
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

(1) MAJOR AND CONNECTED TRANSACTION DISPOSAL OF INTERESTS IN SUBSIDIARIES; (2) TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME; AND (3) NOTICE OF EGM

Financial Adviser to the Company



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



Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 6 to 32 of this circular and a letter from the Independent Board Committee containing its recommendation in respect of the Disposal is set out on pages 33 to 34 of this circular. A letter of advice from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 59 of this circular.

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

A notice convening the EGM to be held at 21/F., Grand Millennium Plaza, 181 Queen’s Road Central, Sheung Wan, Hong Kong on Tuesday, 12 December, 2023 at 3:00 p.m. (Hong Kong time) is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. on or before Friday, 8 December, 2023 at 3:00 p.m. (Hong Kong time)) or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

22 November 2023

CHARACTERISTICS OF GEM

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	33
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	35
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II – THE VALUATION REPORT	II-1
APPENDIX III – SUMMARY OF PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME	III-1
APPENDIX IV – GENERAL INFORMATION	IV-1
NOTICE OF EGM	EGM-1

DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is conditionally adopted by an ordinary resolution of the Shareholders
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of the Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“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 Disposal
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Assignment”	the deed of assignment to be entered into between the Vendor and the Purchaser pursuant to which the Vendor shall assign the Loan to the Purchaser
“Debtors”	Elegance Printing Holding Limited and Elegance Printing Services Holding Limited, the subsidiaries of the Company incorporated in the British Virgin Islands
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares by the Company to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be held at 21/F., Grand Millennium Plaza, 181 Queen’s Road Central, Sheung Wan, Hong Kong, on Tuesday, 12 December 2023 at 3:00 p.m.

DEFINITIONS

“Eligible Participant(s)”	any Employee Participant, any Service Provider and any Related Entity Participant
“Employee Participant(s)”	any director (including independent non-executive Director) and employee of the Company or any of its subsidiaries (including persons who are granted options under the New Share Option Scheme as inducement to enter into employment contracts with these companies) who in the sole discretion of the Board has contributed or will contribute to the Group
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 19 April 2018
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grantee”	any Eligible Participant who accepts the Offer in accordance with the terms of the New Share Option Scheme
“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 committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Dakin”	Dakin Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder
“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
“Inside Information”	has the meaning ascribed to it in the SFO
“Latest Practicable Date”	15 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Loan”	the amount of the shareholder’s advance outstanding and owed by the Target Companies to the Company as at any relevant time and, in the context of Completion, the amount outstanding as at the date of Completion including all other obligations, liabilities and debts owing or incurred by the Target Companies to the Company on or at any time prior to the date of Completion
“Long Stop Date”	being 31 December 2023 (or any other date agreed in writing by the Parties)
“Mr. Liang”	Mr. Liang Zihao, an executive Director and a substantial shareholder of the Company
“New Share Option Scheme”	the new share option scheme proposed to be adopted at the EGM, a summary of the principal terms of which is set out in Appendix III to this circular
“Offer”	an offer of the grant of an Option made in accordance with the terms of the New Share Option Scheme
“Offer Date”	the date on which an Option is offered to an Eligible Participant
“Option(s)”	an option to subscribe for Shares granted pursuant to the New Share Option Scheme
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Directors to the Grantee thereof at the time of making an Offer provided that such period shall not exceed the period of ten (10) years from the date of the grant of the particular Option but subject to the provisions for early termination thereof contained in the New Share Option Scheme
“Purchaser”	Castle Noble International Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, and it is wholly-owned by Mr. Liang
“Related Entity Participant(s)”	directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company

DEFINITIONS

“Sale and Purchase Agreement”	the sale and purchase agreement entered between the Company and Purchaser on 15 August 2023 in respect of the Disposal
“Sale Shares”	the 100% equity interest in the Target Companies held by the Company
“Service Provider(s)”	<p>persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group as determined by the Board, namely</p> <ul style="list-style-type: none">(i) any person providing advisory services and/or consultancy services to the Group after stepping down from an employment or director position with the Group; and(ii) any person providing, among others, raw materials, goods, subcontracting services, advisory services, consultancy services, and technology services to the Group as suppliers, subcontractors, consultants, independent contractors or agents where the continuity and frequency of their services are akin to those of employees; <p>but for the avoidance of doubt, service providers should exclude (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions; or (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity</p>
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to the terms of the New Share Option Scheme
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers as amended from time to time

DEFINITIONS

“Target Companies”	Elegance Printing Holding Limited and Elegance Printing Services Holding Limited, subsidiaries of the Company incorporated in the British Virgin Islands
“Target Group”	Target Companies and their subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent
“Valuation Report”	the valuation report issued by the Valuer on the Target Group as set out in Appendix II of this Circular
“Valuer”	Royson Valuation Advisory Limited

LETTER FROM THE BOARD



CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

基石科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

Executive Directors:

Mr. Liang Zihao (*Co-Chairman*)
Mr. Li Man Keung Edwin (*Vice Chairman*)
Mr. Sam Weng Wa Michael
Mr. Pan Wenyuan
Ms. Wu Yanyan
Mr. Yip Shiu Hong

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

22 November 2023

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF INTERESTS IN SUBSIDIARIES; AND
TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND
PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME**

INTRODUCTION

Reference is made to the announcement of the Company dated 15 August 2023, in relation to, among other matters, the major and connected transaction in relation to the Disposal.

The purpose of this circular is to provide you with (i) information relating to the Sale and Purchase Agreement; (ii) information relating to the resolutions to be proposed at the EGM for the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement; (v) the Valuation Report; (vi) other information as required under the GEM Listing Rules; and (vii) the notice of the EGM.

LETTER FROM THE BOARD

THE DISPOSAL

On 15 August 2023 (after trading hours), the Company entered into a Sale and Purchase Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 100% equity interest of the Target Companies, at an aggregate consideration of HK\$1.00, in accordance with the terms and conditions of the Sale and Purchase Agreement.

The Sale and Purchase Agreement

Set out below are the principal terms of the Sale and Purchase Agreement:

Date:

15 August 2023

Parties:

- (1) The Company (as vendor); and
- (2) Castle Noble International Limited (as Purchaser)

(collectively, the “Parties”)

As at the Latest Practicable Date, the Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability, beneficially wholly-owned by Mr. Liang. As at the Latest Practicable Date, Mr. Liang is an executive Director and a substantial shareholder who is interested in approximately 27.6% of the total issued Shares by virtue of his personal interest and his 49% interest in Global Fortune Global Limited. As such, the Purchaser is an associate of Mr. Liang and a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Assets to be Disposed

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to sell to the Purchaser the Sale Shares.

The Consideration

The consideration payable by the Purchaser to the Company for the Disposal is HK\$1.00, which has been determined after arm’s length negotiations between the Purchaser and the Company with reference to, among other things, (i) the unaudited combined net liabilities value of the Target Group attributable to the Company as at 30 June 2023 of approximately HK\$29.1 million; (ii) the financial performance of the Target Group; (iii) the Valuation Report; and (iv) the prevailing market conditions as set out under the section headed “Reasons for and benefits of the Disposal” below.

LETTER FROM THE BOARD

Having considered that (i) price-to-earnings ratio, price-to-revenue ratio and price-to-book value ratio are not suitable measures for the valuation; (ii) the Valuer has set reasonable criteria to search for appropriate comparable companies by adopting the market approach; (iii) the comparable companies selected for the valuation are exhaustive based on the Valuer's best efforts in searching for appropriate comparable companies; and (iv) the use of enterprise value-to-revenue by the Valuer in evaluating a more meaningful value of the Target Companies is subject to their market practice with consideration of unprecedented factors such as the current market situation, the Board is of the view that the appraisal result of value-to-revenue approach is fair and reasonable.

The consideration will be payable by the Purchaser to the Company in cash upon Completion.

Conditions Precedent

Completion of the sale and purchase of the Sale Shares is conditional upon:

- a) passing of the necessary resolution(s) at the EGM by the Independent Shareholders to approve the Sale and Purchase Agreement; and
- b) compliance with all other applicable laws, rules and regulations including but not limiting to the GEM Listing Rules for the transactions contemplated under the Sale and Purchase Agreement.

None of the above conditions can be waived.

The Company and the Purchaser shall use (to the extent they are able) their respective best endeavours to procure the fulfilment of the above conditions on or before the Long Stop Date. If any of the above conditions precedent shall not have been fulfilled in all respects prior to the Long Stop Date, the Sale and Purchase Agreement shall be terminated automatically and of no further effect and all liabilities and obligations of the Parties shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the Parties hereto which shall have accrued prior to such termination.

The Long Stop Date may be extended by the Parties if agreed in writing in the event that the aforementioned conditions precedent are unable to be satisfied prior to the initial agreed Long Stop Date, for instance the delay in holding the EGM. In the circumstances where the Long Stop Date and Completion is extended, the Directors are of the view that due to the reasons as set out under the section headed "Reasons for and benefits of the Disposal", the Disposal is in the interests of the Company and Shareholders as a whole, and therefore would agree to extend the Long Stop Date.

LETTER FROM THE BOARD

Completion

Completion shall take place within 7 Business Days after all the conditions of the Sale and Purchase Agreement have been fulfilled or such other time as the Company and the Purchaser may agree. Upon Completion, the Vendor shall deliver or cause to be delivered to the Purchaser, among other things, a duly executed instrument of transfer in favour of the Purchaser and/or its nominee(s) in respect of the Sale Shares, the relevant share certificates and the counterparts of the Deed of Assignment in respect of the Loan duly executed by the Company and the Target Companies.

Upon completion of the Disposal, the Target Companies will cease to be the subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

The Deed of Assignment

Set out below are the principal terms of the Deed of Assignment:

Date:

15 August 2023

Parties:

- (1) The Company (as assignor);
- (2) Castle Noble International Limited (as assignee);
- (3) Elegance Printing Holding Limited (as debtor (1)); and
- (4) Elegance Printing Services Holding Limited (as debtor (2)).

On 15 August 2023, the Company and the Purchaser entered into the Deed of Assignment pursuant to which the Company agreed to assign to the Purchaser the benefit and advantage and all its rights, title and interests in the Loan. The amount of the Loan owed to the Company by the Debtors collectively as at the date of the Deed of Assignment was approximately HK\$9.6 million.

INFORMATION ON THE GROUP

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

LETTER FROM THE BOARD

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability, and it is wholly-owned by Mr. Liang. Mr. Liang is an executive Director and a substantial shareholder who is interested in approximately 27.6% of the total issued share capital of the Company by virtue of his personal interest and his 49%-owned corporation, Global Fortune Global Limited.

INFORMATION ON THE TARGET GROUP

The Target Companies are incorporated in the British Virgin Islands with limited liability, which are wholly-owned subsidiaries of the Company. The Target Group is principally engaged in the provision of printing, typesetting and translation services in Hong Kong.

Set out below are the unaudited combined financial information of the Target Group for the year ended 31 December 2021 and 2022 and for the six months ended 30 June 2023:

	For the six months ended 30 June 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
	approximately <i>HK\$'000</i> (unaudited)	approximately <i>HK\$'000</i> (unaudited)	approximately <i>HK\$'000</i> (unaudited)
Revenue	24,283	48,316	48,288
Loss before tax	(7,991)	(32,445)	(15,889)
Loss after tax	(7,991)	(31,229)	(15,377)
	As at 30 June 2023	As at 31 December 2022	As at 31 December 2021
	approximately <i>HK\$'000</i> (unaudited)	approximately <i>HK\$'000</i> (unaudited)	approximately <i>HK\$'000</i> (unaudited)
Net (liabilities)/assets	(29,060)	(21,069)	10,160

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Group is principally engaged in the provision of printing, typesetting and translation services in Hong Kong.

Owing to the intensive peer competition in the financial printing services industry and the fluctuations of the market condition, the financial results of the Target Group deteriorated and recorded losses after tax of approximately HK\$15.4 million, HK\$31.2 million and HK\$8.0 million for the years ended 31 December 2021 and 2022 and six months ended 30 June 2023, respectively and net liabilities of approximately HK\$29.1 million as at 30 June 2023.

LETTER FROM THE BOARD

As the Group's financial printing business has been continuously loss-making for the past years together with the uncertainties of the future of the financial market in Hong Kong while the Group has established the electric vehicle charging business, the Directors consider that the Disposal allows the Company to reduce losses and to deploy the Group's resources from the underperforming financial printing business to the Group's of electric vehicle charging business which is more stable and sustainable.

The Directors (including members of the Independent Board Committee) consider that the terms and conditions of the Sale and Purchase Agreement 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.

Upon Completion of the Disposal, the Group shall no longer have remaining business in the provision of printing, typesetting and translation services segment. Save for the Disposal, the Company has no other intention to dispose of, downsize or terminate any of its existing business.

FINANCIAL IMPACT OF THE DISPOSAL

Upon Completion, the Company will cease to hold any shares in the Target Companies and the Target Companies will cease to be subsidiaries of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company.

Assets and liabilities

Having taken into account the Consideration and the unaudited net liability value of the Target Group as at 30 June 2023, it is estimated that upon Completion, based on the financial information of the Group as at 30 June 2023, total assets of the Group will be decreased by approximately HK\$41.4 million, total liabilities of the Group will be decreased by approximately HK\$70.5 million, and net assets of the Group will have an increase of approximately HK\$29.1 million.

Earnings

It is estimated that the Company will record a gain of approximately HK\$19.0 million on the Disposal, which is arrived at based on the Consideration, the unaudited net liability value of the Target Group of approximately HK\$19.4 million as at 30 June 2023 (after taking into account assignment of the Loan to the Purchaser), and the estimated professional fees and other related expenses of approximately HK\$0.4 million arising from the Disposal.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to any changes to the aforementioned unaudited financial information on the date of Completion and the review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group.

The Consideration represents an excess of approximately HK\$19.4 million over the negative net book value of the Target Group as at 30 June 2023. Net proceeds from the Disposal, after deduction of related expenses, are estimated to be nil.

LETTER FROM THE BOARD

TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

The Existing Share Option Scheme

Pursuant to the ordinary resolution passed by the Shareholders on 19 April 2018, the Company adopted the Existing Share Option Scheme. Under the Existing Share Option Scheme, the Board may offer options to the eligible participants prescribed in the Existing Share Option Scheme in its discretion. Pursuant to the Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment published by the Stock Exchange in July 2022, Chapter 23 of the GEM Listing Rules have been amended with effect from 1 January 2023. Hence, the Company proposes to terminate the Existing Share Option Scheme and adopt the New Share Option Scheme to replace the Existing Share Option Scheme.

Pursuant to the terms of the Existing Share Option Scheme, the maximum number of Shares in respect of which share options may be granted by the Company under the Existing Share Option Scheme must not exceed 10% of the Shares in issue as at the date of adoption of the Existing Share Option Scheme (being 44,000,000 Shares), unless further Shareholders' approval was obtained by the Company to refresh such limit. At the extraordinary general meeting of the Company held on 11 April 2022 (the "2022 EGM"), such limit under the Existing Share Option Scheme was refreshed with Shareholders' approval, and the maximum number of Shares which may be issued in respect of all share options granted by the Company under the refreshed limit of the Existing Share Option Scheme shall not in aggregate exceed 60,779,054 Shares, representing 10% of the Shares in issue as at the date of the 2022 EGM. Since the adoption of the Existing Share Option Scheme and up to the Latest Practicable Date, a total of 28,428,000 share options were granted under the Existing Share Option Scheme prior to the 2022 EGM, and a further 60,200,000 share options were granted under the Existing Share Option Scheme after the refreshment of the limit at the 2022 EGM entitling the holders thereof to subscribe for an aggregate of 88,628,000 shares, of which (i) 96,000 share options were exercised, (ii) no share options were lapsed; and (iii) 7,580,000 share options had been cancelled. As at the Latest Practicable Date, the Company had 80,952,000 outstanding share options granted under the Existing Share Option Scheme, which shall continue to be valid and exercisable during the prescribed exercisable period in accordance with the rules of the Existing Share Option Scheme. After the 2022 EGM, a total of 60,200,000 share options were granted under the Existing Share Option Scheme, and the Company may issue an additional of 579,054 share options under the Existing Share Option Scheme without exceeding scheme mandate limit, resulting in, the total number of shares available to be issued as at the Latest Practicable Date under the existing Share Option Scheme is 81,531,054 Shares.

LETTER FROM THE BOARD

The following table sets out the details of the Company's share options since the adoption of the Existing Share Option Scheme on 19 April 2018 to the Latest Practicable Date:

Name of category	Date of grant of Options	Exercise		Granted	Exercised	Lapsed	Cancelled	Outstanding
		Price (HK\$)	Exercise period					as at the Latest Practicable Date
Directors								
Liang Zihao	28 January 2021	0.54	27 July 2021 to 27 January 2031	4,400,000	-	-	-	4,400,000
	17 November 2022	0.79	17 November 2023 to 16 November 2032	6,000,000	-	-	-	6,000,000
Sam Weng Wa Michael	28 January 2021	0.54	27 July 2021 to 27 January 2031	440,000	-	-	-	440,000
	17 November 2022	0.79	17 November 2023 to 16 November 2032	6,000,000	-	-	-	6,000,000
Li Man Keung Edwin	28 January 2021	0.54	27 July 2021 to 27 January 2031	4,400,000	-	-	-	4,400,000
	17 November 2022	0.79	17 November 2023 to 16 November 2032	6,000,000	-	-	-	6,000,000
Wu Jianwei	28 January 2021	0.54	27 July 2021 to 27 January 2031	4,400,000	-	-	-	4,400,000
	17 November 2022	0.79	17 November 2023 to 16 November 2032	6,000,000	-	-	-	6,000,000
Wu Yanyan	17 November 2022	0.79	17 November 2023 to 16 November 2032	6,000,000	-	-	-	6,000,000
Pan Wenyuan	17 November 2022	0.79	17 November 2023 to 16 November 2032	6,000,000	-	-	-	6,000,000

LETTER FROM THE BOARD

Name of category	Date of grant of Options	Exercise		Granted	Exercised	Lapsed	Cancelled	Outstanding
		Price (HK\$)	Exercise period					as at the Latest Practicable Date
Tam Ka Hei Raymond	28 January 2021	0.54	27 July 2021 to 27 January 2031	440,000	–	–	–	440,000
	17 November 2022	0.79	17 November 2023 to 16 November 2032	600,000	–	–	–	600,000
Yuen Chun Fai	28 January 2021	0.54	27 July 2021 to 27 January 2031	440,000	–	–	–	440,000
	17 November 2022	0.79	17 November 2023 to 16 November 2032	600,000	–	–	–	600,000
Zhu Xiaohui	28 January 2021	0.54	27 July 2021 to 27 January 2031	440,000	–	–	–	440,000
	17 November 2022	0.79	17 November 2023 to 16 November 2032	600,000	–	–	–	600,000
Ko Shu Ki Kenneth	17 November 2022	0.79	17 November 2023 to 16 November 2032	600,000	–	–	–	600,000
Ex-directors								
Lau Wai Yan Lawson	28 January 2021	0.54	27 July 2021 to 27 January 2031	1,100,000	–	–	–	1,100,000
			1 April 2022 to 27 January 2031	3,300,000	–	–	(3,300,000)	–
	17 November 2022	0.79	17 November 2023 to 16 November 2032	6,000,000	–	–	–	6,000,000
Yeung Chun Yue David	17 November 2022	0.79	17 November 2023 to 16 November 2032	6,000,000	–	–	–	6,000,000

LETTER FROM THE BOARD

Name of category	Date of grant of Options	Exercise		Granted	Exercised	Lapsed	Cancelled	Outstanding
		Price (HK\$)	Exercise period					as at the Latest Practicable Date
Employees								
In aggregate	28 January 2021	0.54	27 July 2021 to 27 January 2031	2,444,000	(96,000)	–	(432,000)	1,916,000
In aggregate	28 January 2021	0.54	1 April 2022 to 27 January 2031	4,864,000	–	–	(3,748,000)	1,116,000
In aggregate	17 June 2022	0.85	17 June 2023 to 16 June 2032	1,700,000	–	–	(100,000)	1,600,000
In aggregate	17 November 2022	0.79	17 November 2023 to 16 November 2032	4,800,000	–	–	–	4,800,000
Consultants								
In aggregate	28 January 2021	0.54	27 July 2021 to 27 January 2031	1,760,000	–	–	–	1,760,000
In aggregate	17 June 2022	0.85	17 June 2023 to 16 June 2032	300,000	–	–	–	300,000
In aggregate	17 November 2022	0.79	17 November 2023 to 16 November 2032	3,000,000	–	–	–	3,000,000
				88,628,000	(96,000)	–	(7,580,000)	80,952,000

Since the adoption of the Existing Share Option Scheme and up to the Latest Practicable Date, 80,952,000 share options which were granted but yet to be exercised were outstanding, representing approximately 9.1% of the total number of Shares in issue. Options granted prior to the termination of the Existing Share Option Scheme shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme.

