Cornerstone Technology (8391.HK)

Benefiting from the rapid development of the charging industry and Hong Kong's supportive policies, Revenue is expected to see an explosive growth

◆**With substantial efforts from the Hong Kong government, the overall market size of charging solutions in Hong Kong is expected to achieve a compound annual growth rate of up to 60% in the next five years and reach a market size of US$1,200,000,000 by 2026.** It is speculated that the number of public EV chargers in Hong Kong will increase from the current 5,283 units to 30,000+ units in 2026, representing a compound annual growth rate of up to 55% . The overall EV-to-charger ratio will decrease from the current 6.8 to around 4, and the problem of EV charging will gradually ease. Currently, the Company has been awarded three EHSS projects under the HK$3,500,000,000 EV-charging Easy Subsidy Scheme of the Hong Kong Government. It is expected that the number and amount of projects to be awarded to the Company will account for more than 30%.

◆**Cornerstone Technologies is the largest one-stop solutions company for EV charging in Hong Kong, and is expected to further increase its market share from the current 30% to 45% or even 50% in the future.** The Company's innovative chargers, payment solutions, i.e. monthly subscription plans based on electricity usage, and relatively more attractive entry-level subscription plans are very competitive compared to other charging service providers. In addition to innovative hardware, the Company continues to launch innovative software service platforms such as Cornerstone GO. Cornerstone GO provides immediate benefits to the ecosystem's stakeholders, especially to improve the charging facilities utilization, customer experience satisfaction of charging operators, and to provide marketing opportunities for electric vehicle drivers. **Cornerstone Technologies' integrated hardware infrastructure and software service platform also help the Company expand its market share.**

◆**Apart from having diversified customers and partners in Hong Kong, Cornerstone has also accelerated its expansion into emerging markets in Southeast Asia to maintain rapid growth and sustainability.** At present, the Company has established partnerships with major real estate developers, property management companies, car park operators, car brands and fleet operators to form a strong operating network, providing support for the Company's steady development in Hong Kong. At the same time, the Company has established joint ventures in Thailand and Cambodia to develop local charging business, and plans to expand its business in other Southeast Asian countries such as Singapore, Malaysia and Indonesia. It is expected that the overseas market will contribute at least 10% of the Company's revenue in the next five years.

◆ **According to the orders and development plans of Cornerstone Technologies' partners, the revenue is expected to be HK$33,145,430 in 2022, and will increase by 742% year-on-year to HK$278,938,575 in 2023.** Based on the relative valuation method, with reference to US electric vehicle charging companies such as CHPT.US, WBX.US, EVGO.US, BLNK.US, ALLG.US, etc., also benefiting from the high revenue growth of Cornerstone Technologies, applying a 7x~10x Price to Revenue in 2023 to its expected forward looking revenue, implies a market capitalization of HK$1,900 million - HK$2,800 million. The current market capitalization of the Company (28 November 2022) is HK$1,050 million, implying 3.8x Price to Revenue.

Price (22 Nov 22, HK$)	1.43
52-week price range	0.51 - 1.21
Enterprise value (HK$ m)	1,050

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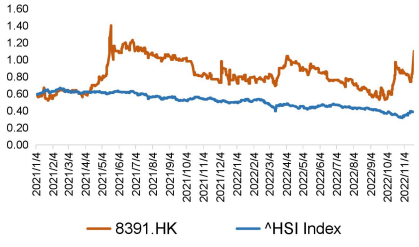
Share price performance



Financial and Valuation Metrics

HK$	Reported 2022 Jan -Sep	2022E	2023E	2024E	2025E	2026E
Total Revenue	20,843,981	33,145,430	278,938,575	321,805,902	419,585,580	615,907,565
GROSS PROFIT	3,302,250	5,102,442	51,861,194	77,034,805	141,407,405	271,224,687
GROSS MARGIN	*15.84%*	*15.39%*	*18.59%*	*23.94%*	*33.70%*	*44.04%*
Total Operating Expenses	28,275,078	46,526,583	57,969,789	63,721,440	71,234,169	80,140,004
EBITDA	**(24,972,828)**	**(41,424,140)**	**(6,108,594)**	**13,313,365**	**70,173,237**	**191,084,682**
Price to Revenue	50.4	31.7	3.8	3.3	2.5	1.7

Source: Company data, AceCamp estimates

Risk warning: policy support is less than expected, electric vehicle market growth is lower than expected, competition in the charger industry intensifies, and other possible effects of macro-economic or micro-economic factors.

Table of Contents

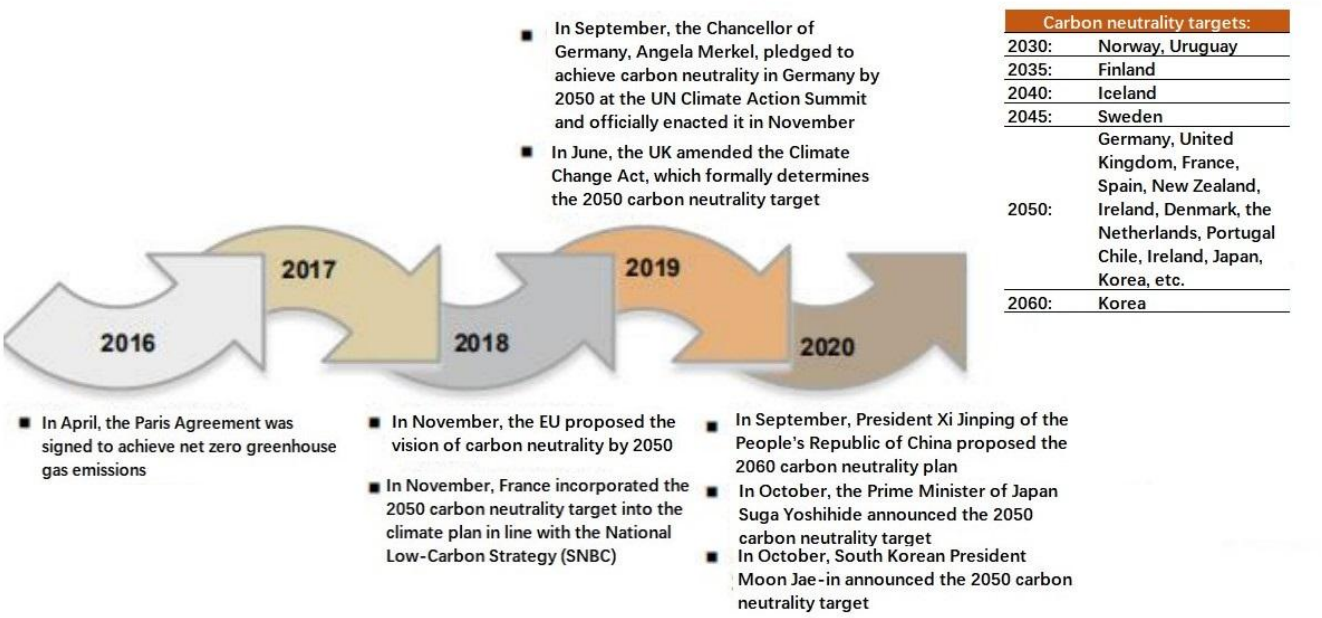
1. Overview of the EV and Charging Industry

Global EV Market:

The sales of global EV doubled in 2021 and is expected to grow 60% year-on-year to 10,000,000 units in 2022

The concept of electric vehicles was introduced in the early 1800s and has improved significantly over the past decades to achieve mass commercialization. Electric vehicles rely on electricity. The motor converts energy into mechanical energy without any type of additional fuel. In recent years, electric vehicles have become increasingly popular around the world, benefiting from environmental effects in addition to battery technology breakthroughs. The increasing global concerns on the negative impact of climate change and the shocking level of pollution in major cities have driven the demand for electric vehicles. At present, climate change is one of the key challenges around the world, with carbon emissions being the core pressing issue, and major economic entities have released timetables striving to achieve carbon neutrality.

Figure 1: Carbon Neutrality Targets



Source: National news

With the rising awareness of environmental and climate crisis, many countries and regions have set phased policy objectives for electric vehicles. In the 26th United Nations Climate Change Conference, 11 automobile manufacturing companies in 33 countries around the world also signed the "Declaration on Accelerating the Transition to 100% Zero Emission Cars and Vans", including 24 countries such as the United Kingdom and Canada, which are expected to stop selling fossil fuel-powered vehicles by 2040 or earlier; Nine other countries, including India and Turkey, pledged to significantly accelerate the popularization of zero-emission vehicles; 11 automakers pledged to sell zero-carbon new vehicles by 2035, which means electric vehicles will become the mainstream in the future.

In order to promote the popularity of electric vehicles, local governments have also invested in the infrastructure required for electric vehicles, including a large number of charging stations, charging piles and smart grids. The Hong Kong government is also dependent on various departments to prepare for the changes in the number of electric vehicles.

Figure 2: Forbidding ICE Sales Target Year

	2015	2021	Forbidding ICE Sales Target Year
Norway	16.1%	65%	2025
Sweden	0.8%	46%	2030
Netherlands	0.6%	30%	2030
Hong Kong	5.2%	24%	2035
United Kingdom	0.4%	16%	2030
The PRC	0.7%	13%	2025

Note:

(1) Only includes the latest data of electric private vehicles in 2020.

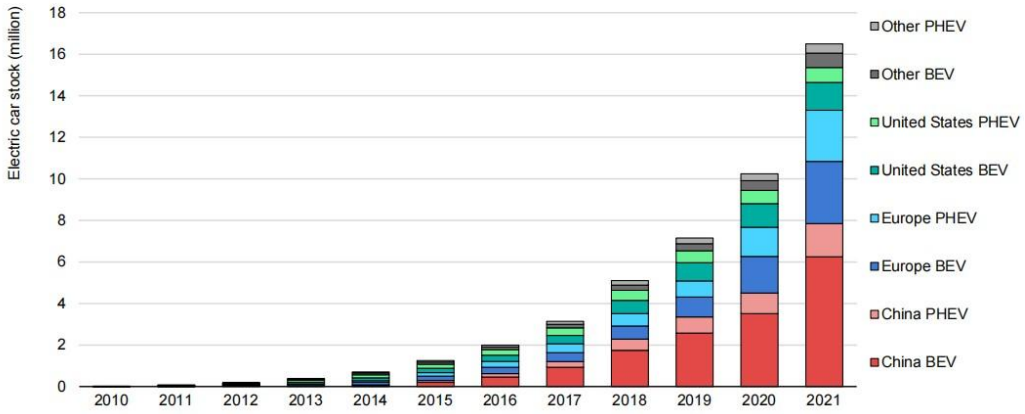
(2) Target to increase the sales proportion of pure electric vehicles such that they will become the mainstream of new vehicle sales by 2035.

