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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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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 SETTLEMENT OF LOAN THROUGH SUBSCRIPTION OF NEW SHARES; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A letter from the Board is set out on pages 4 to 20 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 Monday, 15 September 2025 at 3:00 p.m. is set out on 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 August 2025

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:

“Announcements”	the announcements of the Company dated 21 January 2025, 15 May 2025 and 30 June 2025 in relation to the Deed and the transactions contemplated thereunder including the Specific Mandate
“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 Deed
“Creditor (A)”	Mr. Liang Zihao, an executive Director, a substantial shareholder of the Company and a co-chairman of the Board
“Creditor (A)’s Loan Agreement”	the agreement dated 16 July 2024 entered into between Creditor (A) and the Company in respect of Debt (A)
“Creditor (B)”	Ms. Wu Yanyan, an executive Director
“Creditor (B)’s Loan Agreement”	the agreement dated 19 August 2024 entered into between Creditor (B) and the Company in respect of Debt (B)
“Creditors”	collectively Creditor (A) and Creditor (B)
“Debt (A)”	the principal amount owing to Creditor (A) by the Company in the amount of HK\$1,000,000 pursuant to Creditor (A)’s Loan Agreement
“Debt (B)”	the principal amount owing to Creditor (B) by the Company in the amount of HK\$14,664,960 pursuant to Creditor (B)’s Loan Agreement
“Debts”	collectively Debt (A) and Debt (B)
“Deed”	the deed of settlement of the Shareholders’ Loan dated 21 January 2025 (as amended and supplemented by the Supplemental Deed) entered into between the Company and the Creditors for the issue and subscription of the Subscription Shares at the Subscription Price

DEFINITIONS

“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
“EHSS”	the EV-charging at Home Subsidy Scheme launched by the Hong Kong Government
“EV”	electric vehicle
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 “Silverbricks Securities”	Silverbricks Securities Company Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Deed and the transaction contemplated thereunder
“Latest Practicable Date”	22 August 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Loan Agreements”	collectively Creditor (A)’s Loan Agreement and Creditor (B)’s Loan Agreement
“Loan Capitalisation”	the capitalisation and set off of the Shareholders' Loan pursuant to the terms and conditions under the Deed

DEFINITIONS

“Long Stop Date”	30 September 2025 (or such other date as the parties to the Deed may agree in writing)
“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)
“Shareholders’ Loan”	the total outstanding amount owing to the Creditors by the Company in respect of the Loan Agreements in the aggregate amount of approximately HK\$16,023,004 as at the date of the Deed
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Creditors pursuant to the Deed
“Subscription Price”	HK\$0.50 per Subscription Share
“Subscription Shares”	an aggregate of 32,046,008 Shares to be issued and allotted by the Company to the Creditors pursuant to the Deed
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Supplemental Deed”	the supplemental deed dated 30 June 2025 entered into between the Creditors and the Company to extend the Long Stop Date
“Valuer” or “Royson”	Royson Valuation Advisory Limited, an independent professional valuer engaged by the Company for the determination of the effective interest rates of the Debts
“%”	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 of the Board)*
Mr. Wu Jianwei *(Co-Chairman of the Board)*
Mr. Li Man Keung Edwin *(Vice-Chairman of the Board)*
Mr. Yip Shiu Hong *(Chief Executive Officer)*
Mr. Ho Karl *(Chief Financial Officer)*
Mr. Pan Wenyuan
Ms. Wu Yanyan

Registered office:

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

Non-executive Director:

Mr. Koh Herbin Puay Teck

*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:

Ms. Ip Ka Lai
Ms. So Sze Wan Lisa
Mr. Li Michael Hankin
Mr. Tam Ka Hei Raymond

26 August 2025

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO SETTLEMENT
OF LOAN THROUGH SUBSCRIPTION OF NEW SHARES;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the Announcements.

LETTER FROM THE BOARD

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

CONNECTED TRANSACTION IN RELATION TO SETTLEMENT OF LOAN THROUGH SUBSCRIPTION OF NEW SHARES

On 21 January 2025, the Company as debtor entered into the Deed with the Creditors, pursuant to which the Company has conditionally agreed to issue and allot to the Creditors an aggregate of 32,046,008 Subscription Shares at the Subscription Price of HK\$0.50 per Subscription Share. The subscription amount payable by the Creditors under the Deed shall be satisfied by capitalising the entire amount of the Shareholders' Loan due to the Creditors from the Company. Subsequently, the Creditors and the Company entered into the Supplemental Deed to extend the Long Stop Date to 30 September 2025. Details of the terms of the Deed (as amended and supplemented by the Supplemental Deed) are summarized below:

DEED OF SETTLEMENT OF DEBT

Date : 21 January 2025 (after trading hours)

Parties : (1) Issuer/debtor: the Company; and

(2) Creditors: Mr. Liang Zihao (“**Mr. Liang**”) as Creditor (A)
Ms. Wu Yanyan (“**Ms. Wu**”) as Creditor (B)

Subscription Shares

Pursuant to the Deed:

- (1) the Company has conditionally agreed to issue and allot to Creditor (A) 2,055,562 Subscription Shares at the Subscription Price of HK\$0.50 per Subscription Share. The subscription amount payable by Creditor (A) shall be satisfied by capitalising the amount of Debt (A) due to Creditor (A) from the Company; and
- (2) the Company has conditionally agreed to issue and allot to Creditor (B) 29,990,446 Subscription Shares at the Subscription Price of HK\$0.50 per Subscription Share. The subscription amount payable by Creditor (B) shall be satisfied by capitalising the amount of Debt (B) due to Creditor (B) from the Company.

LETTER FROM THE BOARD

Number of Subscription Shares

The 32,046,008 Subscription Shares represent (i) approximately 3.36% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 3.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the date of Completion. The aggregate nominal value of the Subscription Shares is approximately HK\$320,460. The Subscription Shares will rank pari passu in all respects with the Shares in issue on the date of Completion.

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought for approval from the Independent Shareholders at the EGM.

Subscription Price

The Subscription Price of HK\$0.50 per Subscription Share represents:

- (i) an equal to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the date of the Deed;
- (ii) an equal to the average closing price of approximately HK\$0.50 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Deed; and
- (iii) a discount of approximately 1.96% to the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined, among others, with reference to (i) the prevailing market price of the Shares and the market conditions; and (ii) the funding needs and financial position of the Group and was negotiated on an arm's length basis between the Company and the Creditors.

Conditions precedent

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 Deed and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares;

LETTER FROM THE BOARD

- (c) the necessary consents and approvals in relation to the Deed and the transactions contemplated thereunder having been obtained; and
- (d) the representation and warranties given by the Company under the Deed remaining true and accurate in all material respects and are not misleading as at the date of the Deed and the date of Completion.

Save that the Creditors have the right to waive condition (d) in respect of representation and warranties given by the Company under the Deed, none of the above conditions can be waived by any party to the Deed. If the above conditions are not fulfilled or waived (as the case may be) by 5:00 p.m. on 30 September 2025 (or such other date as the parties to the Deed may agree in writing), the Deed will be automatically terminated and lapsed and none of the parties to the Deed shall have any claim against the other in respect of the Subscription, save for any antecedent breaches thereof.

Completion

Completion shall take place within ten (10) Business Days after the date of fulfillment of the conditions precedent set out in the Deed. The subscription amount payable by the Creditors shall be satisfied by capitalising the entire amount of the Shareholders' Loan due to the Creditors from the Company.

APPLICATION FOR LISTING

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.

INFORMATION ON THE PARTIES

The Group

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

The Creditors

Creditor (A) is an executive Director and a substantial shareholder of the Company, and is therefore a connected person of the Company.

Creditor (B) is an executive Director and the elder sister of Mr. Wu Jianwei, an executive Director, and is therefore a connected person of the Company.

LETTER FROM THE BOARD

THE DEBTS

	Debt (A)	Debt (B)
Creditor	Mr. Liang Zihao	Ms. Wu Yanyan
Principal amount	HK\$1,000,000	HK\$14,664,960
Interest rate	6.0% per annum	6.0% per annum
Repayment	Repayable on demand with 14-day notice from Creditor (A)	Repayable on demand with 14-day notice from Creditor (B)

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

On 16 July 2024 and 19 August 2024, each of the Creditors separately entered into a loan agreement with the Company, pursuant to which the Creditors each granted a loan with an aggregate principal amount of HK\$15,664,960 to the Company. The parties agreed that the amount of HK\$16,023,004 of the Shareholders' Loan shall be capitalized as the consideration for the Subscription upon Completion.

The Shareholders' Loan was structured with a long-term tenure to facilitate the ongoing expansion of the Company both in Hong Kong and internationally. The Company's plan involved repaying the Shareholders' Loan gradually using operating cash flow as it became available over time. Considering that the Shareholders' Loan is a loan with no repayment date, the inclusion of a 14-day notice repayment clause ensures that the Creditors retains control over the recovery of the Shareholders' Loan. The fact that the Creditors have agreed not to impose a fixed repayment date signifies the Creditors' initial intent to provide long-term financial support to the Company, allowing the Company to manage its cash flows for on-going operations and expansion with flexibility. This arrangement indicates a willingness of the Creditors to prioritize the Company's sustainable growth over immediate repayment demands. In addition, by converting debt into equity, the Creditors demonstrate continuous support to the Company and release it from pressure to satisfy the Shareholders' Loan and future interest payments, thus aligning the Creditors' interests with the long-term success of the Company.

The effective interest rate of Debt (A) and Debt (B) is 7.67% and 7.42% respectively, which were determined by the Valuer through the built-up method. The Valuer has conducted credit rating analysis of the Company and review of the market yields and the market borrowing rates for similar entities as the Company. The factors that have been considered by the Valuer during determination of the effective interest rates include the yield-to-maturity of Hong Kong government bonds, credit rating of the Company inferred from Moody's rating for non-financial industry, and credit spread of the Company estimated by the option-adjusted spreads of comparable corporate bonds issued by companies with credit ratings similar to that of the Company.

