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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

SUPPLEMENTAL ANNOUNCEMENT
CONNECTED TRANSACTION
SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATE

Reference is made to the announcement of the Company dated 7 December 2022 (the “**Announcement**”) in relation to the subscription of new shares of the Company of an aggregate of 35,200,000 new Shares. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined in the Announcement.

The Board wishes to provide additional information regarding the Subscriptions as follows:

SUBSCRIPTION PRICE

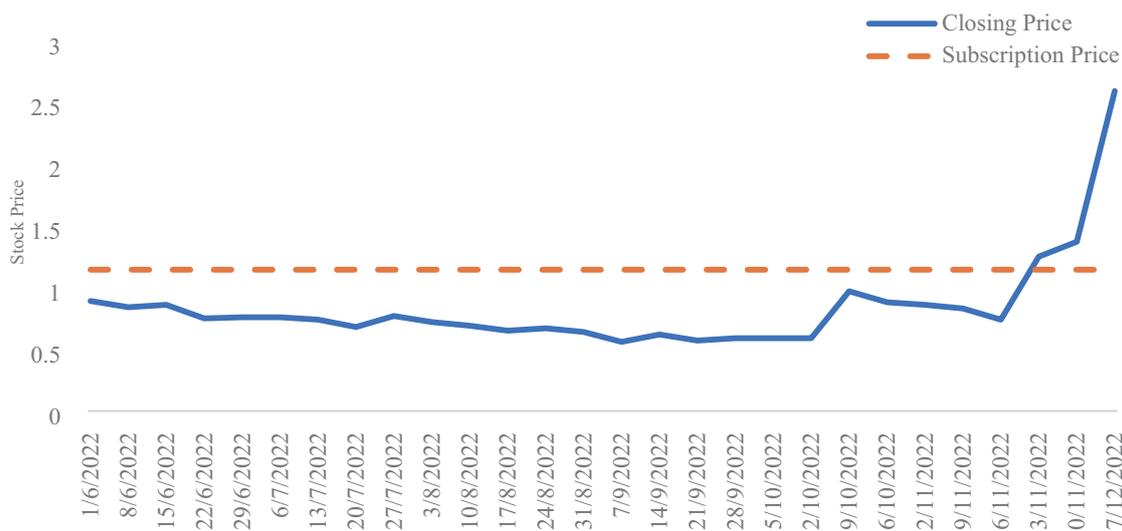
The Subscription Price of HK\$1.144 per Subscription Share represents:

- (a) a discount of approximately 28.9% to the closing price of HK\$1.61 per Share as quoted on the Stock Exchange on 18 January 2023, the day of this announcement;
- (b) a premium of approximately 1,007% to the net asset value per Share of HK\$0.10 with reference to the interim report 2022 published by the Company on 12 August 2022 (the “**Interim Report**”); and
- (c) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 2.56% represented by the theoretical diluted price of approximately HK\$2.52 to the benchmarked price of HK\$2.59 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$2.59 and the average closing price of the Shares for the last five consecutive trading days immediately preceding the date of the Subscription Agreement of HK\$1.74 per Share).

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

When determining the Subscription Price, the Directors have reviewed the closing prices and the trading volume of the Shares from 1 June 2022 to 7 December 2022 (being the date of Subscription Agreement) (the “**Review Period**”). The Directors consider that the Review Period covering approximately 6 months prior to the date of the Subscription Agreement represents a reasonable and sufficient period to provide a general and fair overview of the recent trend of the Share Price free from the influence of, if any short term market volatility, when assessing the Subscription Price. The Review Period covering approximately 6 months was determined by the Directors with reference to, among other things, the financial and business performance of the Company and the market conditions.

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



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

Period	Total trading volume of Shares	Number of Trading days	Average daily trading volume of the Shares	Percentage of average Daily trading volume to total number of issued shares as at the end of the month/period
June	45,670,000	21	2,174,762	0.31%
July	80,024,000	20	4,001,200	0.57%
August	55,308,000	23	2,404,696	0.33%
September	60,900,000	21	2,900,000	0.40%
October	51,795,000	20	2,589,750	0.35%
November	127,631,000	22	5,801,409	0.79%
Up to 7 December	107,971,399	5	21,594,280	2.94%

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

Having considered (i) the significant increase of the closing price of the Shares during the Review Period (ranged from the lowest of HK\$0.53 per Share on 19 September 2022 and 30 September 2022 to the highest of HK\$2.59 per Share on 7 December 2022 and the average Share price of HK\$0.80 per Share); (ii) the relatively low liquidity of the Shares during the Review Period (the monthly/periodic average daily trading volume in proportion to the total number of issued Shares ranged from approximately 0.31% to 0.79%); and (iii) the current financial situation of the Company, the Board (including the members of the Independent Board Committee) are of the view that the Subscription Price is reasonable.

