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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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.

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### CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

### 基石科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8391)

## (1) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTIONS OF NEW SHARES BY CONNECTED PERSONS UNDER SPECIFIC MANDATE; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

### Financial Adviser to the Company



建泉融資有限公司  
VBG Capital Limited

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



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A letter from the Board is set out from pages 3 to 16 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, 19 April 2023 at 3 p.m. is set out from pages EGM-1 to EGM-3 of this circular.

This circular will remain on the website of the Company at [www.estl.com.hk](http://www.estl.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Listed Company Announcements” page for at least seven days from the date of its posting.

No refreshments will be served and there will be no corporate gifts.

28 March 2023

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**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.**

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## DEFINITIONS

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*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 Subscriptions 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 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
“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 Subscriptions and the transactions contemplated thereunder

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## DEFINITIONS

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“Latest Practicable Date”	22 March 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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
“Subscribers”	Collectively, Mr. Wu Jianwei, Ms. Wu Yanyan, Mr. Liang Zihao and Mr. Li Man Keung Edwin
“Subscriptions”	the subscriptions of the Subscription Shares by the Subscribers pursuant to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement)
“Subscription Agreement”	the subscription agreement dated 7 December 2022 entered into between the Company and the Subscribers in relation to the Subscriptions (as supplemented by the Supplemental Subscription Agreement)
“Subscription Price”	HK\$1.144 per Subscription Share
“Subscription Shares”	an aggregate of 35,200,000 Shares to be allotted and issued by the Company to the Subscribers pursuant to the Subscription Agreement
“Supplemental Subscription Agreement”	the supplemental agreement dated 22 March 2023 entered into between the Company and the Subscribers in relation to the Subscription
“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.*

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## LETTER FROM THE BOARD

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### CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

### 基石科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8391)**

*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

*Registered office:*

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

*Non-executive Director:*

Mr. Wu Jianwei (*Co-Chairman*)

*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

*Independent Non-Executive Directors:*

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

28 March 2023

*To the Shareholders*

Dear Sir or Madam,

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

#### **INTRODUCTION**

Reference is made to the announcements of the Company dated 7 December 2022, 18 January 2023 and 23 March 2023, in relation to, among other matters, the connected transaction in relation to the Subscriptions of new Shares by connected persons under the Specific Mandate.

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## LETTER FROM THE BOARD

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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.

### SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATE

On 7 December 2022 (after trading hours), the Company and the Subscribers entered into the Subscription Agreement, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 35,200,000 new Shares at the Subscription Prices of HK\$1.144 per Subscription Share. On 22 March 2023, the Company entered into the Supplemental Subscription Agreement with the Subscribers to extend the long stop date to 31 May 2023. Completion of the Subscriptions is subject to the fulfilment of the conditions referred to in the paragraph headed “**Conditions of the Subscriptions**” 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:** 7 December 2022 (after trading hours)

**Parties:**

- (1) the Company (as issuer);
- (2) Wu Jianwei (as subscriber);
- (3) Wu Yanyan (as subscriber);
- (4) Liang Zihao (as subscriber); and
- (5) Li Man Keung Edwin (as subscriber)

Mr. Wu Jianwei is a non-executive Director, Ms. Wu Yanyan is an executive Director, Mr. Liang Zihao is an executive Director and Mr. Li Man Keung Edwin is an executive Director. Accordingly, the Subscriptions constitute connected transaction of the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### Subscription Shares

The Subscription Shares represent:

- (a) approximately 4.46% of the existing issued share capital of the Company as at the date of this circular; and
- (b) approximately 4.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscriptions, 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 date of this circular and the date of Completion.

The aggregate nominal value of the Subscription Shares will be HK\$352,000.

### Subscription Price

The Subscription Price of HK\$1.144 per Subscription Share represents:

- (a) a discount of approximately 55.8% to the closing price of HK\$2.59 per Share as quoted on the Stock Exchange on 7 December 2022, being the last trading day immediately before the date of the Subscription Agreement;
- (b) a discount of approximately 34.3% to the average closing price of HK\$1.74 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 premium of approximately 33.0% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date
- (d) a premium of approximately 1,007% to the net asset value per Share of HK\$0.10 with reference to the interim report 2022 published by the Company on 12 August 2022 (the “**Interim Report**”); and
- (e) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 2.49% represented by the theoretical diluted price of approximately HK\$2.52 to the benchmarked price of HK\$2.59 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\$2.59 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\$1.74 per Share).

The Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscribers with reference to the recent market prices of the Shares and current market conditions. The Directors (excluding the independent non-executive Directors whose view will be expressed in the circular after considering the opinion of the independent financial adviser) 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.



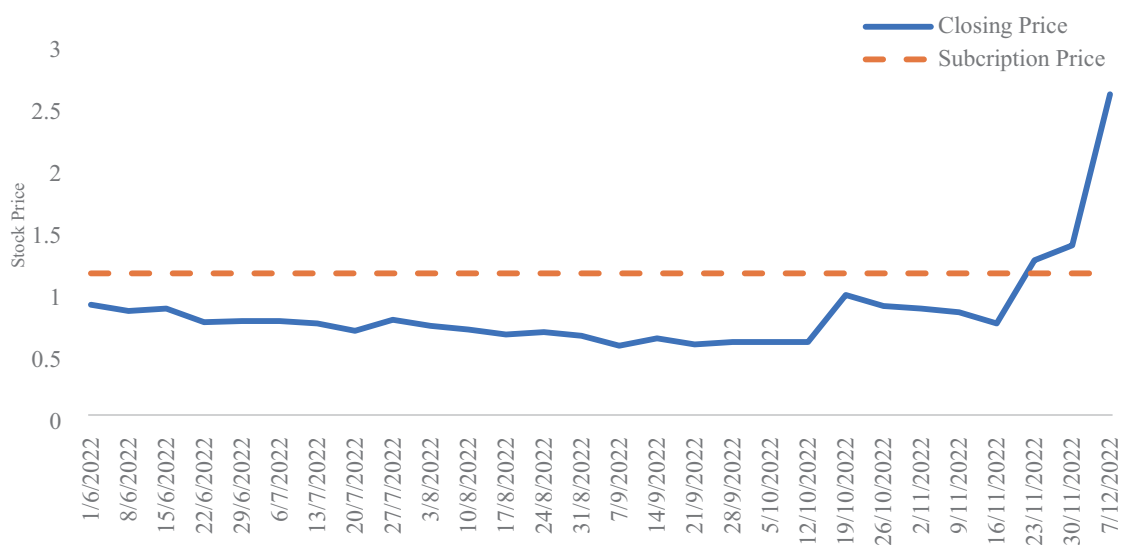
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## LETTER FROM THE BOARD

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When determining the Subscription Price, the Directors have reviewed the closing prices and the trading volume of the Shares from 1 June 2022 to 7 December 2022 (being the date of Subscription Agreement) (the “**Review Period**”). 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.