LETTER FROM THE BOARD

Since (i) each of Debt (A) and Debt (B) bears interest rate at 6% per annum, which is lower than the effective interest rates determined by the Valuer; and (ii) the terms of the Debts represent standard commercial terms, the Board considers that the Debts were entered into on normal commercial terms and the terms therein are fair and reasonable. In addition, as the Debts are not secured by any of the Group's assets, the Debts were exempted under Rule 20.88 of the GEM Listing Rules.

Both Mr. Liang and Ms. Wu were informed of the funding requirements and the repayment plan prior to their agreement to support the Company through the Shareholders' Loan. In addition, both Mr. Liang and Ms. Wu reached a mutual agreement with the Company regarding the terms and nature of the Shareholders' Loan.

The decision of settling the Shareholders' Loan through the Subscription was made to maintain cash flow liquidity for ongoing projects, ensuring funds for daily operations, and providing a buffer against market fluctuation for the Company. The Board assessed that the terms and conditions of the Deed are fair and reasonable, and also reflects the ongoing support to the Company by the Shareholders.

As at 31 December 2024, the Group's gearing ratio significantly increased to approximately 156.4 times from approximately 0.8 times as at 30 June 2024. The Group's debt-to-equity ratio surged to approximately 114.4 times as at 31 December 2024 from approximately 0.8 times as at 30 June 2024. In addition, the Group's net assets reduced to approximately HK\$1.2 million as at 31 December 2024 from approximately HK\$81.5 million as at 30 June 2024. All the above indicate that the financial condition of the Group up to 31 December 2024 has been worsen since 30 June 2024, not long before the entering into of the Loan Agreements by the Company. Given the Group's financial position as at 31 December 2024, the Group is not in a position to repay the amount due to the Creditors without tightening the existing financial resources. The Loan Capitalisation enables the Group to settle its existing liabilities without utilising the existing financial resources and can avoid cash outflows. Furthermore, the Loan Capitalisation reduces the indebtedness level of the Company and broadens its capital base. In view of the above, the Board considers that the settlement of the Shareholders' Loan through the issue of new Shares are in the interests of the Company and the Shareholders as a whole.

The Company has fully utilised the Debts of approximately HK\$15.7 million by September 2024, in which the Debts were primarily used for operational expenses including subcontracting EV chargers, purchasing for EV chargers, cables and materials, with a modest amount allocated for staff affairs and corporate overhead expenses.

LETTER FROM THE BOARD

As at 30 June 2024, the Group recorded bank balances and cash of approximately HK\$3.1 million, accounts receivable of approximately HK\$31.2 million and accounts payable of approximately HK\$47.4 million. Based on ageing analysis of the accounts receivable and historical settlement patterns of the customers, the Company expected that there would be a significant shortfall in available fund after taking into account the settlement of accounts receivable and accounts payable of the Group in August 2024. In view of this, to fulfill the trade orders, which are crucial for the Company's revenue stream, immediate capital is needed to fund the operational expenses. Failure to secure trade orders could result in financial losses and reduced competitiveness of the Group in the EV industry, which could have an adverse impact on the future development of the Group. Furthermore, there are long-standing corporate overhead expenses, including staff costs, which may disrupt operations and expose the Company to legal or reputational risks if they are not settled on time. Given these circumstances, the Board is of the view that entering into the Loan Agreements can serve the imminent needs of the Company and is in the interests of the Company and the Shareholders as a whole.

The detailed breakdown with timeline for the use of proceeds of HK\$15.7 million is as below:

Date	Natures	HK\$'000
July 2024	Proceeds of Debt (A)	1,000
July 2024	Corporate overhead expenses	(700)
August 2024	Corporate overhead expenses	(300)
		<u>—</u>
August 2024	Proceeds of Debt (B)	14,665
August 2024	Operational expenses	
	– Capital expenditure relating to EV charging stations	(6,397)
	– Electricity costs relating to EV charging assets	(289)
	– Monthly licence fees paid to the Environmental Protection Department (the “EPD”)	(360)
	Staff costs, directors' fees and consultancy fees	(3,592)
	Corporate overhead expenses	(844)
September 2024	Operational expenses	
	– Capital expenditure relating to EV charging stations	(3,015)
	– Electricity costs relating to EV charging assets	(129)
	– Monthly licence fees paid to the EPD	(39)
		<u>—</u>

In 2024, the Company had high volume of trade orders for EV charging solutions, the Company had encountered greater expenditure than anticipated related to subcontractors and suppliers for the procurement of EV charging hardware. The nature of the trade orders and EHSS projects necessitates substantial prepayments for contractor services and hardware procurement. However, many of the payments from the projects have been delayed on the customer side, increased in accounts receivable and increased pressures in the Company's cash flow. The Board then arranged the Shareholders' Loan of approximately HK\$15.7 million.

LETTER FROM THE BOARD

The Company intended to repay the Shareholders' Loan with the accounts receivable associated with these trade orders. By the end of 2024, the Company had received payments for these accounts receivables. However, the Board after considering the pace of new orders continuing to increase, then decided that the majority of these payments would continue to be utilised to support the completion of these new and upcoming trade orders.

In considering alternative financing methods to support the trade orders and EHSS projects, the Board undertook a thorough assessment of various options available to the Company. Although the interest rates on the Debts are higher than the common market lending rate, they are still lower than the effective interest rates estimated by the Valuer and hence considered fair and reasonable. In addition, the Board determined that the immediacy and flexibility provided by these loans were paramount. Given the prevailing market conditions and the Company's financial position at that time, other sources of debt financing and bank borrowing would require pledge of assets of the Company; other equity financing such as placing of new shares and rights issues usually require attractive discount to the prevailing market price of the Shares and is relatively more time consuming.

The Company has completed the placing of new shares under general mandate on 29 August 2024 (the "**August Placing**") with the net proceeds of HK\$24 million.

The proceeds of Debt (A) were nearly utilised in July 2024. To fulfill the critical trade orders, the Company entered into Debt (B) in August 2024 to cover operational expenses, such as subcontracting for EV chargers and purchasing EV chargers. However, there were long-standing corporate overhead expenses, such as staff costs, that also needed to be settled. Given the Company's financial position as discussed above in relation to the timeline for upcoming trade orders, the Board has determined that conducting the August Placing is needed to address the corporate overhead expenses. Furthermore, the Company has assessed that the proceeds of Debt (B) alone is insufficient to fully cover the costs associated with the trade orders and the ongoing EHSS projects. In addition to support the corporate overhead expenses, the proceeds of the August Placing also enable the Company to meet its payment obligations arising from trade orders and secure its revenue stream, and therefore, their usage in this manner is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The detailed breakdown with timeline for the use of proceeds of HK\$24 million is as below:

Date	Natures	HK\$'000
August 2024	Proceeds of the August Placing	24,000
August 2024	Corporate overhead expenses	(3,457)
September 2024	Operational expenses	
	– Capital expenditure relating to EV charging stations	(9,512)
	– Electricity costs relating to EV charging assets	(991)
	– Monthly licence fees paid to the EPD	(360)
	Corporate overhead expenses	(3,764)
October 2024	Operational expenses	
	– Capital expenditure relating to EV charging stations	(553)
	Corporate overhead expenses	(363)
January 2025	Corporate overhead expenses	(5,000)
		—

The Board has carefully reviewed settling the Shareholders' Loan with the unutilised proceeds of the August Placing. After thorough deliberation, the Board has decided against utilising the unutilised proceeds of the August Placing to settle the Shareholders' Loan for several key reasons.

Firstly, cash flow liquidity for ongoing projects, the Company is actively engaged in several projects locally and overseas that require sustainable cash flow liquidity. It is imperative to ensure that the Company has adequate funds available to support these initiatives and meet project milestones efficiently.

Secondly, operational cash flow requirements, maintaining a robust cash flow is essential for the Company's daily operations. The decision not to settle the Shareholders' Loan with the proceeds of the August Placing allows the Company to preserve liquidity, ensuring that the Company can manage operational expenses and any unforeseen financial commitments that may arise.

Lastly, strategic financial management, the Board believes in a prudent approach to financial management. Retaining a portion of the proceeds of the August Placing will provide the Company with a buffer against potential market fluctuations and enhance our financial flexibility in the coming months.

LETTER FROM THE BOARD

The Board has thoroughly assessed the Company's financial position, including the bank balances of approximately HK\$52.3 million as at 31 December 2024, alongside the cash flows generated from the issue of convertible notes in December 2024. As at 31 December 2024, total payables amount to approximately HK\$75.1 million, of which approximately HK\$25.1 million of the project-related payables were due within 30 days and approximately HK\$8.6 million due within 60 days. The Board understands the urgency of meeting these obligations. As at 31 December 2024, the balance of accounts receivable amounts to approximately HK\$45.8 million, of which approximately HK\$9 million is expected to be received by the Group by the end of January 2025 according to the Company's estimate based on ageing analysis of the accounts receivable and historical settlement patterns of the customers. Despite the bank balances appearing sufficient, HK\$19.5 million of them is related to the convertible notes and has been allocated for working capital purposes. Given the continuous increase in trade orders which amount to approximately HK\$22 million, the cash of HK\$9 million received from settlement of accounts receivable as stated above was allocated to support upcoming trade activities and could not be used to settle the Shareholders' Loan. In light of the above, the Board has concluded that settling the Shareholders' Loan through the Subscription is essential in supporting the fulfilment of these new and upcoming orders while ensuring operational stability of the Group.

On the other hand, the Creditors are committed to supporting the on-going development of the Company, as evidenced by their willingness to settle the Debts through the issuance of new shares, which strengthens the Company's financial position and allows it to preserve cash for operational needs and future growth initiatives. Furthermore, the Creditors have indicated that they have no plan or intention to dispose of the Company's shares, which further fortifies their commitments.

After careful consideration of the above, the Board concluded that the Loan Capitalisation, and hence the Subscription, are in the best interests of the Company and the Shareholders due to:

- (i) Reduction in indebtedness – The Loan Capitalisation alleviates financial pressure by reducing outstanding liabilities, thereby improving the Group's financial position.
- (ii) Avoidance of high gearing ratio – Unlike additional debt financing, which would increase financial leverage, the Loan Capitalisation strengthens the balance sheet without increasing debt obligations.
- (iii) Confidence and support from Shareholders – The Loan Capitalisation demonstrates the strong commitment and confidence of the Creditors in the Group's long-term development, signaling positive sentiment to the market.
- (iv) Minimization of funding costs and dilution impact – Compared to alternative equity financing options that typically require a significant discount to attract investors, the Loan Capitalisation is a cost-effective method that minimizes potential dilution impact while securing necessary funding.

