
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 a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

(1) PROPOSED ISSUE OF UNLISTED WARRANTS UNDER SPECIFIC MANDATE AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Sole Coordinator and Sole Loan Placing Agent



A notice convening the extraordinary general meeting of the Company (“EGM”) to be held at 21/F., Grand Millennium Plaza, 181 Queen’s Road Central, Sheung Wan, Hong Kong on Wednesday, 11 October, 2023 at 3:00 p.m. is set out from pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same by 3:00 p.m. (Hong Kong time) on Monday, 9 October 2023 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

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.

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Abax”	ABAX GLOBAL CAPITAL (HONG KONG) LIMITED
“Administrative Parties”	Abax and SERICA AGENCY LIMITED
“Agent”	Abax
“Ancillary Documents”	the fee letter, utilisation request, extension request and any other document designated as such by the Agent and the Borrower or by the Arranger and the Borrower
“Arranger”	Abax
“Board”	the board of Directors
“Borrower”	the Company
“Business Day”	a day (other than a Saturday, Sunday and public or statutory holiday) on which licensed banks in the territory where the Stock Exchange is for the time being situate are generally open for business throughout their normal business hours
“Cash Security Agreement”	cash security agreement to be entered into between the Company as company and the Security Agent as security agent
“Chargors”	collectively the Company and the Guarantors and “Chargor” shall mean any of them
“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 issue and subscription of the Warrants
“Completion Date”	the earlier of: (i) the second Business Day following the date on which all conditions precedent of the Warrant Subscription Agreement (other than those to be fulfilled at Completion) are fulfilled (or waived, as applicable) and (ii) the date falling one month from the date of the Warrant Subscription Agreement, or such other date as may be agreed between the parties

DEFINITIONS

“Composite Debenture”	the debenture to be entered into between the Chargors as chargors and the Security Agent as chargee
“connected person(s)”	has the meaning as ascribed to it in the GEM Listing Rules
“Cornerstone BUSINESS”	a new venture focused on electric commercial vehicles operated by the Group. This segment is tailored to drivers who rely on transportation income. Cornerstone BUSINESS offers a comprehensive ecosystem, enabling drivers to secure orders through logistics companies, rent E-CVs, and access EV charging facilities along their routes
“Deed of Subordination and Assignment”	the deed of subordination and assignment to be entered into between, amongst others, the Borrower (and the Guarantors), the relevant subordinated creditors, the relevant debtors and the Security Agent
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to approve, among other things, (i) the Warrant Subscription Agreement; and (ii) the Specific Mandate for the issuance and allotment of the Warrant Shares and the transactions contemplated thereunder
“EHSS”	the EV-charging at Home Subsidy Scheme
“Existing Warrants”	23,000,000 outstanding warrants issued by the Company to Gaw Capital under the specific mandate approved in the extraordinary general meeting of the Company on 29 July 2022
“EV”	electric vehicle
“Facility A”	a loan made or to be made under the Green Facility Agreement, with a commitment amount up to US\$8,000,000
“Facility B”	a loan made or to be made under the Green Facility Agreement, with a commitment amount up to US\$6,000,000
“Facility C”	a loan made or to be made under the Green Facility Agreement, with a commitment amount up to US\$6,000,000

DEFINITIONS

“Finance Documents”	collectively the Green Facility Agreement, the Transaction Security Documents and Ancillary Documents
“Financial Statements”	the audited consolidated financial statements for the relevant year that is to be supplied to the Agent as soon as the same become available, but in any event within 120 days after the end of the relevant financial year
“Gaw Capital”	Gaw Capital Partners and companies managed and controlled by them
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules	the Rules Governing the Listing of Securities on GEM
“Green Facility Agreement”	the green facility agreement dated 31 August 2023 for the term facility of up to US\$20 million entered into amongst the Company as borrower, the Lender as lender and the Arranger and Green Loan Advisor, the Guarantors, and the Security Agent
“Green Financing Framework”	the “Green Financing Framework”, which documents, among other things, the sustainability strategy of the Group and the green projects
“Green Loan”	a green loan made or to be made under the Green Loan Facility, can be any of Facility A, Facility B or Facility C
“Green Loan Advisor”	Abax
“Green Loan Facility”	the green term loan facility in an aggregate amount of up to US\$20 million made available under the Green Facility Agreement
“Green Loan Principles”	the green loan principles jointly published from time to time by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association, or any replacement principles relating to green loans approved by the Agent acting on the instructions of the Lender

DEFINITIONS

“Green Project(s)”	a green project which (i) complies with the requirements in the Green Financing Framework; (ii) falls within one of the categories of eligibility in the Green Project Categories; and (iii) has been approved as a project by the Lender
“Green Project Categories”	the categories of eligibility for a Green Project as recognized under the Green Loan Principles
“Group”	the Company and its subsidiaries
“Guarantors”	collectively Cornerstone EV Holdings Limited, Cornerstone EV Charging Service Limited (基石電動車充電服務有限公司), Mass Bright Technology Limited (眾輝科技有限公司), Cornerstone Technologies Limited (基石科技有限公司), Cornerstone EV Charging Contracting Limited, Cornerstone EV International Limited, Cornerstone EV International Solution Limited (基石電動車國際有限公司), Cornerstone Business Holding Limited, CB Asset Limited, CB Asset One Limited and Cornerstone E-Fleet Management Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	Third party(ies) independent of and not connected with the Company and its connected persons and their respective associates
“Latest Practicable Date”	18 September 2023
“Last Trading Day”	31 August 2023, being the date of the Warrant Subscription Agreement
“Lender”	Abax Asian Structured Private Credit Fund 2022, LP
“Listing Committee”	the Listing Committee of the Stock Exchange
“Long Stop Date”	13 October 2023

DEFINITIONS

“Non-refundable Arrangement Fee”	the non-refundable arrangement fee payable by the Borrower on the terms and subject to the conditions set out in the Green Facility Agreement and as set out in the section headed “The Green Facility Agreement” of this circular
“Obligors”	collectively the Borrower and the Guarantors and “Obligor” means each one of them
“PRC”	People’s Republic of China
“Reference Rate”	the term SOFR as of the specified time and for a period equal in length to the interest period of the relevant Green Loan, which is published by CME Group, one of the world’s leading derivatives marketplace
“Review Period”	the period of 1 March 2023 to 31 August 2023 being the date of the Warrant Subscription Agreement
“Secured Obligations”	all present and future obligations and liabilities from time to time incurred by each Obligor to the Lender under or in connection with the Finance Documents
“Security Agent”	SERICA AGENCY LIMITED
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 19 April 2018
“Specific Mandate”	the specific mandate to be approved by the Shareholders at the EGM which authorises the Directors to allot, issue and deal with the Warrant Shares upon full exercise of the Warrants
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Abax Asian Structured Private Credit Fund 2022, LP
“Subscription”	the subscription for the Warrants by the Subscriber upon the terms and subject to the conditions of the Warrant Subscription Agreement