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



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## LETTER FROM THE BOARD

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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:

<b>Period</b>	<b>Total trading volume of Shares</b>	<b>Number of Trading days</b>	<b>Average daily trading volume of the Shares</b>	<b>Percentage of average Daily trading volume to total number of issued shares as at the end of the month/period</b>
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%
September	60,900,000	21	2,900,000	0.40%
October	51,795,000	20	2,589,750	0.35%
November	127,631,000	22	5,801,409	0.79%
Up to 7 December	107,971,399	5	21,594,280	2.94%

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 below reasons:

Having considered the price and trading volume movement during the period between 1 December 2022 and 7 December 2022 as compared to the share price and trading volume during the June to November 2022 is unusual (the average daily trading volume of the Shares amount to approximately 3,318,000 for the period between June to November 2022 and the average Share price of approximately HK\$0.76; while the average daily trading volume of the Shares amount to approximately 21,594,000 between 1 December 2022 and 7 December 2022 and the average Share price of approximately HK\$1.74, representing an approximate tenfold increase). In particular, for the two days namely, 6 and 7 December 2022, there was a relatively high average daily trading volume of the Shares amounting to approximately 42,694,000 and an average Share price of approximately HK\$2.23, as compared to the period between June to November 2022. The Board is of the view that the trading of the Shares on 6 and 7 December 2022 and is of short term market volatility.

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## LETTER FROM THE BOARD

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After the signing of the Subscription Agreement, the Board noted that the relatively high trading volume of Shares continued to 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\$2.37 per Share, while the average daily trading volume for the period between 8 and 16 December 2022 was approximately 37,515,000 shares and the average daily trading volume in proportion to the number of issued Shares for the same period was approximately 4.98%. Since 19 December 2022 and up to the Latest Practicable Date, the Shares ranged from the lowest closing price of HK\$0.86 per Share on 22 March 2023 to the highest closing price of HK\$1.88 per Share on 19 December 2022 and the average Share closing price of HK\$1.37 per Share, and the average daily trading volume for the period from 19 December 2022 and up to the Latest Practicable Date was approximately 2,805,629 shares and the average daily trading volume in proportion to the number of issued Shares for the same period was approximately 0.36%.

Given the net current liabilities financial position of the Group as at 30 June 2022 and the loss position of the Company as disclosed in the Interim Report, the Company could only acquire debt financing with the least favourable terms for the Company and Shareholders, due to our loss-making position from Interim Report 2022 and the doubt of ability to repay debt in a short period.

Other fund raising activities such as right issues or open offer would usually take two to three months to complete as compared to a subscription. Moreover, both rights issue and open offer are more costly compared to a subscription due to the additional costs incurred by the professional parties 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 million. Given the recent volatile movement in the Share price and trading volume, it would be difficult to procure a placing agent and conduct placing. 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.

After considering the above, given that (i) there was unusual price and trading volume movement for the period between 6 and 16 December 2022, the Board believes the period to be of short term market volatility; (ii) for the period from 17 December 2022 and up to Latest Practicable Date, the price and trading volume remained relatively stable; (iii) the Subscription Price represents a premium of approximately tenfold 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 789,039,399 Shares in issue as at the Latest Practicable Date; (iv) as at the Latest Practicable Date, the Subscription Price represents a premium of approximately 33.0% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (v) the importance of obtaining financing for the Link Project; and (vi) the Group is currently in a loss making position as disclosed in the Interim Report, the Board considers the Subscription Price to be fair and reasonable as at the date of the Subscription Agreement and the Latest Practicable Date based on the above analysis.

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## LETTER FROM THE BOARD

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### 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 Subscriptions

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (a) the Board having approved the Agreement and the transaction contemplated thereunder;
- (b) passing of the necessary resolution(s) at the EGM by the Independent Shareholders of the Company to approve the Subscription Agreement, the Specific Mandate and the transactions contemplated thereunder;
- (c) 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;
- (d) each of the Company and the Subscribers having obtained all necessary consents and approvals in respect of the Subscription Agreement and the transaction contemplated thereunder; and
- (e) there not having come to the attention of the Subscribers at any time prior to Completion (i) any breach of, or any event rendering untrue, incorrect or misleading in any respect, any of the representations, warranties or undertakings made by the Company referred to in the Subscription Agreement or (ii) any breach of, or failure to perform, any of the other obligations of the Company as required to be performed at or before Completion.

None of the conditions precedent set out in (a) to (e) above can be waived by the parties to the Subscription Agreement. If the above conditions are not fulfilled by before 5 p.m. (Hong Kong time) on 31 May 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 Subscriptions, save for any antecedent breaches thereof.

### Completion

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

### Lock-up Undertakings

Each of the Subscriber hereby undertakes to the Company that, it will not, at any time within twelve months after Completion (including the date of Completion), directly or indirectly dispose any of its Subscription Share.

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## LETTER FROM THE BOARD

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### 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.

### 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 SUBSCRIBERS

Mr. Wu Jianwei is a non-executive Director and the younger brother of Ms. Wu Yanyan, an executive Director, and is therefore a connected person of the Company.

Ms. Wu Yanyan 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.

Mr. Liang Zihao is an executive Director, and is therefore a connected person of the Company.

Mr. Li Man Keung Edwin is an executive Director, and is therefore a connected person of the Company.

### REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

As disclosed in the voluntary announcement published by the Company on 3 November 2022, Cornerstone EV Charging Service Limited (“**Cornerstone EV Charging**”), an indirectly wholly-owned subsidiary of the Company, has been 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 Company 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**”).

As at the date of the Subscription Agreement, the Company has 2 upcoming EHSS projects (the “**Upcoming EHSS Projects**”) and the Link Project on pipeline. Given the recent liquidity of the Company, the Company will require further capital to finance both the Upcoming EHSS Projects and the Link Project. The Board understanding the prospects and return of the Upcoming EHSS Projects and the Link Project, was willing to support the Upcoming EHSS Projects by way of injecting capital into the Company at the Subscription Price. Accordingly, with the Subscription, the Company would be able to allocate existing capital to submit the bids for the Upcoming EHSS Projects while obtaining capital for the Link Project. As at the Latest Practicable Date, the Company has won one of the EHSS Projects of the Upcoming EHSS Projects.

