the “**2021 Annual Report**”), the interim report of the Group for the six months ended 30 June 2022 (the “**2022 Interim Report**”), the first quarterly report of the Group for the three months ended 31 March 2021 (the “**2021 First Quarterly Report**”) and the draft Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate), we have considered the following principal factors and reasons.

LETTER FROM PELICAN FINANCIAL

1. Information on the Group

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 (the “EV”) charging business in Hong Kong.

Set out below is a summary of the audited financial information of the Group for the two years ended 31 December 2021 as extracted from the 2021 Annual Report and the unaudited financial information for the three months ended 31 March 2020 as extracted from the 2021 First Quarterly Report and the six months ended 30 June 2021 and 2022 as extracted from the 2022 Interim Report.

Table 1: Financial performance of the Group

	2020		For the nine months ended 31 December 2020 (Audited) HK\$'000	For the three months ended 31 March ¹ 2020 (Unaudited) HK\$'000	For the six months ended 30 June	
	For the financial year ended 31 December 2021 (Audited) HK\$'000	Combined Figures (for the year ended 31 December) ¹ 2020 (Unaudited) HK\$'000			2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<i>Revenue</i>						
<i>Printing business</i>						
– Commercial printing services	30,857	25,026	19,008	6,018	15,185	19,187
– Financial printing services	15,837	23,636	20,199	3,437	11,336	10,418
– Other services	1,535	2,575	1,131	1,444	695	1,116
	48,229	51,237	40,338	10,899	27,216	30,721
<i>EV charging business</i>						
– Sales of EV charging systems	6,450	523	523	–	9,829	2,897
– Maintenance fee income	–	–	–	–	160	–
– Subscription fee income	353	48	48	–	289	99
	6,803	571	571	–	10,278	2,996
Total Revenue	55,032	51,808	40,909	10,899	37,494	33,717

LETTER FROM PELICAN FINANCIAL

	2020					
	Combined					
	For the	Figures	For the	For the		
	financial	(for the	nine months	three months		
	year ended	year ended	ended	ended	For the six months ended	
	31 December	31 December) ¹	31 December	31 March ¹	30 June	
	2021	2020	2020	2020	2022	2021
	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Gross profit/(loss) by segment</i>						
Printing business	5,341	6,947	7,930	(983)	824	7,221
EV charging business	1,622	99	99	–	1,785	326
Gross profit/(loss)	6,963	7,046	8,029	(983)	2,609	7,547
<i>Gross profit/(loss) margin by segment</i>						
Printing business	11.1%	13.6%	19.7%	(9.0%)	3.0%	23.5%
EV Charging business	23.8%	17.3%	17.3%	–	17.4%	10.9%
Total gross profit/(loss) margin	12.7%	13.6%	19.6%	(9.0%)	7.0%	22.4%
Loss for the year/period	61,999	39,121	30,471	8,650	47,065	26,504

Note:

- The Company announced to change its financial year end date from 31 March to 31 December on 11 December 2020. The unaudited results for the three months ended 31 March 2020 and the 2020 Combined Figures are disclosed in the above table for reference and comparison purposes.

According to the 2021 Annual Report, the Group recorded total revenue of approximately HK\$55.0 million for the year ended 31 December 2021, representing a growth of approximately HK\$3.2 million, or 6.2%, from approximately HK\$51.8 million for the year ended 31 December 2020 (calculated by combining the figures in the Company's unaudited first quarterly results for the three months ended 31 March 2020 and its audited results for the nine months ended 31 December 2020 (the “**2020 Combined Figures**”). Such revenue growth was mainly driven by the increase in revenue from the Group's EV charging business of approximately HK\$6.2 million. The Group acquired the EV charging business in August 2020 and the financial year ended 31 December 2021 was the first year when the Group started to consolidate the full-financial year results thereof.

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Despite the increase in the Group's revenue, its gross profit had decreased by approximately HK\$83,000 from approximately HK\$7,046,000 for the year ended 31 December 2020 (calculated based on the 2020 Combined Figures) to approximately HK\$6,963,000 for the year ended 31 December 2021, which was mainly due to the increase in its labour cost and paper cost from its printing business, whose gross profit margin decreased from approximately 13.6% for the year ended 31 December 2020 (calculated based on the 2020 Combined Figures) to approximately 11.1% for the year ended 31 December 2021. The reverse is observed in the Company's EV charging business, whose gross profit margin increased from approximately 17.3% to approximately 23.8% between 2020 and 2021.

Furthermore, the Group recorded a loss of approximately HK\$62.0 million for the year ended 31 December 2021, representing an increase in loss of approximately HK\$22.9 million from the loss of approximately HK\$39.1 million for the year ended 31 December 2020 (calculated based on the 2020 Combined Figures). Such increase in loss was mainly attributable to (i) the decrease in gross profit from the Group's printing business; (ii) the decrease in other income recognized of approximately HK\$3.1 million due to the decrease in government grant recognized; and (iii) the incurrence of additional administrative and other operating expenses due to the expansion of the EV charging business.

On the other hand, according to the 2022 Interim Report, the Group's revenue increased by approximately 11.3%, from approximately HK\$33.7 million for the six months ended 30 June 2021, to approximately HK\$37.5 million for the six months ended 30 June 2022. Such an increase was mainly due to the increase in revenue from the Group's sales of EV charging systems of approximately HK\$6.9 million, although it was partially offset by the decrease in revenue from the Group's commercial printing services of approximately HK\$4.0 million. Despite such revenue growth in the EV charging business, the Group's gross profit decreased by approximately 65.3%, or HK\$4.9 million, to approximately HK\$2.6 million for the six months ended 30 June 2022, mainly due to the decrease in revenue from the Group's printing business and a disproportional decrease in its cost of services.

Given the above, the Group recorded a loss of approximately HK\$47.1 million for the six months ended 30 June 2022, which was larger than the loss of approximately HK\$26.5 million for the previous corresponding period. Similar to the financial year of 2021, the increase in loss was mainly attributable to (i) the decrease in gross profit from the Group's printing business; and (ii) the incurrence of additional administrative and other operating expenses due to the expansion of the EV charging business.