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

While the expected commencement date of the Link Project will be in January 2023, other fund raising activities such as right issues or open offer would usually take two to three months to complete as compared to a subscription. Moreover, both rights issue and open offer are more costly compared to a subscription due to the additional costs incurred by the professional parties i.e. reporting accountants, lawyers and/or brokerage agent(s) for the purpose of compiling and issuing the listing document which

is estimated to be at least HK\$1 million. Given the recent volatile movement in the Share price and trading volume, it would be difficult to procure a placing agent and conduct placing. Based on the above, the Directors consider that the issue of Subscription Shares under the Subscription Agreement is a more desirable solution for the business development of the Group.

The Directors noted that the Company's shares had unusual price and trading volume movement during the period between 6 December 2022 and 16 December 2022 ranging from the lowest closing price of HK\$1.56 per Share on 13 December 2022 to the highest closing price of HK\$3.07 per Share on 9 December 2022 and the average Share closing price of HK\$2.26 per Share; while the average daily trading volume for the period between 6 December 2022 and 16 December 2022 was approximately 38,666,000 and the average daily trading volume in proportion to the total number of issued Shares for the period between 6 December 2022 and 16 December 2022 was approximately 5.27%. It was further noted by the Directors that, though the financial statements disclosed in the Interim Report shows an improvement in the financial performance and financial position of the Company, yet the increase in the Share price and trading volume is not proportionate to the Company's improvement in the financial performance and financial position.

Despite the recent increase in Share price, given that (i) the Subscription Price represents a premium of approximately tenfold to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2022 of approximately HK\$0.101 based on the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2022 (the date to which the latest unaudited financial results of the Group were made up) divided by 752,991,399 Shares in issue as at the date of this announcement; (ii) the Board believes that the price and trading volume movement during the period between 6 December 2022 and 16 December 2022 as compared to the share price and trading volume during the Review Period is unusual (the average daily trading volume of the Shares amount to approximately 4,009,844 for the Review Period, while the average daily trading volume of the Shares amount to approximately 38,666,000 between 6 December 2022 and 16 December 2022, representing an approximate tenfold increase) and is short term market volatility; (iii) the importance of obtaining financing for the Link Project; and (iv) the Group is currently in a loss making position as disclosed in the Interim Report, the Board considers the Subscription Price to be fair and reasonable as at the date of this announcement based on the above analysis.

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

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

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

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

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

INTENDED USE OF PROCEEDS

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

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

The Board confirms that the supplementary information provided in this announcement does not affect any other information contained in the Announcement and, save as disclosed above, the content of the Announcement remains unchanged.

The HK\$4.01 million of the use of proceeds will be allocated to the working capital and general corporate purposes in particular the salary of c-suite executives and other members of the senior management of the Company and other professional and administrative fees. The expenses for the salary of c-suite executives and other members of the senior management of the Company and other professional and administrative fees amount to approximately HK\$10.9 million per annum.

The breakdown of the abovementioned expenses is as follows:

Salary	Yearly (HK\$)
C-suite and company secretary	8,410,000
Ko Shu Ki Kenneth	120,000
Pan Wenyuan	120,000
Raymond Tam	120,000
Yuen Chun Fai	120,000
Zhu Xiaohui	120,000
Sub-total	9,010,000

Other professional and administrative fees	Yearly (HK\$)
Annual listing fee	156,300
Audit fee	800,000
Environmental social governance	160,000
Internal control review	200,000
Cayman share registrar	120,000
Hong Kong share registrar	78,000
Financial printing and translation	150,000
Company secretary and government fee (BVI and Hong Kong company level)	125,200
Human resources support	54,000
Directors and officers insurance	55,000
Sub-total	1,898,500

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

Hong Kong, 18 January 2023

As at the date of this announcement, the executive Directors are Mr. LIANG Zihao, Mr. SAM Weng Wa Michael, Mr. LI Man Keung Edwin, Mr. LAU Wai Yan Lawson, Mr. PAN Wenyuan, Ms. WU Yanyan and Mr. YEUNG Chun Yue David, the non-executive Director is Mr. WU Jianwei and the independent non-executive Directors are Mr. TAM Ka Hei Raymond, Mr. YUEN Chun Fai, Ms. ZHU Xiaohui and Mr. KO Shu Ki Kenneth.

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

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least seven days after the date of publication and on the Company’s website at www.cstl.com.hk.