
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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



CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

基石科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

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

Financial Adviser to the Company



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



A letter from the Board is set out from pages 3 to 12 of this circular. A notice convening the extraordinary general meeting of the Company (“EGM”) to be held at 21/F., Grand Millennium Plaza, 181 Queen’s Road Central, Sheung Wan, Hong Kong on Friday, 15 March 2024 at 3:00 p.m. is set out from pages EGM-1 to EGM-3 of this circular.

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

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

26 February 2024

CHARACTERISTICS OF GEM

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

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

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DEFINITIONS

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

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

DEFINITIONS

“Latest Practicable Date”	21 February 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Long Stop Date”	31 March 2024, or such other date as the Subscriber and the Company may agree in writing
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Wu Jianwei
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 22 December 2023 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$0.82 per Subscription Share
“Subscription Shares”	19,516,000 Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

LETTER FROM THE BOARD



CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

基石科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

Executive Directors:

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

Registered office:

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

Non-executive Director:

Mr. Wu Jianwei (*Co-Chairman*)

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

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

Independent Non-Executive Directors:

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

26 February 2024

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 22 December 2023, in relation to, among other matters, the connected transaction in relation to the Subscription of new Shares under the Specific Mandate.

LETTER FROM THE BOARD

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

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 22 December 2023 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 19,516,000 new Shares at the Subscription Prices of HK\$0.82 per Subscription Share. Completion of the Subscription is subject to the fulfilment of the conditions referred to in the paragraph headed “**Conditions of the Subscription**” of this circular.

Principal terms of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date: 22 December 2023 (after trading hours)

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

The Subscriber is a non-executive Director and a controlling shareholder of the Company and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

Subscription Shares

The Subscription Shares represent:

- (a) approximately 2.20% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (b) approximately 2.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscription, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the date of this circular and the date of Completion.

The aggregate nominal value of the Subscription Shares will be HK\$195,160.

Subscription Price

The Subscription Price of HK\$0.82 per Subscription Share represents:

- (a) a premium of approximately 17.14% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on 22 December 2023, being the last trading day immediately before the date of the Subscription Agreement;
- (b) a premium of approximately 13.57% to the average closing price of HK\$0.72 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement;
- (c) a premium of approximately 46.43% to the closing price of HK\$0.56 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 720.00% to the net asset value per Share of HK\$0.10 with reference to the interim report 2023 published by the Company on 14 August 2023.

There is no theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) given that the theoretical diluted price of HK\$0.722 per Share is higher than the benchmarked price of HK\$0.720 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the last trading day immediately before the of HK\$0.70 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the last five consecutive trading days immediately preceding the date of the Subscription Agreement of HK\$0.720 per Share).

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

LETTER FROM THE BOARD

Ranking of the Subscription Shares

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

Conditions of the Subscription

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

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

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

Completion

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

APPLICATION FOR LISTING OF THE SUBSCRIPTION SHARES

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

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in electric vehicle charging business in Hong Kong.

LETTER FROM THE BOARD

INFORMATION ON THE SUBSCRIBER

The Subscriber is a non-executive Director and the sibling of Ms. Wu Yanyan, an executive Director of the Company, and is therefore a connected person of the Company. As at the Latest Practicable Date, the Subscriber is interested in 268,595,225 Shares, representing approximately 30.31% of the total issued share capital of the Company.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

Pursuant to the Interim Report of the Company published on 14 August 2023, as at 30 June 2023 the Company's cash and bank balance was approximately HK\$4.2 million, representing an approximately HK\$6.3 million decrease from the Company's cash and bank balance as at 31 December 2022 being approximately HK\$10.5 million. As the Directors hold a positive prospect for the future of the Company and the EV-charging market in Hong Kong, the Directors (including the independent non-executive Directors) are of the view that the Subscription will bring additional working capital and immediate funding for the Company's operations in the upcoming months.

The gross proceeds from the Subscription will be HK\$16,003,120. The estimated net proceeds from the Subscription after deduction of expenses, will amount to approximately HK\$15,700,000. On such basis, the net price per Subscription Share will be approximately HK\$0.80. The Company intends to apply the net proceeds from the Subscription as working capital of the Group and for general corporate purposes.

The Directors (excluding the independent non-executive Directors whose view will be expressed in the circular after considering the opinion of the independent financial adviser) consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) were entered into on normal commercial terms and the terms therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTENDED USE OF PROCEEDS

The gross proceeds from the Subscription will be HK\$16.0 million. The estimated net proceeds from the Subscription after deduction of expenses, will amount to approximately HK\$15.7 million. On such basis, the net price per Subscription Share will be approximately HK\$0.80. The Company intends to apply the net proceeds from the Subscription as below:

Intended use of the net proceeds within the scope of general working capital	Approximate allocation (in HKD million)	Expected time of full utilisation of remaining balance
Approximately 50% on business expansion of EV charging business	7.85	By 31 March 2024
Approximately 50% as general working capital for the Group including staff costs and other general administrative and operating expenses	7.85	By 31 March 2024
Total	15.7	

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 886,239,399 Shares in issue. The following is a table illustrating the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the Latest Practicable Date and the date of Completion:

Controlling Shareholder, Substantial Shareholders and Directors	As at the Latest Practicable Date		Immediately after completion of the Subscription	
	<i>Number of Shares</i>	<i>Approx.% of shareholding</i>	<i>Number of Shares</i>	<i>Approx.% of shareholding</i>
Global Fortune Global Limited <i>(Note 1)</i>	235,603,225	26.58%	235,603,225	26.01%
Gaw Capital	58,704,000	6.62%	58,704,000	6.48%
Ms. Wu Yanyan	47,550,000	5.37%	47,550,000	5.25%
Mr. Pan Wenyuan	27,096,000	3.06%	27,096,000	2.99%
Mr. Li Man Keung Edwin <i>(Note 2)</i>	104,104,613	11.75%	104,104,613	11.49%
Mr. Liang Zihao	8,800,000	0.99%	8,800,000	0.97%
Mr. Yip Shiu Hong	5,997,905	0.68%	5,997,905	0.66%
Mr. Ko Shu Ki Kenneth	3,712,000	0.42%	3,712,000	0.41%
Subscriber	32,992,000	3.72%	52,508,000	5.80%
Other public Shareholders	361,679,656	40.81%	361,679,656	39.93%
Total	886,239,399	100.00%	905,755,399	100.00%