Source: National and regional news

Despite the supply chain disruptions from the COVID-19 pandemic and the shortage of semiconductor chips, the sales of electric vehicles reached a record high in 2021. In 2021, the sales of pure battery electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV) nearly doubled year-on-year to 6,600,000 units. As a result, the total number of electric vehicles on the road exceeded 16,500,000. The growth of BEVs accounted for the majority (approximately 70%).

The electric vehicle market is expanding rapidly. In 2021, the sales of electric vehicles accounted for 9% of the global automobile market, and the net growth of global automobile sales was entirely from electric vehicles. The sales of electric vehicles in the China market reached a new record in 2021, representing a double as compared to 2020, reaching 3,300,000 units, while the sales of electric vehicles in the European market increased by two-thirds year-on-year, reaching 2,300,000 units. In 2021, the total sales of China-Europe market accounted for more than 85% of the global sales of electric vehicles, followed by the U.S. market, which accounted for 10% and sales doubled to 630,000 units as compared to 2020.

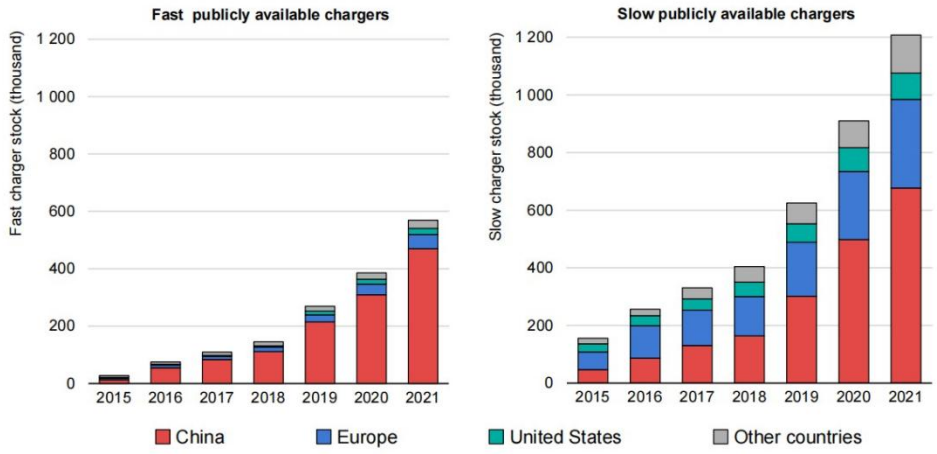
Figure 3: Global Electric Car Stock, 2010-2021



Source: IEA

In 2021, public charging stations for electric vehicles increased by nearly 40%. As of 2021, there were nearly 1,800,000 charging stations in the global publicly available charging piles, of which one-third were fast charging piles. By 2021, nearly 500,000 charging piles have been installed globally, which is more than the total number of publicly available charging piles available in 2017. Although the number of publicly available charging piles increased by 37% in 2021, it was lower than the growth rate of 45% in 2020 and also lower than the penetration rate before the outbreak of the pandemic. From 2015 to 2019, the average annual growth rate of charging piles was nearly 50%. Compared to 2020, the demand for fast charging increased slightly from 43% to 48% in 2021, while the demand for slow charging decreased from 46% to 33%. The PRC remains a global leader in the development of publicly available charging piles. Its fast charging piles and slow charging piles accounted for 85% and 55% of the world's total respectively.

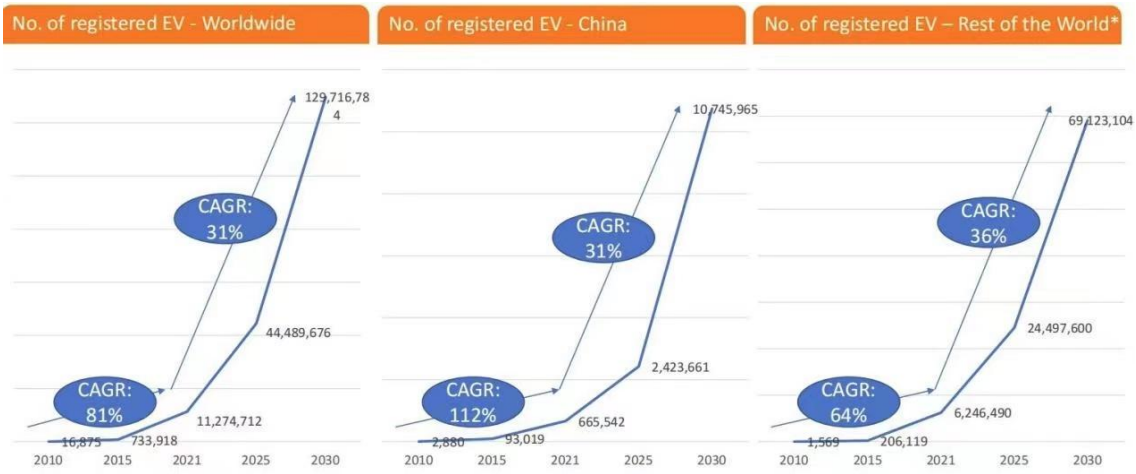
Figure 4: Publicly Accessible LDV Charging Points by Power Rating and Region, 2015-2021



Source: IEA

According to the International Energy Agency, with the combined effect of development policies of new energy vehicles in various regions, the global electric vehicle market is expected to maintain rapid growth, especially in emerging countries and regions.

Figure 5: The Global Electric Vehicle Market



Source: IEA, *Excluding USD, EU, China and India

The rapid growth of electric vehicles is mainly attributable to the continuous expansion of infrastructure networks in various countries, which is further beneficial to the electric vehicle market, and the increasing number and popularity of charging points on civil roads in some countries, in addition to various government initiatives to encourage sales and battery technology advancement that drive the gradual parity of electric vehicles.

Hong Kong Market:

Hong Kong electric vehicle market has shown explosive growth, but charging infrastructure construction is comparatively lagging behind

On the policy side, the Environmental Protection Department of the Government of the Hong Kong Special Administrative Region vigorously promotes the use of electric vehicles for improvement of air quality. At the same time, the Hong Kong Government has announced the first "Hong Kong Road Map on Popularization of Electric Vehicles" on 17 March 2021, which sets out the long-term policy goals and plans for promoting the use of electric vehicles and the auxiliary facilities required in the Territories in the future. The "Hong Kong Road Map on Popularization of Electric Vehicles" will lead Hong Kong to achieve zero vehicle emission by

2050, which is in line with Hong Kong's goal of achieving carbon neutrality by 2050 and striving towards the vision of "Zero Carbon Emission · Clean Air · Smart City".

In the aspect of private charging facilities, the government aims to promote at least 150,000 parking spaces in private residential and commercial buildings equipped with EV charging infrastructure by 2025, mainly for the use of electric private cars, which can also support some of electric light trucks. In particular, the HK$2,000,000,000 "EV-charging at Home Subsidy Scheme" started accepting application in October 2020, aiming to assist car parks of private residential buildings to install EV charging infrastructure, covering 60,000 parking spaces. With the overwhelming response, the "EV-charging at Home Subsidy Scheme" further increased to HK$3,500,000,000 in February 2022. At the end of January 2022, 560 applications were received covering just less than 115,000 car parking spaces, which is close to double the original target of approximately 60,000 car parking spaces, and the amount of subsidies involved has reached the cap of the total subsidies under the "EV-charging at Home Subsidy Scheme".

For public charging facilities, the Government has allocated HK$120,000,000 for a three-year plan to gradually increase the number of chargers in government car parks from 1,100 at the end of 2020 to 1,800 by 2022. The Government has also set a target to provide at least 5,000 chargers by 2025 and plans to double the number of chargers in the future. As the utilization rate of electric vehicles continues to increase, market-oriented charging services for electric vehicles are also urged to promote the long-term sustainable development of charging services for electric vehicles and avoid abuse of electric vehicle chargers.

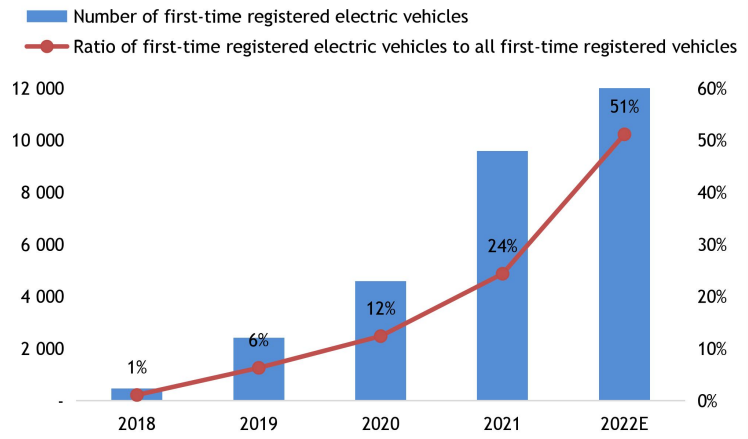
The government has reduced the first registration tax for electric vehicles. The first registration tax for electric commercial vehicles (including trucks, buses, minibuses, taxis and special purpose vehicles), electric motorcycles and motor tricycles is fully exempted. The following concession arrangements were implemented for electric private vehicles:

a. Apart from eligible private car owners, the first registration tax allowance for general electric private vehicles is capped at HK$97,500.
b. Arrange for the demolition and cancellation of the registration of their eligible old private vehicles (private vehicles or electric private vehicles equipped with internal combustion engines) and the first-time registered owner of a new electric private vehicle can enjoy a higher first registration tax deduction under the "One-for-One Replacement" Scheme with a cap of HK$287,500.

The terms of the above concessionary arrangement is effective until 31 March 2024.

According to the statistics published by the Transport Department of Hong Kong, the number of first-time registered electric vehicles increased significantly from 471 in 2018 (representing 1% of the total first-time registration) to 9,583 in 2021 (representing 24% of the total first-time registration) and is expected to increase to 16,100 in 2022 (representing approximately 50%).

Figure 6: Number of First-Time Registered Electric Vehicles in Hong Kong

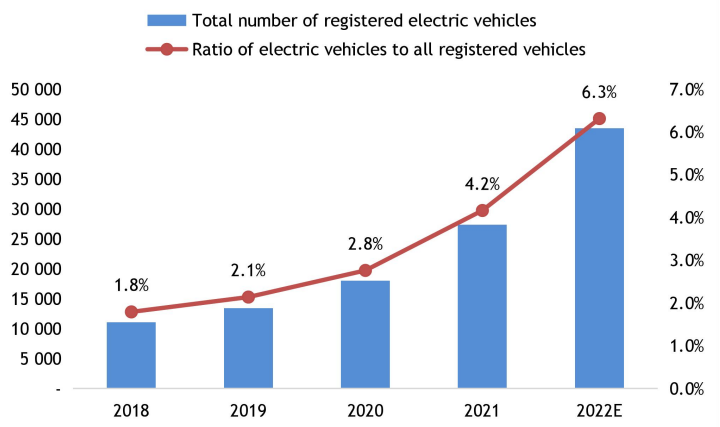


Source: Transport Department, HKSAR

The number of registered electric vehicles in Hong Kong increased from 11,080 units (representing 1.8% of the total number of registrations) in 2018 to 27,358 units (representing 4.2% of the total number of registrations) in 2021, and is expected to increase to 43,459 units (representing 6.3% of the total number of

registrations) in 2022.