DEFINITIONS

“Subscription Period”	the five-year period commencing from the date of issue of the Warrants
“Transaction Security Documents”	collectively, amongst other things, the Composite Debenture, the Deed of Subordination and Assignment, the Cash Security Agreement and any other document evidencing or creating or expressed to evidence or create security over any asset to secure any obligation of any Obligor to the Lender under the Finance Documents
“US\$”	United States dollar, the lawful currency of the United States of America
“Warrants”	100,000,000 warrants conferring rights to subscribe for 100,000,000 Warrant Shares to be issued by the Company to the Subscriber pursuant to the terms and condition of the Warrant Subscription Agreement and the warrants instrument
“Warrant Shares”	up to an aggregate of 100,000,000 new Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants in full under the Warrant Subscription Agreement
“Warrant Subscription Agreement”	the warrant subscription agreement dated 31 August 2023 entered into between the Company and the Subscriber in relation to the issue of the Warrants
“Warrant Subscription Price”	an initial exercise price of HK\$0.80 per Warrant Share (subject to adjustment) at which holder of the Warrants may subscribe for the Warrant Share(s)
“Warrants Transaction Documents”	collectively, amongst others, the Warrant Subscription Agreement, warrant instrument and any other documents relating to the transactions contemplated therein
“Warrantholder(s)”	person(s) who is or are for the time being registered as the holder or joint holders of a Warrant
“%”	per cent

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. Yip Shiu Hong (*Chief Executive Officer*)
Mr. Sam Weng Wa Michael
Mr. Pan Wenyuan
Ms. Wu Yanyan

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

21 September 2023

To all Shareholders,

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE**

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 31 August 2023, 12 September 2023 and 19 September 2023 in relation to, among other matters, the proposed issue of an aggregate of 100,000,000 Warrants conferring the rights to subscribe for an aggregate of 100,000,000 Warrant Shares at the initial Warrant Subscription Price of HK\$0.80 per Warrant Share (subject to adjustment).

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) information relating to the Warrant Subscription Agreement, the issue of the Warrants, and the issue and allotment of the Warrant Shares and the transactions contemplated thereunder; (ii) other information as required under the GEM Listing Rules; and (iii) the notice of the EGM.

THE GREEN FACILITY AGREEMENT

On 31 August 2023 (after trading hours), the Company as borrower, 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, entered into the Green Facility Agreement, pursuant to which the Lender agreed to grant a secured green term loan facility in an aggregate amount of up to US\$20 million to the Borrower.

Principal terms of the Green Facility Agreement are set out below:

- Date : 31 August 2023 (after trading hours)
- Parties :
- (i) Borrower: the Company;
 - (ii) Lender: Abax Asian Structured Private Credit Fund 2022, LP;
 - (iii) Arranger: Abax
 - (iv) Guarantors: Cornerstone EV Holdings Limited, Cornerstone EV Charging Service Limited (基石電動車充電服務有限公司), Mass Bright Technology Limited (眾輝科技有限公司), Cornerstone Technologies Limited (基石科技有限公司), Cornerstone EV Charging Contracting Limited, Cornerstone EV International Limited, Cornerstone EV International Solution Limited (基石電動車國際有限公司), Cornerstone Business Holding Limited, CB Asset Limited, CB Asset One Limited and Cornerstone E-Fleet Management Limited; and

LETTER FROM THE BOARD

- (v) Administrative parties: Abax as the Agent and the Green Loan Advisor; and SERICA AGENCY LIMITED as the security agent and the custodian
- Facility amount : A green term loan facility in an aggregate amount of up to US\$20 million
- Interest rate : The rate of interest on each Green Loan under the Green Loan Facility shall be constituted of (i) a fixed margin of 2.75% per annum; and (ii) the Reference Rate.
- Availability period : (a) in relation to Facility A, the period from and including the date of the Green Facility Agreement to and including the date which is one (1) month after the date of the Green Facility Agreement (or such later date as agreed by the Agent);
- (b) in relation to Facility B, the period from and including the date of the Green Facility Agreement to and including the date which is twelve (12) months after the date of the Green Facility Agreement (or such later date as agreed by the Agent); and
- (c) in relation to Facility C, the period from and including the date of the Green Facility Agreement to and including the date which is twenty-four (24) months after the date of the Green Facility Agreement (or such later date as agreed by the Agent)
- Repayment date : The repayment date of each Green Loan under the Green Loan Facility shall be the date falling 36 months after the utilisation of such Green Loan

LETTER FROM THE BOARD

Drawdown of the Green Loan : Drawdown of the Green Loan is subject to the conditions precedent as set out in the Green Facility Agreement

Purpose of the Green Loan : The Company intends to use the proceeds of the Green Loan under the Green Loan Facility in the following manner:

- (i) approximately 80% for the production and deployment of EV chargers, EV charging infrastructure, trade projects, EHSS projects;
- (ii) approximately 10% for eTaxi/eVan business expansion; and
- (iii) approximately 10% for the general working capital of the Group.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Abax Asian Structured Private Credit Fund 2022, LP, Abax and SERICA AGENCY LIMITED and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Security

The payment and discharge of the Secured Obligations relating to the Green Loan and all other sums due and payable by the Chargors under the Finance Documents are secured by the Chargors having entered into:

- (i) the Composite Debenture;
- (ii) the Deed of Subordination and Assignment; and
- (iii) the Cash Security Agreement.

LETTER FROM THE BOARD

Undertakings

Pursuant to the terms and conditions of the Green Facility Agreement, the Company has, among others, undertaken the following in relation to the Lender granting the Green Loan Facility to the Company:

- the Company shall provide the Agent with:
 - as soon as the same become available, but in any event within 120 days after the end of each of its financial years, its audited consolidated financial statements for that financial year; and
 - as soon as the same become available, but in any event within 45 days after the end of the first half of each of its financial years, its consolidated financial statements for that financial half year.
- the Green Financing Framework sets out, among others:
 - (a) The Company shall provide the Agent with:
 - (i) at the end of each month after the initial utilisation date, a report containing description of the Green Projects to which the proceeds of any Green Loan have been applied and the amounts so allocated to each of such Green Project in that month; and
 - (ii) information regarding any changes to the Green Financing Framework and a copy of the updated Green Financing Framework, if such changes relate to the Green Projects to which the proceeds of any Green Loan have been allocated, not later than 10 Business Days prior to such changes becoming effective.
 - (b) Without limiting the generality of paragraph (a) above, the Company shall promptly notify the Agent in writing upon becoming aware of any project where the proceeds of any Green Loan have been applied ceasing to be classified as a Green Project pursuant to the Green Financing Framework or being terminated or cancelled.

LETTER FROM THE BOARD

PROPOSED ISSUE OF UNLISTED WARRANTS UNDER SPECIFIC MANDATE

The Board is pleased to announce that, on 31 August 2023 (after trading hours), in consideration of the granting of the Green Loan Facility by the Lender to the Company (the Borrower), the Company has entered into the Warrant Subscription Agreement with the Subscriber, pursuant to which the Company agreed to issue to Subscriber an aggregate of 100,000,000 Warrants conferring the rights to subscribe for an aggregate of 100,000,000 Warrant Shares at the initial Warrant Subscription Price of HK\$0.80 per Warrant Share (subject to adjustment).