Notes:

- (1) 235,603,225 Shares are held by Global Fortune Global Limited. Global Fortune Global Limited is owned as to 51% by Subscriber and 49% by Mr. Liang Zihao. Subscriber also directly holds 32,992,000 Shares. The aggregate Shares beneficially owned by Subscriber is 268,595,225 Shares.
- (2) 72,000,000 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 104,104,613 Shares, or 11.75% of total issued Shares.

LETTER FROM THE BOARD

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

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

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
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
31 August 2023, 12 September 2023, 19 September 2023 and 21 September 2023	Issue of 100,000,000 unlisted warrants under specific mandate	Nil	(i) production and deployment of EV business; (ii) the expansion of eTaxi/eVan business; and (iii) working capital	Not applicable

The equity fund raising activities for the past twelve months together with the Subscription resulted in a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of the approximately 4.52%, which is below 25% as required under Rule 10.44A of the GEM Listing Rules.

LISTING RULES IMPLICATIONS

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

In accordance with the GEM Listing Rules, the Subscriber and its associates will be required to abstain from voting on the resolution(s) to approve the Subscription and the transactions contemplated thereunder at the EGM. The Subscriber is the sibling of Ms. Wu Yanyan and while Global Fortune Global Limited is owned as to 51% by the Subscriber and 49% as to Mr. Liang Zihao, hence, each of the Subscriber, Ms. Wu Yanyan, Global Fortune Global Limited and Mr. Liang Zihao are required to abstain from voting on the relevant resolutions at the EGM.

LETTER FROM THE BOARD

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

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

EGM

A notice convening the EGM to be held at 21/F., Grand Millennium Plaza, 181 Queen's Road Central, Sheung Wan, Hong Kong on Friday, 15 March 2024 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 (i) the Subscription Agreement; and (ii) the Specific Mandate and the transaction contemplated thereunder. As the Subscriber, Ms. Wu Yanyan, Mr. Liang Zihao and Global Fortune Global Limited are connected persons of the Company under Chapter 20 of the GEM Listing Rules, and shall be required to abstain from voting on the resolution(s) of the Company approving the Subscription Agreement and the grant of the Specific Mandate for the issuance and allotment of the Subscription Shares at the EGM.

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

If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. In appointing the chairman of the EGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting in the proxy form, the duly completed and signed proxy form must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 3:00 p.m. on Wednesday, 13 March 2024 (being not less than forty-eight (48) hours before the EGM), failing which the appointment will be treated as invalid. A form of proxy for use at the EGM is enclosed with this circular.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Tam Ka Hei Raymond, Mr. Yuen Chun Fai, Ms. Zhu Xiaohui and Mr. Ko Shu Ki Kenneth, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and the reasonableness of the terms of the Subscription and as to how to vote at the EGM. Pelican Financial has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the the Subscription and the transaction contemplated thereunder (including the grant of the Specific Mandate). The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, consider that the terms of the Subscription and the transaction contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. While the Subscription and the grant of the Specific Mandate are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) which will be proposed at the EGM for approving, inter alia, the Subscription and the transaction contemplated thereunder (including the grant of the Subscription Specific Mandate). The text of the letter from the Independent Board Committee is set out on pages 13 to 14 of this circular while the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 15 to 35 of this circular.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 March 2024 to Friday, 15 March 2024, both dates inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 11 March 2024.

LETTER FROM THE BOARD

RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 15 to 35 of this circular, consider that the terms of the Subscription are on normal commercial terms, fair and reasonable and, although the Subscription is not conducted in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the allotment and issue of the Subscription Shares pursuant to the Subscription Agreement.

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

WARNING OF THE RISKS OF DEALING IN THE SHARES

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

基石科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

26 February 2024

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 26 February 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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

Pelican Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 15 to 35 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 3 to 12 of the Circular and the additional information set out in the Appendix I to this Circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

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

TAM Ka Hei Raymond

*Independent
non-executive
Director*

YUEN Chun Fai

*Independent
non-executive
Director*

ZHU Xiaohui

*Independent
non-executive
Director*

KO Shu Ki Kenneth

*Independent
non-executive
Director*

LETTER FROM INDEPENDENT FINANCIAL ADVISER



PELICAN FINANCIAL LIMITED

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

26 February 2024

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

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 26 February 2024 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcements of the Company dated 22 December 2023 (the “**Announcement**”) regarding the connected transaction in relation to the Subscription of new Shares by connected persons under the Specific Mandate.

On 22 December 2023 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 19,516,000 new Shares at the Subscription Price of HK\$0.82 per Subscription Share. Completion of the Subscription is subject to the fulfilment of the conditions referred to in the paragraph headed “Conditions of the Subscription” of the Board Letter.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber was a controlling shareholder (which held indirectly 26.58% of the issued Shares through Global Fortune Global Limited and directly 3.72% of the issued Shares) and a non-executive Director. He is also the sibling of Ms. Wu Yanyan, an executive Director of the Company. As such, he is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

In accordance with the GEM Listing Rules, the Subscriber and its associates will be required to abstain from voting on the resolution(s) to approve the Subscription and the transactions contemplated thereunder at the EGM. Given that the Subscriber, who is the sibling of Ms. Wu Yanyan, owns 51% of Global Fortune Global Limited, each of the Subscriber, Ms. Wu Yanyan, Global Fortune Global Limited is required to abstain from voting on the relevant resolutions at the EGM. Similarly, as Mr. Liang Zihao owned the remaining 49% of Global Fortune Global Limited, Mr. Liang Zihao is also required to abstain from voting on the relevant resolutions at the EGM.