Adoption of the New Share Option Scheme

In view of the amendments to Chapter 23 of the GEM Listing Rules, which took effect on 1 January 2023, the Directors considered that the adoption of the New Share Option Scheme, which will be valid for 10 years from the Adoption Date, will provide the Company with more flexibility in long term planning of granting of the Options to Eligible Participants and also provide appropriate incentives or rewards to suitable and eligible persons for their contributions or potential contributions to the Group.

LETTER FROM THE BOARD

The purpose of the New Share Option Scheme is to enable the Company to grant Options to selected Eligible Participants as incentives and/or rewards for their contribution or potential contribution to the Company. The New Share Option Scheme does not involve the grant of share award. The New Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the New Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

Pursuant to the terms of the New Share Option Scheme, Eligible Participants include the Employee Participants, the Service Providers and Related Entity Participants. The eligibility of each of the Eligible Participant shall be determined by the Board or a committee of the Board from time to time and on a case-by-case basis. Generally:

- i. with respect to Employee Participants, the Board will consider, among others, their general working performance, time commitment, length of their service within the Group, working experience, responsibilities and/or employment conditions with reference to the prevailing market practice and industry standard;
- ii. with respect to Service Providers, the Board will consider, among others, their experience and expertise, continuity and frequency of their services to the Group, their involvement in promoting the business of the Group, or where appropriate, contribution or potential contribution to the long-term growth of the Group. In assessing whether the Service Provider provides services to the Group on a continuing and recurring basis, the Board shall take into consideration the length and type of services provided and the recurrences and regularity of such services, and will benchmark such metrics against the performance of the employees, officers and directors of the Group to whom the Group provides equity incentives, while taking into account the purpose of the New Share Option Scheme and the objectives in engaging the Service Provider. In assessing whether the Service Provider provides services to the Group in the Company's ordinary and usual course of business, the Board or the committee of the Board shall take into consideration the nature of the services provided to the Group by the Service Provider, and whether such services form part of or are directly ancillary to the Group's principal business activity(ies) subsequent to the Disposal, being electric vehicle charging business and/or other business activity(ies) that may be carried out by the Group from time to time or, as otherwise disclosed in the Company's financial reports.

LETTER FROM THE BOARD

Service Providers shall fall under the following category or categories or who may meet the eligibility criteria set forth below and for the avoidance of doubt, Service Providers shall exclude (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions; or (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity:

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
Suppliers and subcontractors	Service Providers under this category are mainly suppliers and/or subcontractors for software development, EV charger manufacturing, and electrical work installation.	<p>The Board will, on a case by case basis, take into account both qualitative and quantitative factors when determining the eligibility of such supplier or subcontractor, including but not limited to:</p> <ol style="list-style-type: none">(1) the nature, reliability and quality of the raw materials, goods or services supplied;(2) the value of the raw materials, goods or services provided by the relevant supplier or subcontractor;(3) the frequency of collaboration and length of business relationship with the Group;(4) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);(5) the background, reputation and track record of the relevant supplier or subcontractor;

LETTER FROM THE BOARD

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
		<p>(6) the replacement cost of such supplier, subcontractor and/or the raw materials, goods or services (including continuity and stability of supply or provision of such raw materials, goods or services); and</p> <p>(7) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such supplier or subcontractor could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by the raw materials, goods or services supplied and/or provided by such supplier or subcontractor.</p>

LETTER FROM THE BOARD

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
Consultants, independent contractors or agents	<p>Service Providers under this category are mainly consultants, independent contractors or agents which provide advisory, consultancy, and technology services to the Group on areas relating to the Group's principal business activity(ies) subsequent to the Disposal, being electric vehicle charging business and/or other revenue generating business activity(ies) carried out by the Group as disclosed in the Company's financial reports based on the Board's continual review of the Group's business strategies taking into consideration factors such as macroeconomic conditions, demand for the Group's products and/or services, consumer preferences, price trend of the major types of materials and/or services required and profitability, etc., and which are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group by way of introducing new customers or business opportunities to the Group and/or applying their special skills and/or knowledge in the abovementioned fields. The consultants, independent contractors or agents under this category mainly include technical consultants who are involved in the hardware development of the Group and consultants who provide legal related or other professional service to the Group on a continual basis (excluding advisory services for fundraising, mergers or acquisitions provided by placing agents or financial advisers, and the provision of assurance or services performed with impartiality and objectivity from service providers such as auditors or valuers).</p>	<p>The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such consultants, independent contractors or agents, including but not limited to:</p> <ol style="list-style-type: none"><li data-bbox="941 627 1372 1202">(1) individual performance of the relevant consultants, independent contractors or agents. In assessing the performance of the consultants, independent contractors or agents, the Directors will take into consideration whether they can deliver their services to the satisfaction of the Group and pursuant to their respective terms of engagement, fulfil specified key performance indicators and/or fulfil their time commitment specified in their respective engagement;<li data-bbox="941 1234 1372 1330">(2) their knowledge, experience and network in the relevant industry;<li data-bbox="941 1361 1372 1627">(3) whether the services provided by the consultants, independent contractors or agents are considered as continuing or recurring in nature with specified time commitment which are akin to the employees of the Group;

LETTER FROM THE BOARD

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
		<p>(4) the frequency of collaboration and length of business relationship with the Group;</p> <p>(5) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);</p> <p>(6) the background, reputation and track record of the relevant consultants, independent contractors or agents;</p> <p>(7) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such consultants, independent contractors or agents could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by services provided by such consultants, independent contractors or agents;</p> <p>(8) the replacement cost of such consultants, independent contractors or agents (including continuity and stability of provision of the necessary services); and</p>

LETTER FROM THE BOARD

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
		(9) other factors, including but not limited to the capability, expertise, technical know-how and/or business connections of the relevant consultants, independent contractors or agents, and/or the synergy between the relevant consultants, independent contractors or agents and the Group.
iii.	with respect to Related Entity Participants, the Board will consider, among others, their participation and contribution to the development of the Group and/or the extent of benefits and synergies brought to the Group, which may include the degree of involvement in and/or cooperation with the Group, the length of collaborative relationship the Related Entity Participant has established with the Group, the extent of positive impact provided by or expected from business development activities in terms of the actual or expected change in the Group's revenue or profits attributable to the Related Entity Participant, whether the Related Entity Participant has assisted the Group to tap into new markets or increase its existing market share, whether the Related Entity Participant has provided measurable assistance to improve any aspect of the Group's operations, the amount of actual or potential support, assistance, guidance, advice, effort or contribution the Related Entity Participant give or is likely to be able to give or make towards the success of the Group.	

The Board (including the independent non-executive Directors) is of the view that, apart from the contributions of employees, the success of the Company may also come from the efforts and co-operation of non-employees (including Service Providers and Related Entity Participants) who play a part in the development and continued success of the Company's business and operations, and have contributed or may contribute to the Company in the future.

More specifically, the Board (including the independent non-executive Directors) is of the view that:

- (i) the Group may from time to time require assistance and support from Related Entity Participants in projects or other business engagements relating to or having connections with the Group's businesses, given their close corporate and collaborative relationships with the Group. As such, the Company is of the view that it is important to recognise the contribution or future contribution of the Related Entity Participants by giving them incentive through their participation in the New Share Option Scheme. In particular, for those Related Entity Participants in which the Group has significant interest, their growth and development would contribute to the financial performance of the Group, thereby

LETTER FROM THE BOARD

allowing the Group to share and benefit from the positive results of these companies. It is therefore in the interest of the Company and the Shareholders, and is in line with the objectives of the New Share Option Scheme to include the Related Entity Participants, who the Company can incentivise with the grant of Options in order to strengthen their loyalty with the Group even though they may not be directly employed by the Group, and to in turn facilitate a higher degree of collaboration and closer business relationships and ties between the Related Entity Participants and the Group;

- (ii) the Group may from time to time collaborate with suppliers, subcontractors, consultants, independent contractors or agents who have provided raw materials, goods, subcontracting services, advisory services, consultancy services, and technology services to the Group and the Group believes that they could play significant roles in the Group's business development by contributing their specialised skills in fields such as research and development, service commercialisation, innovation upgrading, strategic/commercial planning on corporate image, investor relations in investment environment of the Company and other areas in relation to the Group's business operation. Furthermore, as the Group constantly invest in cutting-edge technology, the Group may require new types of professional services to be provided by the Service Providers on a continuing or recurring basis to cope with its demand for new initiatives, projects and focuses and to support its expansion plan(s) from time to time, such as its new initiatives in areas of new service and comprehensive solutions. In this regard, the Board reviews and refines its business strategies on a continuous basis taking into consideration factors such as macroeconomic conditions, demand for the Group's products and/or services, consumer preferences, price trend of the major types of materials and/or services required and profitability, etc. Any future changes in business focus of the Group may result in different kinds of products and/or services required. As a result, the Board considers that it is essential to include Service Providers who may provide services to other revenue generating business activities carried out by the Group as Eligible Participants of the New Share Option Scheme. In such case, the Board will determine whether the Service Providers providing such professional services are eligible to participate in the New Share Option Scheme based on whether such professional services provided are in line with the Company's business need and the industry norm, desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group, having regard to the Group's key business segments and focuses from time to time. The Board is of the view that apart from the invaluable contributions from employees and directors of the Group, the success of the Group also requires the co-operation and contribution from suppliers, subcontractors, consultants, independent contractors or agents who provide or will provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business. The grant of Options to the Service Providers will incentivise such Service Providers to provide quality services and/or products to the Group on a long-term basis, strengthen their loyalty to the Group, such that its performance efficiency may be maximised;

LETTER FROM THE BOARD

- (iii) the inclusion of Related Entity Participants and Service Providers to participate in the New Share Option Scheme aligns with the purposes of the New Share Option Scheme and long-term interests of the Company and the Shareholders as the Board is allowed to recognise and reward the joint involvement of the Related Entity Participants and/or Service Providers in projects and other business engagements relating to or having connections with the Group's ordinary and usual course of business. The grant of Options to Related Entity Participants and Service Providers could provide attractive incentives to facilitate a higher degree of collaboration and closer business relationships and ties between them and the Group and to strengthen their loyalty to the Group for enhancing the Group's sustainable and stable business operation and development;
- (iv) the categories of Related Entity Participants and Service Providers are in line with the Company's business needs and the industry norm of using share incentive to encourage Service Providers to provide quality services and/or products on a long-term basis and strengthen their loyalty in order to maintain sustainable relationship with the Service Providers and ensure stable and sufficient supply of the relevant services and/or products. As aforementioned, the Group may from time to time collaborate with suppliers, subcontractors, consultants, independent contractors or agents for raw materials, goods, subcontracting, advisory, consultancy, and technology services to the Group. These Service Providers have played significant roles in the Group's business development by contributing their skills and knowledge in their respective fields. Such suppliers, subcontractors, consultants, independent contractors or agents may not be able to serve as employees, directors or officers of the Group due to a variety of reasons. For example, these Service Providers may be experienced people in their own fields and professionals with extensive business connections which the Group may not be able to recruit them as employees, or they may prefer to be employed on self-employed basis which is in line with industry norm, and the Company may need to outsource such functions and procure services from external vendors or suppliers, or is unable to turn to internal resources for these kind of specialised support due to various restraints. The Board considers that it is in line with industry norm to co-operate with such professionals by engaging them as service providers instead of employing them as full-time or part-time employees. As these Service Providers are mostly personnel who have worked for the Group where the continuity and frequency of their services are akin to employees of the Group, the Group values their familiarity with the businesses and operation of the Group and the industry in general and their deep understanding of the Group, and considers that their contribution to the Group is similar to those of the employees of the Group. Hence, the Board is of the view that apart from the invaluable contributions from employees and directors of the Group, the success of the Group also requires the co-operation and contribution from these kind of independent suppliers, subcontractors, contractors, consultants and advisers who provide or will provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business; and

LETTER FROM THE BOARD

- (v) the criteria for the selection of eligible Related Entity Participants and Service Providers align with the purpose of the New Share Option Scheme. As the eligibility of Related Entity Participants and Service Providers shall be determined by the Board based on their contribution to the development and growth of the Group, the independent non-executive Directors are of the view that an Offer would only be made by the Company to those Related Entity Participants and Service Providers who have contributed or will contribute to the development of the Group. The Board also has the discretion to impose different terms and conditions (including but not limited to vesting conditions such as vesting requirements, performance targets, and clawback provisions) on Options to be granted to Related Entity Participants and Service Providers, which allows the Board greater flexibility to impose appropriate conditions in light of the particular circumstances of each grant, which in turn would place the Group in a better position to assess the contribution of Related Entity Participants and Service Providers and align with the purpose of the New Share Option Scheme.

Recognising the contribution of Service Providers and Related Entity Participants may enhance their performance and further contribution to the Company which are essential to the sustainable and successful development of the Company, the Board (including the Independent non-executive Directors) is of the view that the inclusion of Service Providers and Related Entity Participants as Eligible Participants is fair and reasonable and aligns with the purpose of the New Share Option Scheme.

The inclusion of the Service Providers as Eligible Participants under the New Share Option Scheme provides sufficient flexibility in the scheme rules in light of the future development and is fair and reasonable and in the interest of the Company and its Shareholders as a whole in the long run because: (i) in a view to enhancing its competitive strength and maintaining its market position, the Company may need Service Providers to provide insights to various aspects of the business and operation of the Group; (ii) the Service Providers may provide recommendations and/or advice to the Group in matters including but not limited to investors' management, strategic management, business research and development, technological support, advice and expertise and other market or industry resources to the Group, which may be commercially beneficial to the Group, so as to contribute to assist the Group in achieving the operational competitiveness and business sustainability on mid to long term basis; and (iii) in the event that the Company engages Service Providers to provide consulting services to the Group, including these Service Providers as Eligible Participants may fill the gap and to foster the relationship with them as well as allowing the Company to pay such Service Providers a consideration comprising service fee and share-based consideration, leveraging on which, the Company may be able to incentivise the Service Providers with the long-term value to be brought by the growth of the Company's business and market capitalisation. Furthermore, it will align the interests of the Service Providers with that of the Group, which would in the long term, and draw in key players of various industries that would help contribute to the Group's growth and development, and therefore is in the interests of the Company and the Shareholders as a whole, and in line with the purposes of the New Share Option Scheme.

LETTER FROM THE BOARD

It is therefore desirable for the Company to motivate and align the interests of the Service Providers towards the Group by including them as the Eligible Participants. The Options will offer incentives and reward for the contribution of the Service Providers and their loyalty in having a sustainable business relationship with the Group, and therefore to provide continuing efforts as mentioned above to promote the interests of the Group and benefit the long-term growth of the Group. Further, the grant of Options to the Service Providers will provide the Company the flexibility to remunerate them with share-based consideration in lieu of cash-based fees. The Board will not grant and has never granted any options to a Service Provider if they have not or the Board believes upon its assessment, that they will not contribute to the long term growth of the businesses of the Group.

Based on the above, the Board (including the Independent non-executive Directors) considers that (i) the inclusion of the Related Entity Participants and the Service Providers as Eligible Participants are in line with the Company's business needs and the industry norm of providing equity based payment to stakeholders in order to align interests and incentivise performance and contribution, since it is desirable and necessary to sustain and foster these business relationships on a long-term basis; and (ii) the criteria for selection of Related Entity Participants and Service Providers as set out in paragraph 2 of the Appendix III to this circular and the terms and conditions on Options granted to them, is appropriate and in the interest of the Company and the Shareholders as a whole, and would enable the purpose of the New Share Option Scheme to be achieved.

As at the Latest Practicable Date, the Company has no concrete plan to grant Options under the New Share Option Scheme.

Based on the above, the Board considers that the adoption of the New Share Option Scheme is in the interests of the Company and the Shareholders as a whole, and would enable the purpose of the New Share Option Scheme to be achieved.

Conditions Precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (a) the GEM Listing Committee granting the approval for the listing of, and permission to deal in any new Shares which may fall to be allotted and issued by the Company upon the exercise of Options that may be granted under the New Share Option Scheme; and
- (b) the passing of an ordinary resolution at the EGM approving the termination of the Existing Share Option Scheme, the adoption of the New Share Option Scheme and authorising the Directors to grant Options to Eligible Participants and to allot and issue Shares pursuant to the exercise of any Option granted under the New Share Option Scheme.

An application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Options granted under the New Share Option Scheme.

LETTER FROM THE BOARD

Maximum number of Shares subject to the New Share Option Scheme

The total number of Shares which may be issued upon the exercise of all options which may be granted under the New Share Option Scheme and all options and awards to be granted under any other share option scheme(s) and share award scheme(s) of the Company (the “**Scheme Mandate Limit**”) must not exceed 10% (or such other percentage which may be specified by the Stock Exchange from time to time) of the total number of Shares in issue as at the Adoption Date or the relevant date of approval of the refreshment of the Scheme Mandate Limit. Within the Scheme Mandate Limit, the number of Shares which may be issued upon the exercise of all options to be granted to the Service Providers under the New Share Option Scheme and all options and awards to be granted under any other share option scheme(s) and share award scheme(s) of the Company (the “**Service Provider Sublimit**”) must not in aggregate exceed 1% of the total number of Shares in issue as at the Adoption Date.

As at the Latest Practicable Date, the number of issued Shares was 886,239,399 Shares. Assuming that there is no change in the number of issued Shares between the Latest Practicable Date and the Adoption Date, the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme together with all options and awards which may be granted under any other share option scheme(s) and share award scheme(s) for the time being of the Company would be 88,623,939 Shares, representing approximately 10% of the total number of Shares in issue as at the Adoption Date.