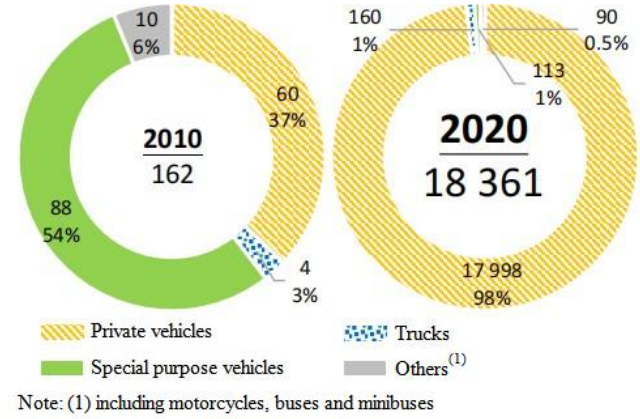
Figure 7: Total Number of Registered Electric Vehicles in Hong Kong



Source: Transport Department, HKSAR

The distribution of electric vehicle types in Hong Kong has changed significantly over the past decade. Most of the electric vehicles (54%) in 2010 were specialized vehicles (such as fork-lift trucks and industrial trailers), while private vehicles accounted for only 37%. However, after 10 years, electric private vehicles accounted for 98% of the total number of electric vehicles in Hong Kong in 2020, partially due to a sharp increase in the number of models of electric private vehicles in the past 5 years to 81 models in 2020, and thus consumers benefited from a more diversified choice. By the end of September 2022, 203 models of electric vehicles from 16 economic entities have been approved by the Transport Department, including 158 private vehicles and 45 public transport vehicles.

Figure 8: Hong Kong Electric Vehicles by Type



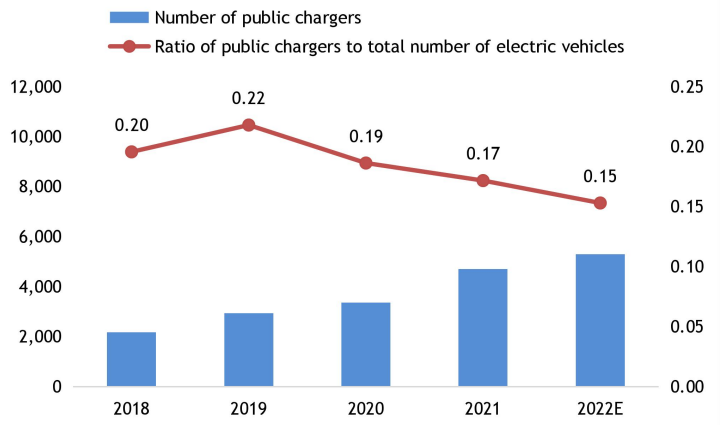
Source: Transport Department, HKSAR

The three factors having a significant impact on the number of electric vehicles in Hong Kong are production technology, total cost and supporting infrastructure. The total cost and supporting infrastructure are influenced by government policies. Prior to April 2017, the Hong Kong Government has exempted the first registration tax on electric vehicles to encourage citizens to choose electric vehicles instead of other types of vehicles. With the decrease in the price of electric vehicles, electric vehicles are more cost competitive than diesel locomotives. However, in 2017, the government announced to set a cap on the initial registration tax reduction for electric vehicles to encourage citizens to choose public transport instead of private vehicles. In 2018, the Hong Kong Government revised the scheme by launching a new “One-for-One” Replacement Scheme and further improved the “One-for-One” Replacement Scheme in 2019. The total number of electric vehicles continued to grow in 2019.

The lack of public charging facilities is a major hindrance in Hong Kong to further expand the use of electric vehicles.

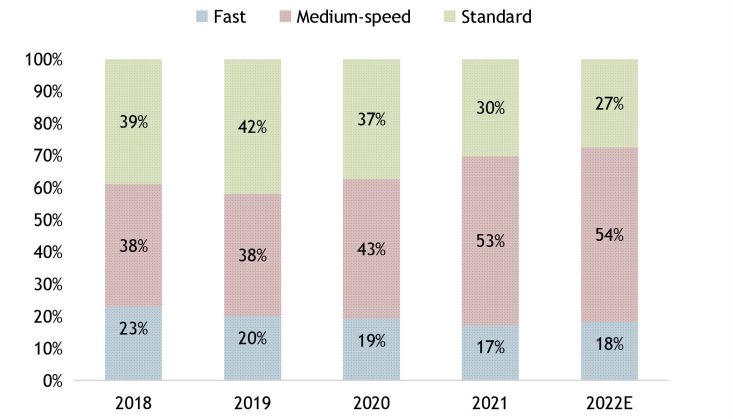
As at the end of September 2022, there were 5,283 chargers available for public use in Hong Kong, including 2,871 medium-speed chargers (accounting for 54%) and 961 fast chargers (accounting for 18%), distributing throughout 18 districts in Hong Kong. Although the number of chargers has increased rapidly as compared to 2,166 in 2018, the ratio of public chargers to total electric vehicles decreased from 0.20 in 2018 to 0.15 in September 2022. As the installation of charging facilities in existing private car parks requires modification of original power systems and wires, many existing private car parks do not have private charging facilities, especially private car parks with strata title.

Figure 9: Number of Public Chargers in Hong Kong



Source: Environmental Protection Department, HKSAR Government

Figure 10: Public Chargers` Speed in Hong Kong

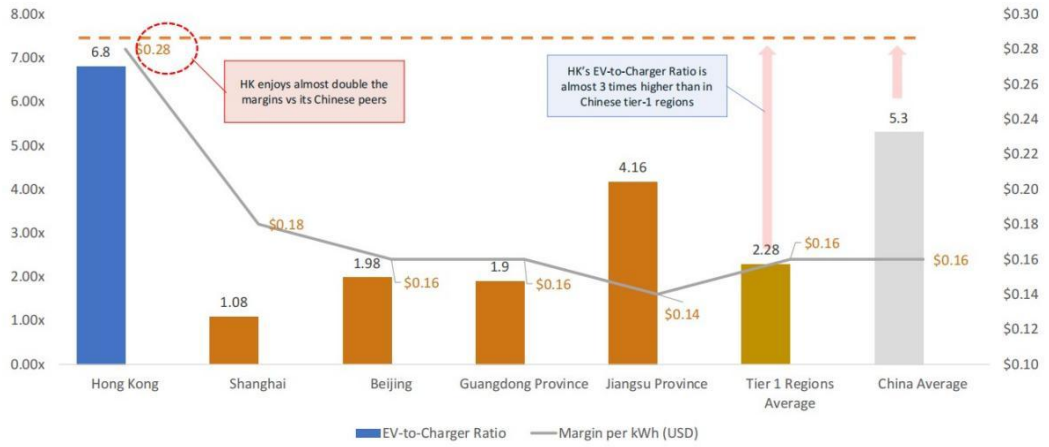


Source: Environmental Protection Department, HKSAR Government

The ratio of public charging facilities to electric vehicles is 1:6.8, making regular charging of electric vehicles a major problem and impeding the popularity of electric vehicles. Compared with major cities and provinces in the PRC, there is much room for future development of charging facilities in Hong Kong.

EV charger ratio & Electric vehicle owners in Hong Kong are more receptive to higher charging rates than major cities and provinces in PRC, and hence charging margins can also be enhanced:

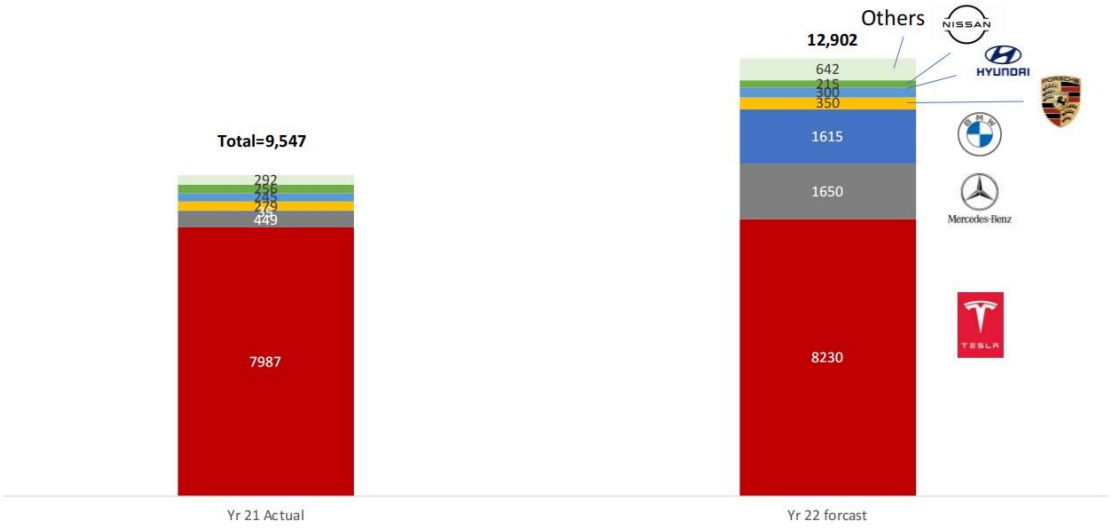
Figure 11: EV-to-Charger Ratio and Margin per kWh



Source: Transport Department, HKSAR,Local research data

Although Tesla is the most popular electric vehicle brand in Hong Kong, other European, Korean and Japanese brands are growing rapidly. In 2022, luxury car brands are expected to continue to be the focus, with the gradual improvement of infrastructure such as chargers, the development of electric vehicle brands will be gradually diversified.

Figure 12: Main Electric Vehicle Brands in Hong Kong



Source: Transport Department,Local research data

The major public charging service providers in Hong Kong are Tesla, HK Electric, CLP, SmartCharge and EV Power. For medium-speed charging services, both SmartCharge and EV Power have monthly fee plans where customers can charge a certain number of hours after paying a fixed amount subscription per month and also with complimentary facilities in some car parks. On the other hand, Cornerstone Technologies' monthly fee plan is priced based on electricity usage instead of charging time, and Cornerstone Technologies' entry plan is lower than the existing entry plans of SmartCharge and EV Power. Its plan also integrates load management and contactless payment mechanisms to allow flexibility to purchase additional electricity beyond the monthly fee plan limit. The 24-month contract period is also competitive compared to the minimum contract period of 24 to 36 months.