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

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

THE INDEPENDENT BOARD COMMITTEE

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

Pelican Financial Limited (“**Pelican**”) is not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican Financial and the Company nor any other parties, or any circumstance as set out in Rule 17.96 of the GEM Listing Rules, that could reasonably be regarded as a hindrance to Pelican’s independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate).

In the last two years, other than our engagements by the Company to act as its independent financial advisor in respect of its connected transactions in relation to the subscriptions of new shares by connected person under specific mandate as disclosed in its circulars dated 2 February 2023 and 28 March 2023, there was no other engagement between the Company and us.

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

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Subscription Agreement, the Announcement, the third quarterly report of the Group for the nine months ended 30 September 2023 (the “**2023 Third Quarterly Report**”), the interim report of the Group for the six months ended 30 June 2023 (the “**2023 Interim Report**”) and the annual report of the Group for the financial year ended 31 December 2022 (the “**2022 Annual Report**”), and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

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

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

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

1. Information on the Group

The Company is an investment holding company and its subsidiaries are principally engaged in the electric vehicle (the “EV”) charging business in Hong Kong.

Set out below is a summary of the financial information of the Group as extracted from the 2023 Third Quarterly Report, 2023 Interim Report and 2022 Annual Report.

Table 1: Financial performance of the Group

	For the nine months ended		For the six months ended		For the year ended	
	30 September (Note)		30 June		31 December	
	2023	2022	2023	2022	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
EV charging business						
Sales of EV charging systems	24,114	13,818	13,265	9,829	21,136	6,450
EV charging income	3,455	552	1,761	289	1,434	353
Provision of installation						
service income	23,761	5,915	10,177	–	8,937	–
Maintenance fee income	619	280	328	160	320	–
Sub-Total	51,949	20,565	25,531	10,278	31,827	6,803
Printing business						
Commercial printing services	–	–	10,364	15,185	27,728	30,857
Financial printing services	–	–	12,833	11,336	19,030	15,837
Other services	–	–	545	695	1,557	1,535
Sub-Total	–	–	23,742	27,216	48,315	48,229
Total Revenue	51,949	20,565	49,273	37,494	80,142	55,032
Gross profit	8,091	2,861	8,148	2,609	3,194	6,963
Loss for the period from continuing operations	(64,048)	(44,345)	(49,905)	(47,065)	(161,187)	(61,999)
Loss for the period from discontinued operations	(11,406)	(20,009)	–	–	–	–
Loss for the period/year	(75,454)	(64,354)	(49,905)	(47,065)	(161,187)	(61,999)

Note: According to the 2023 Third Quarterly Report, the Group's printing business is classified as discontinued operations following the Disposal (as defined below) in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Table 2: Financial position of the Group

	As at 30 June 2023 <i>(Unaudited)</i> HK\$ '000	As at 31 December 2022 <i>(Audited)</i> HK\$ '000
Non-current assets	133,622	124,307
Current assets		
Inventories	7,990	7,723
Contract assets	7,312	276
Trade and other receivables, prepayments and deposits	54,766	27,251
Bank balances and cash	4,216	10,522
	74,284	45,772
Non-current liabilities	(40,573)	(38,331)
Current liabilities		
Contract liabilities	(1,843)	(847)
Trade and other payables	(42,245)	(41,735)
Interest-bearing bank and other borrowings	(25,569)	(25,441)
Lease liabilities	(7,696)	(7,809)
Amounts due to former Director/Director	(5,377)	(5,025)
	(82,730)	(80,857)
Net current liabilities	(8,446)	(35,085)
Net assets	84,603	50,891

Financial Highlights

Revenue

According to the 2022 Annual Report, the total revenue of the Group increased by approximately 45.6%, to approximately HK\$80.1 million for the year ended 31 December 2022 from approximately HK\$55.0 million in the previous year. As shown in Table 1 above, the increase was mainly due to an increase in revenue from sales of EV charging systems of approximately HK\$14.7 million and provision of installation service income of approximately HK\$8.9 million during the financial year ended 31 December 2022.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

On the other hand, according to the 2023 Third Quarterly Report, the Group's revenue for the nine months ended 30 September 2023 increased by approximately HK\$31.3 million or 151.9%, from approximately HK\$20.6 million for the same period in 2022 to approximately HK\$51.9 million. Similarly, the increase was mainly due to an increase from sales of EV charging systems of approximately HK\$10.3 million and provision of installation service income of approximately HK\$17.8 million.

It is also noticed that the Company has entered into a sale and purchase agreement on 15 August 2023 to dispose of 100% of its equity interests in Elegance Printing Holding Limited and Elegance Printing Services Holding Limited (the **"Printing Business"**) for a consideration of HK\$1.00 (the **"Disposal"**). The Printing Business is principally engaged in the provision of printing, typesetting and translation services in Hong Kong, which has been continuously loss-making for the last three years. The Disposal will result in the discontinuation of the Printing Business and the financial results of the Printing Business will no longer be consolidated into the financial statements of the Group upon completion. The Disposal was not yet completed up to the date of approving the 2023 Third Quarterly Report.

Gross profit and gross profit margin

According to the 2022 Annual Report, the Group's gross profit decreased by approximately 54.3%, from approximately HK\$7.0 million for the year ended 31 December 2021 to approximately HK\$3.2 million for the year ended 31 December 2022, which was primarily due to higher subcontracting and labor costs in the Printing Business due to COVID-19 measures and lower margins from EHSS projects and increased electricity costs in the EV charging business.