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Meanwhile, the consolidated assets and liabilities of the Group as at 31 December 2021 and 30 June 2022 as extracted from the 2022 Interim Report are summarized as follows:

Table 2: Financial position of the Group

	As at 30 June 2022	As at 31 December 2021
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets		
– non-current assets	124,117	124,401
– current assets	61,376	45,613
	185,493	170,014
 Total liabilities		
– non-current liabilities	50,514	51,478
– current liabilities	59,128	56,868
	109,642	108,346
 Net current assets/(liabilities)	2,248	(11,255)
 Net assets	75,851	61,668

The Group recorded total assets of approximately HK\$185.5 million as at 30 June 2022, representing an increase of approximately HK\$15.5 million or 9.1% from approximately HK\$170.0 million as at 31 December 2021. The increase in total assets of the Group as at 30 June 2022 was mainly attributable to the increase in the Group's trade and other receivables, prepayments and deposits of approximately HK\$20.6 million, although it was partially offset by the decrease in the Group's cash and bank balance of approximately HK\$6.2 million.

On the other hand, the Group recorded total liabilities of approximately HK\$109.6 million as at 30 June 2022, representing an increase of approximately 1.2% from approximately HK\$108.3 million as at 31 December 2021. The increase was mainly due to the increase in the Group's trade and other payables of approximately HK\$26.2 million, although it was partially offset by the decrease in the Company's loan from shareholders of approximately HK\$24.0 million after the completion of the Company's subscription exercise on 31 May 2022.

The net current assets of the Group amounted to approximately HK\$2.2 million as at 30 June 2022, as compared to net current liabilities of approximately HK\$11.3 million as at 31 December 2021. Such financial turnaround was mostly driven by the increase in the Group's current assets as a result of the increase in the Group's trade and other receivables.

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As a result of the above, the net asset value of the Group amounted to approximately HK\$75.9 million as at 30 June 2022, representing an increase of approximately 23.0% from approximately HK\$61.7 million as at 31 December 2021.

2. Information on the Subscriber

The Subscriber is an executive Director and the elder sister of Mr. Wu Jianwei, a non-executive Director, and is therefore a connected person of the Company. As at the Latest Practicable Date, the Subscriber is interested in 18,750,000 Shares, representing approximately 2.49% of the total issued share capital of the Company.

3. Use of proceeds

The gross proceeds from the Subscription will be HK\$12.4 million. The estimated net proceeds from the Subscription after deduction of expenses, will amount to approximately HK\$12.2 million. On such basis, the net price per Subscription Share will be approximately HK\$0.61.

The Company intends to apply the net proceeds from the Subscription in the following manner:

- a) as to approximately 80% of the net proceeds, for EV charging business development;
- b) as to approximately 10% of the net proceeds, for commercial and financial printing business operation; and
- c) as to approximately 10% of the net proceeds, as working capital and general corporate purposes for the Group.

It is intended that the net proceeds from the Subscription will be fully utilised by 30 June 2023.

Proposed use of the net proceeds	Amount <i>(Approximately HK\$)</i>
EV charging business development – EV charging infrastructure investment	9,760,000
Commercial and financial printing business operation – Upgrade and acquire new equipment, hardware and software	1,220,000
Working capital and general corporate purposes	1,220,000
	<u>12,200,000</u>

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Given (i) the relatively high gross profit margin of the Group's EV charging business and the growth thereof in the past two financial years as shown in Table 1; (ii) the favourable government policy and the market outlook of the EV industry as described below; and (iii) the Company's plan to focus more on the EV charging business in the future given its potential as mentioned below, we consider that the Group's plans to allocate most of the net proceeds from the Subscription to develop the EV charging business is not only commercially reasonable, but also in the interests of the Company and the Shareholders as a whole.

On the other hand, even though only 10% of the net proceeds from the Subscription is planned for working capital and general corporate purposes and may not alone be sufficient to cover the Group's financial obligations/current liabilities, the Company considers, and we concur, that such proposed use of proceeds is commercially reasonable, because (i) the expected return from investing in its EV charging business is higher than simply putting aside such net proceeds as working capital; (ii) the cashflow to be generated from its EV charging business, after the application of 80% of the net proceeds from the Subscription, is expected to alleviate the Group's its financial obligations nonetheless; and (iii) the 10% of the net proceeds allocated as working capital, though not significant, will amount to approximately HK\$1.2 million and provide the Group with cashflow flexibility and ease its financial burden.

In light of the above, we considered that the proposed use of proceeds is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

4. Reasons for and benefits of the Subscription

According to the publication relating to the EV industry in Hong Kong by the Research Office of the Legislative Council of HKSAR¹, the total registration of EVs in Hong Kong had increased significantly from 162 in 2010 to 18,361 in 2020. Furthermore, from 2015 to 2020, despite a tripling in the number of public chargers in Hong Kong from 1,221 to 3,351, the ratio of public chargers to EV fleet dropped from 0.30 to 0.18, showing that there are inadequate charging facilities for the use of EVs in Hong Kong. As at the end of September 2022, according to the website of the Environmental Protection Department of HKSAR², the total number of EVs in Hong Kong amounted to 39,114 and the total number of EV chargers for public use amounted to 5,283, the ratio of public chargers to EV fleet had further decreased to approximately 0.14. With the HKSAR actively promoting the use of EVs, it is expected that the number of EVs would continue to increase, hence more EV chargers and related amenities.

¹ Please refer to the publication relating to the EV industry in Hong Kong by the Research Office of the Legislative Council of HKSAR dated 28 May 2021 at <https://www.legco.gov.hk/research-publications/english/2021issh26-usag-e-of-electric-vehicles-in-hong-kong-20210528-e.pdf>

² Please refer to the website of Environmental Protection Department of HKSAR at https://www.epd.gov.hk/epd/english/environmentinhk/air/promotion_ev/promotion_ev.html#Report

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Under the global trend of carbon neutrality, the Group has taken the initiative to cooperate with different brands and private estates management by providing diversified integrated charging solutions for EV. According to the 2021 Annual Report and 2022 Interim Report, the Group commenced its EV charging business in August 2020. The EV charging business had contributed approximately 12.4% of the Group's total revenue for the financial year of 2021 and almost 30.0% for the six months ended 30 June 2022. We understand from the Company that, the Group has been actively participating in EV charging projects initiated by the Hong Kong government and has already won the tenders of several EV charging facility projects of the Hong Kong government departments in 2021. Further, the Group has also entered the Cambodian EV market in 2022. As advised by the Company, the Group is committed to continually investing in its EV charging business in Hong Kong and Southeast Asia, with a vision to focus more on such business in the future given its potential. According to the Board Letter, the Group has further expanded in Thailand, Malaysia and Indonesia in October 2022.