Figure 13: Cornerstone Technologies Monthly Fee Plans

Getting Started Light - HK$680	Popular Choice Standard - HK$980	Good Value for the Money Advance - HK$1,580
Energy: 180 kWh (kWh)	Energy: 300 kWh (kWh)	Energy: 600 kWh (kWh)
Deposit-free $10,000	Deposit-free $10,000	Deposit-free $10,000
No basic installation fee ^$6,000	No basic installation fee^ ^$6,000	No basic installation fee^ ^$6,000
Medium speed 7kw charger	Medium speed 7kw charger	Medium speed 7kw charger
Supporting major electric vehicle brands	Supporting major electric vehicle brands	Supporting major electric vehicle brands
Handy mobile app activation	Handy mobile app activation	Handy mobile app activation
Public liability insurance	Public liability insurance	Public liability insurance
Maintenance and annual inspection	Maintenance and annual inspection	Maintenance and annual inspection
Contract period 36 months	Contract period 36 months	Contract period 36 months
One-off Relocation Service	One-off Relocation Service	One-off Relocation Service
7x24 Technical support	7x24 Technical support	7x24 Technical support
Holiday tours	Home charging	Self travel charging

Source: Company website

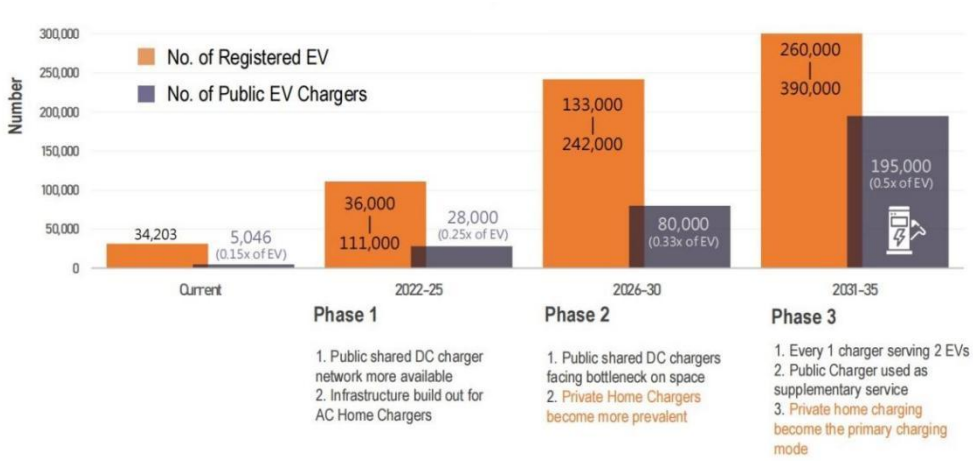
Figure 14: SmartCharge Monthly Fee Plan

LITE	Charging Current: 32A	Monthly Charging Hours: 30 Hours	Commitment Period: 36 Months	Monthly Service Fee: HK$1,280
STANDARD	Charging Current: 32A	Monthly Charging Hours: unlimited	Commitment Period: 36 Months	Monthly Service Fee: HK$ 1,800

Source: Company website

With strong policy support, it is expected that Hong Kong's electric vehicles and charging infrastructure will grow exponentially by 2035, and the growth rate of charging infrastructure will be higher than that of electric vehicles, and the ratio of number of public charging facilities to the number of electric vehicles will gradually ease off.

Figure 15: Number of Registered EV and EV Chargers Trend in Hong Kong



Source: Car brand interviews and estimates

2. Business Analysis of the Company

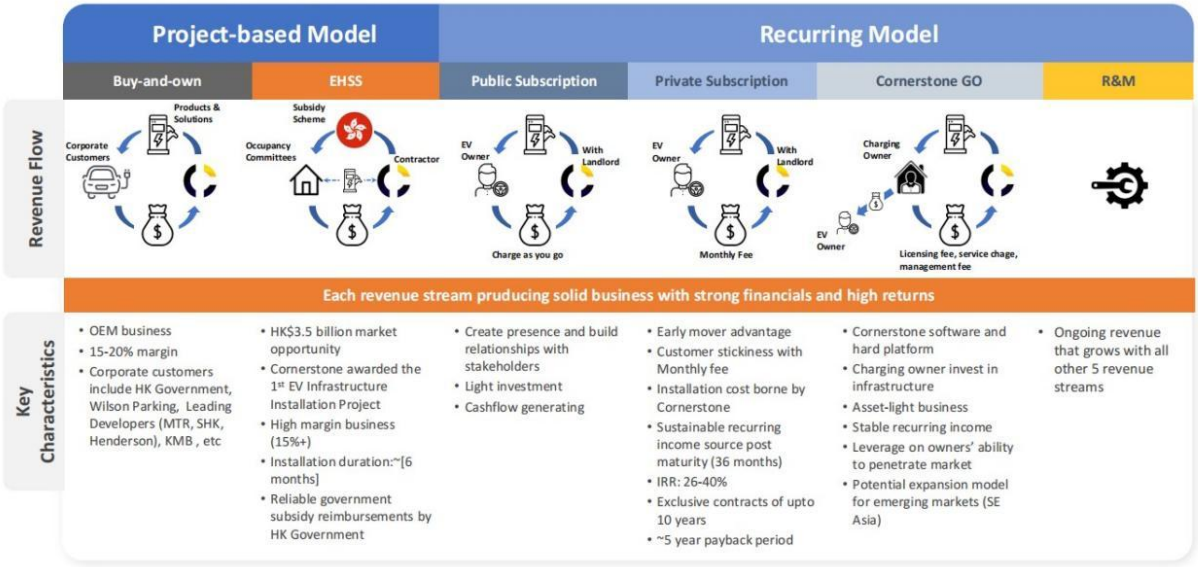
Established in 2016 and listed in Hong Kong in August 2020 (8391.HK), Cornerstone Technologies is the largest one-stop EV charging solution provider in Hong Kong.

The Company is principally engaged in the provision of integrated charging solutions for electric vehicles, including supply and installation of EV chargers, development of EV charging infrastructure (EVCI), central management system, electronic payment centre, load management system (LMS) and licence plate recognition system (LPRS). Its comprehensive services include (i) research and development; (ii) software development and system integration; (iii) installation, testing and certification and maintenance; (iv) charging point operation; (v) after-sales services.

Business model of the Company

The Company's business model can be divided into two types based on the nature of revenue: project-based model and circular model (subscription model).

Figure 16: Business Model



Source: Company

A. Project-based model

The project-based model mainly involves the one-off purchase of the Company's charger facilities by customers and the corresponding after-sales services. Under this model, the Company's revenue will rely on sales channels and B2B sales capabilities, and cash flow will be realized quickly. The project-based model mainly includes the **self-purchased and self-owned programme** and the **EHSS programme**.

The profit margin of this model is 15%-20%. Corporate customers include the Hong Kong Government, Wilson Parking, major developers (MTR, Sun Hung Kai, Henderson), KMB, etc.

Project-based model update:

For **self-purchased and self-owned programme**, referring to the Company's contracts on hand, the expected income in the next 12 months is more than HK$50,000,000, and the expected return rate is 15% to 20%.

EHSS project workflow: a. apply for funding from the owners' committee (OC). b. design and tender contracts by consultants appointed by the OC. c. appoint contractor to install EVCEI. Up to now, more than 270 projects have been approved by the Hong Kong government, and more than 100 projects will be voted in the next 12 months. It is expected that the Company will win more than 30 tenders, with an expected return of more than HK$150,000,000 and an expected rate of return of around 20%.

B. Circular model (Subscription model)

To generate more stable recurring income, the Company has introduced a subscription model since 2019. Under the subscription model, the Company will apply an integrated EV charging solution to EV chargers to operate and monitor the EV charging system directly.

Specifically:

· Subscription Model – Residential Parking (Private Subscription)

· Subscription Model – Commercial Parking (Public Subscription)

· Subscription Model – Repair and Maintenance

· Subscription Model – Cornerstone GO

Cornerstone GO Growth Strategy:

Stage 1 Pilot Development in 2022: Hong Kong Targets

• 50 charging station operators (over 150 chargers)

• 1,000 members

• Growth through investments in kiosks and solutions

• 1-2 flagship partners, OEMs, enterprises receiving marketing fees from OEMs

Stage 2 Operation Optimization in 2023: Hong Kong Targets

• 100 charging station operators (more than 500 chargers)

• 5,000 members

• Partial investments in kiosks and solutions

• Started to use the database to market EV/vehicle related services

Stage 3 Scale of Business in 2024: Hong Kong Target

• More than 200 charging station operators (1,000 more chargers)

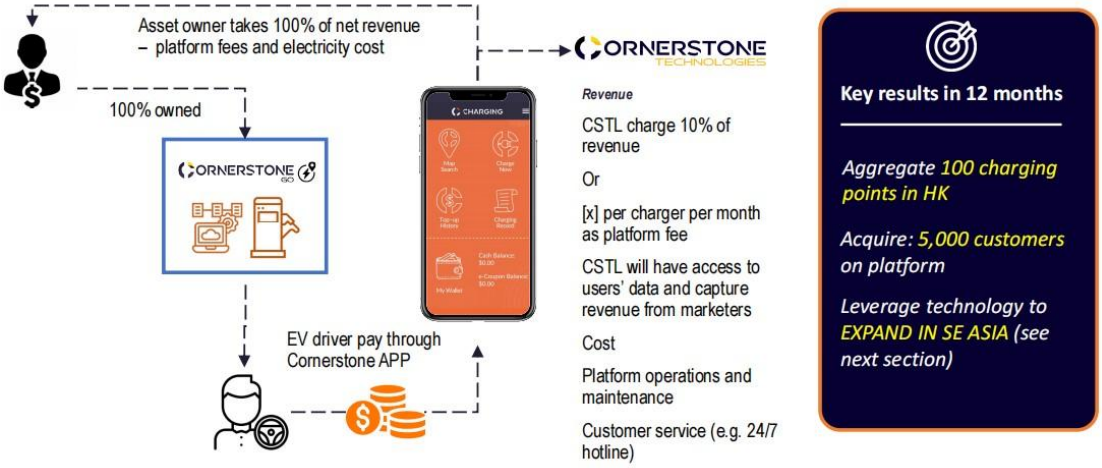
• 15,000 members

• Obtain the right as charging station operator with very limited investment

• Begins to gain value through loyalty programs and other innovative partnerships

Given the overwhelming response from the public, as at November 2022, Cornerstone had more than 4000 members, outperforming its own internal targets and close to hitting its 2023 target.