The Service Provider Sublimit under the New Share Option Scheme together with all options and awards which may be granted under any other share option scheme(s) and share award scheme(s) for the time being of the Company will be 8,862,393 Shares, being 1% of the total number of Shares in issue as at the Adoption Date. The basis for determining the Service Provider Sublimit includes the potential dilution effect arising from grants to Service Providers, the importance of striking a balance between achieving the purpose of the New Share Option Scheme and protecting Shareholders from the dilution effect from granting the options to the Service Providers, the actual or expected increase in the Group’s revenue or profits which is attributable to Service Providers and the extent of use of Service Provider in the Group’s business. Given the above, the Directors have made reference to the individual limit under Rule 23.03D(1) of the GEM Listing Rules and considered that a sublimit of 1% would not lead to an excessive dilution of existing Shareholders’ holdings. Considering that there are no other share schemes involving grant of options over new Shares, the Group’s hiring practice and organisational structures and that the Service Providers have contributed to the long-term growth of the Company’s businesses, the Board is of the view that the Service Provider Sublimit is appropriate and reasonable as it provides flexibility to grant Options to the Service Providers to achieve the purpose of the New Share Option Scheme and the relatively low threshold of 1% can provide adequate safeguard against excessive dilution. The Service Provider Sublimit is subject to separate approval by the Shareholders at the EGM.

LETTER FROM THE BOARD

None of the Directors is and will be trustee of the New Share Option Scheme nor has a direct or indirect interest in the trustee. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had any material interest in the adoption of the New Share Option Scheme. Accordingly, no Shareholder is required to abstain from voting on the resolution approving the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme at the EGM. The Company will, where applicable, comply with the applicable requirements under Chapter 23 of the GEM Listing Rules in respect of the operation of the New Share Option Scheme.

Explanation of the terms of the New Share Option Scheme

A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular. This serves as a summary of the terms of the New Share Option Scheme but does not constitute the full terms of the same. The exercise price of the Options granted under the New Share Option Scheme shall be a price solely determined by the Board subject to a minimum amount set out in the rules of the New Share Option Scheme, and the Board may specify in the offer letter at the grant of the relevant Option the performance targets that need to be achieved by an Eligible Participant and/or the clawback mechanism for the Company to recover or withhold any Options granted to any Eligible Participants. The vesting period of Options granted under the New Share Option Scheme shall be determined by the Board subject to a minimum period set out in the rules of the New Share Option Scheme.

Save for the circumstances prescribed in paragraph 4 of Appendix III to this circular, the vesting period for Options under the New Share Option Scheme shall not be less than twelve (12) months. To ensure the practicability in fully attaining the purpose of this New Share Option Scheme, the Board and the remuneration committee of the Company are of the view that (i) there are certain instances where a strict twelve (12)-month vesting requirement would not work or would not be fair to the Options holder(s), such as those set out in paragraphs 4(a) to (e) of Appendix III to this circular; (ii) there is a need for the Company to retain flexibility to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified; and (iii) the Company should be allowed discretions to formulate its own talent recruitment and retention strategies in response to changing market conditions and industry competition, and thus should have flexibility to impose vesting conditions such as performance-based vesting conditions instead of time-based vesting criteria depending on individual circumstances.

As such, the Board and the remuneration committee of the Company are of the view that the shorter vesting period prescribed in paragraph 4 of Appendix III to this circular is appropriate and aligns with the purpose of the New Share Option Scheme.

Pursuant to the Note to Rule 23.03(2) of the GEM Listing Rules, the Board has sought legal advice on the prospectus requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) in relation to the New Share Option Scheme proposed to be adopted. The Company understands that while the New Share Option Scheme is not restricted to executives and employees of the Group, the adoption thereof would not constitute an offer to public and prospectus requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Company will comply with the relevant requirements when granting Options to the Eligible Participants.

LETTER FROM THE BOARD

It is believed that subject to GEM Listing Rules and the rules of the New Share Option Scheme, by giving the Board the sole discretion to offer Options in such flexible terms, in particular, determining the eligibility of the Eligible Participants, determining the exercise price, prescribing a vesting period before Options can be exercised, requiring the Eligible Participant to achieve any performance targets as may be stipulated in the offer letter at the grant of the relevant Option before his or her Options can be exercised and/or setting any clawback mechanism for the Company to recover or withhold any Option granted to any Eligible Participant, the Group will be in a better position to grant Options to selected Eligible Participants as incentives and/or rewards for their contribution or potential contribution to the Company. The Company will make relevant disclosure by way of announcement(s) to comply with Rules 23.06B(7) and (8) of the GEM Listing Rules when granting the Options to the Eligible Participants in the future.

Performance target and clawback mechanism

The Board may at its discretion specify any condition in the offer letter at the grant of the relevant Option which must be satisfied before an Option may be exercised. Save as determined by the Board and provided in the offer letter of the grant of the relevant Option, there is no performance target which must be achieved before an Option can be exercised. The Board considers that it is not practicable to expressly set out a generic set of performance targets in the New Share Option Scheme, as each Grantee will play different roles and contribute in different ways to the Group. The remuneration committee of the Company considers it more beneficial to the Company to retain the flexibility to determine when and to what extent such conditions are appropriate. If performance targets are imposed upon the grant of Options, the Board will have regard to the purpose of the New Share Option Scheme in assessing such performance targets with reference to factors including but not limited to, cash flow, earnings, earnings per share, market value or economic value added, profits, return on assets, return on equity, return on investment, sales, revenue, share price, total shareholder return, customer satisfaction metrics, operating results and such other goal as the Board may determine from time to time.

The Group will utilise its internal assessment system to appraise and evaluate the performance targets applicable to each grant of Options on a case-by-case basis. The Company will consider the past contributions of an Eligible Participant with reference to the factors set out above and form an internal assessment as regards to the future value that such Eligible Participant may bring to the growth and development of the Group. For Employees Participants, the assessment involves the consideration and appraisal of the Employee Participant's expected contribution with reference to such Employee Participant's nature of duties (e.g. whether in a management role, a sale role or a support role), position within the Group (e.g. whether overall Group level targets or specific performance indicators should be adopted) and other features including geographical location, corporate culture and business strategy focus. Specific weightings will be given to the factors above in order to provide a fair and objective appraisal of the Employee Participants before the grant of Options, such that the grants will be on a fair and reasonable basis and in the interest of the Company and the Shareholders as a whole. The management will propose the performance targets of each Employee Participant in each grant of Options to the Board (or, in case the Grantee is a director or senior manager of the Company, the remuneration committee of the Company) for consideration, who will then assess the reasonableness and suitability of such performance targets.

LETTER FROM THE BOARD

The remuneration committee of the Company is of the view that the New Share Option Scheme will provide the Board with flexibility in setting the performance targets which are the most appropriate taking into account the individual circumstances of the relevant Eligible Participants and therefore can facilitate the Company's aim to offer meaningful incentive to the Eligible Participants to contribute and work better for the long-term growth and profitability of the Group, and hence aligns with the purpose of the New Share Option Scheme.

The Board may provide in the notice of Offer that any Option may be subject to clawback in the event of serious misconduct, a material misstatement in the Company's financial statements and/or the occurrence of any circumstances that show or lead to any of the prescribed performance targets having been assessed or calculated in a materially inaccurate manner.

Value of the Options

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option Scheme as if they had been granted at the Latest Practicable Date, given that various factors (such as the Option Price and other terms and conditions to which an Option may be subject) crucial for valuation cannot be predicted or ascertained and may vary from case to case. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on assumptions would be speculative and not meaningful, and indeed might be misleading to the Shareholders.

Application for Listing

Application will be made to the GEM Listing Committee for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued and allotted pursuant to the exercise of any Option that may be granted under the New Share Option Scheme.

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Purchaser is a company beneficially wholly-owned by Mr. Liang. Mr. Liang is an executive Director and a substantial shareholder who is interested in approximately 27.6% of the total issued share capital of the Company by virtue of his personal interest and his 49%-owned corporation, Global Fortune Global Limited, and 51% owned by Mr. Wu Jianwei, hence, each of Mr. Liang, Mr. Wu Jianwei and Global Fortune Global Limited are connected persons of the Company under Chapter 20 of the GEM Listing Rules and are required to abstain from voting on the relevant resolutions at the EGM. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the GEM Listing Rules.

As at the Latest Practicable Date, Global Fortune Global Limited is owned as to 51% and 49% by Mr. Wu Jianwei and Mr. Liang, hence, each of Mr. Liang, Mr. Wu Jianwei and Global Fortune Global Limited are connected persons of the Company under Chapter 20 of the GEM Listing Rules and are required to abstain from voting on the relevant resolutions at the EGM.

LETTER FROM THE BOARD

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

As one or more than one of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules for the Sale and Purchase Agreement are more than 25% but less than 75%, the entering into of the Sale and Purchase Agreement constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under the GEM Listing Rules.

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 Sale and Purchaser Agreement and the transactions contemplated thereunder, and will be required to abstain from voting on the resolution(s) to approve the Disposal 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 Tuesday, 12 December 2023 at 3:00 p.m. is set out from pages EGM-1 to EGM-4 of this circular. As Mr. Liang and Mr. Wu Jianwei and Global Fortune Global Limited are connected persons of the Company under Chapter 20 of the GEM Listing Rules, and shall be required to abstain from voting on the resolution(s) of the Company approving the Sale and Purchase Agreement at the EGM.

Save as disclosed above and to the best of the knowledge, information and belief of the Directors and having making all reasonable enquiries, no other Shareholder has a material interest in the Sale and Purchase Agreement. 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 Friday on 8 December 2023, 3:00 p.m. (being not less than forty-eight (48) hours, excluding any part of a day that is a public holiday, 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.

Completion of the Disposal is subject to fulfilment of the conditions under the Sale and Purchase Agreement. As the Disposal may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders who are entitled to attend and vote at the EGM or any adjournment thereof, the register of members of the Company will be closed from Thursday, 7 December, 2023 to Tuesday, 12 December, 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the right to attend and vote at the EGM or any adjournment thereof, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, 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 Wednesday, 6 December, 2023.

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 Disposal and as to how to vote at the EGM. Dakin has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal. The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, consider that the terms of the Disposal are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. While the Disposal is 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 Disposal. The text of the letter from the Independent Board Committee is set out on pages 33 to 34 of this circular while the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 35 to 59 of this circular.

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 35 to 59 of this circular, consider that the terms of the Disposal are on normal commercial terms, fair and reasonable and, although the Disposal 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 Disposal pursuant to the Sale and Purchase Agreement.

The Board (including members of the Independent Board Committee) considers that the terms of the Sale and Purchase Agreement 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.

LETTER FROM THE BOARD

The Board (including the Independent non-executive Directors) consider that the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme (including the Scheme Mandate Limit and the Service Provider Sublimit) are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend that the Independent Shareholders vote in favour of the relevant resolutions as set out in the EGM notice at the EGM.

GENERAL

Completion is subject to a number of conditions being satisfied, including but not limited to the necessary approval of the Disposal having been obtained from the Independent Shareholders. As such, the Disposal may or may not materialise. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in (i) the letter from the Independent Board Committee; (ii) the letter of advice from the Independent Financial Adviser; and (iii) the appendices to this circular.

Yours faithfully
On behalf of the Board
Cornerstone Technologies Holdings Limited
LI Man Keung Edwin
Vice Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

基石科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

22 November 2023

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF INTERESTS IN SUBSIDIARIES

We refer to the circular of the Company dated 22 November 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 Disposal is 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.

Dakin 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 35 to 59 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 32 of the Circular and the additional information set out in the Appendix I to this Circular.

Having considered the terms and conditions of the Disposal 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 Disposal are on normal commercial terms although it is not conducted in the ordinary and usual course of business of the Company, and that the Disposal is 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. 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 Disposal.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transaction contemplated thereunder.

Yours faithfully, on behalf of
Independent Board Committee of
Cornerstone Technologies Holdings Limited

TAM Ka Hei Raymond

*Independent
non-executive
Director*

YUEN Chun Fai

*Independent
non-executive
Director*

ZHU Xiaohui

*Independent
non-executive
Director*

KO Shu Ki Kenneth

*Independent
non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Dakin Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



22 November 2023

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF INTERESTS IN SUBSIDIARIES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 22 November 2023 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 15 August 2023 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 100% equity interest of the Target Companies, at an aggregate consideration of HK\$1.00, in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon the Completion, the Target Companies will cease to be subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

As at the Latest Practicable Date, (i) the Purchaser is a company incorporated in the British Virgin Islands with limited liability, beneficially wholly-owned by Mr. Liang; (ii) Mr. Liang is an executive Director and a substantial shareholder who is interested in approximately 27.6% of the total issued Shares by virtue of his personal interest and his 49% interest in Global Fortune Global Limited; and (iii) Global Fortune Global Limited is owned as to 51% and 49% by Mr. Wu Jianwei and Mr. Liang respectively. As such, the Purchaser, Global Fortune Global Limited, Mr. Wu Jianwei and Mr. Liang are connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more than one of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules for the Sale and Purchase Agreement are more than 25% but less than 75%, the entering into of the Sale and Purchase Agreement constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under the GEM Listing Rules.

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

The Company will seek approval from the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder by way of a poll at the EGM. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, Mr. Wu Jianwei, Mr. Liang and Global Fortune Global Limited are connected persons of the Company under Chapter 20 of the GEM Listing Rules and are required to abstain from voting on the relevant resolutions at the EGM. 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 Sale and Purchaser Agreement and the transactions contemplated thereunder, and will be required to abstain from voting on the resolution(s) to approve the Disposal and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the four 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 formed to advise the Independent Shareholders on whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser.

OUR INDEPENDENCE

We, Dakin Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. During the past two years immediately preceding the Latest Practicable Date, we did not act as the financial adviser or the independent financial adviser of the Company. Apart from normal professional fees for our services to the Company in connection with this engagement described above, no other arrangements exist whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, or its substantial shareholders, Directors, chief executive, or any of their respective associates. We are independent under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date.

The Directors collectively and individually accept full responsibility, including particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts 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 in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Sale and Purchase Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the fairness and reasonableness of the terms of the Sale and Purchase Agreement and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Sale and Purchase Agreement, we have considered the following principal factors and reasons:

1. Background and financial information of the Group

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

The table below summarises (i) the general financial information of the Group for the year ended 31 December 2021 and 2022 as extracted from the Company's annual report 2022 (the "Annual Report"); and (ii) the general financial information of the Group for the six months ended 30 June 2022 and 2023 as extracted from the Company's interim report 2023 (the "Interim Report").

Summary of the consolidated financial results of the Group

	For the year ended 31 December 2021 (audited) <i>HK\$'000</i>	For the year ended 31 December 2022 (audited) <i>HK\$'000</i>	For the six months ended 30 June 2022 (unaudited) <i>HK\$'000</i>	For the six months ended 30 June 2023 (unaudited) <i>HK\$'000</i>
Financial performance				
Revenue	55,032	80,142	37,494	49,273
Gross profit	6,963	3,194	2,609	8,148
Loss and total comprehensive expense for the year/period	(61,999)	(161,187)	(47,065)	(49,905)
		As at 31 December 2021 (audited) <i>HK\$'000</i>	As at 31 December 2022 (audited) <i>HK\$'000</i>	As at 30 June 2023 (unaudited) <i>HK\$'000</i>
Financial position				
Total assets		170,014	170,079	207,906
Total liabilities		108,346	119,188	123,303
Net assets		61,668	50,891	84,603

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Annual results of the Group

The Group's total revenue for the financial year ended 31 December 2022 ("FY2022") increased by approximately HK\$25.1 million, or approximately 45.6% from approximately HK\$55.0 million in the previous financial year ended 31 December 2021 ("FY2021") to approximately HK\$80.1 million in FY2022. According to the Annual Report, such increase in the Group's total revenue for FY2022 was mainly due to (i) the increase in revenue from sales of electric vehicle charging systems from approximately HK\$6.4 million for FY2021 to approximately HK\$21.1 million for FY2022; and (ii) the provision of installation service income of approximately HK\$8.9 million for FY2022 (FY2021: nil).

The Group's gross profit decreased from approximately HK\$7.0 million for FY2021 to approximately HK\$3.2 million for FY2022, representing a decrease of approximately 54.1%. As stated in the Annual Report, such decrease in gross profit for FY2022 was primarily due to (i) the increase in paper costs of the Group's printing business; (ii) the increase in labor and subcontracting costs caused by the various measures of governments implemented in response to the outbreak of COVID-19 pandemic of the Group's printing business; and (iii) the generally lower gross profit margin of electric vehicle charging at Home Subsidy Scheme and the increase in cost of electricity of the Group's electric vehicle charging business.

The Group's loss and total comprehensive expense for the year widened from approximately HK\$62.0 million for FY2021 to approximately HK\$161.2 million for FY2022. Pursuant to the Annual Report and according to the management of the Company, such widen in loss and total comprehensive expense was mainly due to (a) the loss-making position of the Target Group for FY2022; and (b) the combined effect of (i) the decrease in gross profit recognised for FY2022; (ii) the increase in administrative and other operating expenses from approximately HK\$58.5 million for FY2021 to HK\$88.4 million for FY2022; and (iii) the increase in share-based payment expenses from approximately HK\$8.0 million for FY2021 to approximately HK\$77.5 million for FY2022 mainly for the issue of warrants by the Company during FY2022 in relation to the acceptance of a term loan facility.

Total assets of the Group as at 31 December 2022 amounted to approximately HK\$170.1 million whereas total liabilities of the Group amounted to approximately HK\$119.2 million, resulting in a net assets position of approximately HK\$50.9 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Interim results of the Group

The Group's total revenue increased from approximately HK\$37.5 million for the six months ended 30 June 2022 ("IR2022") to approximately HK\$49.3 million for the six months ended 30 June 2023 ("IR2023"), representing an increase of approximately 31.5%. Pursuant to the Interim Report, such increase was mainly driven by (i) electric vehicle charging business, specifically due to the increase in revenue from sales of electric vehicle charging systems of approximately HK\$3.4 million; (ii) the provision of installation service income of approximately HK\$10.2 million (IR2022: nil); and partially offset by (iii) the decrease in revenue from the printing business, specifically a decrease in revenue from commercial printing services of approximately HK\$4.8 million.

The Group's gross profit increased from approximately HK\$2.6 million for IR2022 to approximately HK\$8.1 million for IR2023, representing an increase of approximately 212.3%. As stated in the Interim Report and according to the management of the Company, such increase in gross profit for IR2023 was mainly attributable to (i) the revenue growth of electric vehicles charging business; and (ii) the decrease in cost of services of printing business.

The Group's loss and total comprehensive expense for the year widened from approximately HK\$47.1 million for IR2022 to approximately HK\$49.9 million for IR2023. According to the Annual Report and the management of the Company, such widen in loss and total comprehensive expense was mainly due to the combined effect of (i) the increase in gross profit recognised for IR2023; (ii) the decrease in administrative and other operating expenses from approximately HK\$48.2 million for IR2022 to HK\$40.4 million for IR2023; and partially offset by (iii) the increase in share-based payment expenses from approximately HK\$0.5 million for IR2022 to approximately HK\$14.9 million for IR2023 mainly for the grant of share options by the Company on 17 June 2022 and 17 November 2022.