On the other hand, according to the 2022 Interim Report, the Group recorded a decrease in its cash and bank balance of approximately HK\$6.2 million, or 37.3%, to HK\$10.4 million as at 30 June 2022. Although the Group recorded net current assets of approximately HK\$2.2 million as at 30 June 2022 instead of net current liabilities of approximately HK\$11.3 million as at 31 December 2021, there is still pressure on the Group's ability to fulfill its financial obligations given that after all, the amount of its net current assets was relatively small and the Group's net loss position has got worsened in not only 2021 but also the first half of 2022.

Given that as shown in Table 1 above, the Group's recent financial performance would have been worse if there hadn't been its EV charging business, we understand that the Group intends to expand and contribute more funds and resources towards its EV charging business, meanwhile strengthening its working capital base so that it can enjoy higher liquidity in its daily operation and implementation of business strategies.

On the other hand, given that the Subscriber is a non-executive Director as well as a shareholder of the Company, we consider that the Subscription reflects the confidence and commitment of the Subscriber towards the long-term and sustainable development of the Company, and that the Subscription is expected to further strengthen the alignment of interests between the Subscriber and the Company.

Having considered (i) the favourable policy for the EV industry in Hong Kong; (ii) the growth potential of the Group's EV charging business given its track record of revenue to the Group and the increase of gross profit margin between the financial years of 2020 and 2021 as well as between the first halves of 2021 and 2022 as shown in Table 1 above; (iii) the financial position of the Group as at 30 June 2022 and the fact that the Group has been in a worsened net loss position so far in 2022; (iv) the liquidity and flexibility that the Subscription is expected to offer through enhancing the Group's working capital base; and (v) the expected further alignment of interests between the Subscriber and the Company through the Subscription, we concur with the Directors that the Subscription is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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5. Alternative fundraising methods

We have enquired the Company and we understand that the Directors have considered other alternative fundraising methods such as debt financing, rights issue or open offer. However, in light of recent market conditions, the Directors are of the view that raising funds by way of allotment and issue of the Subscription Shares shall enable the Company to obtain funds at a lower cost, as compared to debt financing, rights issue or open offer.

We agree with the Directors in this respect, given that debt financing would cause the Group to incur additional financing costs and that given that the Group's loss position for its latest financial year and the first half of 2022, the Group may be subject to lengthier negotiations with financial institutions and a less favourable interest rate.

On the other hand, a rights issue or an open offer in general (i) involves the issue of listing documents, other application and administrative procedures and hence is in general a longer process which may not allow the Company to raise the required capital efficiently; and (ii) is subject to underwriting uncertainty and market risks (i.e., underwriting and other related fees could be high). Hence, they may not be the most time- and cost-efficient means of fundraising for the Company compared to the Subscription, as the latter would involve much less documentation and allow the Company to raise funds without incurring placing commissions.

Having considered the above, we concur with the Directors that the Subscription is currently an appropriate way to raise capital for the Company and is in the interests of the Company and the Shareholders as a whole.

6. Principal terms of the Subscription Agreement

Set out below are the principal terms of the Subscription Agreement. For more details, please refer to the section headed "The Subscription Agreement (As Supplemented By The Supplemental Subscription Agreement)" in the Board Letter.

Date	2 September 2022 (after trading hours)
Parties	(i) the Company as issuer; and (ii) the Subscriber
Subscription Shares	The Subscription Shares represent: a) approximately 2.66% of the existing issued share capital of the Company as at the Latest Practicable Date; and

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- b) approximately 2.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscription, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the Latest Practicable Date and the date of Completion.

The aggregate nominal value of the Subscription Shares will be HK\$200,000.

The Subscription Shares were determined after arm's length negotiation between the parties with reference to, among other things, (i) the prevailing market price; (ii) the financial position, prospects and potential of the business development of (a) the EV charging and (b) the commercial and financial printing business.

Subscription Prices

The Subscription Price of HK\$0.62 per Subscription Share represents:

- (i) a premium of approximately 5.1% over the closing price of HK\$0.590 per Share as quoted on the Stock Exchange on 2 September 2022, being the Last Trading Day;
- (ii) a discount of approximately 2.8% to the average closing price of HK\$0.638 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement;
- (iii) a discount of approximately 59.7% to the closing price of HK\$1.54 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 0.075% represented by the theoretical diluted price of approximately HK\$0.6375 to the benchmarked price of HK\$0.638 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.59 and the average closing price of the Shares for the last five consecutive trading days immediately preceding the date of the Subscription Agreement of HK\$0.638 per Share).

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The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent market prices of the Shares and current market conditions. The Directors (including all the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) were entered into on normal commercial terms and the terms therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**Ranking of the
Subscription Shares**

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

**Conditions of the
Subscription**

Completion is conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and such approval has not been revoked prior to Completion;
- (ii) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate relating to the Subscription to issue and allot the Subscription Shares;
- (iii) the necessary consents and approvals in relation to the Subscription Agreement and the transactions contemplated thereunder having been obtained; and
- (iv) the representation and warranties of the Company remaining true and accurate in all material respects and are not misleading as at the date of the Subscription Agreement and the date of Completion.

None of the conditions precedent set out in (a) to (d) above can be waived by the parties to the Subscription Agreement. If the above conditions are not fulfilled by 5:00 p.m. on 28 February 2023 (or such other date as the parties may agree in writing), the Subscription Agreement will be automatically terminated and lapsed and none of the parties to the Subscription Agreement shall have any claim against the other in respect of the Subscription, save for any antecedent breaches thereof.

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Completion Completion of the Subscription will take place within ten Business Days after the date of fulfillment of the conditions referred to above.