Principal terms of the Warrant Subscription Agreement are set out below:

THE WARRANT SUBSCRIPTION AGREEMENT

Date	:	31 August 2023 (after trading hours)
Parties	:	(i) the Company, as the issuer; and (ii) Abax Asian Structured Private Credit Fund 2022, LP, as the subscriber.
Issuer of Warrants	:	the Company
Number of Warrants	:	An aggregate of 100,000,000 Warrants conferring rights to subscribe for 100,000,000 Warrant Shares to be issued by the Company to the Subscriber pursuant to the terms and conditions of the Warrant Subscription Agreement and the warrants instrument.
Initial Warrant Subscription Price	:	HK\$0.80 per Warrant Share
Subscription Period	:	Each Warrant carries the right to subscribe for one (1) Warrant Share at the initial Warrant Subscription Price. The subscription rights attaching to the Warrants may be exercised in whole or in part at any time during the five-year period commencing from the date of issue of the Warrants.

LETTER FROM THE BOARD

- Warrant Shares : The Warrant Shares will be issued under the Specific Mandate to be sought at the EGM.
- Listing of Warrants : No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.
- Transferability : The Warrants shall be transferable in integral multiples of 1,000,000 Warrants (or if at the time of transfer, the outstanding number of Warrants is less than 1,000,000 units, the whole but not in part of the outstanding Warrants) to third parties who are independent of and not connected with the Company or any of its connected persons other than a competitor of the Company. Any transfer of the Warrants to connected persons of the Company shall be subject to the Company's written consent and compliance with the GEM Listing Rules and applicable regulations.
- Winding up of the Company : If the Company is wound up, all subscription rights attached to the Warrants which have not been exercised in accordance with the terms and conditions of the Warrant Transaction Documents following the passing of such resolution shall lapse and Warrant certificate shall cease to be valid for any purpose.
- Rights of the Warrantholders : Warrantholder shall not be entitled to attend and vote at the general meetings of the Company by reason of only being a Warrantholder. A Warrantholder shall not have the right to participate in any distributions and/or offers of further securities made by the Company by reason of only being a Warrantholder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscriber and its respective ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.

LETTER FROM THE BOARD

The number of Warrants (i.e. 100,000,000 Warrants) and the Subscription Period (i.e. the five-year period commencing from the date of issue of the Warrants) were determined after arm's length negotiations between the Company and the Subscriber. The Board is of the view that the terms of the Warrant Subscription Agreement are fair and reasonable and on commercial terms due to the following:

1. the investment from Abax will provide confidence to other alternative investment manager and would possibly be an appropriate mean of fund raising for the Company in the future, which is essential for the Company's upcoming expansion in the EV charging business;
2. the Warrants would align the interest of Abax (as holder of the Warrants) with that of the Company and its Shareholders and establish a cooperative relationship between the Company and Abax. The Warrants will be served as an incentive for Abax to promote the value of the Company by providing the Group the opportunity to access into its strategic insights, industry exposure;
3. the Green Loan Facility and the proposed issue of Warrants are a packaged deal, the Group can enjoy the availability of financial resources resulting from the Green Loan Facility to proceed with its new or existing Green Project(s); and
4. with reference to the prevailing market price of the Shares and in light of the funding needs of the Group and the general trend of the closing price of the Shares during the Review Period.

Conditions precedent

Completion of the issue of the Warrants is conditional upon the following conditions precedent being fulfilled (or waived where applicable) to the satisfaction of the Subscriber under the Warrant Subscription Agreement:

- (a) the Company having obtained all necessary consents, authorisations and approvals in relation to the issue of the Warrants, the Warrants Transaction Documents and the transactions contemplated thereunder and such consents, authorisations and approvals shall remain in full force and effect and shall not have been revoked or amended in a manner not acceptable to the Subscriber;
- (b) the Stock Exchange having granted or agreeing to grant the listing of and permission to deal in the Warrant Shares to be issued upon exercise of the subscription rights (and such listing and permission not being subsequently revoked);

LETTER FROM THE BOARD

- (c) the Warrants Transaction Documents and transactions contemplated thereunder and the Specific Mandate having been approved by the Shareholders in accordance with the GEM Listing Rules and the articles of the Company;
- (d) on the Completion Date, (i) the warranties remaining true, accurate and not misleading at, and as if made on, such date and (ii) the Company shall have performed all of its obligations under the Warrants Transaction Documents expressed to be performed on or before such date, and there being no breach of any provision of any Warrants Transaction Document by the Company; and
- (e) all issued Shares remaining listed on, and not having been withdrawn from, the Stock Exchange and save for any temporary suspension of not more than ten consecutive trading days or any suspension pending clearance of any announcement or in connection with any announcement required to be made under the GEM Listing Rules (in each case, excluding any suspension in the trading of the Shares on the Stock Exchange pending the clearance or release of any announcement or circular relating to the transactions contemplated hereunder), the Stock Exchange not having indicated that it will object to the listing status of the Shares and there being no events or circumstances existing based on which the Stock Exchange could reasonably be expected to raise such objection or that will adversely affect the listing status of the Shares.

The Company shall use its best endeavours to procure and ensure due fulfilment of each and all of the conditions precedent. The Subscriber may, to such extent as it thinks fit and is legally entitled to do so, at any time waive in writing any of the conditions precedent on such terms as they may decide (save for the paragraphs (a), (b) and (c) above of the conditions precedent, which cannot be waived). If any of the conditions precedent referred to above is not fulfilled (or waived, as the case may be) at or before the Long Stop Date, unless otherwise agreed between the Company and the Subscriber in writing, the relevant Warrant Subscription Agreement, together with any transaction contemplated hereunder, shall terminate and be of no force and effect and no parties to the Warrant Subscription Agreement shall have any liability to the other party, save in respect of any antecedent breaches.

The Warrant Shares

Assuming the subscription rights attaching to the Warrants are exercised in full, no more than 100,000,000 Warrant Shares will be allotted and issued under the Specific Mandate, which represent:

- (i) approximately 11.28% of the total issued share capital of the Company as at the Latest Practicable Date; and

LETTER FROM THE BOARD

- (ii) approximately 10.14% of the total issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares in full (assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and immediately prior to the allotment and issue of the Warrant Shares).

The Warrant Shares have (i) an aggregate nominal value of approximately HK\$1,000,000, and (ii) a market value of HK\$95.0 million, based on the closing price of HK\$0.95 per Share on the Last Trading Day.