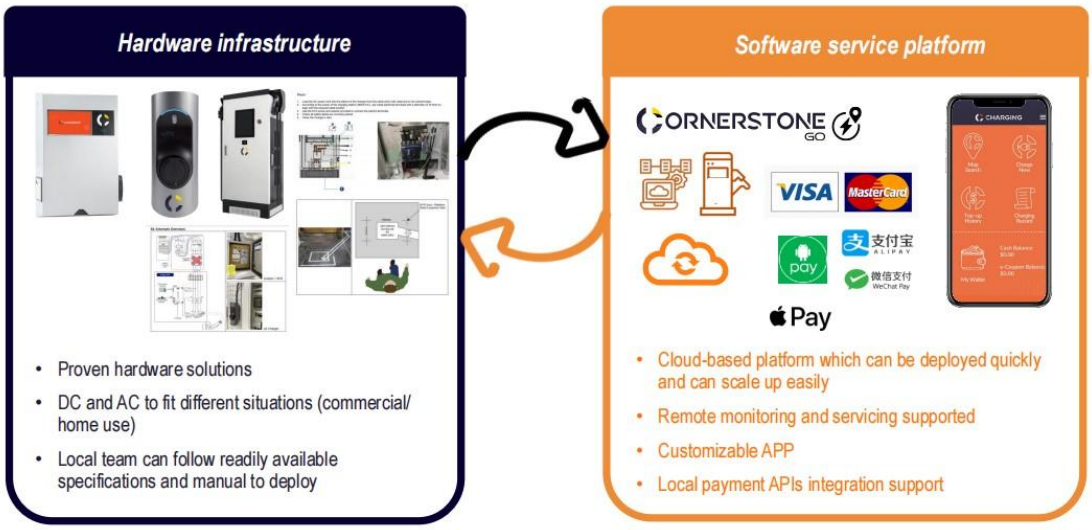
Figure 17: Cornerstone GO's Business Model and Current Key Performance



Source: Company

Cornerstone Technologies' integrated hardware infrastructure and software service platform will help accelerate the Company's business development:

Figure 18: Cornerstone Technologies' Integrated Hardware Infrastructure and Software Service Platform



Source: Company

Existing customers and partners: developers and owners, governments and public institutions, service providers and automobile brands.

Figure 19: Existing Customers and Partners

Source: Company

The lagging of charging infrastructure for electric vehicles in Southeast Asia benefited overseas expansion, but various state-owned schemes have caught up. Based on mature hardware technology facilities and software service platforms, Cornerstone Technologies is expected to rapidly expand into these overseas markets. At present, the Company has established joint ventures in Thailand and Cambodia, and is under negotiation for Singapore, Malaysia and Indonesia.

Figure 20: Number of Public Charging Piles in Southeast Asia And Policy Objectives

Nation/Region	Number of public charging points	Government target number
Hong Kong	5046	
Singapore	2200	• 60,000 charging stations by 2030 • Phasing out internal combustion engine vehicles by 2040
Malaysia	1000	• Blueprint for 100,000 electric vehicles, 2000 electric buses • 125,000 public charging stations by 2030
Thailand	700	• 7,000 charging stations in the next few years • Sales of electric vehicles only by 2035
Indonesia	350	• 2,400 public charging stations by 2025 • 31,000 chargers by 2030 • 20% of vehicle sales will be electric vehicles by 2025
Philippines	150	• 200 charging stations by 2022
Cambodia	50	• 50,000 electric vehicles by 2027 • Increase more than 60 charging stations per year

Source: IEA and respective countries' press releases

With the vigorous promotion of policies in Hong Kong, the electric vehicle industry and the construction of charging infrastructure in Hong Kong are developing rapidly. Based on the progress of various projects of Cornerstone Technologies, it is expected that the Company's market share will increase from the current 30% to 45%~50% within five years, and will become the leading electric vehicle charging solution provider in Hong Kong, while having strong competitiveness in Southeast Asia.

3. Profit Forecast and Valuation

As Cornerstone Technologies' EV charging business is still at an initial stage and benefiting from the HKSAR Government, the Company's charging business is expected to grow rapidly starting from 2022, the corresponding core assumptions are set out below starting from 2022. Considering the impact of the epidemic on the company's business development in the second half of 2022, it is expected that related businesses will gradually enter the outbreak stage in 2023.

Profit Forecast: Based on the hypothetical data of each part

Revenue is expected to be HK$33,145,430 in 2022, representing a year-on-year increase of 742% to HK$278,938,575 in 2023, with a compound annual growth rate of 30% from 2023 to 2026; EBITDA is expected to be a loss of HK$41,424,140 in 2022, an EBITDA loss of HK$6,108,594 in 2023 and EBITDA will become positive starting from 2024, reaching HK$191,084,682 in 2026.

Figure 21: Forecast Summary

ACECAMP FORECAST

2022 -2026 FORECAST SUMMARY

HK$	Reported 2022 Jan -Sep	2022E	2023E	2024E	2025E	2026E
Total Revenue	20,843,981	33,145,430	278,938,575	321,805,902	419,585,580	615,907,565
Total Cost of Revenue	17,541,731	28,042,987	227,077,381	244,771,097	278,178,175	344,682,878
GROSS PROFIT	3,302,250	5,102,442	51,861,194	77,034,805	141,407,405	271,224,687
GROSS MARGIN	*15.84%*	*15.39%*	*18.59%*	*23.94%*	*33.70%*	*44.04%*
Total Operating Expenses	28,275,078	46,526,583	57,969,789	63,721,440	71,234,169	80,140,004
EBITDA	**(24,972,828)**	**(41,424,140)**	**(6,108,594)**	**13,313,365**	**70,173,237**	**191,084,682**

Source: AceCamp estimates

Valuation

According to the relative valuation method, with reference to the US electric car recharging related companies such as CHPT.US, WBX.US, EVGO.US, BLNK.US, ALLG.US, etc., and given the high revenue growth of Cornerstone Technologies, we believe a Price to Revenue multiple of 7x~10x on its 2023 revenue is substantiated, and the market value of the Company to be in the range of HK$1,900 million - HK$2,800 million. The current market capitalization of the Company (28 November 2022) is HK$1,050 million, implying a 3.8x Price to Revenue on its 2023 revenue.

Figure 22: US Related Companies Valuation

Company	Ticker	Market Cap (USD in Ms)	Revenue (USD in Ms) 2022E	Revenue (USD in Ms) 2023E	EBITDA (USD in Ms) 2022E	EBITDA (USD in Ms) 2023E	Price to Revenue 2022E	Price to Revenue 2023E
ChargePoint	CHPT.US	4,860	400	690	(230)	(180)	12.2	7.0
Wallbox	WBX.US	1,130	188	394	(54)	(34)	6.0	2.9
EVgo	EVGO.US	2,000	50	166	(82)	(56)	40.0	12.0
Blink Charging	BLNK.US	780	54	93	(70)	(70)	14.4	8.4
Allego	ALLG.US	920	148	237	6	27	6.2	3.9

Source: Thomson

Key Revenue Core Assumptions

- **EHSS:**

Revenue is expected to be HK$9,294,930 in 2022, HK$208,000,000 in 2023 and HK$208,000,000 in 2024. If the Hong Kong government's investment continues to increase in the future, this segment of revenue may maintain continuous growth.

There were 210 projects with an average value of HK$5,000,000 per project, representing 30% share of HK$3,500,000,000 from the HKSAR Government. It is assumed that the project gross profit is 15%~20% and the average number of projects in the next five years is 42 per year, i.e. 3.5 per month on average, which has been launched in May 2022.

Figure 23: Cash Flow of Each Project

Actual Cashflow of EHSS per project

	Nature	Income Received from IO	Project cost paid to Subcontractors
1st month	Project award	20%	40%
2nd month			
3rd month			10%
4th month			10%
5th month	Approx 70% work completed	40%	10%
6th month			10%
7th month			10%
8th month	Site completion		5%
9th month	Project completed and examinated by Consultant and EPD	35%	
10th month	Retention period		
11th month	Retention period		
12th month	Retention period		
13th month	Retention period		
14th month	Retention period		
15th month	Retention period	5%	5%
		100%	100%

Source: Company

Figure 24: EHSS Revenue and Cash Flow Model

HK$	Reported 2022 Jan -Sep	2022E	2023E	2024E	2025E	2026E
REVENUE						
EHSS	5,915,210	9,294,930	208,000,000	208,000,000	208,000,000	208,000,000
COST OF REVENUE						
EHSS	5,476,339	8,524,192	176,800,000	176,800,000	176,800,000	176,800,000
GROSS PROFIT	438,871	770,737	31,200,000	31,200,000	31,200,000	31,200,000
GROSS MARGIN	*7.42%*	*8.29%*	*15.00%*	*15.00%*	*15.00%*	*15.00%*

Source: AceCamp estimates

• Sales revenue of charging system:

The revenue of Hong Kong is expected to reach HK$21,405,651 in 2022, representing a year-on-year increase of 175% to HK$58,800,000 in 2023 and a CAGR of 25% from 2024 to 2026.

In the first half of 2022, the sales revenue of charging systems was HK$20,000,000, assuming an average annual growth rate of 20% and a gross profit margin of 19% in the coming five years and, an annual growth rate of 25% and gross profit of 10% for regions and countries outside Hong Kong.

Figure 25: Trade Revenue Model

HK$	Reported 2022 Jan -Sep	2022E	2023E	2024E	2025E	2026E
REVENUE						
Trade	13,536,335	21,405,651	58,800,000	73,500,000	91,875,000	114,843,750
COST OF REVENUE						
Trade	11,002,969	17,666,742	47,040,000	58,800,000	73,500,000	91,875,000
GROSS PROFIT	2,533,366	3,738,909	11,760,000	14,700,000	18,375,000	22,968,750
GROSS MARGIN	*18.72%*	*17.47%*	*20.00%*	*20.00%*	*20.00%*	*20.00%*

Source: AceCamp estimates

• Subscription revenue:

The revenue of private subscription is expected to be HK$1,036,502 in 2022, representing a year-on-year increase of 527% to HK$6,503,482 in 2023 and a CAGR of 243% from 2024 to 2026.

It is estimated that 25 new charging points will be added in 2022. Assuming an annual growth rate of 100%, 100%, 60% and 40% respectively from 2023 to 2026, the average number of chargers per private charging point is 60, and the average number of chargers per public charging point is 6, it is expected that there will be 25,000 subscribers by the end of 2026.

Assuming that the basic monthly fee of private subscription is HK$680 for the first year, the standard fee will be HK$980 starting from the second year, among which an amount of HK$6,000 installation fee and a deposit of HK$10,000 are paid for the first year. On cost-side, assuming that each charger uses 210kWh per month at a price of HK$1.68 per kWh, each charger will cost HK$352.8 per month. The monthly maintenance capital expenditure is 2.5% of the charger cost.