Total assets of the Group as at 30 June 2023 amounted to approximately HK\$207.9 million whereas total liabilities of the Group amounted to approximately HK\$123.3 million, resulting in a net assets position of approximately HK\$84.6 million.

2. Background information of the parties to the Sale and Purchase Agreement

The vendor of the Sale and Purchase Agreement – The Company

Please refer to the paragraph headed "1. Background and financial information of the Group" above in this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The purchaser of the Sale and Purchase Agreement – Castle Noble International Limited

As stated in the Letter from the Board, the Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability, beneficially wholly-owned by Mr. Liang. As at the Latest Practicable Date, Mr. Liang is an executive Director and a substantial shareholder who is interested in approximately 27.6% of the total issued Shares by virtue of his personal interest and his 49% interest in Global Fortune Global Limited. As such, the Purchaser is an associate of Mr. Liang and a connected person of the Company under Chapter 20 of the GEM Listing Rules.

The Target Group

According to the Letter from the Board, (i) the Target Companies are incorporated in the British Virgin Islands with limited liability, which are wholly-owned subsidiaries of the Company; and (ii) the Target Group is principally engaged in the provision of printing, typesetting and translation services in Hong Kong.

Set out below are the unaudited combined financial information of Target Group for the year ended 31 December 2021 and 2022 and for the six months ended 30 June 2022 and 2023 which are obtained from the management of the Company:

	For the year ended 31 December 2021 (unaudited) <i>HK\$'000</i>	For the year ended 31 December 2022 (unaudited) <i>HK\$'000</i>	For the six months ended 30 June 2022 (unaudited) <i>HK\$'000</i>	For the six months ended 30 June 2023 (unaudited) <i>HK\$'000</i>
Financial performance				
Revenue	48,288	48,316	27,218	24,283
Loss before tax	(15,889)	(32,445)	(11,891)	(7,991)
Loss after tax	(15,377)	(31,229)	(11,614)	(7,991)
		As at	As at	As at
		31 December	31 December	30 June
		2021	2022	2023
		(unaudited)	(unaudited)	(unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial position				
Net assets/(liabilities)		10,160	(21,069)	(29,060)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Target Group's revenue remained stable at approximately HK\$48.3 million for FY2021 and FY2022.

The Target Group's loss after tax widened from approximately HK\$15.4 million for FY2021 to approximately HK\$31.2 million for FY2022. As advised by the management of the Company, such increase in the Target Group's loss after tax was mainly due to (i) the increase in papers costs and labor and subcontracting costs caused by various measures of governments implemented in response to the outbreak of COVID-19 pandemic, resulting in the decrease in gross profit recognised for FY2022; and (ii) the increase in other operating expenses and finance costs.

The Target Group's revenue decreased from approximately HK\$27.2 million for IR2022 to approximately HK\$24.3 million for IR2023, representing a decrease of approximately 10.8%. According to the management of the Company, such decrease in the Target Group's revenue was mainly due to (i) the increase in revenue from printing of financial reporting documents and compliance documents; off-set by (ii) the reduction in orders placed by some major customers for commercial printing and delay of certain commercial printing jobs to second half of 2023.

The Target Group's loss after tax narrowed from approximately HK\$11.6 million for IR2022 to approximately HK\$8.0 million for IR2023. As advised by the management of the Company, such decrease in the Target Group's loss after tax was mainly due to (i) the decrease in papers, labor and subcontracting costs; (ii) the decrease in administrative expenses and other operating expenses; and partially offset by (iii) the increase in selling expenses and finance cost.

The unaudited combined net liabilities of the Target Group increased from approximately HK\$21.1 million as at 31 December 2022 to approximately HK\$29.1 million as at 30 June 2023, representing an increase of approximately 37.9%. According to the management of the Company, such increase was mainly due to the Target Group's loss after tax for the six months ended 30 June 2023.

3. Reasons for and benefits of the Disposal

Financial performance of the Target Group

As stated in the Letter from the Board, owing to the intensive peer competition in the financial printing services industry and the fluctuating market condition, the financial results of the Target Group deteriorated and recorded losses after tax of approximately HK\$15.4 million, HK\$31.2 million and HK\$8.0 million for FY2021, FY2022 and IR2023 respectively and net liabilities of approximately HK\$29.1 million as at 30 June 2023. For detailed financial information of the Target Group, please refer to the sub-paragraph headed "The Target Group" under the paragraph headed "2. Background information of the parties to the Sale and Purchase Agreement" above in this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Prospect of the Target Group

As stated in the Interim Report, the Target Group actively responded to the adverse impact of the COVID-19 pandemic and keen competition, reasonably to diversify service spectrum including investor relations and environmental, social and corporate governance marketing and actively organise or co-organise professional seminars and marketing events in order to enhance brand awareness.

However, the Directors have considered that (i) the Group's financial printing business has been continuously loss-making for the past years together with the uncertainties of the future of the financial market in Hong Kong; and (ii) the Group has established the electric vehicle charging business. The Directors are of the view that the Disposal allows the Company to reduce losses and to deploy the Group's resources from the underperforming financial printing business to the Group's electric vehicle charging business.

Intention of the Company

As advised by the Directors, in order to maintain the brand awareness of the Target Group, further capital investments will be required in continuous marketing events planning and organisation and resuming business travel to the People's Republic of China to reach potential clients of initial public offering and environmental, social and corporate governance reporting, which will continue to affect the Target Group's profitability. The Directors are in doubt whether to continue financing the business development of the Target Group having considered the prospect of the Target Group's business as explained above.

Given the continuous loss-making position of the Target Group with net liabilities position in recent period, the Directors considers that the Disposal allows the Company to reduce losses and to deploy the Group's resources from the underperforming financial printing business to the Group's electric vehicle charging business.

In arriving the decision of entering into the Sale and Purchase Agreement, the Directors has also considered closing of the Target Group's business. The Directors are of the view that (i) closing of the Target Group's business usually requires more complicated and costly procedures including but not limited to notifying its customers, suppliers, employees and creditors, collecting all outstanding accounts, terminating the existing agreements with counterparties and liquidating business assets; and (ii) the Disposal is a cost-effective way for the Group to cease the Target Group's business. As such, the Directors decided to negotiate with the Purchaser on the terms of the Sale and Purchase Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Remaining business of the Group

The Directors confirmed that (i) upon the Completion, the Group shall no longer have remaining business in the provision of printing, typesetting and translation services segment; and (ii) save for the Disposal, the Company has no other intention to dispose of, downsize or terminate any of its existing business. The Company will focus on its remaining business of the Group's electric vehicle charging business (the "**Remaining Business**"). Since the Remaining Business is unrelated to the Target Group's business, the Directors consider that the Disposal will have no material adverse impact on the business focus and future development of the Remaining Business.

In order to assess the prospect of the Remaining Business, we have also studied the Hong Kong Road Map on Popularisation of Electric Vehicles (the "**Roadmap**") published by the government of Hong Kong on 17 March 2021, such Roadmap sets out the long-term policy objectives and plans to promote the adoption of electric vehicles and their associated supporting facilities in Hong Kong. The Roadmap will guide Hong Kong's future direction to attain zero vehicular emissions before 2050. The Roadmap has stated that the government of Hong Kong has been promoting the use of electric vehicles by the following measures:

1. Offering first registration tax concessions for electric vehicles;
2. Enterprises which procure electric vehicles are allowed 100% profits tax deduction for the capital expenditure on electric vehicles in the first year of procurement;
3. A New Energy Transport Fund (previously named Pilot Green Transport Fund) has been put in place since March 2011 to encourage the transport sectors and charitable/non-profit-making organizations to try out and widely use green innovative and low carbon transport technologies (including electric commercial vehicles);
4. The government of Hong Kong allocated HK\$180 million for franchised bus companies to purchase 36 single-deck electric buses, including 28 battery-electric buses and 8 supercapacitor buses, for trial runs to assess their operational efficiency and performance under the local conditions; and
5. The government of Hong Kong would prepare for a HK\$2 billion pilot subsidy scheme to promote installation of electric vehicle charging-enabling infrastructure in car parks of existing private residential buildings.

Based on the aforesaid, we note that it is the aim of the government of Hong Kong to promote the long-term development of electric vehicles in Hong Kong, which would bring positive impact on the business development of the Group's Remaining Business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, we have also reviewed the statistics published by Transport Department and Environmental Protection Department with findings set out as follows:

Statistics of licensed electric private car in Hong Kong

2020	2021	2022	Compound annual growth rate	First half of 2023
<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>(%)</i>	<i>Number</i>
17,352	26,833	45,726	62.3%	58,798

Source: Transport Department of the government of Hong Kong
(Website: <https://www.td.gov.hk/en/home/index.html>)

As shown in the above table, the number of licensed electric private car in Hong Kong increased from 17,352 for the year of 2020 to 45,726 for the year of 2022, representing a compound annual growth rate of approximately 62.3% and further grew to 58,798 for the first half of 2023.

Statistics of electric vehicles chargers for public access in Hong Kong

2020	2021	2022	Compound annual growth rate	First half of 2023
<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>(%)</i>	<i>Number</i>
3,351	4,694	5,434	27.3%	6,142

Source: Environmental Protection Department of the government of Hong Kong
(Website: <https://www.epd.gov.hk/epd/english/top.html>)

As shown in the above table, the number of electric vehicles chargers for public access in Hong Kong increased from 3,351 for the year of 2020 to 5,434 for the year of 2022, representing a compound annual growth rate of approximately 27.3% and further grew to 6,142 for the first half of 2023.

Taking into consideration the government policies in supporting the long-term development of electric vehicles and the increasing trends in number of licensed electric private car and the number of electric vehicles chargers for public access in Hong Kong, we consider that the outlook of the Group's Remaining Business will remain positive.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our view

Taking into account (i) the Target Group's business has been continuously loss-making for the past years together with the uncertainties of the future of the financial market in Hong Kong; (ii) the Disposal is a cost-effective way for the Group to cease the Target Group's business as compared to closing of the Target Group's business; (iii) the principal terms of the Sale and Purchase Agreement and the Deed of Assignment are fair and reasonable as discussed in the paragraph headed "4. Principal terms of the Sale and Purchase Agreement and the Deed of Assignment" below in this letter; (iv) the Group has established the electric vehicle charging business; and (v) the prospect of the Group's Remaining Business will remain positive, we concur with the Directors' view that the Disposal allows the Company to reduce losses and to deploy the Group's resources from the underperforming financial printing business to the Group's electric vehicle charging business, which is fair and reasonable and in the interest of the Company and Shareholders as a whole.

4. Principal terms of the Sale and Purchase Agreement and the Deed of Assignment

Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Company had conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 100% equity interest of the Target Companies, at an aggregate consideration of HK\$1.00 (the "Consideration").

The Consideration

According to the Letter from the Board, the Consideration shall be HK\$1.00 and shall be payable by the Purchaser to the Company in cash upon the Completion. As stated in the Letter from the Board, the Consideration has been determined after arm's length negotiations between the Purchaser and the Company with reference to, among other things, (i) the unaudited combined net liabilities value of the Target Group attributable to the Company as at 30 June 2023 of approximately HK\$29.1 million; (ii) the financial performance of the Target Group; (iii) the preliminary valuation of the Target Group; and (iv) the prevailing market conditions as set out under the paragraph headed "Reasons for and benefits of the Disposal" in the Letter from the Board.

For the detailed analysis on Target Group's financial performance and position, please refer to the sub-paragraph headed "The Target Group" under the paragraph headed "2. Background information of the parties to the Sale and Purchase Agreement" above in this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Business valuation of the Target Group

We have reviewed the report of the business valuation prepared by Royson Valuation Advisory Limited (the “**Valuer**”), an independent valuer, as set out in Appendix II to the Circular and noted that the fair value of 100% equity interest in the Target Group as at 31 July 2023 was nil. For details, please refer to the valuation report included in the section headed “Appendix II Valuation report” to the Circular (the “**Valuation Report**”).

We have complied with all the requirements under note (1)(d) to Rule 17.92 of the GEM Listing Rules, in particular, discussed with the Valuer about the expertise of the person signing the Valuation Report, namely, Ms. Amy W.S. Chan. After discussion with Ms. Amy W.S. Chan, we noted that she (i) is a member of the Hong Kong Institute of Certified Public Accountants; and (ii) has been working in the valuation field for over more than 12 years and has participated in over 1,200 assignments regarding business valuation, derivatives valuation, intangible assets valuation and purchase price allocation for numerous listed companies and private entities in different industries. We consider that the responsible person of the Valuer for the Valuation Report has relevant qualification as well as sufficient experience in performing the valuation. The Valuer also confirmed that all relevant material information provided by the Company relevant to the valuation of the Target Group had been incorporated in the Valuation Report and there were no other material relevant information or representations relating to the Disposal for the purpose of valuation provided or made by the Company to it not having been included in the Valuation Report. We have reviewed the terms of engagement letter and scope of work of the Valuer, and consider that such engagement is on normal commercial terms and the scope of the Valuer’s work is appropriate in conducting the valuation. Furthermore, as at the Latest Practicable Date, the Valuer has confirmed that they do not have (i) any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) any direct or indirect interest in any assets which had been, since 31 December 2022, 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. Therefore, we consider that the Valuer is independent and has adequate qualification and experience in performing the valuation.

We have discussed with the Valuer in respect of the methodology of, and the bases and assumptions adopted for the valuation to arrive at the valuation of the Target Group. We noted that the Valuation Report was prepared based on and in compliance with the generally accepted accounting principles in Hong Kong and the International Valuation Standards. We also noted that the Valuer had considered three methodologies in preparing the Valuation Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Cost approach*

As stated in the Valuation Report, (i) cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved; and (ii) cost approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence. However, the Valuer is of the opinion that (i) cost approach cannot reflect the fair value of the Target Group which is driven by the future earnings to be generated; and (ii) the Target Group has developed its own brand, its business networks and customer relationships which are the unidentifiable intangible assets that exist in the business but not capitalised. Therefore, the Valuer is of the view that cost approach is inappropriate for valuing the Target Group.

(ii) *Income approach*

As stated in the Valuation Report, (i) income approach provides an indication of value by converting future cash flow to a single current value; (ii) under income approach, the value of an asset/the business entity is determined by reference to the value of income, cash flow or cost savings generated by the asset/the business entity; and (iii) a fundamental basis for income approach is that investors expect to receive a return on their investments and that such a return should reflect the perceived level of risk in the investment. As advised by the Valuer, income approach relies on explicit financial forecasts which require many assumptions and is considered as inferior to market approach. As such, the Valuer has not adopted income approach in the view that other valuation approach (i.e. market approach) is more adoptable and practicable.

(iii) *Market approach*

As stated in the Valuation Report, (i) market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available; and (ii) third-party transactions in the equity of an enterprise generally represent the best estimate of fair value if they are done at arm's length.

The Valuer further advised that the fair value of 100% equity interest of the Target Group as at 31 July 2023 is derived from the application of the Guideline Publicly-traded Comparable Method under market approach. According to the Valuation Report, (i) in the Guideline Publicly-traded Comparable Method, the fair value is based on prices at which stocks of similar companies are trading in a public market; and (ii) a "value measure" is usually a multiple computed by dividing the price of the guideline company's stock as at the valuation date by some relevant economic variable observed or calculated from the guideline company's financial statements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that (i) cost approach cannot reflect the fair value of the Target Group which is driven by the future earnings to be generated; (ii) income approach relies on explicit financial forecasts which require many assumptions and is considered as inferior to market approach; and (iii) applying the Guideline Publicly-traded Comparable Method under market approach, different value measures or market multiples of the comparable companies are calculated and analysed to induce a series of multiples that are considered representative of the industry average. Then, the Valuer has applied the relevant industry multiple to the subject company to determine a value for the subject company that is on a freely-traded basis which can reflect the prevailing market value of the Target Group, we concur with the Valuer's view that the Guideline Publicly-traded Comparable Method under market approach is the most preferred approach for the valuation of the Target Group.

We noted that the Valuer had considered three market multiples, including price to earnings ratio ("**P/E ratio**"), price to book ratio ("**P/B ratio**") and price to revenue ratio ("**P/S ratio**"). However, the Valuer advised that (i) the pre-requisite for the P/E ratio is being profit-making, while P/B ratio requires a positive net asset value; and (ii) the Target Group incurred losses for the twelve months ended 30 June 2023 (and remains in a loss position after adjusting for the impairment loss of fixed assets, gain on lease modification and other income) and is a net liability position as at 30 June 2023. Therefore, the Valuer is of the view that the P/E ratio and P/B ratio are not suitable for the valuation. Pursuant to the Valuation Report, (i) revenue is valuable only if, at some point, it can be translated into earnings; and (ii) the cost structure of the Target Group is relatively straight-forward such as staff costs and rental-related expenses which are the major fixed operating costs as a service provider of printing companies. The Valuer are of the opinion that there is a strong linkage between revenue and profitability, thus the value ratios on revenue are considered as relevant to this valuation.

As stated in the Valuation Report, to provide a more comprehensive picture of the capital structure of the Target Group, the Valuer has applied the market value of enterprise value ("**EV**") in the valuation. The Valuer advised that (i) EV equals to the sum of (1) market capitalisation; (2) value of total debt; and (3) value of preferred equity and non-controlling interest; and then minus (4) cash and bank balances; (ii) EV is the value of a company's core business operations that is available to all investors (debt, equity, preferred, etc.); and (iii) EV to revenue ("**EV/S ratio**") is an expansion of the P/S ratio, which uses market capitalisation instead of EV. As discussed with the Valuer, we are given to understand that in addition to the market capitalisation considered by P/S ratio, EV/S ratio also considers a company's debt in the valuation process and provides a more comprehensive picture of the capital deployed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Valuation Report, the Valuer have applied the following assumptions in deriving the fair value of 100% equity interest of the Target Group:

- (i) there will be no major changes in the existing political, legal, fiscal and economic conditions in which the Target Group carries on its business;
- (ii) there will be no major changes in the current taxation law in Hong Kong where the Target Group operates, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;
- (iii) there will be no material changes in the industry in which the Target Group involves that would materially affect the revenues, profits, cash flows attributable to the Group;
- (iv) the Target Group and/or its partners will obtain the necessary licenses and approvals to provide its service;
- (v) exchange rates and interest rates will not differ materially from those presently prevailing;
- (vi) the availability of finance will not be a constraint on the operations of the Target Group;
- (vii) the Target Group will successfully maintain its competitiveness and market share through optimizing the utilization of its resources and expanding its marketing network;
- (viii) the Target Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;
- (ix) the Target Group will utilise and maintain its current operational, administrative and technical facilities to expand and increase its sales;
- (x) the Target Group will be able to secure funds to repay its debts when they fall due;
- (xi) the Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operations;
- (xii) industry trends and market conditions for related industries will not deviate materially from economic forecasts;
- (xiii) there is no material difference in the statement of financial position of the Target Group between 30 June 2023 and 31 July 2023; and
- (xiv) the Target Group has no material contingent asset/liability as at 31 July 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess the fairness and reasonableness of the assumptions adopted by the Valuer in the valuation, we have also discussed with the Valuer and given to understand that they have taken into account the information of the Target Group when adopting the assumptions mentioned above. Based on our discussion with the Valuer, and review of the principal terms of the Sale and Purchase Agreement and the Deed of Assignment, nothing has come to our attention that the assumptions adopted by the Valuer in the valuation are not fair and reasonable.