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## LETTER FROM THE BOARD

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The net proceeds of the Subscription is expected to fund the Link Project partially, it is expected that there will be four phases in the Link Project which will be allocated in the following manner, the first phase to install 22% of the total chargers in the Link Project, second phase to install 34% of the total chargers in the Link Project, third phase to install 25% of the total chargers in the Link Project, and fourth phase to install 19% of the total chargers in the Link Project. The first phase is expected to commence in March 2023. The Company will continue to seek financing alternatives such as debt and equity financing to satisfy the shortfall. As the Link Project will be a flagship project for Link Asset Management Limited, the Directors are of the view that the Company would not anticipate any difficulties to seek investors to introduce them as a strategic partner for the Link Project where the strategic partner will contribute capital for commencing the Link Project.

Save for the 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, as well as the on-going Link Project potential 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 and assuming there is no material changes for the current Link Project.

The gross proceeds from the Subscriptions will be approximately HK\$40.3 million. The estimated net proceeds from the Subscriptions after deduction of expenses, will amount to approximately HK\$40.1 million. On such basis, the net price per Subscription Share will be approximately HK\$1.139. The Company intends to apply the net proceeds from the Subscriptions for financing the Link Project and as working capital of the Group.

The Directors (including members of the Independent Board Committee) 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.

### INTENDED USE OF PROCEEDS

The gross proceeds from the Subscription will be HK\$40.3 million. The estimated net proceeds from the Subscription after deduction of expenses, will amount to approximately HK\$40.1 million. On such basis, the net price per Subscription Share will be approximately HK\$1.139. The Company intends to apply the net proceeds from the Subscription for as follows:

<b>Intended uses of the Net Proceeds</b>	<b>Allocation</b> <i>HKD '000</i>	<b>Expected time of full utilisation of remaining balance</b>
EV charging infrastructure investment	32,080	By 30 June 2023
Upgrade and acquire new equipment, hardware and software	4,010	By 30 June 2023
Working capital and general corporate purposes	4,010	By 30 June 2023
	<u>40,100</u>	

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## LETTER FROM THE BOARD

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### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 789,039,399 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:

	<b>As at</b>		<b>Immediately after completion of</b>	
	<b>the Latest Practicable Date</b>		<b>the Subscription</b>	
	<i>Number of</i>	<i>Approx.% of</i>	<i>Number of</i>	<i>Approx.% of</i>
	<i>Shares</i>	<i>shareholding</i>	<i>Shares</i>	<i>shareholding</i>
<b>Controlling Shareholder, Substantial Shareholders and Directors</b>				
<b>Golden Fortune Global Limited</b>				
<i>(Note 1)</i>	235,603,225	29.86%	235,603,225	28.59%
Glorytwin Limited <i>(Note 2)</i>	81,000,000	10.27%	81,000,000	9.83%
Mr. Pan Wenyuan	27,096,000	3.43%	27,096,000	3.29%
<b>Cornerstone Wealth Holdings Limited <i>(Note 3)</i></b>				
	22,802,703	2.89%	22,802,703	2.77%
<b>Tanner Enterprises Group Limited <i>(Note 2)</i></b>				
	17,392,000	2.20%	17,392,000	2.11%
<b>Mr. Lau Wai Yan Lawson <i>(Note 3)</i></b>				
	7,500,000	0.95%	7,500,000	0.91%
Mr. Yip Shiu Hong	5,997,905	0.76%	5,997,905	0.73%
Mr. Ng Sze Chun	2,998,953	0.38%	2,998,953	0.36%
Mr. Ko Shu Ki Kenneth	932,000	0.12%	932,000	0.11%
<b>Subscribers</b>				
Mr. Wu Jianwei <i>(Note 1)</i>	24,192,000	3.07%	32,992,000	4.00%
Ms. Wu Yanyan	38,750,000	4.91%	47,550,000	5.77%
Mr. Liang Zihao <i>(Note 1)</i>	13,708,000	1.74%	22,508,000	2.73%
Mr. Li Man Keung Edwin <i>(Note 2)</i>	5,912,613	0.75%	14,712,613	1.78%
<b>Other public Shareholders</b>	<u>305,154,000</u>	<u>38.67%</u>	<u>305,154,000</u>	<u>37.02%</u>
<b>Total</b>	<u><u>789,039,399</u></u>	<u><u>100.00%</u></u>	<u><u>824,239,399</u></u>	<u><u>100.00%</u></u>

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## LETTER FROM THE BOARD

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*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 this circular:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
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
27 June 2022 and 13 July 2022	Subscription of 32,320,000 new Shares under general mandate	Approximately HK\$20.0 million	General working capital	Fully utilized in accordance with the intended use
2 September 2022	Subscription of 20,000,000 new Shares under specific mandate	Approximately HK\$12.2 million	EV-charging business development, commercial and financial printing business operation and as general corporate purposes	Intended to be fully utilized by 30 June 2023



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## LETTER FROM THE BOARD

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The equity fund raising activities for the past twelve months together with the Subscriptions resulted in a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of the approximately 8.16%, which is below 25% as required under Rule 10.44A of the GEM Listing Rules.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscribers Mr. Wu Jianwei is a non-executive Director, Ms. Wu Yanyan is an executive Director, Mr. Liang Zihao is an executive Director and Mr. Li Man Keung Edwin is an executive Director, and are therefore connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscriptions constitute connected transactions and are 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 Subscribers and their associates will be required to abstain from voting on the resolution(s) to approve the Subscriptions and the transactions contemplated thereunder at the EGM. Global Fortune Global Limited is owned as to 51% by Mr. Wu Jianwei and 49% by Mr. Liang Zihao; and Glorytwin Limited and Tanner Enterprises Group Limited are wholly owned by Mr. Li Man Keung Edwin, hence, each of the Subscribers, Global Fortune Global Limited, Glorytwin Limited and Tanner Enterprises Group Limited is required to abstain from voting on the relevant resolutions at the EGM.