The initial Warrant Subscription Price

The initial Warrant Subscription Price of HK\$0.80 represents:

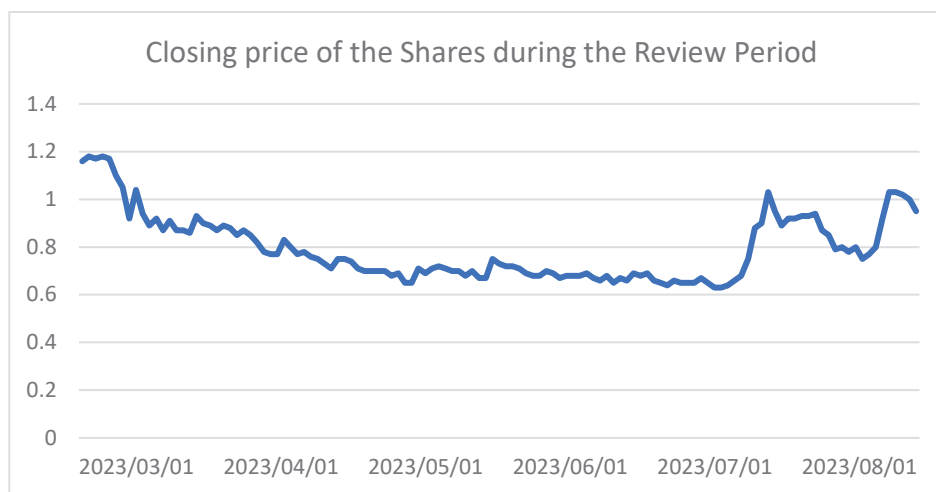
- (a) a discount of approximately 15.79% to the volume-weighted average price of approximately HK\$0.95 for the 30 trading days prior to the signing of the Warrant Subscription Agreement;
- (b) a discount of approximately 15.79% to the closing price of HK\$0.95 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (c) a discount of approximately 19.68% to the average closing price of approximately HK\$1.00 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to the Last Trading Day.

The initial Warrant Subscription Price above was determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares, current market sentiment, the Group's financial position, the historical Share price, liquidity of the Shares in the market and the market conditions. The Directors (including all independent non-executive Directors) consider that the initial Warrant Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

When determining the Warrant Subscription Price, the Directors have reviewed the closing prices and the trading volume of the Shares during the Review Period. The Directors consider that the Review Period covering approximately 6 months prior to the date of the Warrant 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 Warrant Subscription Price.

LETTER FROM THE BOARD

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



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

Month	Total trading volume of the Shares <i>Number of Shares</i>	Number of trading days	Average daily trading volume of the Shares <i>Number of Shares</i>	Percentage of average daily trading volume to total number of issued Shares as at the end of the month
				%
March	31,662,000	23	1,376,609	0.17%
April	11,844,000	17	696,706	0.09%
May	9,345,000	21	445,000	0.05%
June	4,340,000	21	206,667	0.03%
July	19,080,200	20	954,010	0.12%
August	35,068,400	23	1,524,713	0.17%

Source: the website of the Stock Exchange

LETTER FROM THE BOARD

Notwithstanding that the Warrant Subscription Price represents recently a discount to the closing prices of the Shares as disclosed above, the Directors consider that the Warrant Subscription Price and the terms of the Warrant Subscription Agreement are fair and reasonable based on the current market conditions and that the Subscription is in the interests of the Company and the Shareholders as a whole for the reasons set forth below:

- (a) having considered (i) the general steady trend of the closing price of the Shares during the Review Period (ranged from the lowest of HK\$0.63 per Share on 19 July 2023 and 20 July 2023 to the highest of HK\$1.18 per Share on 1 March 2023 and 3 March 2023); and (ii) the relatively low liquidity of the Shares during the Review Period (the monthly average daily trading volume in proportion to the total number of issued Shares ranged from approximately 0.03% to 0.17%); and
- (b) due to the reasons disclosed in the paragraph headed “REASONS FOR AND THE BENEFITS OF ENTERING INTO THE GREEN FACILITY AGREEMENT AND THE WARRANT SUBSCRIPTION AGREEMENT”.

The Directors (including all independent non-executive Directors), after considering the above factors, and the importance of introducing Abax as a strategic investor significantly outweighs the dilution impact and terms and conditions compromised by the Company (i.e. issuing Warrants at nil cash consideration). Hence, the Directors (including all independent non-executive Directors) are of the view that the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Adjustments of the Warrant Subscription Price

The Warrant Subscription Price will be subject to adjustments in the following events:

- (a) **Consolidation, subdivision or re-classification:** If and whenever there shall be any consolidation, subdivision or re-classification, the Warrant Subscription Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the number of issued Shares immediately before such alteration; and

B = the number of issued Shares immediately after such alteration.

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Each such adjustment shall be effective from the close of business on the Business Day immediately preceding the date on which the relevant consolidation, subdivision or re-classification (as the case may be) becomes effective, provided that, where the subscription date in respect of a particular exercise of any of the subscription rights attaching to a Warrant shall fall on or before the said Business Day but the Company shall not by the close of business on the said Business Day have allotted the relative Shares in accordance with its obligations hereunder, such adjustment shall, for the purpose of determining the number of Shares to be allotted to the warrant holder exercising the said subscription rights, be deemed to have become effective before such subscription date.

(b) **Capitalisation of profits or reserves:**

- (i) If and whenever the Company shall issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Warrant Subscription Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{(C+D)}$$

where:

C = the aggregate amount of the share capital of the Shares in issue immediately before such issue; and

D = the aggregate amount of the ordinary capital issued in connection with and as a result of such capitalisation,

provided that if the relevant issue of Shares is made as part of an arrangement involving a reduction of capital, the Warrant Subscription Price shall be adjusted in such manner as an approved merchant bank or the Company's auditors (as the case may be) shall certify to be appropriate, having regard to the relative interests of the persons affected thereby taken as a whole and such other matters as the approved merchant bank or the Company's auditors (as the case may be) shall consider relevant.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

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- (ii) If and whenever the Company shall issue any Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount of the share capital of the Shares so issued is capitalised and the market value of such Shares in aggregate is more than 120% of the amount of dividend which Shareholders could elect to or would otherwise receive in cash (for which purpose the market value of a Share shall mean the average of the closing prices on the Stock Exchange for the five consecutive dealing days on each of which there is a closing price ending on the last such dealing day immediately preceding the day on or as of which Shareholders may, pursuant to such scrip dividend scheme, elect to receive or (as the case may be) not to receive the relevant dividend in cash), the Warrant Subscription Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{(A+B)}{(A+C)}$$

where:

- A = the aggregate nominal amount of the issued Shares immediately before such issue;
- B = the aggregate nominal amount of Shares issued pursuant to the scrip dividend scheme multiplied by a fraction of which (i) the numerator is the amount of the dividend which Shareholders could elect to or would otherwise receive in cash and (ii) the denominator is the market value of the Shares issued in aggregate pursuant to the scrip dividend scheme; and
- C = the aggregate nominal amount of Shares issued pursuant to the scrip dividend scheme,

or by making such other adjustment as an approved merchant bank or the Company's auditors (as the case may be) shall certify to be fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such date.