As stated in the 2023 Third Quarterly Report, the Group recorded a gross profit of approximately HK\$8.1 million with a gross profit margin of approximately 15.6% for the nine months ended 30 September 2023, showing an increase from approximately HK\$2.9 million and 13.9% respectively in the corresponding period of 2022. The increase in gross profit margin was mainly due to an increase in higher margin sales of EV charging solutions to local and overseas customers, and substantial increase in EV charging income arising from the accelerated increase in private subscriptions and public memberships.

Loss for the period

As detailed in the 2022 Annual Report, the net loss for the year ended 31 December 2022 was approximately HK\$161.2 million, showing an increase of approximately HK\$99.2 million from approximately HK\$62.0 million loss for the year ended 31 December 2021. The increase of loss was primarily due to the increase in share-based payment expenses of approximately HK\$69.5 million in relation to the acceptance of a term loan facility in 2022, an expense not incurred in the year ended 31 December 2021.

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As reported in the 2023 Third Quarterly Report, the Group recorded a loss of approximately HK\$64.0 million from continuing operations for the nine months ended 30 September 2023, an increase from a loss of approximately HK\$44.3 million in the same period of 2022, which was mainly due to the increase in share-based payment expenses of approximately HK\$22 million in relation to the share option scheme adopted by the Company on 19 April 2018.

Bank balances and cash

As at 30 June 2023, the Group's bank balance and cash was approximately HK\$4.2 million, representing an approximately HK\$6.3 million decrease from the Company's cash and bank balance as at 31 December 2022 of approximately HK\$10.5 million.

2. Information on the Subscriber

The Subscriber is a non-executive Director and the sibling of Ms. Wu Yanyan, an executive Director of the Company, and is therefore a connected person of the Company. As at the Latest Practicable Date, the Subscriber was a controlling shareholder (which held indirectly 26.58% of the issued Shares through Global Fortune Global Limited and directly 3.72% of the issued Shares), a non-executive Director and the sibling of Ms. Wu Yanyan, an executive Director of the Company.

3. Use of proceeds

The gross proceeds from the Subscription will be HK\$16,003,120. The estimated net proceeds from the Subscription after deduction of expenses, will amount to approximately HK\$15,700,000. On such basis, the net price per Subscription Share will be approximately HK\$0.80. The Company intends to apply (i) 50% of the net proceeds of approximately HK\$7,850,000 on business expansion of EV charging business; and (ii) the remaining 50% of the net proceeds of approximately HK\$7,850,000 as general working capital for the Group including staff costs and other general administrative and operating expenses.

4. Reasons for and benefits of the Subscription

Pursuant to the 2023 Interim Report, the Company's cash and bank balance was approximately HK\$4.2 million as at 30 June 2023, representing a decrease of approximately HK\$6.3 million from approximately HK\$10.5 million as at 31 December 2022. As the Directors hold a positive prospect for the future of the Company and the EV-charging market in Hong Kong, the Directors (including the independent non-executive Directors) are of the view that the Subscription will bring additional working capital and immediate funding for the Company's operations in the upcoming months.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Subscription is mutually beneficial to both the Company and the Subscriber, especially given that the Group's revenue from the existing EV charging business has continued to increase, more than doubling to approximately HK\$51.9 million for the nine months ended 30 September 2023, from approximately HK\$20.6 million in the corresponding period of the previous year. In addition, since the Subscriber is a controlling shareholder and a non-executive Director and the sibling of Ms. Wu Yanyan, an executive Director of the Company, there is no doubt that the existing synergy and collaboration between the senior management and the Group will produce inherent benefits, which will further enhance the value for both parties to continue their strong alliance and mutual affinity. Moreover, the Subscription also represents Subscriber's belief and support in the future growth and long-term sustainability of the Group, and in particular, in the further growth of the Group's EV charging business.

5. Alternative fundraising methods

Upon our enquiry, the Directors advised us that they also considered other forms of fundraising methods for the Group, such as debt financing (i.e. bank borrowings or debt issuance) and other equity financing (i.e. rights issue, open offer or placing), before the entering into of the Subscription Agreement.

For debt financing, it would cause the Group to incur additional financing costs and considered that the Group's loss position for its latest financial year/period, the Group may be subject to lengthier negotiations with financial institutions and in the current high interest rate environment, hence it would be commercially reasonable to prioritize equity financing as the first option.

For equity financing, in light of recent market conditions, the Directors are of the view that raising funds by way of allotment and issue of the Subscription Shares shall enable the Company to obtain funds at a lower cost, as compared to rights issue or open offer.

Rights issue and open offer may (i) incur additional costs, including underwriting commission (i.e. usually a percentage to the aggregated subscription price of underwritten shares) and other professional fees (such as professional fees for the preparation of listing documents, unaudited pro forma financial information on the net tangible assets, indebtedness statement and comfort letter on working capital sufficiency) as compared to the Subscription; and (ii) take a relatively longer timeframe as compared to the Subscription or placing of new shares as (a) if a general meeting is required, it would take time for shareholders to consider and vote on the rights issue or the open offer; and have at least 25 business days between the date of general meeting to approve the relevant rights issue or open offer and the despatch date of the share certificates for the fully-paid rights shares or the offer shares according to the "Guide on Trading Arrangement for Selected Types of Corporate Actions" issued by the Stock Exchange on 28 November 2008 (updated on 1 October 2020) (the "Guide"); or (b) if a general meeting is not required, at least 27 business days for rights issue or at least 31 business days for open offer between the date of publication of the relevant proposal for the rights issue or the open offer and the dispatch date of the share certificates for the fully-paid rights shares or the offer shares according to the Guide.