The Subscribers and their associates, are considered to have a material interest in the Subscriptions, therefore they did not participate in the Board's deliberations on the Subscriptions 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 Subscriptions and will be required to abstain from voting on the resolution(s) to approve the Subscriptions 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, 19 April 2023 at 3 p.m. is set out from 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 (as supplemented by the Supplemental Subscription Agreement); and (ii) the Specific Mandate and the transactions contemplated thereunder. As the Subscribers, Global Fortune Global Limited, Glorytwin Limited and Tanner Enterprises Group 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 Supplemental Subscription Agreement and the grant of the Specific Mandate for the issuance and allotment of the Subscription Shares at the EGM.

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## LETTER FROM THE BOARD

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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 Shareholder has a material interest in (i) the Subscription Agreement and 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.

If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. In appointing the chairman of the EGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting in the proxy form, the duly completed and signed proxy form must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of 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 not later than 3 p.m. on Monday, 17 April 2023 (being not less than forty-eight (48) hours before the EGM), failing which the appointment will be treated as invalid. 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 Deed and the Subscriptions 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 Subscriptions 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 Subscriptions 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 Subscriptions 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 Subscriptions and the transactions contemplated thereunder (including the grant of the Subscription Specific Mandate). The text of the letter from the Independent Board Committee is set out on pages 17 to 18 of this circular while the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 19 to 43 of this circular.

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## LETTER FROM THE BOARD

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### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 14 April 2023 to Wednesday, 19 April 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 Hong Kong branch share registrar and transfer office of the Company, 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, 13 April 2023.

### 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 19 to 43 of this circular, consider that the terms of the Subscriptions are on normal commercial terms, fair and reasonable and, although the Subscriptions 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 Subscriptions is subject to the fulfilment of the conditions precedent set forth in the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement). As the Subscriptions 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

### 基石科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8391)

28 March 2023

*To the Independent Shareholders*

Dear Sir or Madam,

#### **CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTIONS OF NEW SHARES BY CONNECTED PERSONS UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 28 March 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 Subscriptions 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 19 to 43 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 3 to 16 of the Circular and the additional information set out in the Appendix I to this Circular.

Having considered the terms and conditions of the Subscriptions 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 Subscriptions 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 Subscriptions and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 Subscriptions 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*

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## LETTER FROM PELICAN FINANCIAL

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### PELICAN FINANCIAL LIMITED

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

28 March 2023

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

Dear Sirs,

### **CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTIONS 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 Subscriptions, the Supplemental Subscription Agreement 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 28 March 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 7 December 2022, 18 January 2023 and 23 March 2023, in relation to among other matters (the “**Announcements**”), the connected transaction in relation to the entering into the Subscriptions of new Shares by connected persons under the Specific Mandate.

On 7 December 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 35,200,000 new Shares at the Subscription Price of HK\$1.144 per Subscription Share. On 22 March 2023, the Company entered into the Supplemental Subscription Agreement with the Subscribers to extend the long stop date to 31 May 2023. Completion of the Subscription is subject to the fulfilment of the conditions referred to in the paragraph headed “Conditions of the Subscriptions” of the Board Letter.

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## LETTER FROM PELICAN FINANCIAL

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As at the Latest Practicable Date, the Subscribers Mr. Wu Jianwei is a non-executive Director, Ms. Wu Yanyan is an executive Director, Mr. Liang Zihao is an executive Director and Mr. Li Man Keung Edwin is an executive Director, and are therefore connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscriptions constitute connected transactions and are 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 Subscribers and their associates will be required to abstain from voting on the resolution(s) to approve the Subscriptions and the transactions contemplated thereunder at the EGM. Global Fortune Global Limited is owned as to 51% by Mr. Wu Jianwei and 49% by Mr. Liang Zihao; and Glorytwin Limited and Tanner Enterprises Group Limited are wholly owned by Mr. Li Man Keung Edwin, hence, each of the Subscribers, Global Fortune Global Limited, Glorytwin Limited and Tanner Enterprises Group Limited is required to abstain from voting on the relevant resolutions at the EGM.

The Subscribers and their associates are considered to have a material interest in the Subscriptions, therefore they did not participate in the Board's deliberations on the Subscriptions 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 Subscriptions and will be required to abstain from voting on the resolution(s) to approve the Subscriptions 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 Subscriptions 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 Subscriptions, the Supplemental Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

In the last two years, other than our engagement by the Company to act as its independent financial advisor in respect of its connected transaction in relation to the subscription of new shares by connected person under specific mandate as disclosed in its circular dated 2 February 2023, there was no other engagement between the Company and us.

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## LETTER FROM PELICAN FINANCIAL

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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 Subscriptions and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Subscriptions, the Supplemental 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; and (ii) how the Independent Shareholders should vote in respect of the resolution(s) regarding the Subscriptions, the Supplemental Subscription Agreement 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.



# LETTER FROM PELICAN FINANCIAL

## PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

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

### 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 financial year ended 31 December 2021 and the audited financial information for the nine months ended 31 December 2020 as extracted from the 2021 Annual Report, 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 Combined					
	For the financial year ended 31 December 2021 <i>(Audited)</i> HK\$'000	Figures (for the year ended 31 December) <sup>1</sup> 2020 <i>(Unaudited)</i> HK\$'000	For the nine months ended 31 December 2020 <i>(Audited)</i> HK\$'000	For the three months ended 31 March <sup>1</sup> 2020 <i>(Unaudited)</i> HK\$'000	For the six months ended 30 June 2022 <i>(Unaudited)</i> HK\$'000	2021 <i>(Unaudited)</i> 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
<b>Total Revenue</b>	<b>55,032</b>	<b>51,808</b>	<b>40,909</b>	<b>10,899</b>	<b>37,494</b>	<b>33,717</b>

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## LETTER FROM PELICAN FINANCIAL

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	2020					
	Combined					
	For the	Figures	For the	For the	For the	
	financial	(for the	nine months	three months	six months ended	
	year ended	year ended	ended	ended	30 June	
	31 December	31 December) <sup>1</sup>	31 December	31 March <sup>1</sup>	2022	2021
2021	2020	2020	2020	(Unaudited)	(Unaudited)	
<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
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
<b>Gross profit/(loss)</b>	<b>6,963</b>	<b>7,046</b>	<b>8,029</b>	<b>(983)</b>	<b>2,609</b>	<b>7,547</b>
<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%
<b>Total gross profit/(loss) margin</b>	<b>12.7%</b>	<b>13.6%</b>	<b>19.6%</b>	<b>(9.0%)</b>	<b>7.0%</b>	<b>22.4%</b>
<b>Loss for the year/period</b>	<b>61,999</b>	<b>39,121</b>	<b>30,471</b>	<b>8,650</b>	<b>47,065</b>	<b>26,504</b>

*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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## LETTER FROM PELICAN FINANCIAL

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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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## LETTER FROM PELICAN FINANCIAL

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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 <b>30 June 2022</b> <i>(Unaudited)</i> <i>HK\$'000</i>	As at <b>31 December 2021</b> <i>(Audited)</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
<b>Net current assets/(liabilities)</b>	<b>2,248</b>	<b>(11,255)</b>
<b>Net assets</b>	<b>75,851</b>	<b>61,668</b>

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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## LETTER FROM PELICAN FINANCIAL

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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 Subscribers

Mr. Wu Jianwei is a non-executive Director and the younger brother of Ms. Wu Yanyan, an executive Director, and is therefore a connected person of the Company.