LETTER FROM THE BOARD

The Directors have considered other alternative means for raising funds to settle the Shareholders' Loan, such as bank borrowings, share placement or rights issue. However, having taken into account that:

- (i) debt financing and bank borrowing will inevitably increase the gearing ratio of the Group and lenders generally require pledge of assets from the borrower;
- (ii) the Loan Capitalisation will reduce the indebtedness of the Group;
- (iii) other equity financing such as placing of new shares and rights issue usually require attractive discount to the prevailing market price of the Shares and is relatively more time consuming and less cost effective as compared to the Loan Capitalisation; and
- (iv) the Loan Capitalisation demonstrates the support and solid confidence given by the Creditors to the Group,

the Directors consider that the Loan Capitalisation is a more desirable solution for the Group to settle the Shareholders' Loan.

The Board has also considered the allotment and issue of Shares under the Specific Mandate to be a viable and prudent settlement method for the Shareholders' Loan. This decision is rooted in the recognition of the Company's potential growth and the immediate cash flow requirements to honor client obligations. The Board believes that this approach is in the best interest of the Company and the Shareholders, as it does not compromise existing operational cash flow while enabling the settlement of the Shareholders' Loan.

While the Board acknowledges the theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of the Subscription of approximately 0.02% and the associated compliance costs under the GEM Listing Rules, including the preparation of circular and convening of a general meeting, it has determined that the anticipated benefits, such as strengthened capital for operational continuity and enhanced market confidence, outweigh these factors. Having considered the Subscription Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Group, the Directors are of the view that the dilution effect arising from the Subscription is justifiable in this regard. The issuance of Shares, especially with the chairman's backing, is expected to instill greater confidence in the market regarding the Company's direction and future prospects.

LETTER FROM THE BOARD

The Board assesses that the term and condition of the Debts are fair and reasonable, as the Debts were crucial for resolving immediate cash flow challenges stemming from delayed customer payments. The Debts were necessary to bridge the gap between project expenditures and incoming payments, ensuring operational continuity without resorting to more costly alternatives. Additionally, the liquidity provided by the Debts allowed the Company to fulfill contracts and maintain customer relationships, which supports long-term growth and benefits all shareholders. Ultimately, the Shareholders acted in the best interests of the Company by providing essential funding to navigate its financial pressures effectively.

The Directors have fulfilled their fiduciary duties and exercised due skill, care, and diligence regarding the Debts by ensuring informed decision-making through comprehensive information on funding requirements, prioritizing the interests of the Company and Shareholders in securing loans for substantial orders from reputable clients, conducting thorough risk assessments to weigh benefits against potential risks, and positioning the Debts as the most effective solution, and maintaining open communication with Shareholders about the rationale for the Debts.

In view of the above, the Directors consider that the terms of the Deed are fair and reasonable based on the current market conditions and are on normal commercial terms, accordingly, the Loan Capitalisation is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

As the Subscription will be satisfied by way of offsetting the entire amount of the Shareholders' Loan, no proceeds will be available to the Company from the allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

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

The following are the equity fund raising activities conducted by the Company in the past 12 months immediately before the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
2 August 2024	Issue of 47,820,000 new shares under general mandate	HK\$24.0 million	General working capital	Fully utilised in accordance with the intended use
20 September 2024	Issue of convertible notes in the principal amount of HK\$200 million under specific mandate	HK\$95.6 million out of estimated net proceeds of approximately HK\$199.5 million	(i) HK\$180 million to be used for the Common Shares Subscription (as defined in the announcement of the Company dated 20 September 2024); and (ii) HK\$19.5 million to be used as general working capital	Fully utilised in accordance with the intended use

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 953,575,399 Shares in issue. The following table illustrates 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:

	As at the Latest Practicable Date		Immediately after Completion	
	Number of Shares	Approx.% of shareholding	Number of Shares	Approx.% of shareholding
Substantial Shareholders and Directors				
Global Fortune Global Limited (Note 1)	235,603,225	24.71%	235,603,225	23.90%
Glorytwin Limited (Note 2)	72,000,000	7.55%	72,000,000	7.31%
Gaw Capital	58,704,000	6.16%	58,704,000	5.96%
Mr. Wu Jianwei (Note 1)	52,508,000	5.51%	52,508,000	5.33%
Mr. Pan Wen yuan (Note 3)	27,096,000	2.84%	27,096,000	2.75%
Tanner Enterprises Group Limited (Note 2)	17,392,000	1.82%	17,392,000	1.76%
Mr. Li Man Keung Edwin (Note 2)	14,712,613	1.54%	14,712,613	1.49%
Mr. Yip Shiu Hong	5,997,905	0.63%	5,997,905	0.61%
Creditor (A) (Note 1)	8,800,000	0.92%	10,855,562	1.10%
Creditor (B)	47,550,000	4.99%	77,540,446	7.87%
Public Shareholders	<u>413,211,656</u>	<u>43.33%</u>	<u>413,211,656</u>	<u>41.92%</u>
Total	<u><u>953,575,399</u></u>	<u><u>100.00%</u></u>	<u><u>985,621,407</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, the executive Director and Co-Chairman of the Board, and as to 49% by Mr. Liang Zihao, the executive Director and Co-Chairman of the Board. Mr. Liang Zihao directly holds 8,800,000 Shares. The aggregate Shares beneficially owned by Mr. Liang Zihao is 244,403,225 Shares, or 25.63% of total issued Shares. Mr. Wu Jianwei directly holds 52,508,000 Shares. The aggregate Shares beneficially owned by Mr. Wu Jianwei is 288,111,225 Shares, or 30.21% of total issued 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 10.92% of total issued Shares.
- (3) 27,096,000 Shares are held by Silver Rocket Limited (“Silver Rocket”) which is wholly owned by Mr. Pan Wen yuan. Mr. Pan Wen yuan is deemed to be interested in the Shares in which Silver Rocket is interested under the SFO.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

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

In accordance with the GEM Listing Rules, the Creditors 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. 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 the Deed and will be required to abstain from voting on the resolution(s) to approve the Subscription and the Deed and the transactions contemplated thereunder at the EGM.

Mr. Liang and Ms. Wu (being the Creditors), and Mr. Wu Jianwei ("**Mr. Wu**", being an executive Director and the younger brother of Ms. Wu, is considered to be an associate of Ms. Wu), have abstained from voting on the relevant Board resolutions to approve (i) the Deed and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to allot and issue the Subscription Shares. Save as mentioned above, none of the other Directors is regarded as having a material interest in, and therefore none of them is required to abstain from voting on, the relevant Board resolutions.

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 Monday, 15 September 2025 at 3:00 p.m. is set out on 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 Deed and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to allot and issue the Subscription Shares. Under Chapter 20 of the GEM Listing Rules, any shareholder who has a material interest in a proposed transaction must abstain from voting at the relevant general meeting on the relevant resolution(s).

As at the Latest Practicable Date, Mr. Liang and Mr. Wu were interested in an aggregate of 296,911,225 Shares (representing approximately 31.14% of the total issued Shares), which include (i) Mr. Liang's personal interest in 8,800,000 Shares; (ii) Mr. Wu's personal interest in 52,508,000 Shares; and (iii) 235,603,225 Shares held through Global Fortune Global Limited which is owned as to 49% by Mr. Liang and as to 51% by Mr. Wu. Ms. Wu was directly interested in 47,550,000 Shares, representing approximately 4.99% of the total issued Shares. As such, Mr. Liang, Ms. Wu, Mr. Wu and their respective associates shall be required to abstain from voting on the resolution(s) for approving the Deed and the grant of the Specific Mandate at the EGM.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, save for the foregoing, none of the other Shareholders will be required to abstain from voting on the resolution 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 Saturday, 13 September 2025 (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.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Ms. Ip Ka Lai, Mr. Li Michael Hankin, Ms. So Sze Wan Lisa and Mr. Tam Ka Hei Raymond, 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 Deed and as to how to vote at the EGM. Silverbricks Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Deed 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 Deed 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 Deed 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 Deed and the transaction contemplated thereunder (including the grant of the Specific Mandate). The text of the letter from the Independent Board Committee is set out on pages 21 to 22 of this circular while the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 23 to 46 of this circular.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 September 2025 to Monday, 15 September 2025, 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 Tuesday, 9 September 2025.

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 23 to 46 of this circular, considers that the terms of the Subscription are on normal commercial terms, fair and reasonable and, although the Deed 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 Deed.

The Board (excluding Mr. Liang, Ms. Wu and Mr. Wu but including members of the Independent Board Committee) considers that the terms of the Deed 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 Deed. 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 August 2025

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO SETTLEMENT OF LOAN THROUGH SUBSCRIPTION OF NEW SHARES

We refer to the circular of the Company dated 26 August 2025 (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 Deed 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.

Silverbricks Securities 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 23 to 46 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 20 of the Circular and the additional information set out in Appendix I to the Circular.

Having considered the terms and conditions of the Deed (as amended and supplemented by the Supplemental Deed) 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 Deed 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 Deed 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

interests of the 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 Deed and the transaction contemplated thereunder (including the grant of the Specific Mandate).

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

IP Ka Lai
Independent
non-executive
Director

LI Michael Hankin
Independent
non-executive
Director

SO Sze Wan Lisa
Independent
non-executive
Director

TAM Ka Hei Raymond
Independent
non-executive
Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of a letter of advice from Silverbricks Securities Company Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for inclusion in this circular.



**SILVERBRICKS SECURITIES COMPANY
LIMITED**

Rooms 1601-07, 16/F,
Nan Fung Tower,
88 Connaught Road Central,
Central, Hong Kong
26 August 2025

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO SETTLEMENT OF LOAN THROUGH SUBSCRIPTION OF NEW SHARES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in relation to the connected transaction in relation to settlement of the Shareholders' Loan through the Subscription and the transactions contemplated thereunder ("**Connected Transaction**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") in the circular issued by the Company to the Shareholders dated 26 August 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcements of the Company dated 21 January 2025 and 15 May 2025 (the "**Announcements**") in relation to, among others, the Connected Transaction.