Application for listing An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

7. Our assessment of the Subscription Price

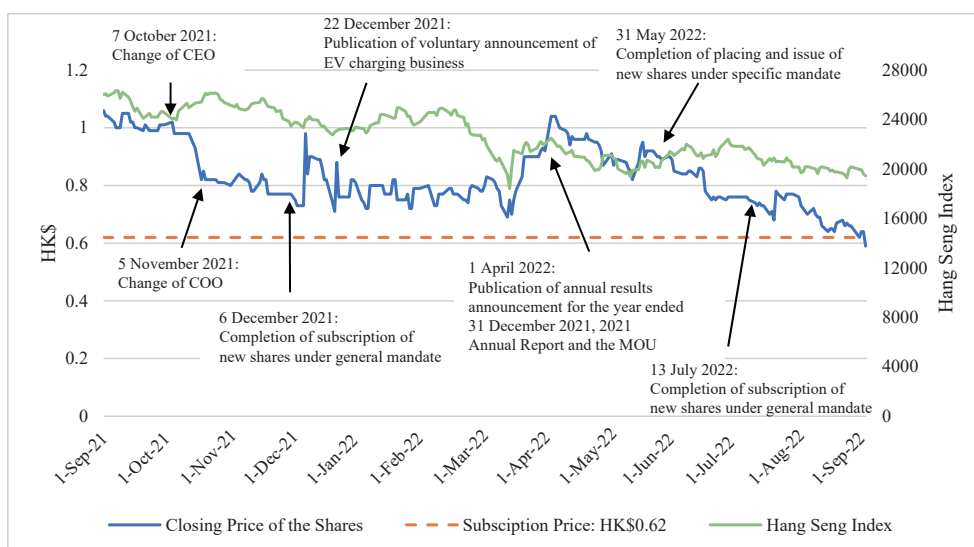
Given that the Subscription Price was determined based on the closing price and the trading volume of the Shares as at 2 September (being the date of Subscription Agreement) and the then market conditions, in assessing the fairness and reasonableness of the Subscription Price, we have conducted the following analysis:

a) *Share price performance*

In order to understand the general price trend of the Shares, we have reviewed the daily closing prices of the Shares as quoted on the Stock Exchange from 1 September 2021 up to and including 2 September 2022 (being approximately 12 months up to and including the Last Trading Day) (the “**Review Period**”) together with the Hang Seng Index, for our analysis. We consider a sampling period of approximately 12 months before the Last Trading Day as adequate as a longer period may not accurately reflect recent market conditions.

Set out below are the historical closing Share prices and the Hang Seng Index during the Review Period:

Chart 1: Historical closing prices of the Shares during the Review Period



Source: the website of the Stock Exchange

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Share prices during the Review Period

As illustrated above, during the Review Period, the Shares were traded within the range of HK\$0.59 and HK\$1.06 per Share with an average of approximately HK\$0.83 per Share. The Subscription Price of HK\$0.62 per Subscription Share is therefore within the range of the closing Share prices during the Review Period.

We noted that the closing Share price was at its highest on 1 September 2021 and started to drop to HK\$0.73 on 6 December 2021. During this period, the Group changed its Chief Executive Officer (the “CEO”) and its Chief operating officer (the “COO”), which was announced on 7 October 2021 and 5 November 2021 respectively. On 6 December 2021, the Group completed its fundraising exercise which involved the subscription of its new shares under a general mandate, and the closing Share price increased to HK\$0.98 on the next day. We noted that the Share prices dropped to HK\$0.71 and increased to HK\$0.88 after the Company published a voluntary announcement regarding the entering into EV charging agreements with a property management company with five-year exclusive right on 22 December 2022. Subsequent to the abovementioned events, we noted that the Share prices fluctuated within the region of HK\$0.82 to HK\$0.69. On 1 April 2022, the Company published the annual results announcement for the year ended 31 December 2021, the 2021 Annual Report and a voluntary announcement memorandum of understanding in relation to the potential establishment of a joint venture company in Cambodia (the “MOU”). The closing Share price then surged to almost the highest point during the Review Period of HK\$1.04. However, such high Share price was not sustained and demonstrated a general declining trend thereafter. The Share price reached its lowest point of HK\$0.59 during the Review Period on 2 September 2022.

Apart from the above events, we noted that the movement of the closing Share prices in general correlated with the overall market performance as reflected by the Hang Seng Index, except that the Share prices fluctuated in a greater multitude. Both the closing Share prices and the Hang Seng Index reflected a negative market sentiment during the Review Period, which might have been influenced by the uncertainty in the COVID-19 pandemic development, the geopolitical conflicts such as those between Russia and Ukraine as well as the inflation crisis.

While we noted that the Subscription Price is below the closing Share prices during the majority of the trading days in the Review Period, we consider that the Subscription Price should be assessed together with the Group’s financial performance as well as the prevailing market conditions.

As discussed above, while the Group changed from a net current liability position of approximately HK\$11 million as at 31 December 2021 to a net current asset position of approximately HK\$2 million as at 30 June 2022, such improvement in its financial position has not been reflected in its financial performance – the Group continued to record a loss of approximately HK\$47.1 million for the six months ended 30 June 2022, as compared with a loss of approximately HK\$26.5 million for the previous corresponding period.

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As discussed above, such increase in loss was mainly attributable to (i) the decrease in gross profit from the Group's printing business; and (ii) the incurrence of additional administrative and other operating expenses due to the expansion of the EV charging business, both of which are expected to continue with the printing business remaining to be the Group's principal business, and the EV charging business still being at its early stage. Given the currently weak global economy, the Group's continued and worsened net loss position and the fact that the liquidity of the Shares had been relatively low during the Review Period as discussed below, we consider that it is reasonable to set the Subscription Price at a discount to most of its recent closing Share prices during the Review Period.

Share prices after the Review Period

It is also noted that the Subscription Price of HK\$0.62 represents a discount of approximately 59.4% to the closing price of HK\$1.54 per Share as at the Latest Practicable Date. In this regard, we noted that the Share price has experienced a surge and reached its highest at HK\$3.07 per Share as at 9 December 2022, after the Company published its third quarterly report for the three months ended 30 September 2022 on 11 November 2022, which reports an increase in loss for the period of approximately HK\$3.0 million, or 21.2%, between the three months ended 30 September 2021 and the corresponding period ended 30 September 2022.