Ms. Wu Yanyan 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.

Mr. Liang Zihao is an executive Director, and is therefore a connected person of the Company.

Mr. Li Man Keung Edwin is an executive Director, and is therefore a connected person of the Company.

### 3. Use of proceeds

The gross proceeds from the Subscriptions will be HK\$40.3 million. The estimated net proceeds from the Subscriptions after deduction of expenses, will amount to approximately HK\$40.1 million. On such basis, the net price per Subscription Share will be approximately HK\$1.139.

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

<b>Proposed use of the net proceeds</b>	<b>Amount</b> <i>(Approximately HK\$)</i>	<b>Expected time of full utilisation of remaining balance</b>
EV charging infrastructure investment	32,080,000	By 30 June 2023
Upgrade and acquire new equipment, hardware and software	4,010,000	By 30 June 2023
Working capital and general corporate purposes	4,010,000	By 30 June 2023
	<u>40,100,000</u>	

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## LETTER FROM PELICAN FINANCIAL

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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 Subscriptions 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 Subscriptions 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 Subscriptions, 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\$4.0 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 Subscriptions

According to the publication relating to the EV industry in Hong Kong by the Research Office of the Legislative Council of HKSAR<sup>1</sup>, 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 December 2022, according to the website of the Environmental Protection Department of HKSAR<sup>2</sup>, the total number of EVs in Hong Kong amounted to 47,469 and the total number of EV chargers for public use amounted to 5,434, the ratio of public chargers to EV fleet had further decreased to approximately 0.11. 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.

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<sup>1</sup> 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/2021iss26-usage-of-electric-vehicles-in-hong-kong-20210528-e.pdf>

<sup>2</sup> 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](https://www.epd.gov.hk/epd/english/environmentinhk/air/promotion_ev/promotion_ev.html#Report)

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## LETTER FROM PELICAN FINANCIAL

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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.

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 Subscribers are Directors of the Company, we consider that the Subscriptions reflect the confidence and commitment of the Subscribers towards the long-term and sustainable development of the Company, and that the Subscriptions are expected to further strengthen the alignment of interests between the Subscribers and the Company.

Furthermore, as disclosed in the voluntary announcement published by the Company on 3 November 2022, Cornerstone EV Charging Service Limited ("**Cornerstone EV Charging**"), an indirectly wholly-owned subsidiary of the Company, has been 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 Company 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**").

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## LETTER FROM PELICAN FINANCIAL

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According to the Board Letter, as at the date of the Subscription Agreement, the Company has two upcoming EHSS projects (the “**Upcoming EHSS Projects**”) and the Link Project on the pipeline. Given the recent liquidity of the Company, the Company will require further capital to finance both the Upcoming EHSS Projects and the Link Project. The Board recognized the substantial potential in the Upcoming EHSS Projects and the Link Project, hence they are willing to support the Upcoming EHSS Projects by way of injecting capital into the Company at the Subscription Price. Accordingly, with the Subscriptions, the Company would be able to allocate existing capital to submit the bids for the Upcoming EHSS Projects while obtaining capital for the Link Project. As at the Latest Practicable Date, the Company has won one of the EHSS Projects of the Upcoming EHSS Projects.

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 necessary capital injection to finance Upcoming EHSS Projects and the Link Project; (v) the liquidity and flexibility that the Subscriptions are expected to offer through enhancing the Group’s working capital base; (vi) the expected further alignment of interests between the Subscribers and the Company through the Subscriptions, we concur with the Directors that the Subscriptions are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### 5. **Alternative fundraising methods**

As discussed with the Company and as disclosed in the Board Letter, the net proceeds of the Subscriptions is expected to fund the Link Project partially. The Company will continue to seek financing alternatives such as debt and equity financing to satisfy the shortfall. As the Link Project will be a flagship project for Link Asset Management Limited, the Directors are of the view that the Company would not anticipate any difficulties to seek investors to introduce them as a strategic partner for the Link Project where the strategic partner will contribute capital for commencing the Link Project.

Given that debt financing would cause the Group to incur additional financing costs and considered 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, hence it would be commercially reasonable to prioritize equity financing as the first option.

We have enquired the Company and we understand that the Directors have considered other alternative equity fundraising methods such as 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 rights issue or open offer.



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## LETTER FROM PELICAN FINANCIAL

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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). Given the recent volatile movement in the Share price and trading volume, it would be difficult to procure a placing agent and conduct placing. 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 Subscriptions are fair and reasonable, and currently an appropriate way to raise capital for the Company and are in the interests of the Company and the Shareholders as a whole.

### 6. Principal terms of the Subscription Agreement (AS SUPPLEMENTED BY THE SUPPLEMENTAL SUBSCRIPTION AGREEMENT)

Set out below are the principal terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement). For more details, please refer to the section headed “The Subscription Agreement” in the Board Letter.

<b>Date</b>	7 December 2022 (after trading hours)
<b>Parties</b>	(i) the Company as issuer; (ii) Wu Jianwei as subscriber; (iii) Wu Yanyan as subscriber; (iv) Liang Zihao as subscriber; and (v) Li Man Keung Edwin as subscriber
<b>Subscription Shares</b>	The Subscription Shares represent:  a) approximately 4.46% of the existing issued share capital of the Company as at the date of the Circular; and  b) approximately 4.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscriptions, 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 date of the Circular and the date of Completion.

The aggregate nominal value of the Subscription Shares will be HK\$352,000.