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- (c) **Distributions:** If and whenever the Company shall make (whether on a reduction of capital or otherwise) any capital distribution to Shareholders (in their capacity as such) (including, but not limited to, such a distribution by way of cash dividend (other than pursuant to a scrip dividend scheme), or such a distribution pursuant to a reduction or redemption of share capital, share premium account or capital redemption reserve fund or otherwise) or shall grant Shareholders rights to acquire for cash assets of the Company or any of its Subsidiaries, the Warrant Subscription Price in force immediately prior to such capital distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{(E-F)}{E}$$

where:

- E = the closing price per Share on the Stock Exchange on the dealing day immediately preceding the date on which the capital distribution or, as the case may be, the grant is announced (whether or not such capital distribution or grant is subject to the approval of Shareholders or other persons) or (if there is no such announcement) immediately preceding the date on which the Share is traded ex such capital distribution or, as the case may be, the grant (or, where there is no closing price on such dealing day, the closing price on the dealing day on which there was a closing price immediately preceding the relevant date); and
- F = the portion of the fair market value attributable to one Share with such amount calculated by dividing the fair market value on the day of such announcement or (as the case may require) the day immediately preceding the date on which the Share is traded ex such capital distribution or, as the case may be, the grant, as determined in good faith by an approved merchant bank or the Company's auditors (as the case may be), of such capital distribution or of such rights by the number of Shares participating in such capital distribution or, as the case may be, in the grant of such rights,

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provided that:

- (i) if in the opinion of the relevant approved merchant bank or the Company's auditors (as the case may be), the use of the fair market value as aforesaid produces a result which, having regard to the relative interests of the persons affected thereof taken as a whole, is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if F meant) the portion of the said closing price which should, in its opinion, properly be attributed to the value of the relevant capital distribution or rights in question; and
- (ii) the provisions of this paragraph (c) shall not apply in relation to the issue of Shares credited as fully paid or partly paid out of profits or reserves and issued in lieu of a cash dividend (i.e. the scrip dividend scheme).

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the Record Date for the relevant capital distribution or grant.

- (d) **Rights issues, options or warrants:** If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price per new Share which is equal to or less than 80% of the market price on the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of Shareholders or other persons), the Warrant Subscription Price shall be adjusted by multiplying the Warrant Subscription Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{G+H}{G+I}$$

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where:

- G = the number of Shares in issue immediately before the date of such announcement;
- H = the number of Shares which the aggregate of the two following amounts would purchase at such market price:
- (i) the total amount (if any) payable for the rights, options or warrants being offered or granted by the Company; and
 - (ii) the total amount payable for all of the new Shares being offered for subscription by way of rights or comprised in the options or warrants being granted; and
- I = the aggregate number of Shares being offered for subscription or comprised in the rights, options or warrants being granted.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant. For the avoidance of doubt, no adjustment shall take effect in accordance with this paragraph (d) should such offer or grant fail to become effective or unconditional.

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(e) **Issue of convertible or exchangeable securities or modification of rights thereof:**

- (i) If and whenever the Company or any of its subsidiaries shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares, and the effective consideration per new Share (as defined in paragraph (iii) below) initially receivable for such securities is equal to or less than 80% of the market price on the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of Shareholders or other persons), the Warrant Subscription Price shall be adjusted by multiplying the Warrant Subscription Price in force immediately prior to such issue by the following fraction:

$$\frac{J+K}{J+L}$$

where:

- J = the number of Shares in issue immediately before the date of announcement of the issue of such securities;
- K = the number of Shares which the total effective consideration receivable for such securities would purchase at such market price (exclusive of any disbursements incurred in connection therewith); and
- L = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative initial conversion or exchange rate or Warrant Subscription Price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business on the Business Day immediately preceding the date on which the Company or other issuer of the relevant securities determines the conversion or exchange rate or Warrant Subscription Price in respect of such securities or, to the extent that the relevant issue is announced (whether or not subject to the approval of Shareholders or other persons) and the date of such announcement is earlier than the said date, the Business Day immediately preceding the date of such announcement.

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- (ii) If and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned in paragraph (i) above are modified so that the effective consideration per new Share initially receivable for such securities shall be equal to or less than 80% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Warrant Subscription Price shall be adjusted by multiplying the Warrant Subscription Price in force immediately prior to such modification by the following fraction:

$$\frac{M+N}{M+O}$$

where:

- M = the number of Shares in issue immediately before the date of such modification;
- N = the number of Shares which the total Effective Consideration receivable for such securities at the modified conversion or exchange rate or Warrant Subscription Price would purchase at such market price; and
- O = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative modified conversion or exchange rate or Warrant Subscription Price.

Such adjustment shall become effective (if appropriate retroactively) as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the purposes of this paragraph (e)(ii) where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or subscription terms.

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- (iii) For the purposes of this paragraph (e):
- (A) the **total effective consideration** receivable for the relevant securities shall be deemed to be the aggregate consideration receivable by the Company or other issuer of such securities for the issue thereof plus the additional minimum consideration (if any) to be received by such issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the subscription rights attaching thereto; and
 - (B) the **effective consideration per new Share** initially receivable for such securities shall be the total effective consideration divided by the maximum number of new Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the subscription rights attaching thereto at the initial Warrant Subscription Price, in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof.
- (f) **Issue at less than current market price:** If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is equal to or less than 80% of the market price on the date of the announcement of the terms of such issue, the Warrant Subscription Price shall be adjusted by multiplying the Warrant Subscription Price in force immediately prior to the date of such announcement by the following fraction:

$$\frac{P+Q}{P+R}$$

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where:

P = the number of Shares in issue immediately before the date of such announcement;

Q = the number of Shares which the aggregate amount payable for the Shares allotted pursuant to such issue would purchase at such market price (exclusive of expenses); and

R = the number of Shares allotted and issued pursuant to such issue.

Such adjustment shall become effective (if appropriate retroactively) on the date of the issue of such Shares.

- (g) If and whenever the Company makes an offer or invitation to Shareholders to tender for sale to the Company any Shares or if the Company shall purchase any Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any recognised stock exchange, being a stock exchange recognised for this purpose by the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and the Stock Exchange) and the Directors consider that it may be appropriate to make an adjustment to the Warrant Subscription Price, at that time the Directors shall appoint an approved merchant bank or the Company's auditors (as the case may be) at the Company's own costs to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Warrant Subscription Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if such approved merchant bank or the Company's auditors (as the case may be) shall consider in its or their opinion that it is appropriate to make an adjustment to the Warrant Subscription Price, an adjustment to the Warrant Subscription Price shall be made in such manner as such approved merchant bank or the Company's auditors (as the case may be) shall certify to be, in its or their opinion, appropriate. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding the date on which such purchases by the Company are made.

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Ranking of the Warrant Shares

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

Completion

Completion shall take place on the Completion Date.

At completion, the Company and the Subscriber shall perform their respective obligations set out in the Warrant Subscription Agreement.