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In respect of placing of shares, we noted from recent placing transactions announced by companies listed on the Stock Exchange that the placing price of most of these placing transactions represented discounts to the then closing price or average closing price of shares of the respective companies prior to the entering of these placing transactions, as opposed to the nil discount and the premiums represented by the Subscription Price over the closing price of Shares of the date of Subscription Agreement and for the last five consecutive trading days preceding of the date of Subscription Agreement.

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

6. Principal terms of the Subscription Agreement

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

Date	22 December 2023 (after trading hours)
Parties	(i) the Company as issuer (ii) the Subscriber;
Subscription Shares	The Subscription Shares represent: a) approximately 2.20% of the existing issued Shares as at the Latest Practicable Date; and b) approximately 2.15% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscription, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the date of the circular and the date of Completion.

The aggregate nominal value of the Subscription Shares will be HK\$195,160.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Subscription Prices

The Subscription Price of HK\$0.82 per Subscription Share represents:

- (i) a premium of approximately 17.14% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on 22 December 2023, being the last trading day immediately before the date of the Subscription Agreement (the “**Last Trading Day**”);
- (ii) a premium of approximately 13.57% to the average closing price of HK\$0.72 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement;
- (iii) a premium of approximately 46.43% to the closing price of HK\$0.56 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 720.00% to the net asset value per Share of HK\$0.10 with reference to the 2023 Interim Report.

There is no theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) given that the theoretical diluted price of HK\$0.722 per Share is higher than the benchmarked price of HK\$0.720 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.70 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the last five consecutive trading days immediately preceding the date of the Subscription Agreement of HK\$0.720 per Share).

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

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Ranking of the Subscription Shares	The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.
Conditions of the Subscription	<p>Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:</p> <ul style="list-style-type: none">(i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and such approval has not been revoked prior to Completion;(ii) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate relating to the Subscription to issue and allot the Subscription Shares;(iii) the necessary consents and approvals in relation to the Subscription Agreement and the transactions contemplated thereunder having been obtained; and(iv) the representation and warranties of the Company remaining true and accurate in all material respects and are not misleading as at the date of the Subscription Agreement and the date of Completion. <p>None of the conditions precedent set out above can be waived by the parties to the Subscription Agreement. If the above conditions are not fulfilled by 5:00 p.m. on or before Long Stop Date (or such other date as the parties may agree in writing), the Subscription Agreement will be automatically terminated and lapsed and none of the parties to the Subscription Agreement shall have any claim against the other in respect of the Subscription, save for any antecedent breaches thereof.</p>
Completion	Completion of the Subscription will take place within ten Business Days after the date of fulfillment of the conditions referred to above.
Application for listing	An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

7. Our assessment of the Subscription Price

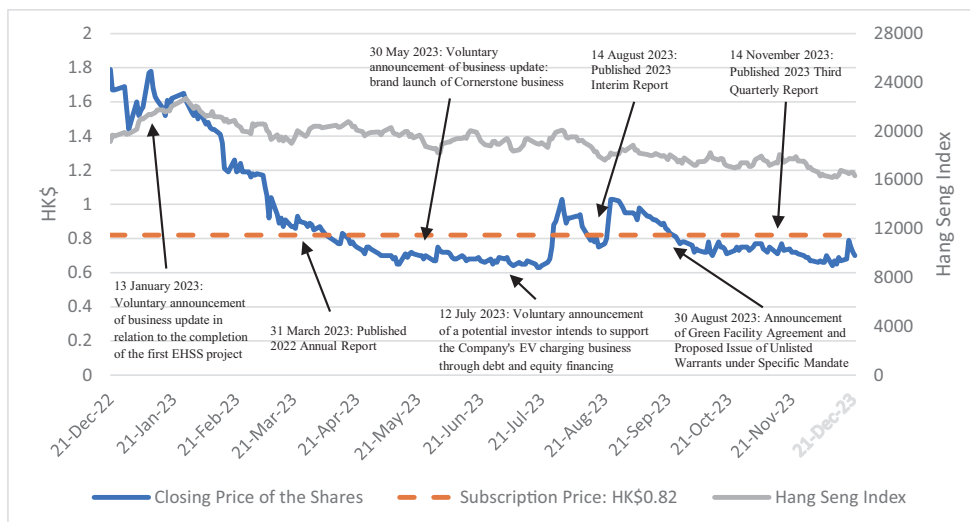
Given that the Subscription Price was determined based on the closing price and the trading volume of the Shares as at 22 December 2023 (being the date of the Subscription Agreement) and the then market conditions, in assessing the fairness and reasonableness of the Subscription Price, we have conducted the following analysis:

a) *Share price performance*

In order to understand the general price trend of the Shares, we reviewed the daily closing prices of the Shares as quoted on the Stock Exchange from 21 December 2022 to and including 22 December 2023 (being approximately 12 months to and including the date of the Subscription Agreement) (the “**Review Period**”) together with the Hang Seng Index, for our analysis. We consider a review period of approximately 12 months before the date of the Subscription Agreement adequate as a longer period may not accurately reflect recent market conditions.

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

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



Source: the website of the Stock Exchange

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As illustrated above, during the Review Period, the Shares were traded within the range of HK\$0.63 and HK\$1.79 per Share with an average of approximately HK\$0.906 per Share. Upon reviewing the closing Share prices, it has been observed that the closing Share price was lower than the Subscription Price for approximately 57.3% of the total trading days, i.e. 141 trading days out of a total of 246 trading days within the Review Period. The Subscription Price of HK\$0.82 per Subscription Share is therefore within the range of the closing Share prices and higher than the closing Share prices during the majority of the trading days in the Review Period.

We noted that the closing Share prices generally fluctuated between HK\$1.44 and their peak of HK\$1.79. The share price began a general downward trend in early February 2023, culminating in its lowest point of HK\$0.63 on 19 July 2023. The Share price then experienced a surge at the end of July 2023. After our discussions with the Company and our review of the Company's announcements, we are unaware of any events or information that led to such a surge, except for the positive news that a potential investor intends to support the company's EV charging business through debt and equity financing, as disclosed in its voluntary announcement dated 12 July 2023.