On 16 July 2024 and 19 August 2024, each of the Creditors separately entered into loan agreements with the Company in an aggregate amount of approximately HK\$15.7 million, with interest rate of 6.0% per annum with no fixed term and security.

As set out in the Letter from the Board, on 21 January 2025, the Company as debtor entered into the Deed with the Creditors, pursuant to which the Company has conditionally agreed to issue and allot to the Creditors an aggregate of 32,046,008 Subscription Shares at the Subscription Price of HK\$0.50 per Subscription Share. The subscription amounts, corresponding to 2,055,562 shares for Creditor (A) and 29,990,446 shares for Creditor (B), will be satisfied by capitalizing the Shareholders' Loans of HK\$1,000,000 due to Creditor (A) and HK\$14,664,960 due to Creditor (B), respectively, totaling approximately HK\$16.0 million owed by the Company to the Creditors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

GEM LISTING RULE IMPLICATION

As at the Latest Practicable Date, the Creditors are either substantial shareholders and/or Directors of the Company, and are therefore connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription are not in the ordinary and usual course of the Company but 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.

As at the Latest Practicable Date, Creditor (A) and Mr. Wu Jianwei ("**Mr. Wu**") was interested in a total of 296,911,225 Shares (representing approximately 31.14% of the total issued Shares), which include (i) Creditor (A)'s personal interest in 8,800,000 Shares; (ii) Mr. Wu's personal interest in 52,508,000 Shares; and (iii) 235,603,225 Shares held through Global Fortune Global Limited which is owned as to 49% by Creditor (A) and as to 51% by Mr. Wu. Creditor (B) was directly interested in 47,550,000 Shares, representing approximately 4.99% of the total issued Shares. And Mr. Wu being an executive Director and the younger brother of Creditor (B), which is considered to be an associate of Ms. Wu. As such, Mr. Liang, Ms. Wu, Mr. Wu and their respective associates shall be required to abstain from voting on the resolution(s) for approving the Deed and the grant of the Specific Mandate at the EGM.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising Ms. Ip Ka Lai, Mr. Li Michael Hankin, Ms. So Sze Wan Lisa and Mr. Tam Ka Hei Raymond, 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 Deed and the Subscription and as to how to vote at the EGM. as to whether the terms of the Deed and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms; (iii) in the interests of the Company and its shareholders as a whole; and (iv) how the independent Shareholders should vote in favor of the Subscription. None of the members of the Independent Board Committee has any material interest in the Deed, the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders for the purpose of the GEM Listing Rules, our role is to give an independent opinion to advise the Independent Board Committee and the independent Shareholders as to whether the terms of the Deed, the Subscription and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms; (iii) in the interests of the Company and its shareholders as a whole; and (iv) how the independent Shareholders should vote in favour of the Deed, the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate).

OUR INDEPENDENCE

In the last two years, we did not have any engagement with the Group as an independent financial adviser. As at the Latest Practicable Date, we did not have any relationships or interests with the Group or any other parties that could reasonably be regarded as relevant to the independence of us. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the captioned transactions, and therefore we are considered to be eligible to give independent advice on the terms of the Deed, the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate).

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the independent Shareholders in relation to the terms of the transactions contemplated thereunder (including the grant of the Subscription under Specific Mandate), we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the “**Management**”). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. 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 have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Subscription, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereof) in formulating our opinion and recommendation. This letter is issued for the information for the Independent Board Committee and the independent Shareholders solely in connection with their consideration of the terms of the Deed, the Subscription and the transactions contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the independent Shareholders in respect of the Subscription, we have considered the following principal factors and reasons:

(1) Information on the Company

According to the Letter from the Board and the Management, the Company is an investment holding company and its subsidiaries are principally engaged in the electric vehicle charging business in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance

The following table summarises the financial information of the Group for each of the two years ended 31 December 2023 and 2024 as extracted from the annual report of the Company for the year ended 31 December 2024 (the “**Annual Report 2024**”).

	For the year ended 31 December	
	2024 <i>HK\$'000</i> (audited)	2023 <i>HK\$'000</i> (audited)
Revenue	153,126	78,132
Gross profit	27,280	14,224
Gross profit margin	17.8%	18.2%
Loss and total comprehensive expense for the year	(144,229)	(124,420)
Loss attributable to owners of the Company	(144,229)	(124,186)

Revenue

For the year ended 31 December 2024, revenue of the Group increased to approximately HK\$153.1 million compared to approximately HK\$78.1 million from the year ended 31 December 2023, representing an increase of approximately 96.0%. Revenue from sales of electric vehicle charging systems, electric vehicles charging income, provision of installation service income and maintenance income, rental and EV charging consultancy income amounted to approximately HK\$64.8 million, approximately HK\$23.9 million, approximately HK\$60.2 million and approximately HK\$4.2 million, respectively, representing approximately 42.2%, approximately 16.0%, approximately 39.3% and approximately 2.6% of the Group's revenue for the year ended 31 December 2024, respectively. The increase was mainly attributable to sales of electric vehicle charging systems and Provision of installation service income.

Gross profit

The Group's cost of services increased by approximately 96.9% to approximately HK\$125.8 million for the year ended 31 December 2024 compared to approximately HK\$14.2 million for the year ended 31 December 2023. The increase in cost of services was generally in line with the increase in revenue. The gross profit of the Group for the year ended 31 December 2024 increased by approximately 91.8% to approximately HK\$27.3 million from approximately HK\$14.2 million for the year ended 31 December 2023, which is inline with the increase in revenue and cost of services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Loss attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company for the year ended 31 December 2024 of approximately HK\$144.2 million, representing an increase of approximately 16.1% when compared with approximately HK\$124.4 million for the year ended 31 December 2023. The increase was mainly attributable to (i) imputed interest on other borrowings in financial costs; and (ii) other losses related to convertible note.

Financial position

The following table summarises the financial position of the Group as at 31 December 2023 and 31 December 2024 as extracted from the published Annual Report 2024:

	For the year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
	(audited)	(audited)
Total assets	376,671	220,140
Total liabilities	375,428	114,704
Net current assets	44,038	53,675
Net assets	1,243	105,436

The total assets of the Group amounted to approximately HK\$376.7 million as at 31 December 2024, representing an increase of approximately HK\$156.5 million or approximately 71.1%, as compared to HK\$220.1 million as at 31 December 2023. The increase was primarily due to (i) the increase in property, plant and equipment of approximately HK\$29.1 million; (ii) the increase in investment in an associate of approximately HK\$75.5 million; (iii) the increase in trade and other receivables, prepayments and deposits of approximately HK\$16.2 million; and (iv) the increase in bank balances and cash of approximately HK\$28.9 million.

The total liabilities of the Group amounted to approximately HK\$375.4 million as at 31 December 2024, representing an increase of approximately HK\$260.7 million or approximately 227.3%, as compared to HK\$114.7 million as at 31 December 2023. The increase was primarily due to (i) the increase in trade and other payables of approximately HK\$38.3 million; (ii) the increase in other borrowings of approximately HK\$56.9 million; (iii) the increase of the convertible note of approximately HK\$74.4 million; and (iv) the increase in derivative liability of convertible note of approximately HK\$88.3 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The net assets of the Company amounted to approximately HK\$1.2 million as at 31 December 2024, representing an decrease of approximately HK\$104.2 million or approximately 98.8%, as compared to HK\$105.4 million as at 31 December 2023. Such an increase was mainly attributable to the convertible note and the increase in derivative liability of convertible note during the year ended 31 December 2024.

(2) Information of the Creditors

As at the Latest Practicable Date, Creditor (A) is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, Creditor (B) is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules.

(3) Reasons for and benefits of the Subscription and Debt Capitalisation

On 16 July 2024 and 19 August 2024, each of the Creditors separately entered into a loan agreement with the Company, pursuant to which the Creditors each granted a loan with an aggregate principal amount of approximately HK\$15.7 million to the Company. The parties agreed that the amount of approximately HK\$16.0 million of the Shareholders' Loan shall be capitalized as the consideration for the Subscription upon Completion. As at the Latest Practicable Date, the approximately HK\$15.7 million has been fully utilised from the proceeds from the Shareholders' Loan as for the operational expenses including capital expenditure relating to EV charging stations, electricity costs relating to EV charging assets and monthly licence fees paid to the Environmental Protection Department and corporate overhead expenses.

As set out in the Letter from the Board, the Shareholders' Loan was structured with a long-term tenure to facilitate the ongoing expansion of the Company both in Hong Kong and internationally. The Company's plan involved repaying the Shareholders' Loan gradually using operating cash flow as it became available over time. Considering that the Shareholders' Loan is a loan with no repayment date, the inclusion of a 14-day notice repayment clause ensures that the Creditors retains control over the recovery of the Shareholders' Loan. The fact that the Creditors have agreed not to impose a hard repayment date demonstrates the Creditors' willingness to provide on-going support rather than immediate repayment pressure. The independent valuer has conducted credit rating analysis of the Company through the built-up method and review of the market yields and the market borrowing rates for similar entities as the Company, the effective interest rates of Debt (A) and Debt (B) are 7.67% and 7.42% respectively. Since (i) each of Debt (A) and Debt (B) bears interest rate at 6% per annum, which is lower than the effective interest rates determined by the independent valuer; and (ii) the terms of the Debts represent standard commercial terms, the Board considers that the Debts were entered into on normal commercial terms and the terms therein are fair and reasonable. In addition, as the Debts are not secured by any of the Group's assets, the Debts were exempted under Rule 20.88 of the GEM Listing Rules. It shows the confidence and support of the substantial shareholder towards the long-term development of the Company.