Figure 26: Private Revenue Model

HK$	Reported 2022 Jan -Sep	2022E	2023E	2024E	2025E	2026E
REVENUE						
Private subscription	814,632	1,036,502	6,503,482	30,331,985	101,420,001	262,221,302
COST OF REVENUE						
Private subscription	670,444	830,928	1,338,271	6,437,425	23,791,953	69,989,314
GROSS PROFIT	144,188	205,574	5,165,210	23,894,560	77,628,048	192,231,988
GROSS MARGIN	*17.70%*	*19.83%*	*79.42%*	*78.78%*	*76.54%*	*73.31%*

Source: AceCamp estimates

• Cornerstone GO:

Revenue is expected to be HK$568,758 in 2022, representing a year-on-year increase of 553% to HK$3,727,093 in 2023 and a CAGR of 92.7% from 2024 to 2026.

It is assumed that the monthly electricity consumption of each charging point for the first year is 3,000 kWh, and will increase by 140% every year thereafter. Assuming that the number of charging points covered in the first year is 50, followed by 50, the charging fee is HK$2.7 per kWh, and the Company's sharing ratio is 10%.

The cost-side payment gateway is 3% of the charging fee. The cost of the kiosk is HK$36,000 for not adding new charging points, the marketing fee is HK$150,000 for the first year, and the annual operating cost is HK$1,500 per charging point. International revenue lags behind the corresponding assumptions.

Figure 27: Cornerstone GO Revenue Model

HK$	Reported 2022 Jan -Sep	2022E	2023E	2024E	2025E	2026E
REVENUE						
Cornerstone GO	290,508	568,758	3,727,093	7,493,517	15,066,059	26,650,637
COST OF REVENUE						
Cornerstone GO	141,452	299,337	372,709	749,352	1,506,606	2,665,064
GROSS PROFIT	149,055	269,421	3,354,384	6,744,165	13,559,453	23,985,573
GROSS MARGIN	*51.31%*	*47.37%*	*90.00%*	*90.00%*	*90.00%*	*90.00%*

Source: AceCamp estimates

4. Background and Product Features of the Company

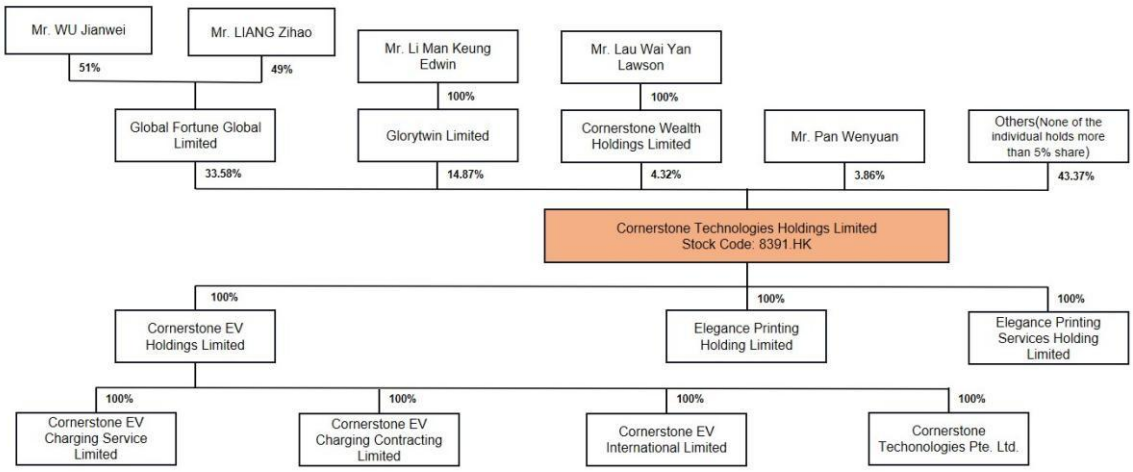
Company Background

Figure 28: Milestones and Key Business Developments of the Company

Date	Milestone Event
201602	Cornerstone Technologies was incorporated
201611	Launch of first commercially viable prototype
201706	Cornerstone Technologies applied for the relevant patents for EV charging technology
201711	The relevant patent for EV charging technology was granted
202008	Acquired by a Hong Kong listed company (8391.HK)
202106	Collaboration with Hyundai Motor to promote EV charging
202111	Awarded contract for DC charging facilities for KMB
202112	Entered into an exclusive EV charging agreement for home charging of 5,190 parking spaces
202203	Strategic alliance with Gaw Capital, including the provision of charging infrastructure for 7 car parks, the grant of HK$150,000,000 green financing and equity investment
202204	Signed a Memorandum of Understanding to develop EV charging business in Cambodia as the first step of expansion in Southeast Asia
202205	Awarded the first EHSS project under the HK$3,500,000,000 funding scheme of the Hong Kong Government
202207	Entered into a number of strategic cooperation with major global premium automobile brands, including two leading European brands, well-known brands in Japan and Korea and a famous brand in the PRC
202207	Cornerstone EV and GCC formed a joint venture in Cambodia
202210	Cornerstone EV formed a joint venture with Zigma EV in Thailand
202210	Launched Cornerstone GO, a technology platform for property owners, charging operators, electric vehicle drivers and marketers
202211	Entering into a partnership with CECEP Investment Co., Ltd. For Provision of electric vehicle charging services to Link Real Estate Investment Trust
202211	Awarded the second EHSS project under the HK$3,500,000,000 funding scheme of the Hong Kong Government
202211	Awarded the third EHSS project under the HK$3,500,000,000 funding scheme of the Hong Kong Government

Source: Company public information

Figure 29: Shareholding structure and Shareholder Structure of the Company



Source: Company public information

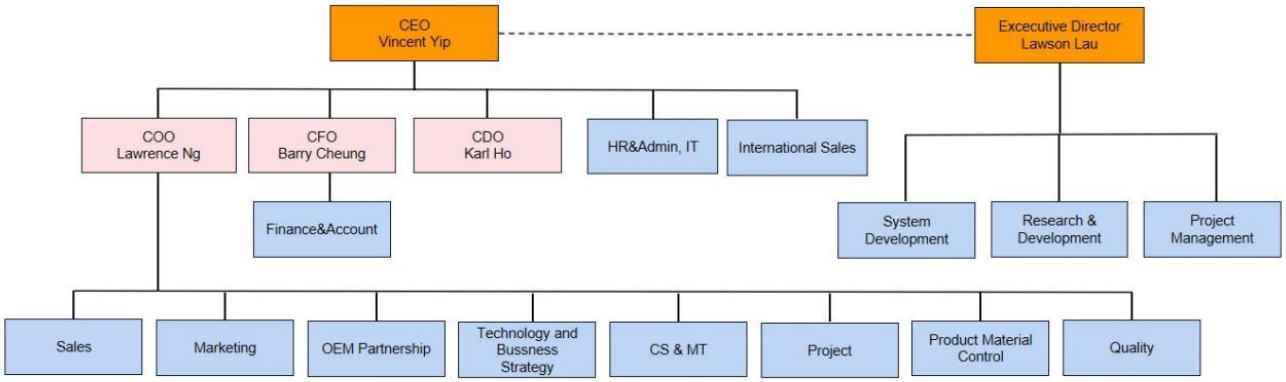
Figure 30: Shareholder Structure of the Company

Shareholders	Number of Shares	Approx.% of shareholding
Global Fortune Global Limited	235,603,225	33.58%
Mr. Li Man Keung Edwin	104,304,613	14.87%
Mr. Lau Wai Yan Lawson	30,302,703	4.32%
Mr. Pan Wenyuan	27,096,000	3.86%
Mr. Wu Jianwei	24,192,000	3.45%
Mr. Liang Zihao	13,708,000	1.95%
Mr. Yip Shiu Hong	5,997,905	0.85%
Mr. Ng Sze Chun	2,998,953	0.43%
Public Shareholders		
Placees	39,520,000	5.63%
Other public shareholders	217,948,000	31.06%
Total	**701,671,399**	**100.00%**

Note: Global Fortune Global Limited is owned as to 51% by Mr. Wu Jianweiand and as to 49% by Mr. Liang Zihao

Source: Company public information

Figure 31: Corporate Structure



Source: Company public information

Figure 32: Management Background

Name	Age	Position	Background
Lawson Lau	44	Founder & Executive Director	*Committee members of Hong Kong E-Vehicles Business General Association *Director of Cornerstone Renewable Energy Limited *Obtained a bachelor of business degree at the Edith Cowan University
Edwin Li	54	Executive Director	*An experienced investor focusing on capital markets and private equity in a variety of areas such as infrastructure, mining, technology, F&B and environment etc., and is also a foreign exchange trader *Standing Committee of the 14th Guangdong Provincial (Panyu District) Committee of the Chinese People's Political Consultative Conference and Honorary Citizen of Guangzhou *Chairman of Hatcher Group Limited (HKEX stock code: 8365)
Vincent Yip	45	Chief Executive Officer	*Worked as a business analyst at McKinsey & Company, Inc, an international management consulting firm, and was later promoted to an associate director *Participated in the establishment of Malvern International School, an English-style boarding school with campuses in Mainland China and Hong Kong and served as a member of the management committee and led the school overall direction. *Served as group Chief Executive Officer at G2000 (Apparel) Limited *Appointed as the Chief Executive Officer of Cultural Enterprise Businesses by New World Development Co., Ltd. (stock code: 0017) *Graduated from Keble College, Oxford University, with a Master's degree in Engineering and Computer Science
Karl Ho	41	Chief Development Officer	*Served as the Head of Investor Relations and Corporate Finance at China Resources Power (836.HK) and Novotech Health Holdings where he played a critical role in strategies and value creation planning, capital raising, formulating the investment story, managing the expectations of the investment community, such as institutional investors and sell-side equity research analysts, as well as identification, screening, and execution of acquisition projects. *Worked for several large investment banks, including HSBC, Goldman Sachs and Credit Suisse where he was responsible for the origination and execution of IPOs and M&As for companies in various industries and geographies including real estate, financial institutions, retail and energy. *Graduated from the University of Toronto.
Lawrence Ng	36	Chief Operating Officer	*Served as the Head of New Business of K11 Cultural Enterprise Business *Managerial roles in C.K. Hutichson Group, CROCS, WangOn Group and IATS group. *Graduated from the University of Hong Kong with Bachelor of Science degrees and is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA), an associate member of the *Chartered Institute of Management Accountants (CIMA) in the United Kingdom
Barry Cheung	42	Chief Financial Officer	*Currently an independent non-executive director of Longhui International Holdings Limited and Hope Life International Holdings Limited. *joint company secretary and Authorised Representative of Future Data Group Limited. *Served as Finance and Investor Relations Director, Joint Company Secretary and Authorised Representative of Dalipal Holdings Limited. *Served as the company secretary of Munsun Capital Group Limited. *Was executive director and non-executive director of Sanbase Corporation Limited *Served as director, chief financial officer and company secretary of Modern Dental Group Limited. *Obtained Bachelor of Business Administration (Accountancy) from the City University of Hong Kong and master's degree in business administration from the University of Manchester in the United Kingdom *Fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants

Source: Company public information

Company Product Features

Hardware charging products include three medium charging rate chargers: Slate, Aloft, Chargic, and one fast charging charger, FlexiDC.