Key undertakings by the Company

The Company undertakes to the Subscriber, in the Warrant Subscription Agreement, that during the period between the date of the Warrant Subscription Agreement until the earlier of (i) the expiry of the Subscription Period; and (ii) all of the Warrants being transferred to a third party independent of the Subscriber, unless the consent is obtained from the Subscriber:

- (a) it shall announce and (if applicable) make all legally required filings and registration of the issue of the Warrants in accordance with the GEM Listing Rules and applicable regulations;
- (b) it shall pay any stamp, issue, registration, documentary or other taxes and duties, including interest and penalties payable on or in connection with the creation or issue of the Warrants or the execution or delivery of the Warrant Subscription Agreement and any other Warrants Transaction Documents and any value added, turnover or similar tax payable in respect thereof (and references herein to such amount shall be deemed to include any such taxes so payable in addition to it);

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- (c) it shall procure that the Board shall at all times have authority pursuant to the articles of the Company and any applicable regulation and shall keep available for issue sufficient ordinary capital and authorised share capital to grant the Warrants on the completion date and to issue the Warrant Shares on exercise of any subscription rights, in each case, in accordance with the terms of the Warrant Subscription Agreement, the warrants instrument and applicable regulations (including but not limited to the minimum amount of issued Shares as at the date of issue of the Warrants as required under Rule 21.02(1) of the GEM Listing Rules) and free of any pre-emption rights;
- (d) it shall not amend the articles of the Company unless required by the GEM Listing Rules or applicable regulations;
- (e) it shall ensure that there is no breach of the Green Facility Agreement or no action is taken by cause an event of default under the Green Facility Agreement; and
- (f) it shall use its best endeavours to maintain a listing for all the issued Shares on the Stock Exchange.

INFORMATION ON THE PARTIES

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.

Abax is an alternative investment manager headquartered in Hong Kong with offices in the PRC and Southeast Asia. Founded in 2007, Abax manages a multi-strategy investment platform with a focus on financing mid-market companies in Asia, with Greater China in particular, across two primary strategies: Asian Private Structured Credit and RMB Private Equity. Abax's investment strategy is to provide growth capital in the form of structured private credit to profitable and growing middle-market companies in developing Asian countries. Abax is a signatory to United Nation's Principles of Responsible Investing and takes into account ESG risks and opportunities in making investment decisions and throughout the ownership period of an investment.

The Subscriber is Abax Asian Structured Private Credit Fund 2022, LP, an exempted limited partnership registered in the Cayman Islands on 11 October 2021 and it is one of the funds managed by Abax.

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules) as at the Latest Practicable Date.

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE GREEN FACILITY AGREEMENT AND THE WARRANT SUBSCRIPTION AGREEMENT

Abax provides growth capital in the form of private structured credit to Asia's growing mid-market companies, with a recent focus on environmental sustainability, and the EV value chain is one of the key components. As the EV industry in Hong Kong is among the fastest growing industries in Asia, at the end of June 2023, the total number of EVs attained approximately 60,000, representing approximately 6.6% of the total number of vehicles in Hong Kong.

Abax is one of the most experienced private credit managers in Asia. Since the early 2000s, Abax principals participated in the early development of structured private credit investing from the buy, sell and legal side of the market. The Abax team is also one of very few in Asia that has invested and managed through the 2008 global financial crisis, gaining invaluable experience and insights that can provide value added advise for the Company across capital markets access, bolt-on merger and acquisitions, structure on follow up financing and business development. Abax has been active in the value chain of renewable energy, electric vehicles and telecom infra which Abax sees decent synergies with the Company. For instance, Abax has been the shareholder and creditor for a leading optic fiber and base station infrastructure operator ("**FiberCo**") in Southeast Asia, covering Philippines, Cambodia and Myanmar, with the increase penetration of electric vehicles in these regions, the Company might be able to leverage on FiberCo's wide coverage of base stations (with prime location) and rollout its EV charging infrastructure across these regions. Abax has also invested power battery company ("**BatteryCo**") which has been a pioneer in producing power battery for motorcycle and energy storage, the BatteryCo has strong oversea clients access and experience in exporting solution which can perfectly combine with the Company in offering a "one-stop" solution with motorcycle players for "Motorcycle Battery Package + Battery Switching/Charging Service".

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In the past, Abax has invested in the renewable and clean technologies fields, including but not limited to, the solar equipment industry and EV battery anode materials industry. Given Abax's experience in the energy and industrial fields and its outlook for the Group's future development in long term. The investment will further strengthen the Company's position and materialize on its impressive pipeline within Hong Kong, thereby strengthening and accelerating the overall transition of the automotive industry to go electric. The Directors considered that on the basis that (i) the link up with Abax will provide the Group the opportunity to access into its strategic insights, industry exposure; (ii) the strengthening of shareholder base through Abax as institutional investor holding an equity interest in the Company from the exercise of the Warrants; and (iii) the issue of the Warrants will not cause immediate dilution to the shareholdings of existing Shareholders, the issue of the Warrants will be beneficial to the Company.

The Board has considered the following factors and is of the view that the Green Facility Agreement and the Subscription are in the interest of the Company:

- (a) The expansion of eTaxi/eVan business:

As mentioned in the Company's interim report for the six months ended 30 June 2023 (the "**2023 Interim Report**"), The Group's goal is to seamlessly unite EV drivers, respected brands, and charger providers on a single, comprehensive platform. In May 2023, the Company introduced Cornerstone BUSINESS, a new venture focused on electric commercial vehicles ("**E-CVs**"). Cornerstone BUSINESS offers a comprehensive ecosystem, enabling drivers to secure orders through logistics companies, rent E-CVs, and access EV charging facilities along their routes. And the Group has set up their sub-brands of eC-VAN and eC-Taxi. These vehicles will be available for leasing, providing drivers with an all-in-one solution for transportation needs, including charging and parking.

Pursuant to the 2023 Interim Report, the revenue from EV charging business segment substantially increased by approximately 147.57%, from approximately HK\$10.3 million for the six months ended 30 June 2022 to approximately HK\$25.5 million for the six months ended 30 June 2023. However, the cost of services in relation to the EV charging business, which mainly comprises direct labour cost, cost of raw materials, depreciation, electricity and water and production overheads, also substantially increased by approximately 150.6%, from approximately HK\$8.5 million for the six months ended 30 June 2022 to approximately HK\$21.3 million for the six months ended 30 June 2023. In order to achieve balance of payments and increase utilization of the existing facilities of EV charging, the company plans to introduce charging measures for taxi and van drivers to expand its target customer base, which can improve the cash flow of the Company in the future. And the Warrant Subscription Agreement and the transactions contemplated can improve the Group's liquidity by way of increasing general working capital of the Group and increase its operational flexibility.

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(b) To improve the Group's financial position

Pursuant to the 2023 Interim Report, although there is a significant increase in the revenue generated by EV charging business by comparing to the same period in 2022, the loss for the period was increased by approximately HK\$2.8 million, which was primarily due to the share-based payment expenses of the Company. The Company granted share options on 17 June 2022 and 17 November 2022. And the bank balances and cash held by the Company decreased from approximately HK\$10.5 million as at 30 June 2022 to approximately HK\$4.2 million as at 30 June 2023.