Apart from the above events, we noted that the movement of the closing Share prices in general correlated with the overall market performance as reflected by the Hang Seng Index and formed a general decreasing trend. Both the closing Share prices and the Hang Seng Index reflected a negative market sentiment during the Review Period. This sentiment may have been influenced by the effects of global monetary tightening and the economic downturn in the PRC.

b) *Trading liquidity of the Shares*

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

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Table 3: Trading liquidity of the Shares

Month	Number of trading days (days)	Average daily volume (Shares)	% of average daily trading volume to total issued shares (Note) (%)
2022			
December	6	5,073,167	0.688%
2023			
January	18	3,644,333	0.484%
February	20	2,001,300	0.266%
March	23	1,376,609	0.174%
April	17	696,706	0.088%
May	21	445,000	0.056%
June	21	206,667	0.025%
July	20	954,010	0.116%
August	23	1,525,235	0.172%
September	19	805,474	0.091%
October	20	475,400	0.054%
November	22	428,000	0.048%
December (up to and including the Last Trading Day)	16	903,000	0.102%
		Minimum	0.025%
		Mean	0.182%
		Maximum	0.688%

Source: the website of the Stock Exchange

Note: Based on the number of Shares at the end of each respective month, with 736,991,399 Shares as of the end of December 2022, 752,991,399 Shares for January and February 2023, 789,039,399 Shares from March to May 2023, 824,239,399 Shares for June and July 2023 and 886,239,399 Shares from August 2023 onwards.

As illustrated in the above table, the average daily trading volume of the Shares per month to the total issued Shares ranged from approximately 0.025% to 0.688%, with the average daily trading volume of the Shares to the total issued Shares of approximately 0.182% during the Review Period.

We noted from the above table that the Shares are relatively thinly traded during the Review Period, with the majority of the months having an average of less than 0.3% of issued Shares traded daily. January 2023 and December 2022 were relatively high, with 0.484% and 0.688% of issued shares traded daily, respectively.

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c) Share prices after the Review Period

For our further reference, we have reviewed the Share prices movement after the Review Period. We noted that the Share prices continued to decrease after the Review Period, starting from HK\$0.70 subsequent to 22 December 2023 (being the date of the Subscription Agreement), falling to HK\$0.56 on the Latest Practicable Date and fluctuated. These figures remain below the Subscription Price of HK\$0.82.

d) Market comparables analysis

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

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

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

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

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as shown in Table 4 below. Taking into account these factors, we consider that our selection criteria for the Comparable Transactions are fair and reasonable and provide a meaningful reference for our assessment of the Subscription Price.

Based on our selection criteria, we have identified 16 Comparable Transactions which we consider to be exhaustive and sufficient for our assessment of the fairness and reasonableness of the Subscription Price. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as those companies involved in the Comparable Transactions. However, we consider that the subscription prices in the Comparable Transactions were determined under similar market conditions and sentiment and hence reflect relevant general market trends in an open market. Accordingly, we are of the view that the Comparable Transactions provide a meaningful reference in our assessment of the fairness and reasonableness of the Subscription Price.

Table 4: Comparable Transactions

Date of Announcement	Company Name (Stock code)	Market Cap (HK\$ mil)	Premium/ (discount) of the subscription price over/ to the closing price per share on the last trading day on/prior to the date of the respective agreement (%)	Premium/ (discount) of the subscription price over/ to the average closing price for the last five trading days prior to/ up to and including the date of the respective agreement (%)	Premium/ (discount) of the subscription price over/ to the average closing price for the last ten trading days prior to/ up to and including the date of the respective agreement (%)
19 June 2023	Creative China Holdings Limited (8368)	97.0	(17.7)	(18.6)	(14.9)
4 July 2023	China Ruyi Holdings Limited (136)	19,409.0	(17.5)	(16.8)	(15.7)
9 July 2023	NVC International Holdings Limited (2222)	300.1	16.9	23.2	21.5
10 July 2023	Summi (Group) Holdings Limited (756)	168.9	(9.5)	(9.5)	(9.7)
26 July 2023	Applied Development Holdings Limited (519)	205.4	(17.1)	(20.2)	(20.5)
28 July 2023	CT Vision S.L. (International) Holdings Limited (994)	342.4	(11.1)	(10.7)	(10.4)
19 October 2023	Digital Domain Holdings Limited (547)	1,221.8	5.6	3.2	(3.9)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Date of Announcement	Company Name (Stock code)	Market Cap (HK\$ mil)	Premium/ (discount) of the subscription price over/ to the closing price per share on the last trading day on/prior to the date of the respective agreement (%)	Premium/ (discount) of the subscription price over/ to the average closing price for the last five trading days prior to/ up to and including the date of the respective agreement (%)	Premium/ (discount) of the subscription price over/ to the average closing price for the last ten trading days prior to/ up to and including the date of the respective agreement (%)
20 October 2023	Virtual Mind Holding Company Limited (1520)	186.4	8.7	7.3	5.7
7 November 2023	InvesTech Holdings Limited (1087)	24.6	(9.5)	(9.5)	(23.2)
10 November 2023	Creative China Holdings Limited (8368)	279.2	(10.2)	(8.0)	(9.1)
13 November 2023	OSL Group Limited (formerly known as BC Technology Group Limited) (863)	2,157.2	(22.8)	(4.8)	(1.1)
24 November 2023	East Buy Holding Limited (1797)	32,215.8	0.0	5.9	7.1
30 November 2023	Greatview Aseptic Packaging Company Limited (468)	949.0	(4.7)	(3.6)	(2.1)
15 December 2023	China Zenith Chemical Group Limited (362)	54.2	0.0	0.0	(1.5)
19 December 2023	Differ Group Auto Limited (6878)	8,979.1	(34.5)	(39.2)	(44.4)
21 December 2023	Guangzhou Rural Commercial Bank Co., Limited (1551)	5,537.1	14.5	15.1	15.5
	Minimum	24.6	(34.5)	(39.2)	(44.4)
	Average	4,508.0	(6.8)	(5.4)	(6.7)
	Maximum	32,215.8	16.9	23.2	21.5
	The Company	620.4	17.1	13.6	17.8