We also discussed with the Valuer regarding the selection criteria of the market comparables for the business valuation of the Target Group. As discussed with the Valuer, we are given to understand that in the valuation model of the Valuer, they have based on the following relevant factors to select the comparable companies, including products, markets, earnings and growth, capital structure, nature of competition and the characteristics driving underlying investment risk and expected rate of return. Based on the selection criteria made by the Valuer, we noted that the Valuer has formed an exhaustive list of ten comparable companies which (i) are principally engaged in similar business (i.e. over 70% of revenue is generated from publishing, commercial and financial printing solutions and services); (ii) are listed on the Stock Exchange for not less than twelve months; (iii) are principally operates in Hong Kong and/or China; and (iv) command a positive EV/S ratio as at 31 July 2023. From the list of comparable companies as stated in the Valuation Report, we noted that the comparable companies are listed on the Stock Exchange, mainly derive most of their revenue from publishing, commercial and financial printing solutions and services. We consider that the selection criteria of the comparable companies can effectively reflect the industry of the publishing, commercial and financial printing solutions and services of listed companies in the Hong Kong stock market. As such, nothing has come to our attention that the selection criteria of the comparable companies are not representative, fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the latest publicly available financial information of the comparable companies and their market capitalisation, the EV/S ratio of the comparable companies as at 31 July 2023 are summarised as follows:

Comparable companies	EV as at 31 July 2023 <i>HK\$'million</i> <i>(Note 1)</i>	Revenue based on the latest available financial statements <i>HK\$'million</i> <i>(Note 2)</i>	EV/S ratio as at 31 July 2023 <i>(times)</i>
Hung Hing Printing Group Limited (stock code: 450)	298	2,950	0.10
Lion Rock Group Limited (stock code: 1127)	866	2,496	0.35
Left Field Printing Group Limited (stock code: 1540)	159	505	0.31
A.Plus Group Holdings Limited (stock code: 1841)	72	129	0.55
eprint Group Limited (stock code: 1884)	152	317	0.48
Sun Hing Printing Holdings Limited (stock code: 1975)	139	643	0.22
Prosperous Printing Co., Ltd. (stock code: 8385)	223	195	1.14
Universe Printshop Holdings Limited (stock code: 8448)	24	95	0.25
REF Holdings Limited (stock code: 1631)	71	130	0.55
Smart Globe Holdings Limited (stock code: 1481)	203	132	1.54
		Average	0.55
		Median	0.42

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The market capitalisation was based on the last price as at 31 July 2023 and extracted from the Bloomberg terminal; and
2. Revenue was extracted from the latest annual report which were the latest available financial statements of the comparable companies.

As stated in the Valuation Report, the fair value of 100% equity interest of the Target Group is mainly derived from the product of the average EV/S ratio of the comparable companies as at 31 July 2023 (i.e. 0.55 time) and the turnover of the Target Group for the twelve months ended 30 June 2023 (i.e. approximately HK\$45,576,000), plus cash balance of approximately HK\$2,495,000 and minus bank loan and non-operating liabilities of approximately HK\$25,569,000 and HK\$4,850,000 respectively as at 31 July 2023. According to the Valuation Report, we noted that the fair value of 100% equity interest of the Target Group as at 31 July 2023 is nil. For detailed calculation, please refer to the table headed “Calculation of the fair value of the equity interest is summarised as follows” under the paragraph headed “IX Valuation methodology” of the Valuation Report.

We have also performed independent research on the market multiples of the P/E ratio, P/B ratio, P/S ratio and EV/S ratio in the valuation. Given that the Target Group was in loss-making position for FY2022 and in net liabilities position as at 30 June 2023, we also consider that the P/E ratio and P/B ratio are not applicable for valuation. As stated in the Valuation Report, the EV/S ratio is an expansion of the P/S ratio which considers the factors of market capitalisation and company’s debt and provide a more comprehensive picture of the capital employed. Taking into account (i) the Target Group was in net liabilities position as at 30 June 2023, which mainly comprised of bank loan and shareholder’s loan; and (ii) the Target Group’s bank loan and shareholder’s loan as at 30 June 2023 are part of the capital employed which might not be reflected in the P/S ratio, we are of the view that the P/S ratio is not applicable for valuation. Regarding the EV/S ratio, apart from the above review and discussion with the Valuer on the EV/S ratio valuation and calculation process, we have also reviewed and referenced to a widely adopted research article named “Enterprise-Value-to-Revenue Multiple (EV/R): Definition” published and updated by Investopedia on 27 February 2021. We noted that (i) the enterprise value-to-revenue looks at a company’s revenue-generating ability and it can be used for companies that do not generate income or profits; and (ii) the enterprise value adopted in the EV/S ratio includes debts and excludes cash. Based on the aforesaid, nothing has come to our attention that the use of EV/S ratio for valuation is inappropriate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, in assessing the fairness of reasonableness of the Consideration, we have identified an exhaustive list of companies (the “**Consideration Comparables**”). As advised by the Directors, the Consideration of HK\$1 is a nominal value for the Disposal. We have set the selection criteria which included the Comparable Companies (i) that announced the disposal of their target companies (except for property holding company) to connected persons during the twelve months period from 16 August 2022 to 15 August 2023, the date of the Sale and Purchase Agreement; (ii) with their shares listed on the Stock Exchange; (iii) with a fixed value of the consideration (without any potential adjustment of the consideration at or after completion date of the disposal) of their disposal for the equity interest of target companies; and (iv) with loss after tax for their recent financial year and net liabilities position as at the date of latest financial year/period before their publication of the disposal announcement and identify 5 Consideration Comparables. We consider that the aforementioned selection criteria of the Consideration Comparables during the twelve months prior to and including 15 August 2023 allows us to capture the Consideration Comparables, which provide a general reference for the recent market practice. Shareholder should, however, note that given the differences between the listed issuers of the Consideration Comparables and the Target Group in terms of principal activities, business nature, financial performance and financial position of the disposal companies as well as the structure of the disposal, we consider that the Consideration Comparables might not constitute an absolute reference to the Disposal. Notwithstanding that, we consider that the Consideration Comparables can provide a general reference in relation to the terms of the Consideration under recent market condition and sentiment. In view of the above, we are of the view that the Consideration Comparables are fair and representative. The following table sets out the details of the Consideration Comparables:

No.	Name of companies (stock code)	Date of announcement	Principal business of disposal companies (Note)	The consideration of disposal for equity interest (Note)	Loss after tax of latest financial year (Note) <i>approximate</i> <i>'million</i>	Net liabilities as at the date of latest financial year/period (Note) <i>approximate</i> <i>'million</i>
1.	Orient Victory Smart Urban Services Holding Limited (265)	22 August 2022	Principally engaged in sale of air tickets and other travel related services for corporate clients.	HK\$1	HK\$3	HK\$5

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Name of companies (stock code)	Date of announcement	Principal business of disposal companies (Note)	The consideration of disposal for equity interest (Note)	Loss after tax of latest financial year (Note) <i>approximate</i> <i>'million</i>	Net liabilities as at the date of latest financial year/period (Note) <i>approximate</i> <i>'million</i>
2.	Television Broadcasts Limited (511)	22 December 2022	Principally engaged in finance the production of television programmes, including drama series and documentaries, for the United States of America and international markets	USD1	USD14	USD74
3.	A8 New Media Group Limited (800)	23 December 2022	Principally engaged in mobile online game research and development and operation	RMB632,000	RMB5	RMB4
4.	CIF1 Holdings (Group) Co. Ltd. (884)	9 March 2023	Principally engaged in property development in Chang'an District, Shijiazhuang, Hebei Province, the People's Republic of China	RMB1	RMB122	RMB191

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Name of companies (stock code)	Date of announcement	Principal business of disposal companies (Note)	The consideration of disposal for equity interest (Note)	Loss after tax of latest financial year (Note) <i>approximate</i> <i>'million</i>	Net liabilities as at the date of latest financial year/period (Note) <i>approximate</i> <i>'million</i>
5.	Green Energy Group Limited (979)	9 June 2023	Principally engaged in clinical health services, trading of healthcare products, provision of laboratory diagnostic services	HK\$1	HK\$8	HK\$14
	The Target Group	15 August 2023	Principally engaged in the provision of printing, typesetting and translation services in Hong Kong	HK\$1	HK\$31	HK\$29

Note: The information and figures are based on the announcement published by the respective Consideration Comparables.

As shown in the above table, we noted that (i) all of the Consideration Comparables are in loss-making position for their respective latest financial year and in net liabilities position as at their respective date of latest financial year/period which are similar to the loss-making position for FY2022 and the net liabilities position as at 30 June 2023 of the Target Group; and (ii) four out of five Consideration Comparables have a nominal value of the consideration for disposing the equity interest of the target companies in HK\$1, RMB1 or USD1. As such, nothing has come to our attention that the Consideration of HK\$1 for the Disposal is uncommon.

Based on our review on the valuation of the Target Group and its calculation, discussion with the Valuer and independent research on the application of market multiples of the P/E ratio, P/B ratio, P/S ratio and EV/S ratio as detailed above, we consider that the valuation of the Target Group is fair and reasonable. The fair value of 100% equity interest of the Target Group as at 31 July 2023 is nil. The Consideration of HK\$1 represents a premium over the nil fair value of 100% equity interest of the Target Group as at 31 July 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the assessment on fair value of the Target Group was done by the Valuer using the market approach by the EV/S ratio which is appropriate, fair and reasonable; (ii) the Consideration of HK\$1 is not uncommon as analyzed in the Consideration Comparables; and (iii) the Consideration of HK\$1 represents premium over the nil fair value of 100% equity interest, we consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Other terms of the Sale and Purchase Agreement

We have also reviewed the other terms of the Sale and Purchase Agreement, including among others, the conditions precedent. Please refer to the sub-paragraph headed “Conditions precedent” under the paragraph headed “The Disposal” in the Letter from the Board for further details.

Pursuant to the terms of the Sale and Purchase Agreement and as discussed with the management of the Company, we understand that (i) the Completion shall take place within seven Business Days after all the conditions of the Sale and Purchase Agreement have been fulfilled or such other time as the Company and the Purchaser may agree; and (ii) upon the Completion, the Vendor shall deliver or cause to be delivered to the Purchaser, among other things, a duly executed instrument of transfer in favour of the Purchaser and/or its nominee(s) in respect of the Sale Shares, the relevant share certificates and the counterparts of the Deed of Assignment in respect of the Loan duly executed by the Company and the Target Companies. In addition, according to the Sale and Purchase Agreement, all of the conditions precedent have to be fulfilled and no waivers are granted. As such, we are of the view that the Company’s and Shareholders’ interest are safeguarded.

The Deed of Assignment

On 15 August 2023, the Company and the Purchaser entered into the Deed of Assignment pursuant to which the Company agreed to assign to the Purchaser the benefit and advantage and all its rights, title and interests in the Loan. The amount of the Loan owed to the Company by the Debtors collectively as at the date of the Deed of Assignment was approximately HK\$9.6 million. According to the management of the Company, the Loan owed to the Company by the Debtors are transferred to the Purchaser and no outstanding amount owed to the Company upon the Completion. As such, we are of the view that the Company’s and Shareholders’ interest are safeguarded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Financial effect of the Disposal

Upon the Completion, the Company will cease to hold any shares in the Target Companies and the Target Companies will cease to be subsidiaries of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company.

Assets and liabilities

Having taken into account the Consideration and the unaudited net liability value of the Target Group as at 30 June 2023, it is estimated that upon the Completion, based on the financial information of the Group as at 30 June 2023, total assets of the Group will be decreased by approximately HK\$41.4 million, total liabilities of the Group will be decreased by approximately HK\$70.5 million, and net assets of the Group will have an increase of approximately HK\$29.1 million.

Earnings

It is estimated that the Company will record a gain of approximately HK\$19.0 million on the Disposal, which is arrived at based on the Consideration, the unaudited net liability value of the Target Group of approximately HK\$19.4 million as at 30 June 2023 (after taking into account assignment of the Loan to the Purchaser), and the estimated professional fees and other related expenses of approximately HK\$0.4 million arising from the Disposal.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to any changes to the aforementioned unaudited financial information on the date of the Completion and review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group.

The Consideration represents an excess of approximately HK\$19.4 million over the negative net book value of the Target Group as at 30 June 2023. Net proceeds from the Disposal, after deduction of related expenses, are estimated to be nil.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration of the above factors and reasons, we are of the view and concur with the Directors' view that although the entering of the Sale and Purchase Agreement is not in the ordinary and usual course of the Group's business, the Sale and Purchase Agreement is on normal commercial terms, 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. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Dakin Capital Limited
Tam Kin Fong
Managing Director

Note: Mr. Tam Kin Fong is a responsible officer of Dakin Capital Limited, which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under Securities and Futures Ordinance. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the two years ended 31 December 2022 and 2021 and the nine months ended 31 December 2020, and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 together with relevant notes thereto are disclosed in the following documents which have been published on both the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cstl.com.hk). Please refer to the hyperlinks as stated below:

- Interim report of the Company for the six months ended 30 June 2023 (pages 31 to 64):
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0814/2023081401635.pdf>
- Annual report of the Company for the year ended 31 December 2022 (pages 72 to 178):
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0331/2023033103715.pdf>
- Annual report of the Company for the year ended 31 December 2021 (pages 60 to 164):
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0401/2022040100120.pdf>
- Annual report of the Company for the nine months ended 31 December 2020 (pages 57 to 156):
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0331/2021033103136.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the details of the Group's indebtedness were as follows:

Bank borrowings

At the close of business on 30 September 2023, the Group had outstanding bank borrowings of approximately HK\$25.6 million. The bank borrowings are unsecured and guaranteed by personal guarantees given by the Directors, Li Man Keung Edwin, Liang Zihao and Wu Jianwei.

Other borrowings

At the close of business on 30 September 2023, the Group had outstanding other borrowings of approximately HK\$6.2 million drawn under the green loan facility of HK\$150 million provided by Captain Source Limited, a company managed and controlled by Gaw Capital Partners. The other borrowings are unguaranteed and secured by equity interests and bank balances of certain of the Company's subsidiaries.

Lease liabilities

At the close of business on 30 September 2023, the Group had outstanding lease liabilities of approximately HK\$31.6 million, which were unsecured and unguaranteed.

Amount due to a former Director

At the close of business on 30 September 2023, the Group had an outstanding amount due to a former Director of approximately HK\$6.9 million, which was unsecured and unguaranteed.

Contingent liabilities

At the close of business on 30 September 2023, the Group had no material contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 30 September 2023, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors are not aware of any material adverse change in the Group's indebtedness position and contingent liabilities since 30 September 2023.

3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's internal resources, available credit facilities and the estimated net proceeds from the Disposal, the Group has sufficient working capital for its requirements for at least twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm there is not any material adverse changes in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Reference is made to the 2023 Interim Report, which sets out the financial information of the Group for the six months ended 30 June 2023 (the "Period").

The Group's revenue increased by approximately HK\$11.8 million or 31.5%, from approximately HK\$37.5 million for the six months ended 30 June 2022 to approximately HK\$49.3 million for the Period. Such increase was mainly driven by the electric vehicle charging business, specifically due to an increase in revenue from sales of electric vehicle charging systems of approximately HK\$3.4 million and provision of installation service income of approximately HK\$10.2 million. The increase in revenue was partially offset by a decrease in revenue from the printing business, specifically a decrease in revenue from commercial printing services of approximately HK\$4.8 million.

The electric vehicle charging business recorded a gross profit of approximately HK\$4.2 million (2022: approximately HK\$1.8 million) and a gross profit margin of approximately 16.5% for the Period (2022: approximately 17.4%). The decrease in gross profit margin of the electric vehicle charging business was mainly due to increase in the revenue from EHSS projects which generated a slightly lower gross profit margin. The printing business recorded a gross profit of approximately HK\$3.9 million (2022: approximately HK\$0.8 million) and a gross profit margin of approximately 16.6% for the Period (2022: approximately 3.0%). The increase in gross profit margin of the printing business was mainly due to the decrease in cost of services outweighing the decrease in revenue. As a result of the above, the Group's overall gross profit margin increased from approximately 7.0% for the six months ended 30 June 2022 to approximately 16.5% for the Period.

As disclosed in the section headed "Management Discussion and Analysis" of the 2023 Interim Report, the Group is poised to assert our role as a key service provider within the EV charging industry, capitalizing on the opportunities that arise. The Group remains committed to optimizing the diverse revenue-generation models that currently underpin our commercial operations. The Group will continue to allocate resources to EV charging in residential parking areas. This will be achieved by capitalizing on the potential of EHSS and forging strategic collaborations with property developers and Owners' Corporations in Hong Kong to expand Cornerstone HOME. As for public charging, Cornerstone GO assumes a pivotal role. The Group is dedicated to expanding the network of charging points, positioning it as the preferred platform for all EV drivers in Hong Kong. The Group's ongoing efforts involve refining the platform's functionalities, ensuring it delivers an easily accessible and user-friendly experience. This enables users to seamlessly identify, reserve, and pay for EV charging, all while accumulating loyalty credits that can be utilized across services within the broader EV ecosystem. In the commercial domain, our newly launched venture, Cornerstone BUSINESS, will persist in its initial pilot run. This initially includes the introduction of electric taxis and electric vans for lease. Moving forward, the Group plans to explore and adapt its business model to provide charging solutions for a broader range of commercial vehicles, including e-motorbikes and e-coaches. Several regions across Asia are currently in the nascent phases of developing their EV charging infrastructure, primarily due to the rapid initiation of EV adoption within these areas. In these regions, incentives and favorable policies are expected to be introduced. The Group anticipates substantial potential in these areas and is prepared to allocate resources to seize these opportunities. Building upon the successful ventures in Cambodia, Thailand, Malaysia, Indonesia, and Australia, the Group has embarked on a path to expand our influence. The Group endeavors have extended to explorations in Japan and Macau, as we actively seek opportunities to establish partnerships to deepen our geographical footprint.

The following is the text of a letter and valuation report, prepared for the purpose of incorporation in this circular, received from Royson Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 July 2023 of a 100% equity interest in the business enterprises of Elegance Printing Holding Limited and Elegance Printing Services Holding Limited.



Royson Valuation Advisory Limited
Unit 1503, 15/F, The L. Plaza
367-375 Queen's Road Central
Hong Kong

22 November 2023

Cornerstone Technologies Holdings Limited

Units 1107 – 11, 11/F,
New East Ocean Centre
9 Science Museum Road
Kowloon, Hong Kong

Dear Sir or Madam,

**RE: VALUATION OF 100% EQUITY INTEREST
IN THE BUSINESS ENTERPRISES
OF ELEGANCE PRINTING HOLDING LIMITED
AND ELEGANCE PRINTING SERVICES HOLDING LIMITED**

We have been instructed by Cornerstone Technologies Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) to appraise the total fair value of the 100% equity interest (the “**Equity Interest**”) in Elegance Printing Holding Limited and Elegance Printing Services Holding Limited (collectively as the “**Target Group**”) as at 31 July 2023 (the “**Appraisal Date**”) for transaction purpose. We understand the valuation will be used in connection to a public document to be issued by the Company.