A. Slate, was engineered for the modern era of EV car ownership. Style meets function with its slim and versatile body. An intuitive touchscreen that puts user first with its user-friendly experiences, it stands the test of time with its waterproof and stainless-steel design. Style meets function with its slim and versatile body. At the same time, the unique inflight space of Slate is convenient to display brand logos, to boost brand exposure and promote corporate image.

Figure 33: Slate

Source: Company public information

B. Aloft, built with integration and user experience in mind. The suspended design without occupying space is the preferred choice for isolated car parking spaces. Give our mobile app a tap to control the cables or marvel at the sleek ceiling-integrated design that puts your mind at ease.

Figure 34: Aloft

Source: Company public information

C. The Chargic redefines what it means to be sleek with its snazzy exterior. Stay in the know with a dash of ambience, as its indicator lights give off shades of orange, green, blue, white and red.

Figure 35: Chargic

Source: Company public information

D. fast charging product FlexiDC, can meet the fast charging of commercial electric vehicles. Charging power options: 24, 50, 100 or 200 KW. Gives a bus, truck or car the energy it needs to take on the world. Have it on the wall or on a pedestal. Backed up with our rigorous software systems to withstand even the most demanding commercial use.

Figure 36: FlexiDC

Source: Company public information

At the same time, the Company has proprietary software solutions: occupation management/licence plate recognition system (LPRS), load management system (LMS), central management system (CMS) and smart systems such as electric vehicle charger smart system (EVCSS).

Specific introduction and highlight analysis of the Company's business model

A. Project-based model

The Company supplies independent EV chargers to public or private car parks or other EV charging service providers in the market and generates one-off revenue each time when the EV chargers are sold. When selling to public or private car park customers, companies charge customers for electric vehicle chargers plus optional installation fees. The company also charges the property management company a maintenance fee every year.

For supplying other EV charging service providers, the company provides EV chargers on an OEM or non-OEM basis. Certain EV charging service providers have purchased EV chargers from the Company for resale or for their own EV charging services. In addition, the Company will cooperate with authorized dealers of automobile brands to provide chargers for electric vehicles to its customers. In Hong Kong, apart from Tesla, which is equipped with its own super chargers, other brands basically rely on third-party chargers. The cooperation between the Company and brand dealers not only brings convenience in charging for electric vehicle owners of automobile brands, but also broadens the Company's sales channels of chargers to achieve a win-win situation.

Figure 37: Mature Technology and Track Record Provide the Company with Advantage of Self-purchasing and Self-enjoying Market

Public carpark EV infrastructure	• Complete Occupancy Management solution • License Plate Recognition System (LPRS), charger with built-in camera • Parking system integration	• Housing Society • Wilson Carpark
Residential and new build	• Cloud-based load management system • Patented-ceiling mount charger	• Kennedy Carpark • Latitude
Public transport and fleet management	• Cost effective DC fast-chargers • Supervisory Control and Data Acquisition (SCADA) platform for fleet management	• KMB
EV software solutions	• EV charger platform, system, App design • Realtime occupancy information and other charger information aggregation API and database structure	• HK Government - EVCSS

Source: Company public information

Under this model, the Company is responsible for the research and development of products, and the production end is the responsibility of the OEM. The Company has maintained close cooperation with a number of OEMs for a long time, and the OEM will not be the same for each product, so as to reduce the risk of excessive supplier concentration.

Figure 38: Contracts Awarded in the First Half of 2022

Public carpark EV infrastructure	• Asia World Expo • Wong Chuk Hang MTR Development • BMW showroom and service centres • Housing Society LPRS expansion
Residential and new build	• Yoho Residential • 22A Kennedy Road
Public transport and fleet management	• 4 depots for all KMB e-buses • 15 Police Stations
EV software solutions	• EPD: EVCSSS • LINK and Wilson Carpark: The Quayside

Source: Company public information

B. Circular model (Subscription model)

To generate more stable recurring income, the Company has introduced a subscription model since 2019. Under the subscription model, the Company will apply an integrated EV charging solution to EV chargers to operate and monitor the EV charging system directly.

Since most car parks in Hong Kong have limited power supply and fixed the power load, only a certain number of electric vehicle chargers can be installed to avoid power supply exceeding the load. The load management system is part of an integrated solution that can overcome these limitations by regulating loads to reduce electricity consumption or maximum demand, while the Company's load management system can monitor the real-time charging current, charging volume and status of various inter-connected charging facilities, and control the charging current of electric vehicle charging facilities according to the overall demand to avoid the power supply of electric vehicle chargers exceeding the load. As a result, the car park can be equipped with more EV chargers without

increasing the electricity load, while at the same time making good use of electricity supply.

· Subscription Model - Residential Parking (Private Subscription)

The Company's private subscription scheme mainly targets to solve charging difficulties in private housing estates in Hong Kong. At present, many private housing estates in Hong Kong are facing the problem of "charging troubles and difficult charging". The lack of basic charging infrastructure in the car parks of most housing estates has compelled many electric vehicle owners to charge public chargers, and the number of electric vehicles in Hong Kong has increased significantly in recent years. The Company believes that comprehensive charging facilities, especially the convenience of charging in residential areas, will be a key factor to push further the penetration rate of local electric vehicles.

In the private subscription scheme, the Company will develop and construct the charging infrastructure of the estate based on the forecast of the number of electric vehicles of residents in the project estate in the foreseeable future. The Company will lay the necessary infrastructure for the future installation of chargers for each parking space in the parking lot of the project estate to solve the problem of electric vehicle charging problem for residents in the estate.

The programme highlights are as follows:

a. The Company will first negotiate with the owners' corporation of the project estate to determine the construction plan of the charging infrastructure. In the course of contacting with the owners' corporation to internal consultation of the owners' corporation, and then to the final result, the negotiation ability of the team is stringently tested. Moreover, in the process of communication with different project estates, mutual understanding and mutual trust will be established, in that, the forerunner advantage is obvious, when putting the latecomers in a backward position in negotiation.
b. Although the investment and construction of the infrastructure of the previous housing estate are borne by the Company, the subsequent charging fees are paid by the users. The user is required to pay a deposit of HK$10,000 + HK$6,000 for the installation fee initially and will pay a monthly fee for the use of the charger in the future. As users need to sign a 3-year service contract with the Company, this part of charging income continues to be very strong, which is very effective to enhance user engagement. The monthly plan includes: HK$680/180kWh, HK$980/300kWh and HK$1,580/600kWh.
c. Under the scheme, the Company enjoys a 50% spread on every unit of electricity and the IRR of the entire project reaches a high level of 26-40%
d. 5-10 years Exclusive agreement, during which the Company has exclusive operation rights; Upon the end of the contract, the Company has a right of first refusal to renew the contract. Moreover, if the ownership of all infrastructure belongs to the Company, the Company has the right to demolish all infrastructure once the agreement is renewed. Once this happens, users' opposition will be very strong, and therefore the chance of not renewing the contract after the end of the contract is very low.
e. Under the plan, the characteristics of the cash flow model is large-scale investment in the early stage (1-2 years), and stable cash inflow will occur afterwards in the later stage (after the third year) to build infrastructure, and the overall payback period is around 5 years.

· Subscription Model – Commercial Parking (Public Subscription)

Under the public subscription programme, the Company's target customer group is mainly the car parks of shopping malls and commercial buildings in Hong Kong. As the power equipment of many shopping malls and commercial buildings are relatively perfect, the amount of investment will not be very significant even if the Company needs to invest in the construction of the necessary infrastructure for providing chargers. After the Company has built a good charger for the parking lot, it will be charged on a per-charge basis. Each charge will be allocated between the Company and the parking lot according to a certain proportion, and both parties can realize revenue.

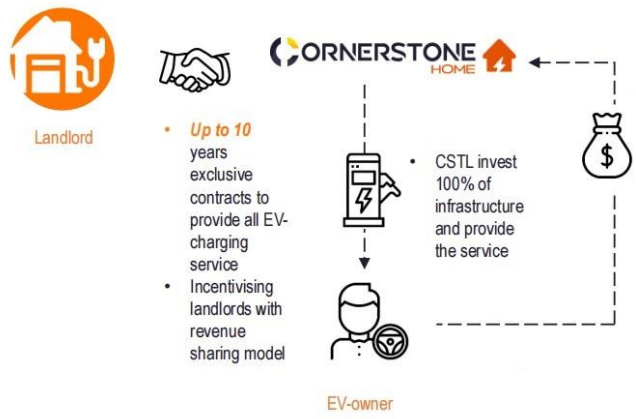
The programme highlights are as follows:

a. Due to the concentration of the owners of shopping malls and commercial buildings, negotiation time is shorter than that of the private sector, and the project starts at a faster pace. In addition, shopping malls and car parks in commercial buildings are generally equipped with basic electrical equipment for the construction of chargers, which is better than the infrastructure of car parks in private housing estates, and the Company has relatively less investment in the preliminary infrastructure of these car parks.
b. With strong recurring income, car owners will pay for each charge through different electronic payment methods, and the parking lot will be entitled to share income. The parking lot is more willing to cooperate with the Company to carry out the plan for mutual benefit and win-win cooperation.

c. The project is generally asset-light business model for companies.

Return on investment: Approximately 5 years. With the increasing penetration rate of electric vehicles, the stable and recurring investment yield was above 10%.

Figure 39: Subscription Model

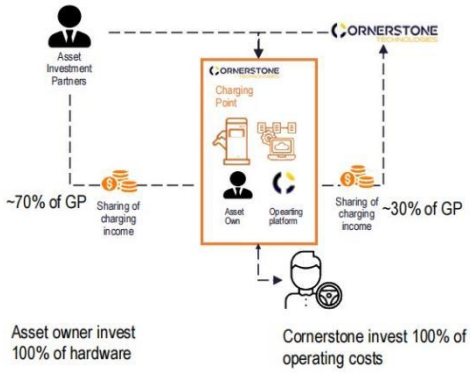


Source: Company public information

The number of subscriptions increased in line with the increase in number of car parks granted. Among them, 649, 5000 +, 7500 + were granted to household charging car parks by the end of 2021, the first quarter of 2022 and the second quarter of 2022, respectively. The number of car parks covered is targeted to be 43000 + based on the strong network with property management companies and the EHSS project for a long time.