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As set out in the Letter from the Board, the decision of settling the Shareholders' Loan through the Subscription was made to maintain cash flow liquidity for ongoing projects, ensuring funds for daily operations, and providing a buffer against market fluctuation for the Company. As at 31 December 2024 (being the month ended immediately prior the Deed), the Group's gearing ratio significantly increased to approximately 156.4 times from approximately 0.8 times as at 30 June 2024. The Group's current ratio increased to approximately 1.5 times as at 31 December 2024 from approximately 1.2 times as at 30 June 2024. Moreover, the Group's debt-to-equity ratio surged to approximately 114.4 times as at 31 December 2024 from approximately 0.8 times as at 30 June 2024. In addition, the Group's net assets reduced to approximately HK\$1.2 million as at 31 December 2024 from approximately HK\$81.5 million as at 30 June 2024. All the above indicate that the financial condition of the Group up to 31 December 2024 has been worsen since 30 June 2024, not long before the entering into of the Loan Agreements by the Company. For the year ended 31 December 2024, the Group recorded total borrowings of approximately RMB114.6 million and finance costs of approximately RMB14.0 million. In particular, finance costs contributed substantially to and represented approximately 9.8% of the loss for the year. The Company is minded to improve its profitability and alleviate the repayment pressure by, among other things, lowering liabilities and finance costs and to extending maturity dates of its borrowings. To achieve such goals, the Company has all along been negotiating extension of maturity dates of various loans with relevant lenders, and recently, the Company has been looking for opportunities to capitalise loans from various lenders through subscription of Shares. However, the Company was not able to come into consensus with the lenders other than the Creditors for the main reason that the Company is still at a loss position, the Subscription pursuant to arm's length negotiation with the Creditors is the best available option at the moment for the Company to achieve the said goals to lower liabilities and finance costs.

As shown in the section "Financial performance" of this letter, according to the 2024 Annual Report, (i) the Group has recorded loss for the years ended 31 December 2023 and 2024; (ii) a significant decrease in net asset of approximately HK\$104.2 million, representing a decrease of approximately 98.8%, from approximately HK\$105.4 million as at 31 December 2023 to approximately HK\$1.2 million as at 31 December 2024. We also reviewed the following documents provided by the Company (i) the actual cashflow of the Group for the periods of 1 June 2024 to 30 June 2024 and 1 July 2024 and 31 July 2024 (being the months ended immediately prior the Creditor (A)'s Loan Agreement and Creditor (B)'s Loan Agreement, respectively); (ii) the unaudited management account of the Group for the periods of 1 June 2024 to 30 June 2024 and 1 July 2024 and 31 July 2024 (being the months ended immediately prior the Creditor (A)'s Loan Agreement and Creditor (B)'s Loan Agreement, respectively); and (iii) the cashflow forecast of the Group for year ending 31 December 2025. As the Group derives all of its revenue from its electric vehicle charging business in the mainly Hong Kong market and strategic expanding market in Southeast Asia ("SEA"), especially when (i) the Hong Kong electric vehicle charging stations market and (ii) the SEA electric vehicle charging market are both dynamic and expanding estimated with steady growth projected at 25.54% compound annual growth rate ("CAGR") measuring an investment's annual growth rate over the period of time to 2029 in Hong Kong market ([https:// www.researchandmarkets.com/report/united-arab-emirates-home-furniture-market](https://www.researchandmarkets.com/report/united-arab-emirates-home-furniture-market))

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stated on an independent research forecast report from an independent organisation named Research and Markets published on October 2024 while at 24.61% CAGR to 2030 estimated in SEA market (<https://www.mordorintelligence.com/industry-reports/southeast-asia-electric-vehicle-charging-equipment-market>) stated on an independent research forecast report from an independent organisation named Mordor Intelligence published on January 2025, that the markets have performed strongly. These data are reliable since the data has been widely recognized by IKEA, Microsoft or P&G, etc, these world's leading brand and serves as a data source for TIME, The New York Times and Bloomberg and more, these business news publications, which providing analyse for consultation to Bank of America, Nestle and Cocacola, these Fortune 500 companies. In order to meet the market's demand, the current business environment requires substantial upfront procurement costs for operating charging system, ongoing expenses for providing installation and maintenance, and considerable staff and project management outlays to secure and execute large-scale contracts, which may encounter approximately HK\$260.0 million trade related payables by December 2025 as estimation while expecting the revenue growth of the Company be align to the electric vehicle charging market, which contributing to a high cash outflow. While the Group estimates the trade receivables from customers and anticipates contributions from internal resources (i.e. bank balance and cash amount of approximately HK\$26.15 million as at 31 May 2025, one of the internal resources), these sources alone may not be satisfied for the operational expenses by the end of 2025 as we reviewed from the estimated cash flow forecast for the Group's business operations. Timely access to suitable investment and fundraising opportunities is crucial to maintain the liquidity and support ongoing business expenses until the estimated at the end of 2025. Based on the abovementioned information, we note that (i) the Group recorded a bank balances and cash of the Group of approximately HK\$3.1 million as at 30 June 2024; (ii) the Group recorded a bank balances and cash of the Group of approximately HK\$8.1 million as at 31 July 2024; (iii) cash outflow for business expansion and daily operation of approximately HK\$29.0 million as at 31 May 2025. In conclusion, we believed that (i) the Company would have been almost run of cash/low level of cash if the Creditors have not provided the additional fundings of approximately HK\$15.7 million on 16 July 2024 and 19 August 2024; and (ii) the Company may not have sufficient cash for operation as estimated by the end of 2025 while there are HK\$20 million of bank balances and cash for reserving to demonstrates financial stability and credibility for building trust with business partnerships, meanwhile, requires immediate funding for general working capital, taking into account the abovementioned financial difficulties of the Group. In addition, as at 31 December 2024, the Company had bank balances and cash of approximately HK\$52.3 million, and we have reviewed the cash flow forecast for year ending 31 December 2025, and we note that the repaying Debts results the Company does not have sufficient working capital for the coming months by the end of 2025. We are of the view and concur with the Directors' view that the Loan Capitalisation through Subscription Shares enables the Group to (i) settle the Shareholders' Loan without depleting its existing financial resources and avoid cash outflow; and (ii) alleviate the liquidity while the Shareholders' Loan obligation be settled by equity, i.e. Subscription Shares.

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The Board is of the view that entering into the Deed is in the interests of the long-term development of the Company and shows commitment to external financial institutions by converting as share as well as enhancement of capital base of the Company.

We note that the Company entered into the Loan Agreements with the Creditors on 16 July 2024 and 19 August 2024 and announced the Loan Capitalisation through the Subscription as stipulated in the Deed on 21 January 2025 (the “**Arrangement**”). In assessing the fairness and reasonableness of the Arrangement, we have enquired the Management on the Arrangement and reviewed (i) the Shareholders’ Loan schedule, (ii) the estimated continuing cash outflow for repaying the Shareholders’ Loan in the cash flow forecast by the year ended 2025; and (iii) bank balance and cash of approximately HK\$39.9 million as at 31 January 2025 provided by the Company which indicated that the existing resources are not satisfied for liquidating the Shareholders’ Loan, further operating and developing on-going business. The Management’s decision to enter into the Deed with the Creditors was made after considering the financial situation of the Group; and the urgency of the Group’s funding needs. Therefore, we concluded that the Arrangement is fair and reasonable and in the interest of the Shareholders and the Company as a whole.

Alternative fund-raising methods considered

As mentioned in the Letter from the Board, the Company had explored other fund raising alternatives available to the Group for the repayment of the Shareholders’ Loan such as debt financing, rights issue, open offer and Share placement. After discussing with the Directors, we are given to understand that the Board had resolved to Loan Capitalisation through subscription of new shares in meeting its funding needs as disclosed in the reasons as follows:

(i) Debt financing

As discussed with the Directors, we understood that the Board has considered additional debt financing from banks or financial institutions, but given the loss position of the Company for the recent years, the Company was advised with unfavourable interest rates and financing terms. As part of our due diligence, we have obtained and reviewed the correspondences between the Company and five potential banks. As confirmed by the Directors, we understood that these banks had rejected the Company’s proposed request for loan at a favourable terms based on preliminary review of the losses financial position in consecutive three years. Subject to the potential additional interest burden for the Company, the Directors considered the lengthy due diligence and negotiations with banks as a result of debt financing would be undesirable as the additional borrowings would potentially increase the Company’s finance cost in the long run, adding to the increasing trend in the Company’s gearing ratio as a whole. We understood that the Company had also faced difficulties in identifying other potential lenders offering similar interest rates to the Shareholders’ Loan with subsequent negotiation for potential Loan Capitalisation by subscription of new Shares. Based on our discussion with the

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Directors that further debt financing would may exacerbate the Company's repayment pressure leading to more significant financial strain with (i) add on debt burden with the challenging in manage existing repayment obligation; (ii) additional financial burden in interest payment; and (iii) restricted financial flexibility in investing business opportunities while repayment on debts be firstly prioritised, we concur with the Directors' view that debt financing and its respective finance cost would generally be undesirable in the long-run.

(ii) Rights issue, open offer and Share placement

As discussed with the Directors, we understood the option of rights issue, open offer and Share placement had also been considered in the form of other fund raising alternatives. We understood that the Company had approached placing agent and underwriter in December 2024 and was given to understand that they were generally not interested in assisting the matter. The Company was also offered unfavourable terms that such placing/underwriting commission would likely exceed the cost under the Subscription without taking into account of further necessary professional fees. Having obtained and reviewed correspondence between the Group and potential underwriters, we noted that the potential cost for the aforementioned fund raising alternatives for the same proceed amount will likely exceed HK\$600,000, representing more than 1.5 times of the cost under the Subscription without taking into account of further necessary professional fees.

Based on the offered terms set out in the correspondence between potential underwriters and the Company and the Group's net loss and net current liabilities position in recent years, we are of the view that the Company may not be offered more agreeable terms regardless of the time available to negotiate prior to the maturity dates of the Shareholders' Loan, and may only be in a more favourable position to negotiate subject to a better financial position in the next financial year. Having considered above, we concur with the Directors' view that the chance of identifying a willing placing agent/underwriter with favourable terms remain slim as long as the abovementioned financial positions of the Company subsisted.

