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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8391)

CONNECTED TRANSACTION **SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

Financial Adviser and Placing Agent to the Company



建泉融資有限公司

VBG Capital Limited

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 22 May 2024 (after trading hours), the Company and the Subscribers entered into the Subscription Agreement, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 25,008,000 new Shares at the Subscription Price of HK\$0.64 per Subscription Share. Each of the Subscribers shall subscribe for 8,336,000 new Shares. Completion of the Subscription is subject to the fulfilment of the conditions referred to in the paragraph headed “**Conditions of the Subscription**” of this announcement.

The Subscription Shares represent (i) approximately 2.76% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.69% of the issued share capital of the Company as enlarged by the issue and allotment 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 announcement and the date of Completion. The aggregate nominal value of the Subscription Shares will be HK\$250,080.

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\$15.8 million. On such basis, the net price per Subscription Share will be approximately HK\$0.63. The Company intends to apply the net proceeds from the Subscription as working capital of the Group and for general corporate purposes.

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought at the EGM. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

LISTING RULES IMPLICATIONS

The Subscribers are either substantial shareholder or Directors of the Company, and are therefore connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription will constitute a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Subscription and the Deed are on normal commercial terms or better and fair and reasonable, whether the Subscription is in the interests of the Company and the Shareholders as a whole. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate to allot and issue the Subscription Shares.

A circular containing (i) details of the Subscription Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; and (iv) the notice of the EGM and proxy form, will be despatched as soon as practicable in accordance with the GEM Listing Rules.

Completion of the Subscription is subject to fulfilment of the conditions under 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.

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 22 May 2024 (after trading hours), the Company and the Subscribers entered into the Subscription Agreement, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 25,008,000 new Shares at the Subscription Price of HK\$0.64 per Subscription Share. Each of the Subscribers shall subscribe for 8,336,000 new Shares. Completion of the Subscription is subject to the fulfilment of the conditions referred to in the paragraph headed “**Conditions of the Subscription**” of this announcement.

Principal terms of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

- Date:** 22 May 2024 (after trading hours)
- Parties:**
- (1) the Company (as issuer);
 - (2) Liang Zihao (as subscriber);
 - (3) Wu Jianwei (as subscriber); and
 - (4) Li Man Keung Edwin (as subscriber)

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

Subscription Shares

The Subscription Shares represent:

- (a) approximately 2.76% of the existing issued share capital of the Company as at the date of this announcement; and
- (b) approximately 2.69% 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 announcement and the date of Completion. The aggregate nominal value of the Subscription Shares will be HK\$250,080.

Subscription Price

The Subscription Price of HK\$0.64 per Subscription Share represents:

- (a) a premium of approximately 12.28% to the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on 22 May 2024, being the date of the Subscription Agreement; and
- (b) a premium of approximately 20.75% to the average closing price of HK\$0.53 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement.

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

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 Board having approved the Agreement and the transactions contemplated thereunder;
- (b) passing of the necessary resolution(s) at the EGM by the Independent Shareholders of the Company to approve this Agreement, the Specific Mandate and the transactions contemplated thereunder;
- (c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and such approval has not been revoked prior to Completion;
- (d) each of the Company and the Subscribers having obtained all necessary consents and approvals in respect of this Agreement and the transactions contemplated thereunder; and

- (e) there not having come to the attention of the Subscribers at any time prior to Completion (i) any breach of, or any event rendering untrue, incorrect or misleading in any respect, any of the representations, warranties or undertakings made by the Company referred to in this Agreement or (ii) any breach of, or failure to perform, any of the other obligations of the Company as required to be performed at or before Completion.

None of the conditions precedent set out in (a) to (e) above can be waived by the parties to the Subscription Agreement. If the above conditions are not fulfilled by before 4:00 p.m. (Hong Kong time) on 31 December 2024 (or such other date as the parties may agree in writing), the Subscription Agreement will be automatically terminated and lapsed and none of the parties to the Subscription Agreement shall have any claim against the other in respect of the Subscriptions, save for any antecedent breaches thereof.

Completion

Completion of the Subscription will take place within ten Business Days after the date of fulfillment 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 the electric vehicle charging business in Hong Kong.

INFORMATION ON THE SUBSCRIBERS

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

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

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

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

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\$15.8 million. On such basis, the net price per Subscription Share will be approximately HK\$0.63. The Company intends to apply the net proceeds from the Subscription as working capital of the Group and for general corporate purposes.

The Board considers that the Subscription represents a good opportunity to reduce the indebtedness and finance costs of the Group and to raise additional funds to strengthen the Group's financial position.