The Company is contemplating to dispose the Equity Interest to Castle Noble International Limited (the “**Purchaser**”), which will constitute a major and connected transaction under the listing rules of the Stock Exchange of Hong Kong (the “**Disposal**”).

The Target Group is engaged in the provision of printing, typesetting and translation services in Hong Kong.

In this appraisal, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of the Equity Interest is derived from the application of the Guideline Publicly-traded Comparable Method under the market approach. Our opinion of value relies on a going-concern premise. This premise assumes that the Target Group is an ongoing business enterprise with management operating in a rational way with a goal of maximising shareholder value.

I. DESCRIPTION OF THE APPRAISAL

On 15 August 2023, the Company entered into a sale and purchase agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to buy the entire equity interest in the Target Group at a consideration of HK\$1.00.

The Company is contemplating to dispose the Equity Interest, which will constitute a notifiable transaction under the listing rules of the Stock Exchange of Hong Kong (the “**Disposal**”).

The objective of this valuation is to provide an independent opinion on the fair value of the Equity Interest as at the Appraisal Date for transaction purpose. We understand the valuation will be used in connection to a public document to be issued by the Company.

The appraisal is performed in conformity with the generally accepted accounting principles in Hong Kong and the International Valuation Standards. These standards contain guideline on the basis and valuation approaches used.

The Company has reviewed, confirmed, and agreed on this report, including the factual content it contains.

II. BASIS OF VALUE

The valuation is performed based on fair value. As defined in Hong Kong Financial Reporting Standard 13 – *Fair Value Measurement (HKFRS 13)*, fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

III. PREMISE OF VALUE

Our opinion of value relies on a going-concern premise. This premise assumes that the Target Group is an ongoing business enterprise with management operating in a rational way with a goal of maximising shareholder value.

IV. SCOPE OF WORK

This appraisal reflects facts and conditions existing at the Appraisal Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

Our appraisal opinion is based on the assumptions stated herein and on information provided by the management of the Target Group and/or the Group (the “**Management**”). In the course of our valuation, we have conducted the following processes and procedures:

1. Collected and analysed the relevant historical financial statements and other financial and operational information of the Target Group;
2. Discussed with the Management in relation to the Target Group’s history, operations and prospects of its business;
3. Examined the reasonableness of the information as well as other records and documents provided by the Management, in light of our research and analysis;
4. Determined the most appropriate valuation method;
5. Identified the comparable companies of the Target Group;
6. Compiled the relevant market data and inputs for the valuation model of the Equity Interest; and
7. Evaluated the value of the Equity Interest based on the assumptions and valuation method stated in the report.

V. INFORMATION SOURCES

To aid us in our analysis, we have consulted, reviewed and relied on the following key information which is publicly available or provided by the Management:

1. Financial database empowered by Bloomberg;
2. Unaudited and/or audited historical financial and operational information of the Target Group; and
3. Discussions with the Management.

VI. LIMITING CONDITIONS

This appraisal relies upon the following contingent and limiting conditions:

1. Public, industry, statistical, and other information furnished by others, upon which all or portions of this analysis is based, is believed to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

2. The Company and its representatives warranted to us that the information they supplied is complete and accurate to the best of their knowledge and that the financial statement information reflects the Target Group's results of operations and financial and business condition in accordance with generally accepted accounting principles, unless otherwise noted. The financial statements and other related information supplied by management has been accepted as correct without further verification. We have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information. We also have no reason to believe that any material facts have been withheld from us.
3. This report is to be used for the specific purposes stated herein and any other use is invalid. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document to be prepared or distributed to third parties may be made without our written consent and approval.
4. The opinion of value is valid only for the stated purpose as of the valuation date indicated. We take no responsibility for changes in market conditions and assume no obligation to revise our conclusion of value to reflect events or conditions which occur subsequent to the valuation date.
5. For the prospective financial information approved by management that is used in our engagement, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.
6. In arriving at our opinion of value, we have relied to a very considerable extent on the above-mentioned information. Any variation to the assumptions in the valuation could seriously affect our opinion of value.

VII. INFORMATION ABOUT THE COMPANY

The Company is a listed company on the GEM of The Stock Exchange of Hong Kong (the "Stock Exchange") (stock code: 8391) and is principally engaged in (i) supplying electric vehicle integrated charging solutions, including central management system, hub for e-payment, load management system and license plate recognition system to electric vehicle and smart parking; and (ii) the provision of printing, typesetting and translation services in Hong Kong through the Target Group.

As at the Appraisal Date, the Company holds 100% equity interest in the Target Group.

VIII. INFORMATION ABOUT THE TARGET GROUP

The Target Group is engaged in the provision of printing, typesetting and translation services in Hong Kong. It is wholly-owned by the Company.

The following table summarises the financial information of the Target Group:

	For the 12 months ended 30 June 2023 HKD'000 (Unaudited)
Revenue (“T12 Revenue”)	45,576
Net loss (<i>Note</i>)	(28,689)
	As at 30 June 2023 HKD'000 (Unaudited)
Cash and bank	2,495
Bank loan	(25,569)
Other debts (<i>i.e. Amount due to an ex-director of the Company</i>)	(4,850)
Amount due to the Company (“Shareholder’s Loan”)	(9,689)
Net liabilities	(29,060)

Note: Net loss includes a loss of approximately HK\$3,582,000 from non-operating items (the “**Non-operating Items**”) mainly comprising (i) approximately HK\$7,967,000 from impairment loss of fixed assets; (ii) approximately HK\$1,980,000 from gain on lease modification; and (iii) approximately HK\$1,770,000 from other income.

IX. VALUATION METHODOLOGY

Selection of Valuation Methods

The fair value of the Equity Interest is derived from the value of the underlying shares in the Target Group. In this valuation, we have considered the three generally recognised valuation approaches, namely the market approach, income approach and cost approach. The approach or approaches deemed most relevant will then be selected for use.

Market Approach

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. Third-party transactions in the equity of an enterprise generally represent the best estimate of fair value if they are done at arm's length.

Income Approach

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset/the business entity is determined by reference to the value of income, cash flow or cost savings generated by the asset/the business entity. A fundamental basis for the income approach is that investors expect to receive a return on their investments and that such a return should reflect the perceived level of risk in the investment.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Valuation Method Adopted

The valuation approach is determined based on professional judgment and technical expertise after detailed analysis on facts and circumstances. Key factors we have considered include, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation.

The Target Group has a long operating history and there are some closely comparable publicly traded entities with financial and operating characteristics similar to that of the Target Group can be identified. Thus, we have relied primarily on the Guideline Publicly-traded Comparable Method under the market approach. The market approach is simple to understand and employs more observable market data.

Cost approach is not applicable as it cannot reflect the fair value of the Target Group which is driven by the future earnings to be generated. It has developed its own brand, its business networks and customer relationships. These are the unidentifiable intangible assets that exist in the business but not capitalised. Therefore, the cost approach has been disclaimed.

For the income approach, it relies on explicit financial forecasts which require many assumptions. It is considered as inferior to the market approach and not selected.

Guideline Publicly-traded Comparable Method

In the Guideline Publicly-traded Comparable method, the fair value is based on prices at which stocks of similar companies are trading in a public market. A “**value measure**” is usually a multiple computed by dividing the price of the guideline company’s stock as at the valuation date by some relevant economic variable observed or calculated from the guideline company’s financial statements.

Market Multiple

In applying the Guideline Publicly-traded Comparable method, different value measures or market multiples of the comparable companies are calculated and analysed to induce a series of multiples that are considered representative of the industry average. Then, we have applied the relevant industry multiple to the subject company to determine a value for the subject company that is on a freely-traded basis.

Three commonly used price multiples are (i) Price-to-earnings (“**P/E**”) ratio; (ii) Price-to-revenue (“**P/S**”) ratio; and (iii) Price-to-book value (“**P/B**”) ratio.

The pre-requisite for the P/E ratio is being profit-making, while P/B ratio requires a positive net asset value. The Target Group incurred losses for the 12 months ended 30 June 2023 (and remains in a loss position after adjusting for the Non-operating Items) and is a net liability position as at 30 June 2023. Therefore, the P/E and P/B ratios are not suitable for this appraisal.

Revenue is valuable only if, at some point, it can be translated into earnings. For printing companies such as the Target Group, the cost structure is relatively straight-forward. Staff costs and rental-related expenses are the major fixed operating costs as a service provider. There is a strong linkage between revenue and profitability. As such, the value ratios on revenue are considered as relevant to this valuation.

To provide a more comprehensive picture of the capital structure of the Target Group, we have applied the market value of enterprise value (“**EV**”) in this valuation. EV equals to the sum of (1) market capitalisation; (2) value of total debt; and (3) value of preferred equity and non-controlling interest; and then minus (4) cash and bank balances. EV is the value of a company’s core business operations that is available to all investors (debt, equity, preferred, etc.). EV-to-revenue (“**EV/S**”) is an expansion of the P/S valuation, which uses market capitalisation instead of EV. In addition to the market capitalisation considered by P/S, EV/S also considers a company’s debt in the valuation process and provides a more comprehensive picture of the capital deployed.

Selection of Comparable Companies

A major requirement in applying the Guideline Publicly-traded Comparable method is to identify companies that are comparable to the subject company in terms of business nature and associated risks. In our valuation model, we have based on the following relevant factors to select the comparable companies we think fit for this valuation: (1) products, (2) markets, (3) earnings and growth, (4) capital structure, (5) nature of competition and (6) the characteristics driving underlying investment risk and expected rate of return. Major selection criteria for this valuation are: (1) principally engaged in similar business (i.e. over 70% revenue is generated from publishing, commercial and financial printing solutions and services); (2) listed on the Stock Exchange for not less than 12 months; (3) principally operates in Hong Kong and/or China; and (4) commands a positive EV-to-Sale ratio as at the Appraisal Date.

Based on the above criteria, we have conducted a comprehensive research and come up with the below list of comparable companies which is considered as fair and representative for the purpose of this valuation. All the selected comparable companies (the “**Comparable Companies**”) are listed in Hong Kong.

Comparable Company	Stock Ticker and Place of Listing	Principal Business
1. Hung Hing Printing Group Limited (“ Hung Hing ”)	450.HK	Hung Hing Printing Group Limited manufactures and prints paper and carton boxes. The company also trades paper and manufactures corrugated cartons.
2. Lion Rock Group Limited (“ Lion Rock ”)	1127.HK	Lion Rock Group Limited offers printing services. The company provides books printing, periodicals printing, newspapers printing, and other services.
3. Left Field Printing Group Limited (“ Left Field ”)	1540.HK	Left Field Printing Group Limited offers printing services. The company provides offset, digital, and cover printing solutions and other related services. It also offers warehousing, direct mailing, and other services.
4. A.Plus Group Holdings Limited (“ A.Plus ”)	1841.HK	A.Plus Group Holdings Limited is a financial printing service provider. The company provides services including typesetting, design, translation, printing and delivery for financial reports, announcements, shareholder circulars, debt offering circulars and IPO.

Comparable Company	Stock Ticker and Place of Listing	Principal Business
5. eprint Group Limited (“ Eprint ”)	1884.HK	eprint Group Limited provides printing services in Hong Kong. The company provides speedy printing and finishing services, advertisement printing, bound book printing and stationary printing.
6. Sun Hing Printing Holdings Limited (“ Sun Hing ”)	1975.HK	Sun Hing Printing Holdings Limited offers printing services. The company provides booklet printing, book printing, stickers printing, color card printing, brochures printing, and other services.
7. Prosperous Printing Co., Ltd. (“ Prosperous ”)	8385.HK	Prosperous Printing Co., Ltd. offers printing services. The company provides silkscreen printing, water base varnishing, book binding, folding, embossing, debossing, edges silk screening, and other services.
8. Universe Printshop Holdings Limited (“ Universe ”)	8448.HK	Universe Printshop Holdings Limited offers printing services. The company prints and sells stationery products, advertisements, periodicals, directories, catalogues, and other products. It markets its products throughout Hong Kong.
9. REF Holdings Limited (“ REF ”)	1631.HK	REF Holdings Limited is printing service company. The company provides financial printing services, from typesetting, proofreading, translation, design, printing, web submitting, newspaper placement to distribution.
10. Smart Globe Holdings Limited (“ Smart Globe ”)	1481.HK	Smart Globe Holdings Limited offers printing services. The company prints and markets books, board books, packaging boxes, stationery products, and other products.

Based on the latest publicly available financial information of the Comparable Companies and their market capitalisation, the EV/S ratio of the Comparable Companies as at the Appraisal Date are summarised as follows:

Comparable Companies	EV as at the Appraisal Date <i>HK\$'million</i> <i>(Note 1)</i>	Revenue based on the Latest Available Financial Statements <i>HK\$'million</i> <i>(Note 2)</i>	EV/S ratio as at the Appraisal Date <i>(times)</i>
Hung Hing	298	2,950	0.10
Lion Rock	866	2,496	0.35
Left Field	159	505	0.31
A.Plus	72	129	0.55
Eprint	152	317	0.48
Sun Hing	139	643	0.22
Prosperous	223	195	1.14
Universe	24	95	0.25
REF	71	130	0.55
Smart Globe	203	132	1.54
		Average:	0.55
		Median:	0.42

Notes:

1. The market capitalisation was based on the last price as at the Appraisal Date and extracted from the Bloomberg terminal.
2. Revenue was extracted from the latest annual report which were the latest available financial statements of the Comparable Companies.

The fair value of the Equity Interest is mainly derived from the product of the average EV-to-Sale ratio of the Comparable Companies as at the Appraisal Date (i.e. 0.55 time) and the turnover of the Target Group for 12 months ended 30 June 2023 (i.e. approximately HKD45,576,000), plus cash balance of approximately HKD2,495,000 and minus bank loan and non-operating liabilities of approximately HKD25,569,000 and HK\$4,850,000 respectively as at the Appraisal Date.

Calculation of the fair value of the Equity Interest is summarised as follows:

		<i>HKD'000</i>
T12 Revenue	A	45,576
Multiplied by the average EV/S ratio of the Comparable Companies	B	0.55
Indicative Value of a 100% EV of the Target Group	C = A x B	25,067
Add: Cash balance	D	2,495
Less: Bank loan	D	<u>(25,569)</u>
Indicative equity value of the Equity Interest	E = C + D	1,993
Less: Non-operating liabilities (<i>i.e. Other debts, Note 1</i>)	F	<u>(4,850)</u>
Calculated value of the Equity Interest (<i>Note 2</i>)	G = E + F	(2,857)
Indicative equity value of the Equity Interest		Nil

Notes

1. The Shareholder's Loan is excluded as it will be assigned to the Purchaser pursuant to the terms of the Disposal and hence deemed as equity in nature.
2. Since the calculation value of the Equity Interest is negative, the control premium and discount for lack of marketability were not applicable.

X. VALUATION ASSUMPTIONS

In our calculation of the fair value of the Equity Interest, we have made the following assumptions:

1. There will be no major changes in the existing political, legal, fiscal and economic conditions in which the Target Group carries on its business;
2. There will be no major changes in the current taxation law in Hong Kong where the Target Group operates, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;
3. There will be no material changes in the industry in which the Target Group involves that would materially affect the revenues, profits, cash flows attributable to the Group;

4. The Target Group and/or its partners will obtain the necessary licenses and approvals to provide its service;
5. Exchange rates and interest rates will not differ materially from those presently prevailing;
6. The availability of finance will not be a constraint on the operations of the Target Group;
7. The Target Group will successfully maintain its competitiveness and market share through optimizing the utilization of its resources and expanding its marketing network;
8. The Target Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;
9. The Target Group will utilise and maintain its current operational, administrative and technical facilities to expand and increase its sales;
10. The Target Group will be able to secure funds to repay its debts when they fall due;
11. The Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operations;
12. Industry trends and market conditions for related industries will not deviate materially from economic forecasts;
13. There is no material difference in the statement of financial position of the Target Group between 30 June 2023 and the Appraisal Date; and
14. The Target Group has no material contingent asset/liability as at the Appraisal Date.

XI. OPINION OF VALUE

Based upon the investigation and analysis outlined above and the appraisal method employed, it is our opinion that the fair value of the Equity Interest as at **31 July 2023** is reasonably stated by the amount of **HKD NIL**.

The appraisal is performed in conformity with the generally accepted accounting principles in Hong Kong and the International Valuation Standards. It is based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Any variation to the assumptions and limiting conditions presented in the following report could seriously affect our opinion of value.

The Company has reviewed, confirmed, and agreed on this report, including the factual content it contains.

Although our valuation is intended to estimate fair value, we assume no responsibility for the inability of a seller or buyer to obtain a sale or purchase contract at that price.

We have no obligation to update this report or our opinion of value for information that comes to our attention after the date of this report.

We hereby confirm that we are independent of and not connected with the Group and the Target Group and the Purchaser and have neither present nor prospective interests in them or the values reported.

Respectfully submitted,
For and on behalf of
Royson Valuation Advisory Limited

Amy W.S. Chan
Director

Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants. She has been working in the valuation field for over more than 12 years and has participated in over 1,200 assignments regarding business valuation, derivatives valuation, intangible assets valuation and purchase price allocation for numerous listed companies and private entities in different industries.

The following is a summary of the principal terms of the New Share Option Scheme to be approved and adopted by ordinary resolution at the EGM, but such summary does not form part of, nor was it intended to be, part of the New Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme:

1. PURPOSE

The purpose of the New Share Option Scheme is to enable the Company to grant Options to selected Eligible Participants as incentives and/or rewards for their contribution or potential contribution to the Company.

2. ELIGIBLE PARTICIPANTS AND THE BASIS OF ELIGIBILITY OF THE PARTICIPANTS OF THE NEW SHARE OPTION SCHEME

Eligible Participants include the Employee Participants, the Service Providers and Related Entity Participants. The eligibility of each of the Eligible Participant shall be determined by the Board or a committee of the Board from time to time and on a case-by-case basis. Generally:

- i. with respect to Employee Participants, the Board will consider, among others, their general working performance, time commitment, length of their service within the Group, working experience, responsibilities and/or employment conditions with reference to the prevailing market practice and industry standard;
- ii. with respect to Service Providers, the Board will consider, among others, their experience and expertise, continuity and frequency of their services to the Group, their involvement in promoting the business of the Group, or where appropriate, contribution or potential contribution to the long-term growth of the Group. In assessing whether the Service Provider provides services to the Group on a continuing and recurring basis, the Board shall take into consideration the length and type of services provided and the recurrences and regularity of such services, and will benchmark such metrics against the performance of the employees, officers and directors of the Group to whom the Group provides equity incentives, while taking into account the purpose of the New Share Option Scheme and the objectives in engaging the Service Provider. In assessing whether the Service Provider provides services to the Group in the Company's ordinary and usual course of business, the Board or the committee of the Board shall take into consideration the nature of the services provided to the Group by the Service Provider, and whether such services form part of or are directly ancillary to the Group's principal business activity(ies) subsequent to the Disposal, being electric vehicle charging business and/or other revenue generating business activity(ies) carried out by the Group as disclosed in the Company's financial reports based on the Board's continual review of the Group's business strategies taking into consideration factors such as macroeconomic conditions, demand for the Group's products and/or services, consumer preferences, price trend of the major types of materials and/or services required and profitability, etc. and which are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group by way of introducing new customers or business opportunities to the Group and/or applying their special skills and/or knowledge in the abovementioned fields.