Source: the website of the Stock Exchange

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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

- (i) ranged from a discount of approximately 34.5% to a premium of approximately 16.9%, with an average discount of approximately 6.8%, to/over their respective closing share prices on/prior to the date of the agreement;
- (ii) ranged from a discount of approximately 39.2% to a premium of approximately 23.2%, with an average discount of approximately 5.4%, to/over their respective closing share prices for the last five consecutive trading days prior to/up to and including the date of the agreement; and
- (iii) ranged from a discount of approximately 44.4% to a premium of approximately 21.5%, with an average discount of approximately 6.7%, to/over their respective average closing prices for the last ten consecutive trading days prior to/up to and including the date of the agreement;

As such, (i) the premium of the Subscription Price of approximately 17.1% over the closing price of the Last Trading Day (the “**LTD Premium**”); (ii) the premium of the Subscription Price of approximately 13.6% over the closing share prices for the last five consecutive trading days prior to the date of the agreement (the “**5 Days Premium**”), both fall within the above ranges of the Comparable Transactions and higher than the average discounts of them; and (iii) the premium of the Subscription Price of approximately 17.8% over the closing share prices for the last ten consecutive trading days prior to the date of the agreement (the “**10 Days Premium**”), fall within the above ranges of the Comparable Transactions and higher than the average discounts of them.

Having considered that (i) the LTD Premium is higher than the maximum of those of the Comparable Transactions; (ii) the 5 Days Premium and the 10 Days Premium are within the ranges of those of the Comparable Transactions and higher than the average discounts of them; (iii) the liquidity of the Shares had been relatively low for most of the months during the Review Period; (iv) the reasons for and benefits of the Subscription; and (v) the Subscription is appropriate fundraising method currently available to the Group, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

8. Potential financial effects

According to the 2023 Interim Report, the unaudited consolidated net asset value and cash and cash equivalents of the Group amounted to approximately HK\$84.6 million and HK\$4.2 million as at 30 June 2023, respectively.

Upon Completion, it is expected that both the net asset value and cash and cash equivalents of the Group will increase by the same amount of approximately HK\$15.7 million, being the estimated net proceeds of the Subscription.

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

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

9. Potential dilution of the shareholding of the Company

As illustrated in the Board Letter under the section headed "Effect on the shareholding structure of the Company", the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 40.56%.

The Subscription Shares represent approximately: (a) 2.20% of the existing issued share capital of the Company as at the Latest Practicable Date; and (b) 2.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after the completion of the Subscriptions, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the date of the Circular and the date of Completion. On such basis, the shareholding of existing public Shareholders will be diluted from approximately 40.56% to approximately 39.68% upon Completion (i.e., 0.88 percentage points).

We consider the said level of dilution to the shareholding interests of existing public Shareholders as a result of the Subscription to be acceptable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons referred to above, although the Subscription is not conducted in the ordinary and usual course of business of the Group, we are of the opinion that, the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the EGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) relating to the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the EGM.

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

As at Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

Name of Director	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Mr. Wu Jianwei ("Mr. Wu") (Note 1)	Beneficial owner/ Interest of controlled corporation	268,595,225	30.31%
	Beneficial owner	10,400,000 (Note 5)	1.17%
Mr. Liang Zihao ("Mr. Liang") (Note 2)	Beneficial owner/ Interest of controlled corporation	244,403,225	27.58%
	Beneficial owner	10,400,000 (Note 5)	1.17%

Name of Director	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Mr. Pan Wenyuan (“ Mr. Pan ”) (<i>Note 3</i>)	Interest of controlled corporation	27,096,000	3.06%
	Beneficial owner	6,000,000 (<i>Note 5</i>)	0.68%
Mr. Li Man Keung Edwin (“ Mr. Li ”) (<i>Note 4</i>)	Beneficial owner/Interest of controlled corporation	104,104,613	11.75%
	Beneficial owner	10,400,000 (<i>Note 5</i>)	1.17%
Ms. Wu Yanyan	Beneficial owner	47,550,000	5.37%
	Beneficial owner	6,000,000 (<i>Note 5</i>)	0.68%
Mr. Ko Shu Ki Kenneth	Beneficial owner	3,712,000	0.42%
	Beneficial owner	600,000 (<i>Note 5</i>)	0.07%
Mr. Sam Weng Wa Michael	Beneficial owner	6,440,000 (<i>Note 5</i>)	0.73%
Mr. Yip Shiu Hong	Beneficial owner	5,997,905	0.68%
Mr. Tam Ka Hei Raymond	Beneficial owner	1,040,000 (<i>Note 5</i>)	0.12%
Mr. Yuen Chun Fai	Beneficial owner	1,040,000 (<i>Note 5</i>)	0.12%
Ms. Zhu Xiaohui	Beneficial owner	1,040,000 (<i>Note 5</i>)	0.12%

Notes:

1. Mr. Wu owns 51% of the issued share capital of Global Fortune Global Limited (“**Global Fortune**”). Mr. Wu is deemed to be interested in the Shares in which Global Fortune is interested under the SFO.