Based on our analysis above, having considered that (i) the capitalisation of the Shareholders' Loan would allow the Company to ease the repayment pressure and lower the level of its gearing ratio; (ii) the capitalisation of other existing loan due prior to the Shareholders' Loan had not been made agreeable by the Existing Lenders; (iii) net loss recorded by the Company during recent years does not show indication that postponing the timing of the Loan Capitalisation would lead to a more favourable Subscription Price; (iv) debt financing would potentially increase the finance cost and gearing ratio in the long run; (v) unfavourable terms were reached between the Group and potential banks and underwriters for respective alternative fund-raising methods; and (vi) the Company may not be offered more agreeable terms for alternative

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fund-raising methods regardless of the time available to negotiate due to the Group's net loss and net current liabilities position in recent years, we are of the view that the Subscription is a suitable source of fundraising to improve the Group's liquidity by reducing its level of liabilities in the long-run and therefore being in the interests of the Company and the Shareholders as a whole, although it is not conducted in the ordinary and usual course of business of the Group.

Having considered (i) the Loan Capitalisation will settle the Shareholders' Loan and reduce the Group's gearing level without depleting its existing financial resources; (ii) the challenging financial position of the Group in which the developing electric vehicle charging business is capital intensive as mentioned above; (iii) the Management expects that the Group would not be able to obtain favourable terms for debt financing which would also increase finance costs of the Group; and (iv) other equity financing methods such as placing of shares, rights issue and open offer may have the difficulties to attract investors to subscribe new shares, we are of the view and concur with the Directors' view that the Loan Capitalisation through the Subscription under Specific Mandate is in the interests of the Company and the Shareholders as a whole.

(4) Principal terms of the Deed

The principal terms of the Deed are as follows:

- Date : 21 January 2025 (after the trading hours)
- Parties : (1) Issuer/debtor: the Company; and
- (2) Creditors: Mr. Liang Zihao ("**Mr. Liang**") as Creditor (A)
- Ms. Wu Yanyan ("**Ms. Wu**") as Creditor (B)

Subscription Shares

Pursuant to the Deed:

- (1) the Company has conditionally agreed to issue and allot to Creditor (A) 2,055,562 Subscription Shares at the Subscription Price of HK\$0.50 per Subscription Share. The subscription amount payable by Creditor (A) shall be satisfied by capitalising the amount of Debt (A) due to Creditor (A) from the Company; and
- (2) the Company has conditionally agreed to issue and allot to Creditor (B) 29,990,446 Subscription Shares at the Subscription Price of HK\$0.50 per Subscription Share. The subscription amount payable by Creditor (B) shall be satisfied by capitalising the amount of Debt (B) due to Creditor (B) from the Company.

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Number of Subscription Shares

The 32,046,008 Subscription Shares represent (i) approximately 3.36% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 3.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the date of Completion. The aggregate nominal value of the Subscription Shares is approximately HK\$320,460. The Subscription Shares will rank pari passu in all respects with the Shares in issue on the date of Completion.

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought for approval from the Independent Shareholders at the EGM.

Subscription Price

The Subscription Price of HK\$0.50 per Subscription Share represents:

- (i) an equal to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the date of the Deed;
- (ii) an equal to the average closing price of approximately HK\$0.50 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Deed; and
- (iii) a discount of approximately 1.96% to the closing price of HK\$0.51 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Subscription Price was determined, among others, with reference to (i) the prevailing market price of the Shares and the market conditions; and (ii) the funding needs and financial position of the Group and was negotiated on an arm's length basis between the Company and the Creditors.

As mentioned in the Letter from the Board, the Subscription Price was arrived on an arm's length basis between the Company and the Creditors.

The Directors consider that the Subscription Price and the terms of the Deed are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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Conditions precedent

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 Deed and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares;
- (c) the necessary consents and approvals in relation to the Deed and the transactions contemplated thereunder having been obtained; and
- (d) the representation and warranties given by the Company under the Deed remaining true and accurate in all material respects and are not misleading as at the date of the Deed and the date of Completion.

Save that the Creditors have the right to waive condition (d) in respect of representation and warranties given by the Company under the Deed, none of the above conditions can be waived by any party to the Deed. If the above conditions are not fulfilled or waived (as the case may be) by 5:00 p.m. on 30 September 2025 (or such other date as the parties to the Deed may agree in writing), the Deed will be automatically terminated and lapsed and none of the parties to the Deed shall have any claim against the other in respect of the Subscription, save for any antecedent breaches thereof.

Completion

Completion shall take place within ten (10) Business Days after the date of fulfilment of the conditions precedent set out in the Deed. The subscription amount payable by the Creditors shall be satisfied by capitalising the entire amount of the Shareholders' Loan due to the Creditors from the Company.

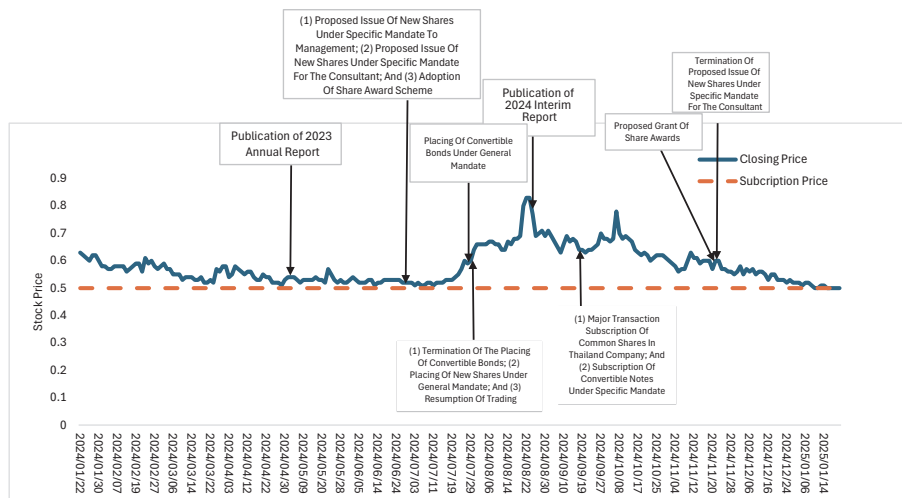
(5) Analysis of the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 22 January 2024 to 21 January 2025, being a period of 12 months prior to and including the Last Trading Date (the “**Review Period**”) and compared with the Subscription Price. We consider the Review Period which covers a full year prior to and including the date of the Deed represents a reasonable and sufficient period to provide a general overview of the recent price performance of the Shares.

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(a) Analysis on historical Share price performance

The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



Source: website of the Stock Exchange (www.hkex.com.hk)

As shown in the chart above, during the Review Period, the daily closing prices of the Shares ranged from HK\$0.50 per Share (the “**Lowest Closing Price**”) recorded on 9 January 2025, 10 January 2025, 15 January 2025 to 21 January 2025 to HK\$0.83 per Share (the “**Highest Closing Price**”) recorded on 22 August 2024 and 23 August 2024, with the average closing price of the Shares amounted to approximately HK\$0.58 per Share (the “**Average Closing Price**”).

During the Review Period, the Share price showed stability, remaining from the range of HK\$0.50 to HK\$0.69 from January 2024 to late August 2024. During the aforementioned period, the Company published(i) the annual report of 2023; (ii) the announcement dated on 28 June 2024 in relation to the new shares issuance under specific mandate and adoption of share award scheme; (iii) the announcement dated on 1 August 2024 in relation to the placing of convertible bonds under general mandate; and (iv) the announcement dated on 5 August 2024 in relation to the termination of placing of convertible bonds, the placing new shares under general mandate and resumption of trading. Starting from late August, a sudden increase in the price rose to HK\$0.83, which is the Highest Closing Price of the Review Period. Since then, the Share price began to decline from September 2024 to January 2025 following the Company’s publication of (i) interim results announcement for the six months ended 30 June 2024 dated on 27 August 2024; (ii) the announcement dated on 20 September 2024 in relation to the major transaction in subscription of common shares in Thailand company and subscription convertible notes under specific mandate; (iii) the announcement dated on 20 November 2024 in relation to the proposed grant of share awards; and (iv) the announcement dated on 21 November

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2024 in relation to the termination of proposed issue of new shares under specific mandate for the consultant. It fluctuated and generally trended downward around the Lowest Closing Price of HK\$0.50. We are at the view of there are no correlation between the fluctuation of the daily closing price and the major event occurred during the Review Period. The Directors confirmed that they do not aware the reasons for all of the abovementioned decreases and increases in Share price.

We note that the Subscription Price of HK\$0.50 per Subscription Share represents (i) Lowest Closing Price of HK\$0.50 per Share; (ii) a discount of approximately 39.76% to the Highest Closing Price of HK\$0.83 per Share; and (iii) a discount of approximately 13.79% to the Average Closing Price of approximately HK\$0.58 per Share. Taking into consideration that the Subscription Price is in the aforesaid historical closing price range during the Review Period; in assessing the fairness and reasonableness of the Subscription Price, we have taken into the followings: (i) the Subscription Price falls within the aforesaid historical closing price range during the Review Period; (ii) it is equivalent to the Lowest Closing Price during the Review Period; (iii) it is equivalent to the closing price on date of the Deed, consistent with the Lowest Closing Price; (iv) the Subscription Price is close to the Average Closing Price per Share during the Review Period; (v) the Share price exhibited a downward trend over the Review Period; (vi) the thin liquidity of the Shares as discussed in the paragraphs headed “(b) Review on trading liquidity of the Shares” below; (vii) the tight cash position as at 31 January 2025, which may not satisfy to settle amounts due to the Subscriber as analysed in the section headed “3. Reasons for and benefits of the Subscription and Debt Capitalisation” above; and (viii) setting the Subscription Price at the Lowest Closing Price during the Review Period minimize the dilution effect on the existing Public shareholders comparing to a higher price may have been set, we are of the view that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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(b) Review on trading liquidity of the Shares