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## LETTER FROM PELICAN FINANCIAL

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### Subscription Prices

The Subscription Price of HK\$1.144 per Subscription Share represents:

- (i) a discount of approximately 55.8% to the closing price of HK\$2.59 per Share as quoted on the Stock Exchange on 7 December 2022, being the last trading day immediately before the date of the Subscription Agreement (the “**Last Trading Day**”);
- (ii) a discount of approximately 34.3% to the average closing price of HK\$1.74 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement; and
- (iii) a premium of approximately 33.0% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 1,044% to the net asset value per Share of HK\$0.10 with reference to the interim report 2022 published by the Company on 12 August 2022 (the “**Interim Report**”); and
- (v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 2.49% represented by the theoretical diluted price of approximately HK\$2.52 to the benchmarked price of HK\$2.59 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\$2.59 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\$1.74 per Share).

The Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscribers 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 (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.

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## LETTER FROM PELICAN FINANCIAL

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**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 or waiver (as the case may be) of the following conditions:

- (i) the Board having approved the Agreement and the transaction contemplated thereunder;
- (ii) the passing of the necessary resolution(s) at the EGM by the Independent Shareholders of the Company to approve the Subscription Agreement, the Specific Mandate and the transactions contemplated thereunder;
- (iii) 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;
- (iv) each of the Company and the Subscribers having obtained all necessary consents and approvals in respect of the Subscription Agreement and the transaction contemplated thereunder; and
- (v) there not having come to the attention of the Subscribers at any time prior to Completion (i) any breach of, or any event rendering untrue, incorrect or misleading in any respect, any of the representations, warranties or undertakings made by the Company referred to in the Subscription Agreement or (ii) any breach of, or failure to perform, any of the other obligations of the Company as required to be performed at or before Completion.

None of the conditions precedent set out in (i) to (v) above can be waived by the parties to the Subscription Agreement. If the above conditions are not fulfilled before 4:00 p.m. (Hong Kong time) on 31 May 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 Subscriptions, save for any antecedent breaches thereof.

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## LETTER FROM PELICAN FINANCIAL

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<b>Completion</b>	Completion of the Subscriptions will take place within ten Business Days after the date of fulfillment of the conditions referred to above.
<b>Lock-up Undertakings</b>	Each of the Subscribers hereby undertakes to the Company that, it will not, at any time within twelve months after Completion (including the date of Completion), directly or indirectly dispose any of its Subscription Share.
<b>Application for listing</b>	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 7 December 2022 (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 6 December 2021 up to and including 7 December 2022 (being approximately 12 months up to and including date of Subscription Agreement) (the “**Review Period**”) together with the Hang Seng Index, for our analysis. We consider a sampling period of approximately 12 months before date of Subscription Agreement as adequate as a longer period may not accurately reflect recent market conditions.

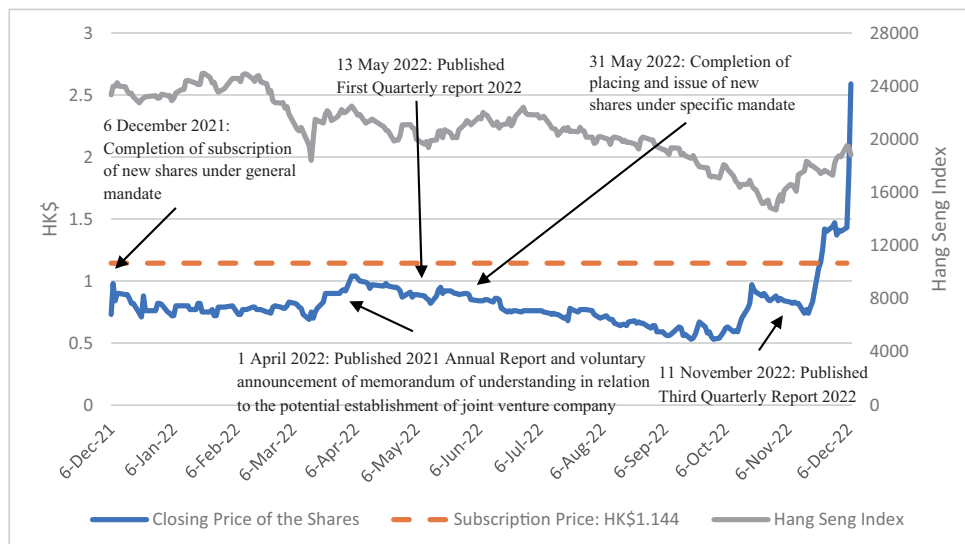
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## LETTER FROM PELICAN FINANCIAL

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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

As illustrated above, during the Review Period, the Shares were traded within the range of HK\$0.53 and HK\$2.59 per Share with an average of approximately HK\$0.82 per Share. The Subscription Price of HK\$1.144 per Subscription Share is therefore within the range of the closing Share prices and above the closing Share prices during the majority of the trading days in the Review Period.

We noted that the closing Share prices generally fluctuated within the region of HK\$0.53 to HK\$1.04, with its lowest point of HK\$0.53 on 30 September 2022. The Share price had then experienced a surge starting from mid-November and reached its highest at HK\$2.59 per Share as of 7 December 2022. Having discussed with the Company and from our review of Company's announcements, it is unaware of any events or information that led to such surge except for the positive news about its EV charging business as disclosed in its voluntary announcements dated 23 November 2022 through a memorandum of understanding with a strategic partner for further development within both Hong Kong and China.

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.

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## LETTER FROM PELICAN FINANCIAL

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**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 (days)	Average daily volume (Shares)	% of average daily trading volume to total issued shares (%)
<b>2021</b>			
December	21	43,429	0.007%
<b>2022</b>			
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	21	2,900,000	0.395%
October	20	2,589,750	0.353%
November	22	5,801,409	0.790%
December (up to and including the Last Trading Day)	5	21,594,280	2.942%
		<b>Minimum</b>	<b>0.005%</b>
		<b>Mean</b>	<b>0.480%</b>
		<b>Maximum</b>	<b>2.942%</b>

*Source: the website of the Stock Exchange*

*Note:* Based on 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 2.942%, with the average daily trading volume of the Shares to the total issued Shares of approximately 0.480% during the Review Period.

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## LETTER FROM PELICAN FINANCIAL

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We noted from the above table that the Shares are relatively thinly traded during the Review Period, with the majority of the months having an average of less than 0.5% of issued Shares traded daily, except in December when the figure jumped to an unusually high 2.942%.