As discussed with the Company, it is unaware of any events or information that led to such Share price surge except for the positive news about its EV charging business as disclosed in its voluntary announcements dated 23 November 2022, 29 November 2022 and 30 November 2022, which are about, among others, (i) the Group's entering into of a memorandum of understanding on strategic cooperation with a strategic partner for the development of its EV charging business in Hong Kong and China; (ii) the award of the third EV charging infrastructure installation project under the EV-charging at Home Subsidy Scheme which is backed by the Hong Kong government; and (iii) the completion of the installation of its first direct-current fast charger for EVs in the headquarter of The Transportation Department of Cambodia. Given that the aforementioned information was only released in November, which was months after the entering into of the Subscription Agreement in September and was unavailable during the negotiation of the Subscription Price, we consider that it may be inappropriate to assess the Subscription Price based on the surged Share prices after the Review Period.

As discussed above, we consider that in assessing the Subscription Price, the Group's financial performance as well as the prevailing market conditions should also be assessed. According to the Global Economic Prospect (January 2023) report published by the World Bank³, the global economy remains shadowed by the pandemic and the global financial crisis, and global growth is expected to decelerate sharply to 1.7% in 2023, which will be the third-lowest rate in almost 30 years. It is also expected that high inflation would continue longer than previously anticipated. The combination of

³ Please refer the Global Economic Prospect (January 2023) published by the World Bank, an international financial institution for governments, at <https://openknowledge.worldbank.org/bitstream/handle/10986/38030/GEP-January-2023.pdf>

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slow growth, tightening financial conditions, heavy indebtedness and persistent inflation is expected to continue to challenge the global economy as well as the business of the Group. In view of that and the Group's continued and worsened net loss position as discussed above, we consider that it is reasonable to set the Subscription Price at a discount to its recent closing Share prices even after the Review Period.

b) *Trading liquidity of the Shares*

In order to understand the market demand for the Shares, we have studied the trading liquidity of the Shares. The following table sets out the total trading volume and average daily trading volume of the Shares, as well as the percentage of the average daily trading volume of the Shares to the total number of issued Shares for each month during the Review Period:

Table 3: Trading liquidity of the Shares

Month	Number of trading days <i>(days)</i>	Average daily volume <i>(Shares)</i>	% of average daily trading volume to total issued shares <i>(%)</i>
2021			
September	21	92,000	0.015%
October	18	88,222	0.015%
November	22	34,545	0.006%
December	21	43,429	0.007%
2022			
January	21	59,238	0.010%
February	17	32,000	0.005%
March	23	148,783	0.024%
April	18	1,487,556	0.245%
May	20	1,738,200	0.284%
June	21	2,174,762	0.310%
July	19	3,971,579	0.550%
August	23	2,404,696	0.328%
September (up to and including the Last Trading Day)	2	2,962,000	0.404%
		Minimum	0.005%
		Mean	0.169%
		Maximum	0.550%

Source: the website of the Stock Exchange

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Notes:

1. Based on 599,790,541 Shares prior to 6 December 2021, 607,790,541 Shares from 6 December 2021 to 30 May 2022, 701,671,399 Shares from 31 May 2022 to 12 July 2022 and 733,991,399 Shares on and after 13 July 2022.

As illustrated in the above table, the average daily trading volume of the Shares per month to the total issued Shares ranged from approximately 0.005% to 0.550%, with the average daily trading volume of the Shares to the total issued Shares of approximately 0.169% during the Review Period. We noted from the above table that the average daily trading volume of the Shares was relatively thin during the Review Period, given that it had been below 0.1% of the total number of issued Shares for most of the months during the Review Period.

Given the low liquidity of the Shares as illustrated above, we consider that it is fair and reasonable to set the Subscription Price at a discount to the recent closing prices of the Shares before the Last Trading Day, so that the Subscription becomes more attractive to the Subscriber.

Liquidity after the Review Period

September	21	2,900,000	0.393%
October	20	2,589,750	0.351%
November	22	5,801,409	0.787%
December	20	20,668,450	2.804%

Furthermore, we conducted a liquidity analysis after the Review Period for our reference. As illustrated in the above table, the average daily trading volume of the Shares in December to the total issued Shares increased to 2.804%, which was much higher than that in October and November, as well as during the Review Period. This suggests that the trading pattern in December was relatively unusual. As discussed with the Company, the Board believes, and we concur, that the recent Share price movement represents a short-term market volatility. It may be inappropriate to assess the Subscription Price based on the surged liquidity after the Review Period. Based on the above analysis, we consider that it is reasonable for the Subscription Price to be at a discount to its recent closing Share prices after the Review Period.

c) *Market comparables analysis*

To further assess the fairness and reasonableness of the Subscription Price, we have conducted a search on the website of the Stock Exchange for transactions which (i) involved the subscription of new shares of listed companies by either their connected person(s) or independent third party(ies); and (ii) were announced during the Review Period.

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The selection of the comparable transactions (the “**Comparable Transactions**”) is based on the following criteria: (i) subscription of new shares under specific mandate carried out by the companies listed on the Stock Exchange; (ii) excluding issues under share award plan or for emolument or restructuring scheme or acquisition purposes; and (iii) excluding issues of A shares or domestic shares.

We considered our selection criteria for these Comparable Transactions and the length of the Review Period as fair and reasonable given that (i) the selection of subscription exercises with subscribers therein being connected persons and/or independent third parties of the relevant issuers would provide a more comprehensive view of prevailing market conditions; and (ii) there is a sufficient number of Comparable Transactions conducted during the Review Period for our analysis.