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

			Average	Percentage of
	Number of	Total trading	daily trading	the average
	trading days	volume of	volume of	daily trading
		the Shares for	the Shares for	volume over
		the month/	the month/	total number of
		period	period	issued
				Shares as at
				the end of
				the month/
				period
2024				
22 January to 31				
January	8	3,352,000	419,000	0.047%
February	19	7,180,000	377,895	0.043%
March	20	7,128,000	356,400	0.040%
April	20	4,989,600	249,480	0.028%
May	21	8,786,400	418,400	0.046%
June	19	5,004,000	263,368	0.029%
July	22	22,056,000	1,002,545	0.111%
August	22	87,216,000	3,964,364	0.416%
September	19	38,802,000	2,042,211	0.214%
October	21	66,191,000	3,151,952	0.331%
November	21	39,256,000	1,869,333	0.196%
December	20	17,872,000	893,600	0.094%
2025				
January (up to the Last				
Trading Date)	14	11,112,000	793,714	0.083%
Maximum			3,964,364	0.416%
Minimum			249,480	0.028%
Average			1,215,559	0.129%

Source: website of the Stock Exchange (www.hkex.com.hk)

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As illustrated from the table above, the average trading volume of the Shares was low between 22 January 2024 to June 2024, with a range from 249,480 Shares to 419,000 Share, representing approximately 0.028% to 0.047% of the total number of Shares in issue as at the end of relevant month/period, the average trading volume of the Shares increased during July to November, with a range from 1,002,545 Shares to 3,964,364 Shares, representing approximately 0.111% to 0.416% of the total number of Shares in issue as at the end of relevant month, and it slowed down again from December to the Last Trading Date, with a range from 793,714 Shares to 893,600 Shares, representing approximately 0.083% to 0.094% of the total number of Shares in issue as at the end of relevant month/period. It illustrates that the trading volume of the Shares was relatively thin during the Review Period. The low liquidity of the Shares may imply a lack of interest from potential investors in the existing shares and as such, it may not be easy for the Company to conduct other equity financing alternatives when considering fundraising exercises in the stock market without providing a considerable discount.

(c) Market comparable analysis

In order to assess whether the Subscription Price is fair and reasonable, we have carried out a comparable analysis by identifying comparable companies with issuance of new shares to connected persons for fund raising by companies listed on the Stock Exchange (the “**Subscription Comparable(s)**”).

We have set out the selection criteria being (i) companies listed on the Stock Exchange; (ii) subscription of new shares under specific mandate for loan or debt capitalisation to connected persons or resulted as a connected transaction during the period from 22 January 2024 to 21 January 2025 (the “**Comparable Period**”), being approximately twelve months prior to the entering into of the Deed; (iii) more than or equal to 50% of the use of proceeds from the subscriptions are for repaying loans which are more comparative to the use of proceeds of the Subscription. We believe the twelve months period adopted is sufficient and representative in demonstrating recent market conditions and exhaustive for the purpose of our comparable analysis.

We have also assessed and restricted our comparison to exclude transactions involving (i) restructuring scheme, emolument or acquisition purposes, or A shares or domestic shares; and (ii) whitewash waiver applications or general offer obligations under the Hong Kong Code on Takeovers and Mergers which may tend to be conducted at distorted prices to the market trend as a result of their respective commercial rationale assessed.

We also noted that the terms of the relevant transactions of the Subscription Comparables may vary from companies with different financial standings, business performance and prospects. Although the companies involved in the Subscription Comparables are not identical to the Company in terms of principal business, operating scale and financial position, we have assessed and consider that the Subscription Comparables can provide a general understanding on share subscription

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and placing in respect of connected transactions in the prevailing market condition and provide a general reference to the recent market practice and terms of the subscription price. Based on the aforesaid criteria and to the best of our knowledge, we have identified 10 Subscription Comparables which we consider to be exhaustive for our assessment and the purpose of our comparable analysis.

Our findings and analysis on the Subscription Comparables are set out below:

Date of announcement	Stock code	Company name	Subscription price per share	Number of subscription ordinary shares	Connected Yes (Y) / No (N)	Amount of fund raised in total subscription or placing (approximately)	Premium/ (Discount) of subscription price over/(to) the average closing price per share for the last five consecutive trading days immediately prior to the date of respective announcements/ subscription agreements in relation to the respective subscription of shares (%)	Premium/ (Discount) of subscription price over/(to) the average closing price per share for the last five consecutive trading days immediately prior to the date of respective announcements/ subscription agreements in relation to the respective subscription of shares (%)
							agreements in relation to the respective subscription of shares (%)	agreements in relation to the respective subscription of shares (%)
			(HK\$)	(shares)				
17/01/2025	632	CHK Oil Limited	0.415	12,048,192	Y	HK\$5,000,000	5.06%	(5.03%)
27/12/2024	2122	Kidsland International Holdings Limited	0.07	305,914,286	Y	HK\$100,000,000	94.44%	101.15%
12/11/2024	653	Bonjour Holdings Limited	0.158	210,000,000	Y	HK\$33,180,000	0.00%	(1.00%)
24/10/2024	8337	Directel Holdings Limited	0.20	60,000,000	Y	HK\$12,000,000.0	138.10%	138.10%
23/10/2024	836	China Resources Power Holdings Company Limited	19.70	168,114,000	Y	HK\$3,311,845,800.0	(5.06%)	(3.48%)
4/9/2024	8646	China Hongguang Holdings Limited	0.29	150,000,000	Y	HK\$71,500,000.0	(42.80%)	(34.30%)
17/6/2024	1176	Zhuguang Holdings Group Company Limited	0.20	1,625,000,000	Y	HK\$325,000,000	21.21%	18.34%
10/6/2024	1802	Wenye Group Holdings Limited	0.055	237,600,000	Y	HK\$13,068,000.0	(3.50%)	(14.10%)
13/5/2024	1262	Labixiaoxin Snacks Group Limited	1.10	85,518,388	Y	HK\$94,070,226.8	(5.17%)	(15.77%)
7/3/2024	931	China HK Power Smart Energy Group Limited	0.43	697,674,419	Y	HK\$300,000,000	0.00%	1.42%
						Average	(3.78%)	(6.74%)
						Median	(1.75%)	(4.26%)
						Maximum	21.21%	18.34%
						Minimum	(42.80%)	(34.30%)
		The Company	0.50	32,046,008	Y	HK\$16,023,004.0	0.00%	0.00%

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Note:

1. Kidsland International Holdings Limited and Directel Holdings Limited are considered as outliers due to the fact that their significantly high premiums of the subscription price over (i) the closing price on/prior to the date of the corresponding agreement and (ii) the average closing price for the last five consecutive trading days prior to/up to and including the date of corresponding agreements, which may provide an abnormal average value and hence they have been excluded from the above analysis.

As demonstrated by the above table, we note that the average discounts/premiums of the Subscription Comparables were, to a large extent, attributable to the extreme price premiums recorded by Kidsland International Holdings Limited and Directel Holdings Limited. We consider that the abnormal price premiums recorded by Kidsland International Holdings and Directel Holdings Limited (the “Anomalies”) may be a result of their respective thin trading volume and financial position which may hinder the success of any future equity fund raising exercise, and therefore have treated as anomalies for the purpose of our comparable analysis.

As illustrated in the table above and having taken into account of the exclusion of the Anomalies for the purpose of our comparable analysis, we noted that the respective subscription or placing price of the relevant Subscription Comparables ranged from (i) a discount of approximately 42.80% to a premium of approximately 21.21% to their respective last trading day; and (ii) a discount of approximately 34.30% to a premium of approximately 18.34% to their respective average closing price for the last five consecutive trading days.

There is no discount or premium to the Subscription Price, being equal to the same value as the closing price and the average closing price of the last five consecutive trading days, which we note falls within range of the Subscription Comparables.

Moreover, as illustrated in the table above and having taken into account of the exclusion of the Anomalies for the purpose of our comparable analysis, the Subscription Price, being equal to the same value as the closing price and the average closing price of the last five consecutive trading days, which is higher than to (i) the average and median of discount of approximately 3.78% and 1.75% to the last trading day, respectively; and (ii) the average and median of discount of approximately 6.74% and 4.26% to the last five consecutive trading days, respectively, in relation to the Subscription Comparables concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the settlement of the Shareholders' Loan would allow the Group to avoid cash outflow and retain its existing financial resources for future business development; (ii) the Subscription Price is close to the Average Closing Price per Share during the Review Period; (iii) the Subscription Price equals to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the date of the Deed; and (iv) the Subscription Price equals to the average closing price for the last five consecutive trading days immediately preceding the date of the Deed is higher than the average and median of the closing price per shares for the last five consecutive trading days of the Subscription Comparables, we are of the view that the Subscription Price is fair and reasonable, and thus is in the interests of the Company as a whole.

(6) Shareholders' Loan and the Deed

For our due diligence purpose, we have obtained and reviewed the conditions set out under the Shareholders' Loan and the Deed and ascertain the terms as disclosed. In addition to the details in relation to the Shareholders' Loan, we have also obtained, reviewed made reference to the terms and calculations of the borrowings from lenders other than the Creditors (the "**Existing Lenders**") including bank loan and other borrowings (the "**Remaining Borrowings**"). We noted that the Remaining Borrowings due to the relevant lenders as at 31 December 2024 consisted of used banking facilities of HK\$62.4 million and other borrowings with principal amount of HK\$39.0 million with interest rates ranging approximately 12% per annum.