Service Providers shall fall under the following category or categories or who may meet the eligibility criteria set forth below and for the avoidance of doubt, Service Providers shall exclude (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions; or (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity:

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
Suppliers and subcontractors	Service Providers under this category are mainly suppliers and/ or subcontractors for customer service support, software development, EV charger manufacturing, and electrical work installation.	<p>The Board will, on a case by case basis, take into account both qualitative and quantitative factors when determining the eligibility of such supplier or subcontractor, including but not limited to:</p> <ol style="list-style-type: none"> <li data-bbox="949 936 1372 1053">(1) the nature, reliability and quality of the raw materials, goods or services supplied; <li data-bbox="949 1085 1372 1223">(2) the value of the raw materials, goods or services provided by the relevant supplier or subcontractor; <li data-bbox="949 1266 1372 1383">(3) the frequency of collaboration and length of business relationship with the Group; <li data-bbox="949 1415 1372 1719">(4) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
		<p>(5) the background, reputation and track record of the relevant supplier or subcontractor;</p> <p>(6) the replacement cost of such supplier, subcontractor and/or the raw materials, goods or services (including continuity and stability of supply or provision of such raw materials, goods or services); and</p> <p>(7) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such supplier or subcontractor could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by the raw materials, goods or services supplied and/or provided by such supplier or subcontractor.</p>

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
Consultants, independent contractors or agents	<p>Service Providers under this category are mainly consultants, independent contractors or agents which provide advisory, consultancy, and technology services to the Group on areas relating to the Group's principal business activity(ies) subsequent to the Disposal, being electric vehicle charging business and/or other revenue generating business activity(ies) carried out by the Group as disclosed in the Company's financial reports based on the Board's continual review of the Group's business strategies taking into consideration factors such as macroeconomic conditions, demand for the Group's products and/or services, consumer preferences, price trend of the major types of materials and/or services required and profitability, etc., and which, are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group by way of introducing new customers or business opportunities to the Group and/or applying their special skills and/or knowledge in the abovementioned fields. The consultants, independent contractors or agents under this category mainly include technical consultants who are involved in the hardware development of the Group and consultants who provide legal related or other professional service to the Group on a continual basis (excluding advisory services for fundraising, mergers or acquisitions provided by placing agents or financial advisers, and the provision of assurance or services performed with impartiality and objectivity from service providers such as auditors or valuers).</p>	<p>The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such consultants, independent contractors or agents, including but not limited to:</p> <ol style="list-style-type: none"> <li data-bbox="941 670 1372 1255">(1) individual performance of the relevant consultants, independent contractors or agents. In assessing the performance of the consultants, independent contractors or agents, the Directors will take into consideration whether they can deliver their services to the satisfaction of the Group and pursuant to their respective terms of engagement, fulfil specified key performance indicators and/or fulfil their time commitment specified in their respective engagement; <li data-bbox="941 1287 1372 1383">(2) their knowledge, experience and network in the relevant industry; <li data-bbox="941 1415 1372 1670">(3) whether the services provided by the consultants, independent contractors or agents are considered as continuing or recurring in nature with specified time commitment which are akin to the employees of the Group;

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
		(4) the frequency of collaboration and length of business relationship with the Group;
		(5) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);
		(6) the background, reputation and track record of the relevant consultants, independent contractors or agents;
		(7) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such consultants, independent contractors or agents could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by services provided by such consultants, independent contractors or agents;
		(8) the replacement cost of such consultants, independent contractors or agents (including continuity and stability of provision of the necessary services); and

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
		(9) other factors, including but not limited to the capability, expertise, technical know-how and/or business connections of the relevant consultants, independent contractors or agents, and/or the synergy between the relevant consultants, independent contractors or agents and the Group.
iii.	with respect to Related Entity Participants, the Board will consider, among others, their participation and contribution to the development of the Group and/or the extent of benefits and synergies brought to the Group, which may include the degree of involvement in and/or cooperation with the Group, the length of collaborative relationship the Related Entity Participant has established with the Group, the extent of positive impact provided by or expected from business development activities in terms of the actual or expected change in the Group's revenue or profits attributable to the Related Entity Participant, whether the Related Entity Participant has assisted the Group to tap into new markets or increase its existing market share, whether the Related Entity Participant has provided measurable assistance to improve any aspect of the Group's operations, the amount of actual or potential support, assistance, guidance, advice, effort or contribution the Related Entity Participant give or is likely to be able to give or make towards the success of the Group.	

3. GRANT OF OPTIONS

On and subject to the terms of the New Share Option Scheme, the Board shall at its absolute discretion be entitled to make an Offer to any Eligible Participant by letter in such form as the Board may from time to time determine, specifying the number of Shares under the Option, the Subscription Price and the Option Period in respect of which an Offer is made and requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme. An Offer shall remain open for acceptance by the Eligible Participant concerned for a period of 28 days from the Offer Date provided that no such offer shall be open for acceptance after the expiry of the effective period of the New Share Option Scheme (i.e. a period of 10 years commencing on the Adoption Date) or after the New Share Option Scheme has been terminated in accordance with the provisions hereof. An Offer may not be accepted unless the Eligible Participant remains an eligible person on acceptance.

An Offer shall be deemed to have been granted to (subject to certain restrictions in the New Share Option Scheme), and accepted by, the Eligible Participant and to have taken effect when a letter in such form as the Board may from time to time determine signifying acceptance of the Option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable.

Any Offer must be accepted in its entirety and can under no circumstances be accepted of less than the number of Shares for which it is offered. To the extent that the Offer of the grant of an Option is not accepted on or before the last day for acceptance as defined by the Board in the manner indicated in the New Share Option Scheme, it will be deemed to have been irrevocably rejected by the Eligible Participant and the Offer shall lapse and become null and void.

No Offer may be made after any inside information (as defined in the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the “SFO”)) in relation to the securities of the Company has occurred or inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been announced in accordance with the requirements of the GEM Listing Rules and the SFO. In particular, no Option may be granted during the period of one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approving the Company’s results for any year, half-year, quarter-year or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for the Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules);

and ending on the date of the results announcement. The period during which no Option may be granted will cover any period of delay in the publication of the results announcement.

Any grant of options or awards to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee).

4. VESTING PERIOD

The vesting period for Options shall not be less than 12 months. A shorter vesting period may be granted to the Employee Participants at the discretion of the Board or a committee or any other authorised agent(s) as deemed appropriate at the sole discretion of the Board in any of the following circumstances:

- (a) grants of “make-whole” Options to new joiners to replace the share awards or options they forfeited when leaving the previous employer;
- (b) grants to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (c) grants that are made in batches during a year for compliance reasons, which include Options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the Option would have been granted;
- (d) grants with a mixed or accelerated vesting schedule such as where the Option may vest evenly over a period of twelve (12) months; and
- (e) grants with performance-based vesting conditions in lieu of time-based vesting criteria.

each of which are considered appropriate to provide flexibility to grant Options (i) as part of competitive terms and conditions to induce valuable talent to join the Group (sub-paragraphs (a) and (d)); (ii) reward past contribution which may otherwise be neglected due to administrative or technical reasons (sub-paragraphs (b) and (c)); (iii) reward exceptional performers with accelerated vesting (sub-paragraph (d)); and (iv) to motivate exceptional performers based on performance metrics rather than time (sub-paragraph (e)).

The Board considers the above specific circumstances aligns with the purpose of the New Share Option Scheme and are considered to be appropriate for providing flexibility to grant Options taking into consideration the specific circumstances under: (i) sub-paragraph (a) forms part of competitive terms and conditions to induce valuable talent to join and retain with the Group; (ii) sub-paragraph (b) recognises the contribution of and provides remuneration to former employees of the Group; (iii) sub-paragraph (c) ensures the Group’s compliance with the requirements of the GEM Listing Rules; (iv) sub-paragraph (d) rewards exceptional performers with accelerated vesting; and (v) sub-paragraph (e) provides motivation to exceptional performers based on performance metrics rather than time.

Further, the remuneration committee of the Company is of the view that the grant of Options to directors and senior managers of the Company aligns with the purpose of the New Share Option Scheme to recognize their contribution to the growth and development of the Group since they are involved in the day-to-day management or business of the Group. The grant of Options to directors and senior managers also enables the Group to retain quality personnel that are valuable to the development of the Group and motivate them to contribute to the Group on a long-term basis.

5. EXERCISE OF OPTIONS AND SUBSCRIPTION PRICE OF SHARES

An Option may be exercised in whole or in part by giving notice in writing to the Company in such form as the Board may from time to time determine stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate Subscription Price of the Shares in respect of which the notice is given together with the reasonable administration fee specified by the Company from time to time. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the auditors' certificate or the confirmation of the financial adviser (as the case may be), the Company shall issue and allot the relevant Shares, fully paid, to the Grantee.

The Options do not carry any right to vote in general meeting of the Company, or any right, dividend, transfer or any other rights of the holders of the Shares, including those arising on a liquidation of the Company, save as otherwise provided in the New Share Option Scheme or under the relevant laws or the memorandum and articles of association of the Company in effect from time to time.

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue from the date when the name of the Grantee is registered on the register of members of the Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any Option shall not carry any voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof.

The Subscription Price shall, subject to any adjustments made pursuant to paragraph 17 below, be determined at the discretion of the Board at its absolute discretion, provided that it must be at least the higher of:

- (a) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the Offer Date, which must be a Business Day;

- (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and
- (c) the nominal value of the Shares on the Offer Date.

6. MAXIMUM NUMBER OF SHARES AVAILABLE FOR ISSUE

The total number of Shares which may be issued upon the exercise of all options to be granted under the New Share Option Scheme and all options and awards to be granted under any other share option scheme(s) and share award scheme(s) of the Company (the “**Scheme Mandate Limit**”) must not in aggregate exceed 10% (or such other percentage which may be specified by the Stock Exchange from time to time) of the total number of Shares in issue as at the Adoption Date or the relevant date of approval of the refreshment of the Scheme Mandate Limit in accordance with this paragraph. Within the Scheme Mandate Limit, the number of Shares which may be issued upon the exercise of all options to be granted to the Service Providers under the New Share Option Scheme and all options and awards to be granted under any other share option scheme(s) and share award scheme(s) of the Company (the “**Service Provider Sublimit**”) must not in aggregate exceed 1% of the total number of Shares in issue as at the Adoption Date or the relevant date of approval of the refreshment of the Service Provider Sublimit, which shall not be valid unless:

- (a) The Service Provider Sublimit is separately approved by the Shareholders in general meeting; and
- (b) a circular regarding the Service Provider Sublimit has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules (including, amongst others, the basis for determining the Service Provider Sublimit and an explanation as to why the Service Provider Sublimit is appropriate and reasonable).

For the purposes of calculating the Scheme Mandate Limit and the Service Provider Sublimit, Shares which are the subject matter of any options or awards that have already lapsed in accordance with the terms of the relevant share scheme(s) of the Company will not be regarded as utilised.

The Scheme Mandate Limit and the Service Provider Sublimit may be refreshed by ordinary resolution of the Shareholders in general meeting every three years from the date of the Shareholders’ approval for the last refreshment (or the Adoption Date), provided that:

- (a) the Scheme Mandate Limit so refreshed shall not exceed 10% (or such other percentage as may from time to time be specified by the Stock Exchange) and the Service Provider Sublimit so refreshed shall not exceed 1%, respectively, of the total number of issued Shares as at the date of such Shareholders’ approval of the refreshment of the Scheme Mandate Limit and the Service Provider Sublimit;

- (b) for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit, options or awards lapsed will not be regarded as utilised and options or awards cancelled will be regarded as utilised; and
- (c) a circular regarding the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit has been despatched to the Shareholders in a manner complying with, and containing among others, the number of options and awards that were already granted under the existing Scheme Mandate Limit and the existing Service Provider Sublimit and the reason for the refreshment.

Any refreshment of the Scheme Mandate Limit and/or the Service Provider Sublimit within three years from the date of the Shareholders' approval for the last refreshment (or the Adoption Date) must be approved by the Shareholders in general meeting subject to the following provisions:

- (a) any Controlling Shareholder and their associates (or if there is no Controlling Shareholder, Directors (excluding independent non-executive Directors) and the chief executive(s) of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting;
- (b) the Company must comply with the requirements under Rules 17.47(6) and 17.47(7) and rules 17.47A, 17.47B and 17.47C of the GEM Listing Rules; and
- (c) the requirements under sub-paragraphs (a) and (b) of the New Share Option Scheme do not apply if the refreshment is made immediately after an issue of Shares by the Company to its Shareholders on a pro rata basis as set out in Rule 17.41(1) of the GEM Listing Rules such that the unused part of the Scheme Mandate Limit and the Service Provider Sublimit (as a percentage of the Shares in issue) upon refreshment is the same as the unused part of the Scheme Mandate Limit and the Service Provider Sublimit immediately before the issue of the Shares, rounded to the nearest whole Share.

The Company may seek separate approval from the Shareholders in general meeting for granting Options which will result in the Scheme Mandate Limit or the Service Provider Sublimit being exceeded, provided that:

- (a) the grant is only to Eligible Participants specifically identified by the Company before the approval is sought; and
- (b) circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules (including, amongst others, the basis for determining the Service Provider Sublimit and an explanation as to why the Service Provider Sublimit is appropriate and reasonable) and any other applicable laws and rules.

If the Company conducts any share consolidation or subdivision after the Scheme Mandate Limit or the Service Provider Sublimit has been approved in the general meeting, the maximum number of Shares that may be issued by the Company pursuant to the New Share Option Scheme and all other share schemes of the Company under the unutilised Scheme Mandate Limit or the Service Provider Sublimit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole Share.

Unless approved by the Shareholders in the manner set out in the New Share Option Scheme, the total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participants (including both exercised and outstanding Options) in any 12-month period must not exceed 1 per cent. of the Shares in issue.

**7. GRANT OF OPTIONS TO A DIRECTOR, CHIEF EXECUTIVE OR
SUBSTANTIAL SHAREHOLDER OF THE COMPANY OR ANY OF THEIR
ASSOCIATES**

Any grant of options or awards to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee).

Where any grant of Options to an independent non-executive Director or a substantial Shareholder (as defined in the GEM Listing Rules), or any of their respective associates, would result in the Shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the New Share Option Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of Shares in issue, such further grant of options or awards must be approved by Shareholders of the listed issuer in general meeting in the manner set out in rule 23.04(4) of the GEM Listing Rules. The Company must send a circular containing the details of the grant has been despatched to the Shareholders in a manner complying with, and containing, among others, (i) details of the number and terms of the options or awards to be granted to each Grantee, which must be fixed before the Shareholders' meeting, in respect of any options to be granted; (ii) the date of the board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the Subscription Price; and (iii) recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective Grantee of the Option) to the Independent Shareholders as to voting. The Grantee, his/her associates and all core connected persons must abstain from voting in favour at such general meeting. The Company must comply with the requirements set out in Rules 17.47A, 17.47B and 17.47C of the GEM Listing Rules.

8. MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT

The total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options) under the New Share Option Scheme in any 12-month period up to date of grant must not exceed 1% of the Shares in issue. Where any further grant of Options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting, and the number and terms (including the Subscription Price) of Options to be granted to such Eligible Participant must be fixed before the Shareholders' approval. In such event, the Company must send a circular to the Shareholders containing the identity of the Eligible Participant, the number and terms of Options to be granted (and options previously granted to such person), the purpose of granting Options and awards to the Eligible Participant, an explanation as to how the terms of the Options or awards serve such purpose and all other information required under the GEM Listing Rules.

9. TIME OF EXERCISE OF OPTIONS

Subject to the terms of the New Share Option Scheme, an Option may be exercised in whole or in part at any time during the period to be determined and notified by the Directors to the Grantee thereof at the time of making an Offer provided that such period shall not exceed the period of ten (10) years from the date of the grant of the particular Option but subject to the provisions for early termination of the New Share Option Scheme.

10. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

No Option shall be granted by the Board:

- (1) after inside information has come to its knowledge until it has been announced by the Company pursuant to the requirements of the GEM Listing Rules; and
- (2) during the period commencing from one (1) month immediately preceding the earlier of:
 - (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and

- (b) the deadline for the Company to publish its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcements.

11. RIGHTS ARE PERSONAL TO GRANTEES

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option (where the Grantee is a company, any change of its major shareholder or any substantial change in its management as determined by the Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid, if so determined by the Board at its sole discretion). Any breach of the foregoing by a Grantee shall entitle the Company to cancel, revoke or terminate any Option granted to such Grantee to the extent not already exercised.

12. RIGHTS ON CEASING EMPLOYMENT, DEATH OR DISMISSAL

Subject to the terms of the New Share Option Scheme, where the Grantee ceases to be an Eligible Participant for any reason except for sub-paragraphs (a) and (b) below, Options shall lapse on the date of cessation and not be exercisable unless the Board otherwise determines in which event the Option (to the extent vested and not already exercised) shall be exercisable to the extent and within such period as the Board may determine. The date of such cessation shall be (i) if he is an employee of the Company, any subsidiary or any Related Entity, his/her last actual working day at his/her work place with the Company, any subsidiary or any Related Entity whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of the Company, any subsidiary or any Related Entity, the date on which his/her relationship with the Group which has constituted him an Eligible Participant ceases.

- (a) where the Grantee is re-employed after retirement or has changed in position(s) but still be an Eligible Participant before exercising the Option in full or at all, the Option (to the extent vested and not already exercised) may continue to be exercised by the Grantee;
- (b) where the Grantee dies before exercising the Option (to the extent vested and not already exercised) in full or at all, the Option may be exercised up to the entitlement of such Grantee or, if appropriate, an election made pursuant to relevant provisions of the New Share Option Scheme by his/her personal representatives within 6 months of the date of death.

13. RIGHTS ON A GENERAL OFFER

If a general offer by way of a take-over is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the Company shall give notice thereof to the Grantee and the Grantee (or his/her personal representatives) may exercise the Option (to the extent vested and not already exercised) to its full extent or to the extent specified in such notice.

14. RIGHTS ON WINDING UP

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee shall be entitled to exercise all or any of his Options (to the extent vested and not already exercised) at any time not later than 2 business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. The allotted Shares will rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up the Company to participate in the distribution of assets of the Company available in liquidation.

15. RIGHTS ON RECONSTRUCTION, COMPROMISE OR ARRANGEMENT

In the event of a compromise or arrangement between the Company and the Shareholders or creditors being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the Grantee on the same day as it gives notice of the meeting to the Shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of: (i) the date two calendar months thereafter; and (ii) the date on which such compromise or arrangement is sanctioned by the court; exercise the Option (to the extent vested and not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. The Company may require the Grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other

terms as may be approved by such court) the rights of Grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the New Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

16. CANCELLATION OF OPTIONS

Subject to the terms of the New Share Option Scheme, any Option granted but not exercised may not be cancelled except with the written consent of the relevant Grantee and the prior approval of the Directors. Where the Company cancels Options or awards granted to a Grantee and makes a new grant to the same Grantee, such new grant may only be made under a scheme with available Scheme Mandate Limit.