In selecting the Comparable Transactions, we have also included companies with different market capitalisation and from different industries listed on the Stock Exchange, given that we consider (i) such inclusion would provide a more comprehensive reference point compared to a limited number of comparable transactions which are announced only by other printing/EV components companies listed on the Stock Exchange, and/or by those with a market capitalization that is close to that of the Company; (ii) the market sentiment toward a company’s shares, which are often affected by, among others, the company’s financial performance, industry or market capitalization, are already reflected in their recent share prices and hence the premium/discount represented by the Comparable Transactions’ subscription prices over/to the recent share prices already provides a relevant and direct reference with regards to the market practice in determining the subscription price; and (iii) whether a company is listed on the Main Board or GEM of the Stock Exchange, or has a small or larger market capitalization, would unlikely have a material impact on the premium/discount represented by its subscription price over/to its recent share prices, and such view is supported by the figures presented by the Comparable Transactions as shown in Table 4 below. Taking into account these factors, we consider that our selection criteria for the Comparable Transactions are fair and reasonable and provide a meaningful reference for our assessment of the Subscription Price.

Based on our selection criteria, we have identified 14 Comparable Transactions which we consider to be exhaustive and sufficient for our assessment of the fairness and reasonableness of the Subscription Price. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as those companies involved in the Comparable Transactions. However, we consider that the subscription prices in the Comparable Transactions were determined under similar market conditions and sentiment and hence reflect relevant general market trends in an open market. Accordingly, we are of the view that the Comparable Transactions provide a meaningful reference in our assessment of the fairness and reasonableness of the Subscription Price.

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Table 4: Comparable Transactions

Date of Announcement	Company Name (Stock code)	Market Cap (Note 1) (HK\$ mil)	Connected transaction (Y/N)	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day on/prior to the date of the respective agreement (Note 2) (%)	Premium/ (discount) of the subscription price over/to the average closing price for the last five trading days prior to/up to and including the date of the respective agreement (Note 2) (%)	Premium/ (discount) of the subscription price over the consolidated net assets value per share (Note 3) (%)
9/2/2022	Boe Varitronix Limited (710)	14,581	Y	(7.2)	(11.8)	265.4
8/23/2022	Standard Development Group Limited (1867)	306	Y	(14.8)	(16.1)	113.0
7/14/2022	China Ruyi Holdings Limited (136)	21,610	Y	(2.0)	(7.7)	248.6
6/1/2022	TOT Biopharm International Company Limited (1875)	1,839	Y	–	4.7	540.9
5/17/2022	China Hongguang Holdings Limited (8646)	200	Y	(13.0)	(5.9)	(51.2)
4/13/2022	Jinxin Fertility Group Limited (1951)	18,449	Y	11.3	7.6	55.9
3/25/2022	JD Logistics, Inc. (2618)	113,083	Y	(10.0)	(13.7)	176.1
1/18/2022	Zall Smart Commerce Group Limited (2098)	5,022	Y	13.6	12.1	(70.8)
12/31/2021	Wealthking Investments Limited (1140)	3,563	Y	15.0	21.4	(31.8)
12/9/2021	Kirin Group Holdings Limited (8109)	17	N	10.0	10.1	4.8
11/28/2021	iDreamSky Technology Holdings Limited (1119)	5,575	Y	(9.3)	(8.1)	70.6

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Date of Announcement	Company Name (Stock code)	Market Cap (Note 1) (HK\$ mil)	Connected transaction (Y/N)	Premium/ (discount)	Premium/ (discount)	Premium/ (discount)
				of the subscription price over/to the average closing price for the last five trading days prior to/up to and including the date of the respective agreement (Note 2) (%)	of the subscription price over/to the closing price for the last five trading days prior to/up to and including the date of the respective agreement (Note 2) (%)	of the subscription price over the consolidated net assets value per share (Note 3) (%)
11/14/2021	China Nuclear Energy Technology Corporation Limited (611)	982	N	(6.2)	0.9	(6.2)
10/26/2021	AUX International Holdings Limited (2080)	190	Y	1.6	2.3	34.0
9/9/2021	Million Cities Holdings Limited (2892)	450	Y	7.5	7.5	(35.4)
	Minimum			(14.8)	(16.1)	(70.8)
	Average			(0.3)	0.2	93.9
	Maximum			15.0	21.4	540.9
	<i>The Company</i>	1,160	Y	5.1	(2.8)	501.9

Source: the website of the Stock Exchange

Notes:

1. Market capitalization as at the Latest Practicable Date.
2. Two transactions we identified during the Review Period with the highest premium/(discount) of the subscription price over/to the closing price per share on the last trading day on/prior to the date of the respective agreement were considered as outliers and not included in the above analysis. These transactions included the subscription exercises of:
 - (i) Morris Home Holdings Limited (stock code: 1575) as disclosed in its announcement dated 5 August 2022, as the discount of its subscription price over its closing price per share on the last trading day prior to the date of the respective agreement was approximately 59.4%, which represents the highest discount among the Comparable Transactions; and
 - (ii) Persta Resources Inc (stock code: 3395) as disclosed in its announcement dated 6 May 2022, as the premium of its subscription price over its closing price per share on the last trading day prior to the date of the respective agreement was approximately 122.2% which represents the highest premium among the Comparable Transactions.

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3. Two transactions we identified during the Review Period with the highest premium/(discount) of the subscription price over the consolidated net assets value per share were considered as outliers and therefore not included in the above analysis. These transactions included the subscription exercises of:
- (i) China South City Holdings Limited (stock code: 1668) as disclosed in its announcement dated 31 December 2021 the discount of its subscription price to its consolidated net assets value per share was approximately 89.8%, which represents the highest discount among the Comparable Transactions; and
 - (ii) Hypebeast Limited (stock code: 150) as disclosed in its announcement dated 29 July 2022 – the premium of its subscription price to its consolidated net assets value per share was approximately 33,425.2% which represents the highest premium among the Comparable Transactions.

As illustrated in the table above, the subscription prices in the Comparable Transactions:

- (i) ranged from a discount of approximately 14.8% to a premium of approximately 15.0%, with an average discount of approximately 0.3%, to/over their respective closing share prices on/prior to the date of the agreement;
- (ii) ranged from a discount of approximately 16.1% to a premium of approximately 21.4%, with an average premium of approximately 0.2%, to/over their respective average closing prices for the last five consecutive trading days prior to/up to and including the date of the agreement; and
- (iii) ranged from a discount of approximately 70.8% to a premium of approximately 540.9%, with an average premium of approximately 93.9%, to their respective latest consolidated net assets value per share.