2. Mr. Liang owns 49% of the issued share capital of Global Fortune. Mr. Liang is deemed to be interested in the Shares in which Global Fortune is interested under the SFO.
3. Mr. Pan owns 100% of the issued share capital of Silver Rocket Limited (“**Silver Rocket**”). Mr. Pan is deemed to be interested in the Shares in which Silver Rocket is interested under SFO.
4. Mr. Li owns 100% of the issued share capital of Tanner Enterprises Group Limited (“**Tanner Enterprises**”) and 100% of the issued share capital of Glorytwin Limited (“**Glorytwin**”). Mr. Li is deemed to be interested in the Shares in which Tanner Enterprises and Glorytwin are interested under the SFO.
5. These shares were the shares which would be allotted and issued upon exercise in full of the share options granted to such Director under the share option scheme of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at Latest Practicable Date, the interests and short positions of the substantial shareholders of the Company (other than the Directors and chief executives of the Company) in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register to therein, were as follows:

Name of substantial shareholders	Capacity	Number of Shares or underlying Shares held	Percentage of issued share capital
Mr. Wu Jianwei (the “ Subscriber ”)	Beneficial owner/Interest of controlled corporation	268,595,225 <i>(Note 1)</i>	30.31%
Global Fortune	Beneficial owner	235,603,225 <i>(Note 1)</i>	26.58%
Tanner Enterprises	Beneficial owner/Interest of controlled corporation	89,392,000 <i>(Note 2)</i>	10.09%
Glorytwin	Beneficial owner	72,000,000 <i>(Note 2)</i>	8.12%

Name of substantial shareholders	Capacity	Number of Shares or underlying Shares held	Percentage of issued share capital
AASPCF2022 GP, LP	General Partner	100,000,000 <i>(Note 3)</i>	11.28%
Abax Asian Structured Private Credit Fund 2022, LP	Beneficial owner	100,000,000 <i>(Note 3)</i>	11.28%
Abax Global Capital	Interest of controlled corporation	100,000,000 <i>(Note 3)</i>	11.28%
Abax Global Capital GP 2022 Ltd.	General Partner	100,000,000 <i>(Note 3)</i>	11.28%
Yang Xiang Dong	Interest of controlled corporation	100,000,000 <i>(Note 3)</i>	11.28%
Gateway Capital (Hong Kong) Limited	Investment manager	79,704,000 <i>(Note 4)</i>	8.99%
Gaw Growth Equity Fund I GP Limited	Interest of controlled corporation	79,704,000 <i>(Note 4)</i>	8.99%
Gaw Growth Equity Fund I, LPF	Interest of controlled corporation	79,704,000 <i>(Note 4)</i>	8.99%
Steady Flake Limited	Beneficial owner	79,704,000 <i>(Note 4)</i>	8.99%

Notes:

1. Global Fortune is legally and beneficially owned as to 51% and 49% by Mr. Wu and Mr. Liang Zihao respectively. Therefore, by virtue of the SFO, Mr. Wu and Mr. Liang Zihao are deemed to be interested in all the Shares held by Global Fortune.
2. Glorytwin is legally and beneficially owned as to 100% by Tanner Enterprises. Therefore, by virtue of the SFO, Tanner Enterprises is deemed to be interested in all the Shares held by Glorytwin.

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

Save as disclosed above, as at Latest Practicable Date, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

4. DIRECTORS’ SERVICE CONTRACTS

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

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

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

5. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENTS

None of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular which is significant in relation to the business of the Group.

6. LITIGATION

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

7. EXPERT AND CONSENT

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

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

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

As at the Latest Practicable Date, the above expert:

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

8. MATERIAL ADVERSE CHANGE

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

9. DOCUMENTS ON DISPLAY

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

- (a) the letter from the Board, the text of which is set out from pages 3 to 12 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 15 of this circular;
- (c) the letter from Independent Financial Adviser, the text of which is set out on pages 14 to 35 of this circular;
- (d) the written consent of the expert as referred to in the section headed “Expert and Consent” of this Appendix;
- (e) the interim report of the Company for the six months ended 30 June 2023;
- (f) the announcement of the Company published on 22 December 2023;
- (g) the Subscription Agreement; and
- (h) this circular.

10. MISCELLANEOUS

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

NOTICE OF EGM



CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

基石科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of Cornerstone Technologies Holdings Limited (the “**Company**”) will be held at 21/F., Grand Millennium Plaza, 181 Queen’s Road Central, Sheung Wan, Hong Kong on Friday, 15 March 2024 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 26 February 2024 (the “**Circular**”).

ORDINARY RESOLUTION

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

1. “**THAT**

- (a) (i) the subscription agreement dated 22 December 2023 (the “**Subscription Agreement**”) entered into between the Company and Mr. Wu Jianwei (the “**Subscriber**”) (a copy of the Subscription Agreement has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose) in relation to the allotment and issue of 19,516,000 new ordinary shares of HK\$0.01 each in the share capital of the Company (the “**Subscription Shares**”) by the Subscriber at the subscription price of HK\$0.82 per Subscription Share and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in the Subscription Shares, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to allot and issue the Subscription Shares in accordance with the terms of the Subscription Agreement, provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

NOTICE OF EGM

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

By Order of the Board
Cornerstone Technologies Holdings Limited
LI Man Keung Edwin
Vice Chairman and Executive Director

Hong Kong, 26 February 2024

Registered Office:

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

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

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

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

Executive Directors:

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

Non-executive Director:

Mr. Wu Jianwei (*Co-Chairman*)

Independent Non-Executive Directors:

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

Notes:

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

NOTICE OF EGM

3. Where there are joint registered holders of any shares, any one of such persons may vote at the EGM (or at any adjournment thereof), either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practise in Hong Kong), must be deposited with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time fixed for holding the EGM (i.e. not later than 3:00 p.m. on Wednesday, 13 March 2024) 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 Tuesday, 12 March 2024 to Friday, 15 March 2024 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 Monday, 11 March 2024.
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.