17. EFFECT OF ALTERATIONS TO SHARE CAPITAL

In the event of any alteration in the capital structure of the Company whilst any Option becomes or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is party), such corresponding adjustments (if any) shall be made in:

- (a) the number of Shares subject to the Option granted under the New Share Option Scheme so far as unexercised; or
- (b) the Subscription Prices of any unexercised Option.

as the auditors or the financial adviser shall certify in writing to the Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the GEM Listing Rules (or any guideline or supplementary guidance as may be issued by the Stock Exchange from time to time), provided that any alteration shall give a Grantee as near as possible the same proportion of the issued share capital of the Company as (but in any event shall not be greater than) that to which he was previously entitled (as interpreted in accordance with the supplementary guidance attached at the letter from the Stock Exchange dated 5 September, 2005 to all issuers relating to the New Share Option Scheme) and any such adjustments shall be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than, except upon any consolidation of the Shares pursuant to this Clause 17) it was before such event, but no adjustment shall be made to the effect of which would be to enable a share to be issued at less than its nominal value, provided that no adjustments to the Subscription Price and the number of Share(s) should be made to the advantage of the Eligible Participants without specific prior approval of the Shareholders.

18. RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue from the date when the name of the Grantee is registered on the register of members of the Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any Option shall not carry any voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof.

19. DURATION OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme shall continue in force for the period commencing from the Adoption Date, and expiring at the close of business on the date which falls ten (10) years after the Adoption Date, after such period no further Options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in respect of any Options granted before its expiry or termination but not yet exercised.

20. ALTERATIONS TO THE TERMS OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the New Share Option Scheme which alters to the advantage of the Grantees of the Options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting, and, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction such majority of the Grantees as would be required of the Shareholders under the Articles of Association of the Company for a variation of the rights attached to the Shares.

Any alteration to any terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the New Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

Notwithstanding anything to the contrary contained herein, the Board may at any time alter or modify the New Share Option Scheme in any way to the extent necessary to cause the New Share Option Scheme to comply with any statutory provisions or the regulations of any regulatory or other relevant authority. Any amendment to any terms of the New Share Option Scheme or the Options granted shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

21. CONDITIONS OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution at a general meeting of the Company to adopt the New Share Option Scheme;
- (b) the passing of an ordinary resolution at a general meeting of the Company to terminate the Existing Share Option Scheme; and
- (c) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the excise of Options in accordance with the terms and conditions of the New Share Option Scheme.

22. PERFORMANCE TARGET AND CLAWBACK MECHANISM

Unless the Board otherwise determines and states in the Offer to a Grantee, no performance target is attached to the Options.

The performance target, if any, shall be assessed in accordance with one or more of the following performance measure(s) (the “**Performance Measure(s)**”), or derivations of such Performance Measure(s) that may be related to the individual Grantee or the Group as a whole or to a subsidiary, division, department, region, function or business unit of the Company or the relevant Related Entity Participant or the relevant Service Provider including but not limited to: cash flow, earnings, earnings per share, market value or economic value added, profits, return on assets, return on equity, return on investment, sales, revenue, share price, total shareholder return, customer satisfaction metrics, operating results and such other goal as the Board may determine from time to time.

Each performance target may be assessed either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years’ results or to a designated comparison group, in each case as specified by the Board (or, in case the Grantee is a director or senior manager of the Company, the remuneration committee of the Board) in its sole discretion.

Notwithstanding the terms and conditions of the New Share Option Scheme, the Board may provide in the notice of Offer that any Option prior to it being exercised may be subject to clawback if any of the following events shall occur during an Option Period:

- (i) there being a material misstatement in the audited financial statements of the Company that requires a restatement;

- (ii) the Grantee being guilty of fraud, gross negligence or persistent or serious or wilful misconduct, regardless of whether there is any accounting restatement or a material error in calculating or determining the performance metrics or other criteria; and
- (iii) if the grant or exercise of any Option is linked to any performance targets and the Board is of the opinion that there occur any circumstances that show or lead to any of the prescribed performance targets having been assessed or calculated in a materially inaccurate manner.

In the event of any of the circumstances mentioned in the preceding paragraph, the Board may (but is not obliged to) by notice in writing to the Grantee concerned (a) claw back such number of the Options (to the extent not being exercised) granted as the Board may consider appropriate; or (b) extend the vesting period (regardless of whether the initial vesting date has occurred) in relation to all or any of the Options (to the extent not being exercised) to such longer period as the Board may consider appropriate. The Options that are clawed back pursuant to the above shall be regarded as cancelled and the Options so cancelled shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

23. LAPSE OF OPTIONS

The Option (to the extent not already exercised) shall automatically lapse on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expire of any of the relevant periods or occurrence of the relevant event referred to in paragraphs 12 to 15 above;
- (c) the date of the commencement of the winding-up of the Company;
- (d) the date on which the Grantee ceases to be an Eligible Participant by reason of the termination of his employment on any one or more of the following grounds: (i) that he has been guilty of misconduct; (ii) that he has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally; (iii) that he has been convicted of a criminal offence involving his integrity or honesty or (iv) any misconduct based on the sole and absolute option of the Company;
- (e) in the event of the Grantee not being a Director or employee of the Group or invested entity, the date on which the Board in its sole and absolute discretion resolves that such Grantee ceases to be qualified as an Eligible Participant by reason of termination of its business relations with the relevant member of the Group or by reason of its failure to comply with the provisions of the relevant contracts or agreements and/or its breaches of its fiduciary duties under common law or otherwise on other grounds as the Board considers appropriate;
- (f) the date on which the Grantee commits a breach of paragraph 11 above.

24. TERMINATION

The Company may at any time terminate the operation of the New Share Option Scheme by resolution of the Board or resolution of the Shareholders in general meeting and in such event no further Options will be offered but the provisions of the New Share Option Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise or may be required in accordance with the provisions of the New Share Option Scheme. All Options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the New Share Option Scheme.

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	268,595,225	30.31%
	Beneficial owner (Note 6)	10,400,000	1.17%
Mr. Liang Zihao ("Mr. Liang") (Note 2)	Beneficial owner/ Interest of controlled corporation	244,403,225	27.58%
	Beneficial owner (Note 6)	10,400,000	1.17%

Name of Director	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Mr. Pan Wenyuan (“Mr. Pan”) (Note 3)	Interest of controlled corporation	27,096,000	3.06%
	Beneficial owner	6,000,000 (Note 5)	0.68%
Mr. Li Man Keung Edwin (“Mr. Li”) (Note 4)	Beneficial owner/Interest of controlled corporation	113,104,613	12.76%
	Beneficial owner	10,400,000 (Note 5)	1.17%
Ms. Wu Yanyan	Beneficial owner	47,550,000	5.37%
	Beneficial owner	6,000,000 (Note 5)	0.68%
Mr. Ko Shu Ki Kenneth	Beneficial owner	3,712,000	0.42%
	Beneficial owner	600,000 (Note 5)	0.07%
Mr. Sam Weng Wa Michael	Beneficial owner	6,440,000 (Note 5)	0.73%
Mr. Yip Shiu Hong	Beneficial owner	5,997,905	0.68%
Mr. Tam Ka Hei Raymond	Beneficial owner	1,040,000 (Note 5)	0.12%
Mr. Yuen Chun Fai	Beneficial owner	1,040,000 (Note 5)	0.12%
Ms. Zhu Xiaohui	Beneficial owner	1,040,000 (Note 5)	0.12%

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. 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.
4. 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.
5. 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 shareholders	Capacity	Number of Shares or underlying Shares held	Percentage of issued share capital
Global Fortune	Beneficial owner	235,603,225 <i>(Note 1)</i>	26.58%
Tanner Enterprises	Beneficial owner/Interest of controlled corporation	98,392,000 <i>(Note 2)</i>	11.10%
Glorytwin	Beneficial owner	81,000,000 <i>(Note 2)</i>	9.14%
AASPCF2022 GP, LP	General Partner	130,000,000 <i>(Note 3)</i>	14.67%
Abax Asian Structured Private Credit Fund 2022, LP	Beneficial owner	130,000,000 <i>(Note 3)</i>	14.67%
Abax Global Capital	Interest of controlled corporation	130,000,000 <i>(Note 3)</i>	14.67%
Abax Global Capital GP 2022 Ltd.	General Partner	130,000,000 <i>(Note 3)</i>	14.67%
Yang Xiang Dong	Interest of controlled corporation	130,000,000 <i>(Note 3)</i>	14.67%
Gateway Capital (Hong Kong) Limited	Investment manager	81,944,000 <i>(Note 4)</i>	9.25%
Gaw Growth Equity Fund I GP Limited	Interest of controlled corporation	81,944,000 <i>(Note 4)</i>	9.25%

Name of substantial shareholders	Capacity	Number of Shares or underlying Shares held	Percentage of issued share capital
Gaw Growth Equity Fund I, LPF	Interest of controlled corporation	81,944,000 (Note 4)	9.25%
Steady Flake Limited	Beneficial owner	81,944,000 (Note 4)	9.25%

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 be interested in all the Shares held 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.
3. 100,000,000 Shares of which represent the Shares which would be allotted and issue upon exercise in full of the warrants granted by the Company. Based on the notice of disclosure of interest filed by each of AASPCF2022 GP, LP, Abax Asian Structured Private Credit Fund 2022, LP, Abax Global Capital, Abax Global Capital GP 2022 Ltd. and Yang Xiang Dong on 16 November 2023, the 130,000,000 shares were held by Abax Asian Structured Private Credit Fund 2022, LP (“**Abax Asian**”). AASPCF2022 GP, LP (“**AAS**”) is acting as general partner of Abax Asian. Abax Global Capital GP 2022 Ltd. is acting as general partner of AAS. Abax Global Capital GP 2022 Ltd. is wholly owned by Abax Global Capital, which was owned as to 59.8% by Yang Xiang Dong. Therefore, by virtue of the SFO, each of AAS, Abax Global Capital GP 2022 Ltd., Abax Global Capital and Yang Xiang Dong was deemed to be interested in the 130,000,000 shares held by Abax Asian.
4. 21,000,000 Shares of which represent the Shares which would be allotted and issued upon exercise in full of the warrants granted by the Company.

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 2022 (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. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given their opinion or advice contained in this circular:

Name	Qualification
Dakin Capital Limited	A corporation licensed under Securities and Futures Ordinance to carry out type 6 (advising on corporate finance) regulated activity
Royson Valuation Advisory Limited	Independent valuer

The letter, report and/or opinion from each of the above experts is given as of the date of this circular for incorporation in this circular. Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report and/or opinion, as the case may be, and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts:

- (a) did not have any direct or indirect interest in any assets which have since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular which is or may be material:

- (a) a subscription agreement dated 29 November 2021 entered into between the Company as issuer and Hatcher Group Limited as subscriber, pursuant to which Hatcher Group Limited has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, an aggregate of 8,000,000 new Shares at the Subscription Price of HK\$0.62 per Subscription Share;

- (b) a third supplemental placing agreement dated 13 January 2022 entered into between the Company as issuer and VBG Capital Limited as the placing agent, pursuant to which (i) the Long Stop Date has been changed from 31 March 2022 to 31 May 2022; and (ii) the expiry date of the Placing Period has been changed from 19 January 2022 to 31 May 2022;
- (c) a green facility agreement dated 30 March 2022 entered into between the Company as borrower and Captain Source Limited as lender, pursuant to which the Captain Source Limited agreed to grant a secured term loan facility in an aggregate amount of HK\$150,000,000 to the Company;
- (d) a warrant subscription agreement dated 30 March 2022 entered into between the Company as issuer and Steady Flake Limited as subscriber, pursuant to which the Company agreed to issue to Steady Flake Limited an aggregate of 153,000,000 warrants to subscribe for an aggregate of 153,000,000 shares at the initial price of HK\$0.50 per share;
- (e) a warrant subscription agreement dated 30 March 2022 entered into between the Company as issuer and Seed Lock Limited as subscriber, pursuant to which the Company agreed to issue to Steady Flake Limited an aggregate of 27,000,000 warrants to subscribe for an aggregate of 27,000,000 shares at the initial price of HK\$0.50 per share;
- (f) a supplemental green facility agreement dated 24 May 2022 entered into between the Company as borrower and Captain Source Limited as lender, to revise the term relating to the rate of interest in the green facility agreement;
- (g) a supplemental warrant subscription agreement dated 24 May 2022 entered into between the Company as issuer and Steady Flake Limited as subscriber A, pursuant to which the obligations of the parties for the issue and subscription of 33,000,000 warrants shall be suspended indefinitely and the issue and subscription of 33,000,000 warrants will not proceed;
- (h) a supplemental warrant subscription agreement dated 24 May 2022 entered into between the Company as issuer and Seed Lock Limited as subscriber, pursuant to which the parties have agreed, amongst other things, that the obligations of the parties for the issue and subscription of 27,000,000 warrants shall be suspended indefinitely and the issue and subscription of 27,000,000 warrants will not proceed;
- (i) a subscription agreement dated 27 June 2022 entered into between the Company as issuer and Golden Ponder Holdings Limited as subscriber, pursuant to which Golden Ponder Holdings Limited has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, an aggregate of 32,320,000 new shares at the subscription price of HK\$0.62 per subscription share;

- (j) a subscription agreement dated 2 September 2022 entered into between the Company as issuer and Ms. Wu Yanyan as subscriber, pursuant to which Ms. Wu Yanyan has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, an aggregate of 20,000,000 new shares at the subscription price of HK\$0.62 per subscription share;
- (k) a subscription agreement dated 7 December 2022 entered into between the Company as issuer and Mr. Wu Jianwei, Ms. Wu Yanyan, Mr. Liang Zihao and Mr. Li Man Keung Edwin as subscribers, pursuant to which Mr. Wu Jianwei, Ms. Wu Yanyan, Mr. Liang Zihao and Mr. Li Man Keung Edwin have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, an aggregate of 35,200,000 new shares at the subscription price of HK\$1.144 per subscription share;
- (l) a sale and purchase agreement dated 15 August 2023 entered into between the Company as seller and Castle Noble International Limited as purchaser, pursuant to which the Company has conditionally agreed to sell, and Castle Noble International Limited has conditionally agreed to purchase the Sale Shares, representing 100% equity interest of the Target Companies, at an aggregate consideration of HK\$1.00;
- (m) a green facility agreement dated 31 August 2023 entered into between the Company as borrower and Abax Asian Structured Private Credit Fund 2022, LP as lender, the Guarantors, Abax as the arranger, the Agent and the Green Loan Advisor, SERICA AGENCY LIMITED as the Security Agent and the Custodian, and the Administrative Parties, pursuant to which Abax Asian Structured Private Credit Fund 2022, LP agreed to grant a secured green term loan facility in an aggregate amount of up to US\$20 million to the Company; and
- (n) a warrant subscription agreement dated 31 August 2023 entered into between the Company as issuer and Abax Asian Structured Private Credit Fund 2022, LP as subscriber, pursuant to which the Company agreed to issue to Steady Flake Limited an aggregate of 100,000,000 warrants to subscribe for an aggregate of 100,000,000 shares at the initial price of HK\$0.80 per share.

9. MATERIAL ADVERSE CHANGE

The Directors confirm there is not any material adverse change in the financial or trading position or prospects of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

10. DOCUMENTS ON DISPLAY

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

- (a) the letter from the Board, the text of which is set out from pages 5 to 32 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 33 to 34 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 35 to 59 of this circular;
- (d) the written consent of the experts as referred to in the section headed “Experts and Consents” of this Appendix;
- (e) the interim report of the Company for the six months ended 30 June 2023;
- (f) the announcement of the Company published on 15 August 2023;
- (g) the Valuation Report;
- (h) the Sale and Purchase Agreement;
- (i) the New Share Option Scheme; and
- (j) this circular.

11. MISCELLANEOUS

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

NOTICE OF EGM



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

NOTICE 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 Tuesday, 12 December 2023 at 3:00 p.m. for the following purposes. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 22 November 2023 (the “**Circular**”).

ORDINARY RESOLUTIONS

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

1. “**THAT:**
 - (a) the entering into of the sale and purchase agreement (the “**Sale and Purchase Agreement**”) dated 15 August, 2023 between the Company and Castle Noble International Limited (the “**Purchaser**”) in relation to the disposal of the entire issued share capital of Elegance Printing Holding Limited and Elegance Printing Services Holding Limited by the Company to the Purchaser (a copy of the Sale and Purchase Agreement marked “A” has been produced to the meeting and initialed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder be hereby approved, ratified and confirmed; and
 - (b) any one director of the Company be and is hereby authorised to execute the Sale and Purchase Agreement and all such other documents and to do all such acts or things for and on behalf of the Company, and to make and agree such variations of a minor or non-material nature in or to the terms of the Sale and Purchase Agreement as he/she may consider appropriate or desirable relating to or in connection with the matters contemplated therein.”

NOTICE OF EGM

2. A. “**THAT**

- (a) subject to and conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the shares of the Company (the “**Shares**”) which may fall to be issued and allotted pursuant to the exercise of any options which may be granted under the new share option scheme of the Company (the “**New Share Option Scheme**”), the rules of which have been produced to the EGM and marked “**A**” and initialed by the chairman of the EGM for identification purpose, the rules of the New Share Option Scheme be and are hereby approved and adopted and the directors (the “**Directors**”) of the Company be and are hereby authorised to grant options to allot, issue and deal in the Shares as maybe required to be allotted and issued upon the exercise of any option granted thereunder and to take all such steps and attend all such matters, approve and execute (whether under hand or under seal) such documents and do such other things, for and on behalf of the Company, as the Directors may consider necessary, desirable or expedient to effect and implement the New Share Option Scheme;
- (b) the total number of Shares to be allotted and issued pursuant to (a) above, together with any issue of Shares upon the exercise of any options and awards granted under any other share schemes of the Company as may from time to time be adopted by the Company, shall not exceed such number of Shares as equals to 10 per cent. of the Shares in issue as at the date of passing of this resolution;
- (c) conditional upon the New Share Option Scheme becoming effective, the existing share option scheme of the Company as adopted on 19 April 2018 (the “**Existing Share Option Scheme**”) be and is hereby terminated upon the New Share Option Scheme coming into effect (without prejudice to the rights and benefits of and attached to any outstanding options which have been granted under the Existing Share Option Scheme prior to the date of the passing of this resolution).”

NOTICE OF EGM

- B. “**THAT** conditional upon the New Share Option Scheme being approved and adopted by way of ordinary resolution of the Company numbered 2A above, the sublimit on the total number of Shares that may be issued in respect of all options and awards to be granted to service providers under all share schemes of the Company of 1% of the total number of Shares in issue on the date of approval of the New Share Option Scheme be and is hereby approved and adopted.”

Yours faithfully
On behalf of the Board
Cornerstone Technologies Holdings Limited
LI Man Keung Edwin
Vice Chairman and Executive Director

Hong Kong, 22 November 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. PAN Wenyuan
Ms. WU Yanyan
Mr. YIP Shiu Hong

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

NOTICE OF EGM

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.
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 (excluding any part of a day that is a public holiday) before the time fixed for holding the EGM (i.e. not later than 3:00 p.m. on Friday, 8 December, 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 Thursday, 7 December, 2023 to Tuesday, 12 December 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 Wednesday, 6 December, 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.