As such, (i) the premium of the Subscription Price of approximately 5.1% over the closing price of the Last Trading Day (the “**LTD Premium**”) fall within the above ranges of the Comparable Transactions and is more favourable than the average discount of approximately 0.3% thereof; (ii) the discount of the Subscription Price of approximately 2.8% over the closing price for the last five consecutive trading days immediately preceding the date of the Subscription Agreement (the “**Five Days Discount**”) falls within the above ranges of the Comparable Transactions; and (iii) the premium of the Subscription Price of approximately 501.9% over the unaudited consolidated net asset value attributable to the Shareholders per share as at 30 June 2022 of approximately HK\$0.103 (based on the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2022 (the date to which the latest unaudited financial results of the Group were made up)) (the “**NAV per Share Premium**”) not only falls within the above ranges of the Comparable Transactions, but is above the average premium of approximately 93.9% thereof.

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Having considered that (i) the LTD Premium, the Five Days Discount, and the NAV per Share Premium are all within the ranges of those of the Comparable Transactions; (ii) the LTD Premium is more favourable than the average discount as represented by the Comparable Transactions; (iii) the NAV per Share Premium is higher than the average premium and close to the higher end of the range as represented by the Comparable Transactions; (iv) the net loss position of the Group for the year ended 31 December 2021 and the six months ended 30 June 2022 would have likely lowered the attractiveness of the Shares; (v) the liquidity of the Shares had been relatively low during the Review Period; (vi) the reasons for and benefits of the Subscription; and (vii) the Subscription is an appropriate fundraising method currently available to the Group, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

8. Potential financial effects

According to the 2022 Interim Report, the unaudited consolidated net asset value and cash and cash equivalents of the Group amounted to approximately HK\$75.9 million and HK\$10.4 million as at 30 June 2022, respectively.

Upon Completion, it is expected that both the net asset value and cash and cash equivalents of the Group will increase by the same amount of approximately HK\$12.2 million, being the estimated net proceeds of the Subscription.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position or results of the Group will be upon Completion.

Nonetheless, based on the above analysis, the Subscription is expected to have a positive impact on the Group's financial position. Accordingly, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

9. Potential dilution of the shareholding of the Company

As illustrated in the Board Letter under the section headed "Effect on the shareholding structure of the Company", the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 38.32%.

The Subscription Shares represent approximately: (a) 2.66% of the existing issued share capital of the Company as at the Latest Practicable Date; and (b) 2.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscription, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the Latest Practicable Date and the date of Completion.

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On such basis, the shareholding of existing public Shareholders will be diluted from approximately 38.32% to approximately 37.34% upon Completion (i.e., 0.97 percentage points).

Furthermore, based on the Subscription Price, the Subscription will have a theoretical dilution effect (as defined in Rule 10.44A of the GEM Listing Rules) of approximately 0.075% represented by the theoretical diluted price of approximately HK\$0.6375 to the benchmarked price of HK\$0.638 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.59 and the average closing price of the Shares for the last five consecutive trading days immediately preceding the date of the Subscription Agreement of HK\$0.638 per Share). Taking into consideration the Company's equity fund raising activities for the past twelve months, together with the Subscription, a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 10.06% would be resulted, which remains below 25% as required under Rule 10.44A of the GEM Listing Rules.

Nonetheless, having taken into account (i) the reasons for and benefits of the Subscription; (ii) the Subscription is an appropriate fundraising method currently available to the Group; (iii) the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned; (iv) the Subscription is expected to have an overall positive impact on the Group's financial position; and (v) the potential dilution effect to existing public Shareholders is relatively mild (i.e. 0.98 percentage points), we are of the view that such potential dilution effect as a result of the Subscription is acceptable.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that, the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the EGM. We also recommend the Independent Shareholders to vote in favor of the resolution(s) relating to the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(I) Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at Latest Practicable Date, the interests and short positions of the Directors and chief executives 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 Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

Name of Director	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Mr. Wu Jianwei ("Mr. Wu") (Note 1)	Beneficial owner/ Interest of controlled corporation	259,795,225	34.50%
	Beneficial owner	10,400,000 (Note 6)	1.38%
Mr. Liang Zihao ("Mr. Liang") (Note 2)	Beneficial owner/ Interest of controlled corporation	249,311,225	33.11%
	Beneficial owner	10,400,000 (Note 6)	1.38%

Name of Director	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Mr. Lau Wai Yan Lawson ("Mr. Lau") (Note 3)	Beneficial owner/Interest of controlled corporation	30,302,703	4.02%
	Beneficial owner	7,100,000 (Note 6)	0.94%
Mr. Pan Wenyuan ("Mr. Pan") (Note 4)	Interest of controlled corporation	27,096,000	3.60%
	Beneficial owner	6,000,000 (Note 6)	0.80%
Mr. Li Man Keung Edwin ("Mr. Li") (Note 5)	Beneficial owner/Interest of controlled corporation	104,304,613	13.85%
	Beneficial owner	10,400,000 (Note 6)	1.38%
Ms. Wu Yanyan	Beneficial owner	18,750,000	2.49%
	Beneficial owner	6,000,000 (Note 6)	0.80%
Mr. Ko Shu Ki Kenneth	Beneficial owner	932,000	0.12%
	Beneficial owner	6,000,000 (Note 6)	0.80%
Mr. Yeung Chun Yue David	Beneficial owner	6,000,000 (Note 6)	0.80%
Mr. Sam Weng Wa Michael	Beneficial owner	6,440,000 (Note 6)	0.86%
Mr. Tam Ka Hei Raymond	Beneficial owner	1,040,000 (Note 6)	0.14%
Mr. Yuen Chun Fai	Beneficial owner	1,040,000 (Note 6)	0.14%
Ms. Zhu Xiaohui	Beneficial owner	1,040,000 (Note 6)	0.14%

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**”) and 100% of the issued share capital of Glorytwin Limited (“**Glorytwin**”). Mr. Li is deemed to be interested in the Shares in which Tanner Enterprises and Glorytwin are 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 the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in 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.