At the same time, the Company is also seeking cooperation with investment partners. For example, it is currently bidding for one of the largest asset management companies in Hong Kong, which owns more than 120 car parks and 50,000 car parking spaces. Specific cooperation models are as follows:

Figure 40: Cooperated Subscription Model



Source: Company public information

· Subscription Model – Cornerstone GO

Cornerstone GO is a technology platform that brings together property owners, charging operators, electric vehicle drivers and marketers. Its proprietary charging solutions and operating systems support a scalable network of charging locations. Cornerstone GO provides immediate benefits to the ecosystem's stakeholders, especially to improve the charging facilities utilization and customer experience satisfaction of charging operators, and provides marketing opportunities for electric vehicle drivers, such as automobile brand marketing, electric vehicle-related service marketing and innovation partnerships.

Cornerstone GO will expand the network effect, deepen the Company's market penetration and promote the use of electric vehicles in Hong Kong.

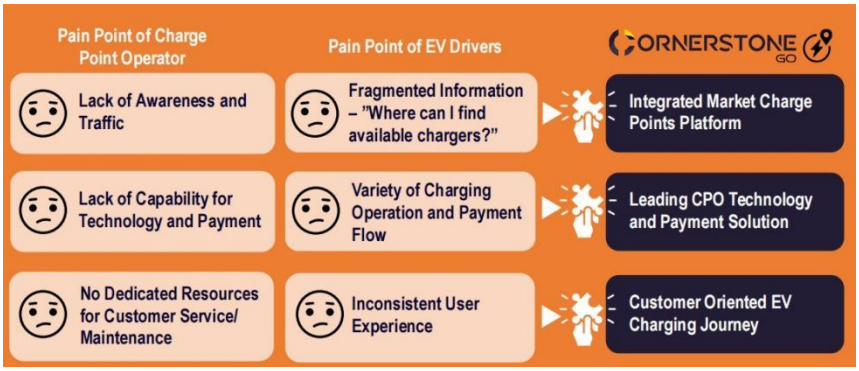
Figure 41: Cornerstone Go Advantages

Real-time Charging Status | Time Saving	**Smart Fully-charged Notification** | Thoughtful Reminder
Instant Charging Data | Clear Status	**Personalized EV Models** | Showcase Your Taste
Search, Charge & Pay | Easy to Use	**Remote Start & Stop Charging** | High Efficiency
Support All EV Brands | Tap & Charge	**7x24 Support and Off-line Charging** | One-stop CS Services
E-wallet and coupon | Surprising rewards	

Source: Company public information

For Cornerstone GO, it can fully address the problems for charging point operation and electric vehicle drivers to maximize assets.

Figure 42: EV Charging Pain Point and Cornerstone Go Solutions



Source: Company public information

Figure 43: Cornerstone GO EV Charging Network

Source: Company public information

Figure 44: Cornerstone GO Centralized Integrated Payment Platform

Source: Company public information

Figure 45: Cornerstone GO Platform and Ecosystem

Source: Company public information

At present, 25% of the chargers in Hong Kong are still not connected to the internet, which is the target market of Cornerstone GO. Meanwhile, as EV chargers are part of the infrastructure of most development projects today, the long-term coverage of chargers is expected to grow steadily.

Figure 46: Public Chargers` Ownership in Hong Kong

Source: News, Acecamp

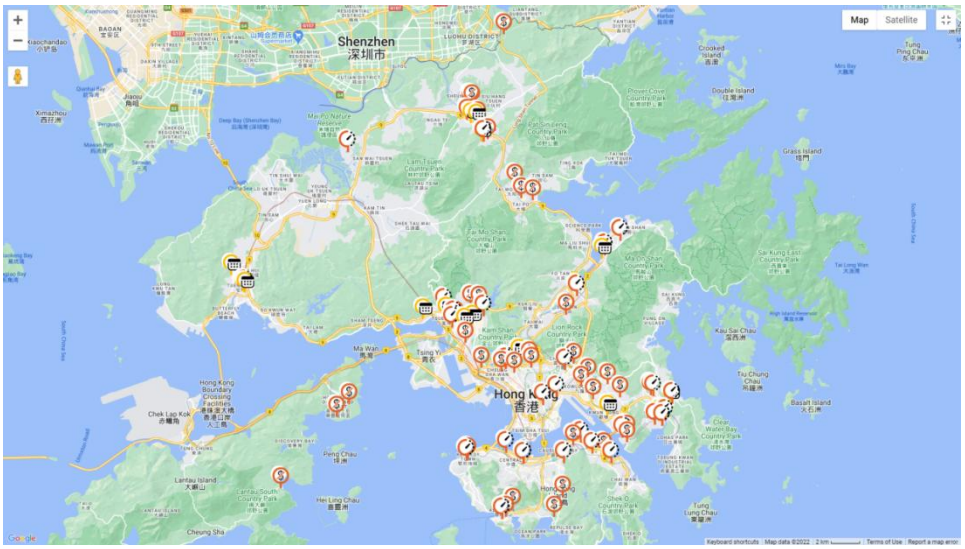
According to the official website of the Company, as of 1 November 2022, the Company connected a total of 107 charging stations.

By region: 29 in Kowloon, 54 in the New Territories, 21 in Hong Kong Island and 3 in outlying islands.

By charging mode: 43 free public charge, 42 public charge based on electricity, and 22 monthly plans.

By charging speed: 92 medium-speed (AC-7kW), 8 medium-speed (AC-21kW) and 7 fast-speed (DC-30kW).

Figure 47: Charging Stations in Hong Kong



Source: Company website

5. Analysis of Major Risks

• Policy support for EV charging industry: Currently, in many parts of the world, including Hong Kong, the EV industry benefits from favourable government treatment/policies. Although the successful and timely implementation of the EV Pilot Scheme will bring significant positive development to the EV industry in Hong Kong, any unexpected delay or change in the EV Pilot Scheme, or the cold response of car park owners/owners' corporations, may cause its impact to be less than expected, which may slow down the growth of charger installation and reduce the demand or even the price of the Company's solutions.

•Technology Development: EV and EV charging technologies are also evolving with technological advances. The solutions proposed by the Company are based on currently available technology. In extreme cases where an EV no longer requires a destination charger to operate, such as by significantly improving its energy conversion or battery efficiency, or by alternative charging mechanisms, a destination charging service may no longer be necessary.

•Market dynamics: Although the number of EV charging solution providers in Hong Kong is limited, the existing suppliers have a large number of shareholders and have established good business connections and reputation. Though SmartCharge also has equipment deployed as part of its solutions, alternative equipment may be deployed in the future. The new residential and commercial buildings are also equipped with electric vehicle chargers under the self-purchase and sharing model to provide electric vehicle charging infrastructure. Due to market dynamics, the Company may not be able to achieve the projected subscription volume in the future.

• Growth in the number of subscriptions in car parks equipped with EV equipment: The Company's business model assumes growth in the number of subscriptions in car parks equipped with EV equipment, which is essential to cover the upfront costs of electrical engineering in most areas of the car parks and to achieve projected profitability. The financial forecast also assumes that those car parks equipped with EV equipment will continue to be purchased. We understand that the Company intends to gain access to existing residential properties with larger car parks, which will increase the chance of achieving the projected subscription rate; however, there is no assurance that each car park equipped with electric vehicle equipment for which the Company has completed electrical engineering can achieve such rate.

• initially generated negative cash flow: As the Company expects to increase subscription volume and incur capital expenditure for expansion at an early stage on a relatively fixed administrative cost basis, it is forecasted that the cash flow generated will be negative at the early stage before it is profitable. Therefore, it is important for the Company to obtain sufficient funds from time to time to maintain its operations and growth in these years in order to be able to continue as a going concern.

• Possible impact of other macroeconomic or micro-economic factors.

Figure 48: Schedule

ACECAMP FORECAST

2022 -2026 FORECAST SUMMARY

	Reported					
HK$	**2022 Jan -Sep**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**
REVENUE						
EHSS	5,915,210	9,294,930	208,000,000	208,000,000	208,000,000	208,000,000
Trade	13,536,335	21,405,651	58,800,000	73,500,000	91,875,000	114,843,750
Private subscription	814,632	1,036,502	6,503,482	30,331,985	101,420,001	262,221,302
Cornerstone GO	290,508	568,758	3,727,093	7,493,517	15,066,059	26,650,637
Lastmile	-	-	1,908,000	2,480,400	3,224,520	4,191,876
Others	287,298	839,590	-	-	-	-
Total Revenue	20,843,981	33,145,430	278,938,575	321,805,902	419,585,580	615,907,565
COST OF REVENUE						
EHSS	5,476,339	8,524,192	176,800,000	176,800,000	176,800,000	176,800,000
Trade	11,002,969	17,666,742	47,040,000	58,800,000	73,500,000	91,875,000
Private subscription	670,444	830,928	1,338,271	6,437,425	23,791,953	69,989,314
Cornerstone GO	141,452	299,337	372,709	749,352	1,506,606	2,665,064
Lastmile	-	-	1,526,400	1,984,320	2,579,616	3,353,501
Others	250,527	721,788	-	-	-	-
Total Cost of Revenue	17,541,731	28,042,987	227,077,381	244,771,097	278,178,175	344,682,878
GROSS PROFIT	**3,302,250**	**5,102,442**	**51,861,194**	**77,034,805**	**141,407,405**	**271,224,687**
GROSS MARGIN	*15.84%*	*15.44%*	*18.51%*	*23.77%*	*33.42%*	*43.74%*
OPERATING EXPENSES						
Salaries	19,562,716	31,555,418	41,554,820	44,794,788	48,296,256	53,163,363
HR & Admin Expenses	6,289,833	8,165,289	8,573,554	9,002,231	9,452,343	9,924,960
IT Expenses	900,825	1,400,922	1,758,001	1,889,851	2,031,590	2,183,959
Finance Expenses	552,398	712,898	949,327	1,139,193	1,367,031	1,640,438
BD & Sales Expenses	532,970	652,970	834,000	912,000	1,011,000	1,074,000
Marketing Expenses	311,035	3,822,035	3,831,490	5,157,587	7,537,448	9,208,355
Other Expenses	125,301	217,051	468,597	825,790	1,538,500	2,944,930
Total Operating Expenses	**28,275,078**	**46,526,583**	**57,969,789**	**63,721,440**	**71,234,169**	**80,140,004**
EBITDA	**(24,972,828)**	**(41,424,140)**	**(6,108,594)**	**13,313,365**	**70,173,237**	**191,084,682**