*c) Share prices and trading liquidity after the Review Period*

For our further reference, we have reviewed the Share prices and trading volume movement after the Review Period. We noted that the surge in Share prices continued after the Review Period and until 16 December 2022, peaking at HK\$3.07 on 9 December 2022 and declining to the closing Share price of HK\$1.56 on 13 December 2022. Subsequently, the Share prices fluctuated between the range of HK\$0.85 and HK\$2.14 until the Latest Practicable Date, with an average Share price of approximately HK\$1.40.

<b>Month</b>	<b>Number of trading days (days)</b>	<b>Average daily volume (Shares)</b>	<b>% of average daily trading volume to total issued shares (%)</b>
<b>2022</b>			
December	20	20,668,450	2.804%
<b>2023</b>			
January	18	3,644,333	0.484%
February	20	2,001,300	0.266%
March (up to the Latest Practicable Date)	16	1,595,875	0.212%

*Source: the website of the Stock Exchange*

As for the trading liquidity, we have further reviewed up to the end of February 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 first three months of 2023 (up to the Latest Practicable Date), 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 Share price movement in December represents a short-term market volatility. While we acknowledge the surge in Share price during the end of the Review Period, it should be noted that this sudden spike was abnormal and should not be served as a reliable benchmark for determining the Subscription Price. Therefore, we believe that the Subscription Price should not primarily be based on this short-term market volatility, but rather on other relevant factors, such as the company's financial performance.

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## LETTER FROM PELICAN FINANCIAL

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Given that (i) the Subscription Price was above the closing Share prices for most trading days during the Review Period; (ii) the low liquidity of the Shares in most of the months during the Review Period; (iii) the unusual surge between mid-November and mid-December, of which the Share price and the liquidity analysis shown that as a short term market volatility; (iv) the Subscription Price represents a premium of approximately tenfold to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2022 of approximately HK\$0.10 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 789,039,399 Shares in issue as at the Latest Practicable Date, (v) the Subscription Price represents a premium of approximately 33.0% to the closing Share price of HK\$0.86 on the Latest Practicable Date; and (vi) the Group is currently in a loss-making position as discussed above, we consider the Subscription Price is fair and reasonable.

*d) 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.

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.



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## LETTER FROM PELICAN FINANCIAL

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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 17 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.

# LETTER FROM PELICAN FINANCIAL

**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 on the latest practicable date of the respective agreement (%)	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 (%)	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 (%)	Premium/ (discount) of the subscription price over the consolidated net assets value per share (%)
12/2/2022	Century Energy International Holdings Limited (8132)	431	Y	(6.3)	(7.1)	0.0	18,650.0
11/25/22	Value Convergence Holdings Limited (821)	312	Y	17.6	(0.4)	(0.2)	(60.9)
11/21/22	First Service Holding Limited (2107)	530	N	N/A (Note 2)	7.9	4.0	1,802.4
11/18/22	Anchorstone Holdings Limited (1592)	130	N	N/A (Note 2)	(1.5)	(5.0)	166.7
10/18/22	China Titan Energy Technology Group Co., Limited (2188)	315	N	0.0	3.0	5.9	(42.8)
9/29/22	HG Semiconductor Limited (6908)	1,099	N	12.5	(22.3)	(23.5)	177.8
9/26/22	Beijing Gas Blue Sky Holdings Limited (6828)	2,342	Y	71.0	(23.8)	(28.2)	95.1
9/1/22	BOE Varitronix Limited (710)	11,731	Y	9.7	(7.2)	(11.8)	265.4

## LETTER FROM PELICAN FINANCIAL

Date of Announcement	Company Name (Stock code)	Market Cap (Note 1) (HK\$ mil)	Connected transaction (Y/N)	Premium/	Premium/	Premium/	Premium/
				(discount) of the subscription price over/to the closing price on the latest practicable date of the respective agreement (%)	(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 (%)	(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 (%)	(discount) of the subscription price over the consolidated net assets value per share (%)
9/1/22	Suoxinda Holdings Limited (3680)	378	Y	(5.9)	(19.6)	(6.0)	177.9
8/23/2022	Standard Development Group Limited (1867)	301.8	Y	(11.5)	(14.8)	(16.1)	113.0
7/14/2022	China Ruyi Holdings Limited (136)	20,910	Y	(74.0)	(2.0)	(7.7)	248.6
6/1/2022	TOT Biopharm International Company Limited (1875)	1,491	Y	5.0	0.0	4.7	540.9
5/17/2022	China Hongguang Holdings Limited (8646)	147.6	Y	(46.7)	(13.0)	(5.9)	(51.2)
4/13/2022	Jinxin Fertility Group Limited (1951)	14,747	Y	9.4	11.3	7.6	55.9
3/25/2022	JD Logistics, Inc. (2618)	88,219	Y	12.6	(10.0)	(13.7)	176.1
1/18/2022	Zall Smart Commerce Group Limited (2098)	2,674	Y	6.4	13.6	12.1	(70.8)
12/31/2021	Wealthking Investments Limited (1140)	3,612	Y	35.3	15.0	21.4	(31.8)
	<b>Minimum</b>	<b>130</b>		<b>(74.0)</b>	<b>(23.8)</b>	<b>(28.2)</b>	<b>(70.8)</b>
	<b>Average</b>	<b>8,786</b>		<b>2.3</b>	<b>(3.5)</b>	<b>(3.7)</b>	<b>1,306.6</b>
	<b>Maximum</b>	<b>88,219</b>		<b>71.0</b>	<b>15.0</b>	<b>21.4</b>	<b>18,650.0</b>
	<b>The Company</b>	<b>679</b>	<b>Y</b>	<b>24.3</b>	<b>(55.8)</b>	<b>(34.3)</b>	<b>1,044.0</b>

Source: the website of the Stock Exchange

Notes:

1. Market capitalization as at the Latest Practicable Date.
2. The circulars of the relevant Connected Transactions are not published yet and such information is not available.

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## LETTER FROM PELICAN FINANCIAL

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

- (i) ranged from a discount of approximately 74.0% to a premium of approximately 71.0%, with an average premium of approximately 2.3%, to/over their respective closing share prices on/prior to the latest practicable date;
- (ii) ranged from a discount of approximately 23.8% to a premium of approximately 15.0%, with an average discount of approximately 3.5%, to/over their respective closing share prices on/prior to the date of the agreement;
- (iii) ranged from a discount of approximately 28.2% to a premium of approximately 21.4%, with an average discount of approximately 3.7%, 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
- (iv) ranged from a discount of approximately 70.8% to a premium of approximately 18,650.0%, with an average premium of approximately 1,306.6%, to their respective latest consolidated net assets value per share.