(II) Substantial Shareholders’ Interests and Short Positions in Shares and Underlying Shares of the Company

As at the Latest Practicable Date, the interests and short positions of the substantial shareholders of the Company (other than the Directors and 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:

Name of substantial shareholder	Long/short position	Capacity	Number of shares held	Percentage of issued share capital
Global Fortune	Long position	Beneficial owner (<i>Note 1</i>)	235,603,225	31.29%
Tanner Enterprises	Long position	Beneficial owner/ Interest of controlled corporation (<i>Note 2</i>)	98,392,000	13.07%
Glorytwin	Long position	Beneficial owner (<i>Note 2</i>)	81,000,000	10.76%

Notes:

1. 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.
2. Glorytwin is legally and beneficially owned as to 100% by Tanner Enterprises. Therefore by virtue of the SFO, Tanner Enterprises is deemed to be interested in all the shares held by Glorytwin.

Save as disclosed above, as at Latest Practicable Date, 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.

3. COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, the Company did not have any controlling Shareholder and so far as the Directors are aware, none of the Directors or any of their respective associate(s) had any interest in a business which causes or may cause, either directly or indirectly, any significant competition with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years, which are determinable by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and in the Articles.

Pursuant to the letters of appointment between the Company and the independent non-executive Directors, the independent non-executive Directors have been appointed for a term of three years, which are determinable by either party by giving three months' written notice.

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation).

5. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENTS

None of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular which is significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice contained in this circular:

Name	Qualification
Pelican Financial Limited	A corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity

Pelican Financial has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Pelican Financial was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, Pelican Financial did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cstl.com.hk) for a period of 14 days from the date of this circular:

- (a) the letter from the Board, the text of which is set out on pages 4 to 18 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- (c) the letter from Pelican Financial, the text of which is set out on pages 21 to 44 of this circular;
- (d) the written consent of the expert as referred to in the section headed “Expert and Consent” of this Appendix;
- (e) the annual reports of the Company for the year ended 31 December 2022;
- (f) the interim report of the Company for the six months ended 30 June 2022;
- (g) the third quarterly report of the Company for the nine months ended 30 September 2022;
- (h) the announcement of the Company published on the 31 March 2022;
- (i) the Subscription Agreement;
- (j) the Supplemental Subscription Agreement; and
- (k) this circular.

10. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of Cornerstone Technologies Holdings Limited (the “Company”) will be held at 21/F., Grand Millennium Plaza, 181 Queen’s Road Central, Sheung Wan, Hong Kong on Wednesday, 22 February 2023 at 3:00 p.m. for the following purposes. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 2 February 2023 (the “Circular”).

ORDINARY RESOLUTION

To consider and, if thought fit, pass with or without amendments the following resolution as ordinary resolutions:

1. “**THAT**

- (a) (i) the subscription agreement dated 2 September 2022 entered into between the Company and Ms. Wu Yanyan (the “Subscriber”) and (ii) the supplemental subscription agreement dated 22 December 2022 entered into between the Company and Ms. Wu Yanyan (collectively, the “Subscription Agreements”) (a copy of the Subscription Agreements has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose) in relation to the allotment and issue of 20,000,000 new ordinary shares of HK\$0.01 each in the share capital of the Company (the “Subscription Shares”) by the Subscriber at the subscription price of HK\$0.62 per Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in the Subscription Shares, the directors of the Company (the “Directors”) be and are hereby granted a specific mandate to allot and issue the Subscription Shares in accordance with the terms of the Subscription Agreements, provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

NOTICE OF EGM

- (c) any one of the Directors be and is hereby authorised to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Subscription Agreements and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Subscription Shares under the relevant specific mandate.”

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

Hong Kong, 2 February 2023

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Office Units 1107 - 11
11th Floor
New East Ocean Centre
No. 9 Science Museum Road
Kowloon, Hong Kong

As at the date of this notice, the Directors are as follows:

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
Ms. WU Yanyan
Mr. YEUNG Chun Yue David

Non-executive Director:

Mr. WU Jianwei (*Co-Chairman*)

Independent non-executive Directors:

Mr. TAM Ka Hei Raymond
Mr. YUEN Chun Fai
Ms. ZHU Xiaohui
Mr. KO Shu Ki Kenneth

Notes:

1. A member entitled to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint one or (if he holds two or more shares) more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing, or if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

NOTICE OF EGM

3. Where there are joint registered holders of any shares, any one of such persons may vote at the EGM (or at any adjournment thereof), either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practise in Hong Kong), must be deposited with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time fixed for holding the EGM (i.e. not later than 3:00 p.m. on Monday, 20 February 2023) or any adjournment thereof.
5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 17 February 2023 to Wednesday, 22 February 2023 both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 February 2023.
6. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should he so wish and in such event, the proxy form previously served will be deemed to be revoked.
7. In compliance with the GEM Listing Rules, the resolution to be proposed at the EGM will be voted by way of poll.
8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
9. If a tropical cyclone warning signal No.8 or above is hoisted or "extreme conditions" caused by super typhoons or a black rainstorm warning signal is in force at any time after 1:00 p.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the respective websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify members of the date, time and venue of the rescheduled meeting.
10. Due to the recent development of the epidemic COVID-19, the Company will implement the following precautionary measures at the EGM against the epidemic to protect the Shareholders from the risk of infection: (i) compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue; (ii) every Shareholder or proxy is required to (a) fill in health declaration form with information including travelling record and health condition; and (b) wear surgical facial mask throughout the meeting. Any person who refuses to follow the aforesaid will not be admitted to the venue; (iii) every Shareholder or proxy who has travelled from jurisdictions, which according to the Department of Health of Hong Kong would render such person subject to a quarantine order, within 14 days of the date of EGM will not be admitted to the venue; and (iv) no refreshments will be served and no gift/voucher will be distributed at the EGM.

Furthermore, the Company wishes to strongly advise the Shareholders, particularly those who are unwell or subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the EGM as a proxy to vote on the resolutions, instead of attending the EGM in person.

If you have any queries on the above, please contact the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays) by email to is-enquiries@hk.tricorglobal.com or telephone hotline at (852) 2980 1333.

The Company is closely monitoring the impact of COVID-19 in Hong Kong. Should any changes be made to the EGM arrangements, the Company will publish further announcement(s) to notify the Shareholders.