According to the Green Facility Agreement, the Lender agreed to grant a secured green term loan facility in an aggregate amount of up to US\$20 million to the Company for conducting Green Projects complied with the requirements in the Green Financing Framework. Through the Green Facility Agreement, the Company would sooth the tight cashflow situation for conducting the contracts under EHSS and expand the business of eC-VAN and eC-Taxi.

(c) Other fund raising methods

Prior to the entering of the Warrant Subscription Agreement, the Directors had considered other fundraising alternatives available to the Group, such as debt financing, rights issue and open offer.

Regarding the possibility of debt financing, as the Company is currently operating in a loss-making stage and the ability to repay any debt is in doubt, the Directors have enquired with the Company's long-term relationship bank and the bank is observing our business performance and offered only to provide the required debt financing once our profitability has been improved. Further given the current financial state of the Company, the Directors are of the view that the Company may not enter into favourable terms with a bank for debt financing. In light of the above, the Directors considered that bank borrowing was not the most favourable financing means to the Company. Hence, the Subscription is able to widen the Company's shareholders' structure and enlarge the Company's capital base for its business development.

In addition, fund raising activities conducted through rights issue or open offer generally are more time-consuming compared to the Subscription due to the involvement of the issue of listing documents together with other application and extensive administrative procedures (e.g. trading arrangements), which would usually take additional two to three months to complete as compared to placing. Rights issue or open offer is also less cost-effective than the Subscription due to the additional costs

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incurred by the engagement of professionals i.e. reporting accountants, lawyers and/or brokerage agent(s) for the purpose of compiling and issuing the listing document which is estimated to be at least HK\$1 million. Based on the above, the Directors consider that the Warrant Subscription Agreement and the transactions contemplated thereunder is a more desirable solution for the business development of the Group.

The Green Facility Agreement and the Subscription are a packaged deal. As part of the conditions precedent of the Green Facility Agreement, the Company has to issue the Warrants to the Subscriber. The Company intends to use the funds from the Green Facility Agreement and the Warrant Subscription Agreement to expand their EV charging business segment, which will cover the Group's eTaxi/eVan business in the future. In the event that the proposed issuance of Warrants under Specific Mandate is not approved by the Shareholders, the Green Loan Facility shall not be effective, and the Company shall continue to raise capital in the future, to expand and maximise the Company's market share in the emerging EV-charging market in Hong Kong and the south-east Asia region.

The Company has been considering both equity and debt financing to capture the exciting growth opportunities in the EV-charging market in Hong Kong and south-east Asia but the Company has not been successful in both equity and debt financing. As elaborated above, due to the downturn of the Hong Kong stock market, it has been difficult for the Company to conduct equity fund raising. Whereas, on the other hand, the Company was not able to get favourable terms of debt financing through bank borrowings due to the loss-making position of the Company. As such, the Company has entered into the Green Facility Agreement and the Warrant Subscription Agreement to expand its EV-charging business and improve the Group's liquidity.

In addition, the financing package of the Green Loan and the Warrants provided by Abax, is not only proposed to provide immediate funding need to the Company for its expansion and operation, but also a long-term incentive for the Company's management to create value for the Company and the Shareholders as which is likely to improve the liquidity of the Shares. And the proceeds for the Subscription will provide further funding for the Company. With the combination of the Warrants, the Company can obtain the Green Loan financing at a more attractive cost and preserve more capital for expansion instead of paying interest. Also, the loan under the Green Loan Facility was the only debt financing the Company is able to acquire after numerous talks with other financial institutions. Compared with equity placement, to obtain the full size as compared to the US\$20 million proceeds from the Green Loan Facility and the HK\$80 million proceeds from the full exercise of the Warrants under the current market environment and liquidity, it would require an even deeper discount on the placing price with unfavorable terms and greater dilution effect at this stage.

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In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Green Facility Agreement and Warrant Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTENDED USE OF PROCEEDS

Intended use of the net proceeds	Net proceeds to be used	Expected timing of use of net proceeds
approximately 80% of the net proceeds for the production and deployment of EV business (including EV chargers, EV charging infrastructure, trade projects and EHSS projects)	HK\$64,000,000	4-6 months
approximately 10% of the net proceeds for eTaxi/eVan business	HK\$8,000,000	4-6 months
approximately 10% of the net proceeds for working capital	<u>HK\$8,000,000</u>	4-6 months
Total	<u>HK\$80,000,000</u>	

The expected timing of use of proceeds is upon the exercise of the Warrants by the Subscriber. In the event where the Warrants are not exercised in part or in full, the Group shall review its business plan from time to time by scaling down the production capacity of Cornerstone BUSINESS to maintain the profitability and sustainability of the business. In addition, the Company may alter the timeline in launching further applications of the eTaxi/eVan business to accommodate with the availability of the funding. Further, the Group shall not rule out the possibility of raising new capital by alternative fund raising methods if the subscription rights attaching to the Warrants are not exercised to the extent that the net proceeds does not match the future capital needs of the Company.

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APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants.

EFFECT OF THE ISSUE OF WARRANT SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 886,239,399 Shares in issue. Set out below are the shareholding structure of the Company (i) as at the date of Latest Practicable Date; and (ii) immediately upon the allotment and issue of the Warrant Shares.

	As at the date of the Latest Practicable Date		Immediately upon the allotment and issue of the Warrant Shares	
	<i>Number of Shares</i>	<i>Approx.% of shareholding</i>	<i>Number of Shares</i>	<i>Approx.% of shareholding</i>
Controlling Shareholder, Substantial Shareholders and Directors				
Golden Fortune Global Limited (<i>Note 1</i>)	235,603,225	26.58%	235,603,225	23.89%
Gaw Capital	94,226,703	10.63%	94,226,703	9.55%
Glorytwin Limited (<i>Note 2</i>)	81,000,000	9.14%	81,000,000	8.21%
Ms. Joanne Wu	47,550,000	5.37%	47,550,000	4.82%
Mr. Wu Jianwei	32,992,000	3.72%	32,992,000	3.35%
Mr. Pan Wen Yuan	27,096,000	3.06%	27,096,000	2.75%
Mr. Liang Zihao	22,508,000	2.54%	22,508,000	2.28%
Tanner Enterprises Group Limited (<i>Note 2</i>)	17,392,000	1.96%	17,392,000	1.76%
Mr. Li Man Keung Edwin	14,712,613	1.66%	14,712,613	1.49%
Mr. Yip Shiu Hong	5,997,905	0.68%	5,997,905	0.61%
Mr. Ko Shu Ki Kenneth	3,712,000	0.42%	3,712,000	0.38%
Mr. Ng Sze Chun	2,998,953	0.34%	2,998,953	0.30%
Subscriber	–	–	100,000,000	10.14%
Other public Shareholders	300,450,000	33.90%	300,450,000	30.47%
Total	886,239,399	100.00%	986,239,399	100.00%

Notes:

- (1) 235,603,225 Shares are held by Global Fortune Global Limited which is owned as to 51% by Mr. Wu Jianwei, the non-executive Director and Co-Chairman of the Board, and as to 49% by Mr. Liang Zihao, the executive Director and Co-Chairman of the Board.
- (2) 81,000,000 Shares are held by Glorytwin Limited which is wholly owned by Mr. Li Man Keung Edwin, Executive Director and Vice Chairman of the Board. 17,392,000 are held by Tanner Enterprises Group Limited which is wholly owned by Mr. Li Man Keung Edwin. Mr. Li Man Keung Edwin also directly holds 14,712,613 Shares. The aggregate Shares beneficially owned by Mr. Li Man Keung Edwin is 113,104,613 Shares, or 12.76% of total issued Shares.