As such, (i) the premium of the Subscription Price of approximately 33.0% over the closing price of the Last Practicable Date (the “**LPD Discount**”) and (ii) the premium of the Subscription Price of approximately 1,044.0% over the unaudited consolidated net asset value attributable to the Shareholders per share as at 30 June 2022 of approximately HK\$0.10 (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 789,039,399 Shares in issue as at the Latest Practicable Date) (the “**NAV per Share Premium**”), both fall within the above ranges of the Comparable Transactions.

As discussed above, taking into account the unusual movement of Share prices in December, it may not be appropriate to use the Share price on or right before the Last Trading Day as the main reference for determining the Subscription Price. While we did notice that (i) the discount of the Subscription Price to the closing price per share on the Last Trading Day of 55.8%; and (ii) the discount of the Subscription Price to the average closing price for the last five trading days of 34.3%, were out of the range of the Comparable Transactions, we consider that these discounts are not reliable benchmarks for the Subscription and hence cannot serve as a basis for determining the Subscription Price.

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## LETTER FROM PELICAN FINANCIAL

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Having considered that (i) the LPD Discount and the NAV per Share Premium are both within the ranges of those of the Comparable Transactions; (ii) the discount to the closing price on the Last Trading Day and the discount to the average closing Share price of the last five consecutive trading days immediately preceding the date of the Subscription Agreement are not reliable benchmarks; (iii) 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; (iv) the liquidity of the Shares had been relatively low for most of the months during the Review Period; (v) the reasons for and benefits of the Subscriptions; and (vi) the Subscriptions are 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\$40.1 million, being the estimated net proceeds of the Subscriptions.

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 Subscriptions are 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 38.67%.

The Subscription Shares represent approximately: (a) 4.46% of the existing issued share capital of the Company as at the date of the Circular; and (b) 4.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after the completion of the Subscriptions, 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 date of the Circular and the date of Completion.

On such basis, the shareholding of existing public Shareholders will be diluted from approximately 38.67% to approximately 37.02% upon Completion (i.e., 1.65 percentage points).

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## LETTER FROM PELICAN FINANCIAL

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Furthermore, based on the Subscription Price, the Subscriptions will have a theoretical dilution effect (as defined in Rule 10.44A of the GEM Listing Rules) of approximately 2.49% represented by the theoretical diluted price of approximately HK\$2.52 to the benchmarked price of HK\$2.59 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\$2.59 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\$1.74 per Share). Taking into consideration the Company's equity fund raising activities for the past twelve months, together with the Subscriptions, a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 8.16% 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 Subscriptions; (ii) the Subscriptions are 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 Subscriptions are 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. 1.65 percentage points), we are of the view that such potential dilution effect as a result of the Subscriptions are acceptable.

### RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that, the terms of the Subscription Agreement, the Supplemental 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, the Supplemental 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, the Supplemental 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	32.93%
	Beneficial owner	10,400,000 (Note 6)	1.32%
Mr. Liang Zihao ("Mr. Liang") (Note 2)	Beneficial owner/ Interest of controlled corporation	249,311,225	31.60%
	Beneficial owner	10,400,000 (Note 6)	1.32%

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	3.84%
	Beneficial owner	7,100,000 (Note 6)	0.90%
Mr. Pan Wenyuan ("Mr. Pan") (Note 4)	Interest of controlled corporation	27,096,000	3.43%
	Beneficial owner	6,000,000 (Note 6)	0.76%
Mr. Li Man Keung Edwin ("Mr. Li") (Note 5)	Beneficial owner/Interest of controlled corporation	104,304,613	13.22%
	Beneficial owner	10,400,000 (Note 6)	1.32%
Ms. Wu Yanyan	Beneficial owner	38,750,000	4.91%
	Beneficial owner	6,000,000 (Note 6)	0.76%
Mr. Ko Shu Ki Kenneth	Beneficial owner	932,000	0.12%
	Beneficial owner	6,000,000 (Note 6)	0.76%
Mr. Yeung Chun Yue David	Beneficial owner	6,000,000 (Note 6)	0.76%
Mr. Sam Weng Wa Michael	Beneficial owner	6,440,000 (Note 6)	0.82%
Mr. Tam Ka Hei Raymond	Beneficial owner	1,040,000 (Note 6)	0.13%
Mr. Yuen Chun Fai	Beneficial owner	1,040,000 (Note 6)	0.13%
Ms. Zhu Xiaohui	Beneficial owner	1,040,000 (Note 6)	0.13%

## 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 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	29.86%
Tanner Enterprises	Long position	Beneficial owner/ Interest of controlled corporation ( <i>Note 2</i> )	98,392,000	12.47%
Glorytwin	Long position	Beneficial owner ( <i>Note 2</i> )	81,000,000	10.27%

*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:

<b>Name</b>	<b>Qualification</b>
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, DL Securities 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](http://www.hkexnews.hk)) and the website of the Company ([www.cstl.com.hk](http://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 from pages 3 to 16 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (c) the letter from Pelican Financial, the text of which is set out on pages 19 to 43 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 2021;
- (f) the interim report of the Company for the six months ended 30 June 2022;
- (g) the announcement of the Company published on 2 September 2022;
- (h) the Subscription Agreement;
- (i) the Supplemental Subscription Agreement; and
- (j) this circular.

**10. MISCELLANEOUS**

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

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## NOTICE OF EGM

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### CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

### 基石科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8391)

### 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, 19 April 2023 at 3 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 28 March 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 7 December 2022 (the “**Subscription Agreement**”) entered into between the Company and Mr. Wu Jianwei, Ms. Wu Yanyan, Mr. Liang Zihao and Mr. Li Man Keung Edwin (the “**Subscribers**”) and (ii) the supplemental subscription agreement dated 22 March 2023 entered into between the Company and Mr. Wu Jianwei, Ms. Wu Yanyan, Mr. Liang Zihao and Mr. Li Man Keung Edwin (collectively, the “**Subscription Agreements**”) (a copy of the Subscription Agreement 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 35,200,000 new ordinary shares of HK\$0.01 each in the share capital of the Company (the “**Subscription Shares**”) by the Subscribers at the subscription price of HK\$1.144 per Subscription Share and the transaction 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 Agreement, 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

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## NOTICE OF EGM

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- (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 Agreement and the transaction 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, 28 March 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.

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## NOTICE OF EGM

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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 p.m. on Monday, 17 April 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, 14 April 2023 to Wednesday, 19 April 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, 13 April, 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.