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.

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 announcement:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
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
22 December 2023 and 26 February 2024	Issue of 19,516,000 new Shares under specific mandate	HK\$16.0 million	(i) production and deployment of EV business; (ii) the general working capital	Fully utilised in accordance with the intended use

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 905,755,399 Shares in issue. The following is a table illustrating the shareholding structure of the Company (i) as at the date of this announcement; 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 date of this announcement and the date of Completion:

Controlling Shareholder, Substantial Shareholders and Directors	As at the date of 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 ^(Note 1)	235,603,225	26.02%	235,603,225	25.30%
Glorytwin Limited ^(Note 2)	72,000,000	7.95%	72,000,000	7.74%
Gaw Capital	58,704,000	6.48%	58,704,000	6.31%
Ms. Wu Yanyan	47,550,000	5.25%	47,550,000	5.11%
Mr. Pan Wenyuan	27,096,000	2.99%	27,096,000	2.91%
Tanner Enterprises Group Limited ^(Note 2)	17,392,000	1.92%	17,392,000	1.87%
Mr. Yip Shiu Hong	5,997,905	0.66%	5,997,905	0.64%
Mr. Ko Shu Ki Kenneth	3,712,000	0.41%	3,712,000	0.40%
Subscribers				
Mr. Wu Jianwei ^(Note 1)	52,508,000	5.80%	60,844,000	6.54%
Mr. Liang Zihao ^(Note 1)	8,800,000	0.97%	17,136,000	1.84%
Mr. Li Man Keung Edwin ^(Note 2)	14,712,613	1.62%	23,048,613	2.48%
Other public Shareholders	<u>361,679,656</u>	<u>39.93%</u>	<u>361,679,656</u>	<u>38.86%</u>
Total	<u><u>905,755,399</u></u>	<u><u>100.00%</u></u>	<u><u>930,763,399</u></u>	<u><u>100.00%</u></u>

Notes:

- (1) 235,603,225 Shares are held by Global Fortune Global Limited which is owned as to 51% by Mr. Wu Jianwei, a non-executive Director and Co-Chairman of the Board, and as to 49% by Mr. Liang Zihao, an executive Director and Co-Chairman of the Board.
- (2) 81,000,000 Shares are held by Glorytwin Limited which is wholly owned by Mr. Li Man Keung Edwin, an 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 11.49% of total issued Shares.

LISTING RULES IMPLICATION

As at the date of this announcement, Mr. Wu Jianwei is a non-executive Director, Mr. Liang Zihao is an executive Director and Mr. Li Man Keung Edwin is an executive Director, and are therefore connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscriptions constitute connected transactions and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

In accordance with the GEM Listing Rules, the Subscribers and their associates will be required to abstain from voting on the resolution(s) to approve the Subscription and the transactions contemplated thereunder at the EGM. Mr. Wu Jianwei is the sibling of Ms. Wu Yanyan, Global Fortune Global Limited is owned as to 51% by Mr. Wu Jianwei and 49% as to Mr. Liang Zihao and Glorytwin Limited and Tanner Enterprises Group Limited are 100% owned by Mr. Li Man Keung Edwin, hence, each of the Subscribers, Global Fortune Global Limited, Glorytwin Limited, Ms. Wu Yanyan and Tanner Enterprises Group Limited are required to abstain from voting on the relevant resolutions at the EGM.

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

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Subscription and the Subscription Agreement are on normal commercial terms or better and fair and reasonable, whether the Subscription is in the interests of the Company and the Shareholders as a whole. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to allot and issue the Subscription Shares.

A circular containing, among other things, (i) details of the Subscription and the Subscription Agreement; (ii) the recommendation from the Independent Board Committee in respect of the Subscription and the Deed and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Subscription Agreement and the transactions contemplated thereunder; and (iv) the notice of the EGM, will be dispatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

Completion of the Subscription is subject to fulfilment of the conditions under 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.

DEFINITIONS

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

“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 of the Company to be convened and held to consider and, if thought fit, approve (i) the Deed and the transactions contemplated thereunder; and (ii) the grant of the 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 Third Party(ies)”	third party(ies) independent of the Company and its connected persons

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Collectively, Mr. Wu Jianwei, Mr. Liang Zihao and Mr. Li Man Keung Edwin
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 22 May 2024 entered into between the Company and the Subscribers in relation to the Subscription
“Subscription Price”	HK\$0.64 per Subscription Share
“Subscription Shares”	an aggregate of 25,008,000 Shares to be allotted and issued by the Company to the Subscribers pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 22 May 2024

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

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