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

The following is the equity fund raising activity conducted by the Company in the past 12 months immediately before the date of this circular:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
31 March 2022, 24 May 2022 and 8 July 2022	Issue of 120,000,000 unlisted warrants under specific mandate	Approximately HK\$48.0 million	EV-charging business, project deployment, equipment and stock ordering and general working capital	Fully utilized in accordance with the intended use
2 September 2022 and 22 December 2022	Subscription of 20,000,000 new Shares under specific mandate	Approximately HK\$12.2 million	EV-charging business development, commercial and financial printing business operation and as general corporate purposes	Fully utilized in accordance with the intended use
7 December 2022 and 18 January 2023	Subscription of 35,200,000 new Shares under specific mandate	Approximately HK\$40.1 million	EV charging infrastructure investment, upgrade and acquire new equipment, hardware and software and working capital and general corporate purposes	Fully utilized in accordance with the intended use

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 21.02(1) of the GEM Listing Rules, the Warrant Shares to be allotted and issued upon exercise of the Warrants must not, when aggregated with all other equity securities remain to be issued on the exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 23 of the GEM Listing Rules are excluded for the purpose of such limit.

LETTER FROM THE BOARD

Exercise of subscription rights attaching to all the Warrants in full

As at the Latest Practicable Date, the existing issued share capital of the Company is 886,239,399 Shares and 20% of the issued share capital of the Company amounts to 177,247,879 Shares. Assuming the full exercise of the subscription rights attaching to the Warrants, an aggregate of 100,000,000 Warrant Shares will be issued, representing approximately 11.28% of the existing issued share capital of the Company.

Reference is made to the announcements and circular of the Company dated 31 March 2022, 24 May 2022 and 8 July 2022, respectively, whereas the Company issued 120,000,000 warrants to Gaw Capital. As at the Latest Practicable Date, 97,000,000 warrants issued to Gaw Capital is exercised and 23,000,000 warrants are not yet exercised and are required to be aggregated with the Warrant Shares in accordance with Rule 21.02(1) of the GEM Listing Rules. Assuming the full exercise of the Warrants and the Existing Warrants, an aggregate of 123,000,000 Shares will be issued, representing approximately 13.88% of the issued share capital of the Company. Accordingly, the issue of the Warrants is in compliance with Rule 21.02(1) of the GEM Listing Rules.

The following table illustrates the above calculation of the proposed issuance of the Warrants are in compliance of Rule 21.02(1) of the GEM Listing Rules:

	Number of Shares
20 % of the existing issued share capital of the Company as at the Latest Practicable Date (being 886,239,399 Shares)	177,247,879
minus the Existing Warrants not yet exercised	23,000,000
minus the Warrant Shares	<u>100,000,000</u>
Remaining number of warrants that can be further issued	<u><u>54,247,879</u></u>

All the Warrant Shares will be issued and allotted under the Specific Mandate to be sought at the EGM.

LETTER FROM THE BOARD

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.

EGM

A notice convening the EGM to be held at 21/F., Grand Millennium Plaza, 181 Queen's Road Central, Sheung Wan, Hong Kong on Wednesday, 11 October, 2023 at 3:00 p.m. is set out from pages EGM-1 to EGM-3 of this circular. At the EGM, ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve, among other things, the issue of the Warrants, the Specific Mandate and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors and having making all reasonable enquiries, the Subscriber and its respective ultimate beneficial owner are Independent Third Parties. Accordingly, no shareholder will be required to abstain from voting on the resolutions to be proposed at the EGM.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.cstl.com.hk. To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, 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 at 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 as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. not later than 3:00 p.m. on Monday, 9 October, 2023 (Hong Kong time)) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude the Shareholders from attending and voting at the EGM if so wish, in which case the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, 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 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 6 October, 2023 to Wednesday, 11 October, 2023, both dates inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the office of the share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 5 October, 2023.

RECOMMENDATION

The Board (including members of the Independent Board Committee) considers that the terms of the Warrant Subscription 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 recommends all Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

WARNING OF THE RISKS OF DEALING IN THE SHARES

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

By Order of the Board

Cornerstone Technologies Holdings Limited

LIANG Zihao

Co-Chairman and Executive Director

NOTICE OF EGM



CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

基石科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of Cornerstone Technologies Holdings Limited (the “Company”) will be held at 21/F., Grand Millennium Plaza, 181 Queen’s Road Central, Sheung Wan, Hong Kong on Wednesday, 11 October, 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 21 September 2023 (the “Circular”).

ORDINARY RESOLUTION

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

“THAT:

- (a) the Warrant Subscription Agreement dated 31 August 2023 in relation to the issue of 100,000,000 Warrants, which entitle the holder(s) thereof to convert the same into an aggregate of 100,000,000 Warrant Shares in accordance with the terms of the Warrant Subscription Agreement at the initial subscription price of HK\$0.80 (subject to adjustments) per Warrant Share and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in the Warrant Shares prior to settlement of the Warrant Shares, the directors of the Company (the “Directors”) be and are hereby granted a specific mandate to allot and issue the Warrant Shares in accordance with the terms of the Warrant Subscription Agreement, provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

NOTICE OF EGM

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

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

Hong Kong, 21 September 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. Yip Shiu Hong (*Chief Executive Officer*)
Mr. Sam Weng Wa Michael
Mr. Pan Wenyan
Ms. Wu Yanyan

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 before the time fixed for holding the EGM (i.e. not later than 3:00 p.m. on 9 October, 2023) or any adjournment thereof.
5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 6 October, 2023 to Wednesday, 11 October, 2023 both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 5 October, 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.

As at the date of the notice, the Board comprises Mr. LIANG Zihao, Mr. LI Man Keung Edwin, Mr. YIP Shiu Hong, Mr. SAM Weng Wa Michael, Mr. PAN Wenyuan and Ms. WU Yanyan as executive Directors, Mr. WU Jianwei as non-executive Director and Mr. TAM Ka Hei Raymond, Mr. YUEN Chun Fai, Ms. ZHU Xiaohui and Mr. KO Shu Ki Kenneth as independent non-executive Directors.