We understood from our discussion with the Directors that the Company could not reach a comparable agreement with the Existing Lenders in relation to potential Loan Capitalisation of any existing loans due prior to the Shareholders' Loan. Although it may be deemed preferable to alleviate existing loans due prior to the Shareholders' Loan, we understood that this could not be made available as an option in the same opportunity and bearing a comparatively lower cost made available by the Creditors. We concur with the Directors' view that the Company has a pressing need to reduce its level of liabilities in both the short-run and long-run. Accordingly, we consider and concur with the view of the Directors that the terms of the Deed, despite not in the ordinary course of business, to be fair and reasonable, on normal commercial terms and in interest of the Company and its shareholders as whole in reducing the Company's level of liabilities so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(7) Potential dilution effect on the shareholding of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the completion of the Loan Capitalisation, assuming that there are no changes in the total number of issued Shares between the Latest Practicable Date and the completion of the Loan Capitalisation, for illustration purposes only:

	As at the Latest Practicable Date		Immediately after Completion	
	Number of Shares	Approx.% of shareholding	Number of Shares	Approx.% of shareholding
Substantial Shareholders and Directors				
Global Fortune Global Limited (Note 1)	235,603,225	24.71%	235,603,225	23.90%
Glorytwin Limited (Note 2)	72,000,000	7.55%	72,000,000	7.31%
Gaw Capital	58,704,000	6.16%	58,704,000	5.96%
Mr. Wu Jianwei (Note 1)	52,508,000	5.51%	52,508,000	5.33%
Mr. Pan Wenyuan (Note 3)	27,096,000	2.84%	27,096,000	2.75%
Tanner Enterprises Group Limited (Note 2)	17,392,000	1.82%	17,392,000	1.76%
Mr. Li Man Keung Edwin (Note 2)	14,712,613	1.54%	14,712,613	1.49%
Mr. Yip Shiu Hong	5,997,905	0.63%	5,997,905	0.61%
Creditor (A) (Note 1)	8,800,000	0.92%	10,855,562	1.10%
Creditor (B)	47,550,000	4.99%	77,540,446	7.87%
Public Shareholders	<u>413,211,656</u>	<u>43.33%</u>	<u>413,211,656</u>	<u>41.92%</u>
Total	<u>953,575,399</u>	<u>100.00%</u>	<u>985,621,407</u>	<u>100.00%</u>

Notes:

- (1) 235,603,225 Shares are held by Global Fortune Global Limited which is owned as to 51% by Mr. Wu Jianwei, the executive Director and Co-Chairman of the Board, and as to 49% by Mr. Liang Zihao, the executive Director and Co-Chairman of the Board. Mr. Liang Zihao directly holds 8,800,000 Shares. The aggregate Shares beneficially owned by Mr. Liang Zihao is 244,403,225 Shares, or 25.63% of total issued Shares. Mr. Wu Jianwei directly holds 52,508,000 Shares. The aggregate Shares beneficially owned by Mr. Wu Jianwei is 288,111,225 Shares, or 30.21% of total issued 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 10.92% of total issued Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (3) 27,096,000 Shares are held by Silver Rocket Limited (“**Silver Rocket**”) which is wholly owned by Mr. Pan Wenyuan. Mr. Pan Wenyuan is deemed to be interested in the Shares in which Silver Rocket is interested under the SFO.

As illustrated in the above table, the shareholding of other public shareholders will be reduced from approximately 43.33% as at the Latest Practicable Date to approximately 41.92% immediately after the allotment and issue of the Subscription Shares, assuming there are no other change in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Subscription Shares.

Although the Subscription will incur dilution effect on the shareholding of the existing Shareholders, having taken into account (i) the Subscription can relieve part of the Group’s existing loan without depleting its existing financial resources and reduce future financing costs; (ii) the result of the Loan Capitalisation can lower the gearing ratio of the Group; and (iii) the proceeds from the Subscription could allow cashflow retained for future business development, we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable. Having considered the above, we are of the view that the Subscription would be an equally favourable option in the long-run to reduce the Company’s level of liabilities and concur with the Directors’ view that the Subscription will alleviate the repayment pressure of the Group, strengthen its financial position and capital structure and retain cashflow of the Group despite taking into account of the dilution effect arising from the allotment and issue of the Subscription Shares.

RECOMMENDATION

Notwithstanding the entering into the Deed are not in the ordinary and usual course of business of the Company, having considered the aforementioned principal factors and reasons, we are of the view that (i) the Subscription is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Deed, the Subscription and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandate) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution(s) to be proposed at the EGM to approve the Deed, the Subscription and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandate).

Yours faithfully,
for and on behalf of
Silverbricks Securities Company Limited
Yau Tung Shing
Managing Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Yau Tung Shing is a licensed person and responsible officer of Silverbricks Securities Company Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the (under the licensing condition that in the capacity as an adviser to a client on matters/transactions falling within the ambit of the Takeovers Code, act together with another adviser) SFO and has over 9 years of experience in the corporate finance 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 the 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 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 Rules 5.46 to 5.67 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")	Beneficial owner/Interest of controlled corporation	288,111,225 (Note 1)	30.21%
	Beneficial owner	10,400,000 (Note 5)	1.09%
Mr. Liang Zihao ("Mr. Liang")	Beneficial owner/Interest of controlled corporation	244,403,225 (Note 2)	25.63%
	Beneficial owner	10,400,000 (Note 5)	1.09%
Mr. Pan Wenyan ("Mr. Pan")	Interest of controlled corporation	27,096,000 (Note 3)	2.84%
	Beneficial owner	6,000,000 (Note 5)	0.63%

Name of Director	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Mr. Li Man Keung Edwin (“Mr. Li”)	Beneficial owner/Interest of controlled corporations	104,104,613 (Note 4)	10.92%
	Beneficial owner	10,400,000 (Note 5)	1.09%
Ms. Wu Yanyan	Beneficial owner	47,550,000	4.99%
	Beneficial owner	6,000,000 (Note 5)	0.63%
Mr. Tam Ka Hei Raymond	Beneficial owner	1,040,000	0.11%
		(Note 5)	
Mr. Yip Shiu Hong	Beneficial owner	5,997,905	0.63%
Mr. Ng Sze Chun	Beneficial owner	2,998,953	0.31%

Notes:

- 235,603,225 Shares are held by Global Fortune Global Limited (“**Global Fortune**”) which is owned as to 51% by Mr. Wu. Mr. Wu is deemed to be interested in the Shares in which Global Fortune is interested under the SFO. Mr. Wu also directly holds 52,508,000 Shares.
- 235,603,225 Shares are held by Global Fortune which is owned as to 49% by Mr. Liang. Mr. Liang is deemed to be interested in the Shares in which Global Fortune is interested under the SFO. Mr. Liang also directly holds 8,800,000 Shares.
- 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 the SFO.
- 17,392,000 Shares and 72,000,000 Shares are held by Tanner Enterprises Group Limited (“**Tanner Enterprises**”) and Glorytwin Limited (“**Glorytwin**”) respectively. Mr. Li owns 100% of the issued share capital of Tanner Enterprises, which in turn owns 100% of the issued share capital of Glorytwin. Mr. Li is deemed to be interested in the Shares in which Tanner Enterprises and Glorytwin are interested under the SFO. Mr. Li also directly holds 14,712,613 Shares.
- 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 the 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
Global Fortune	Beneficial owner <i>(Note 1)</i>	235,603,225	24.71%
Tanner Enterprises	Beneficial owner/Interest of controlled corporation <i>(Note 2)</i>	89,392,000	9.37%
Glorytwin	Beneficial owner <i>(Note 2)</i>	72,000,000	7.55%
AASPCF2022 GP, LP	General Partner	100,000,000 <i>(Note 3)</i>	10.49%
Abax Asian Structured Private Credit Fund 2022, LP	Beneficial owner	100,000,000 <i>(Note 3)</i>	10.49%
Abax Global Capital	Interest of controlled corporation	100,000,000 <i>(Note 3)</i>	10.49%
Abax Global Capital GP 2022 Ltd.	General Partner	100,000,000 <i>(Note 3)</i>	10.49%
Yang Xiang Dong	Interest of controlled corporation	100,000,000 <i>(Note 3)</i>	10.49%
Gateway Capital (Hong Kong) Limited	Investment manager	79,704,000 <i>(Note 4)</i>	8.36%
Gaw Growth Equity Fund I GP Limited	Interest of controlled corporation	79,704,000 <i>(Note 4)</i>	8.36%
Gaw Growth Equity Fund I, LPF	Interest of controlled corporation	79,704,000 <i>(Note 4)</i>	8.36%

Name of substantial shareholders	Capacity	Number of Shares or underlying Shares held	Percentage of issued share capital
Steady Flake Limited	Beneficial owner	79,704,000 (Note 4)	8.36%
Gaw Capital Growth Equity Fund (Flash) GP Limited	Interest of controlled corporation	191,200,000 (Note 5)	20.05%
Gaw Capital Growth Equity Fund (Flash) LPF	Interest of controlled corporation	191,200,000 (Note 5)	20.05%
Floryn Passie Limited	Beneficial owner	191,200,000 (Note 5)	20.05%

Notes:

1. Global Fortune is legally and beneficially owned as to 51% and 49% by Mr. Wu and Mr. Liang respectively. Therefore, by virtue of the SFO, Mr. Wu and Mr. Liang 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, 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.
5. Shares of which represent the Shares which would be allotted and issued upon exercise in full of the convertible note granted by the Company.

Save as disclosed above, as at the 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 close associate(s) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into, a service contract with any member of the Group which is expiring or be terminable 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 2024 (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. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinion or advice contained in this circular:

Name	Qualification
Silverbricks Securities	A corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities
Royson	Professional valuer

The letter, report and/or opinion from each of the above experts is given as of the date of this circular for incorporation in this circular. Each of the above experts 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, each of the above experts:

- (a) did not have any direct or indirect interest in any assets which have since 31 December 2024 (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 2024, 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 at least 14 days from the date of this circular:

- (a) the letter from the Board, the text of which is set out on pages 4 to 20 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 46 of this circular;
- (d) the written consents of the experts as referred to in the section headed “Experts and Consents” in this appendix;
- (e) the Deed;
- (f) the Supplemental Deed;
- (g) the valuation report prepared by Royson in respect of the effective interest rates of the Debts; 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 Monday, 15 September 2025 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 August 2025.

ORDINARY RESOLUTION

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

1. “**THAT**

- (a) the deed of settlement of debt (the “**Deed**”) dated 21 January 2025 (as amended and supplemented by the Supplemental Deed) entered into between the Company as issuer, and Mr. Liang Zihao and Ms. Wu Yanyan as creditors (the “**Creditors**”), in relation to the proposed subscription of 32,046,008 Shares (the “**Subscription Shares**”) at the subscription price of HK\$0.5 per Subscription Share to, among other things, capitalize the aggregate amount owed by the Group to the Creditors of HK\$16,023,004 as at the date of the Deed on and subject to the terms and conditions thereof (a copy of the Deed marked “A” and signed by the chairman of the EGM for identification purpose has been tabled at the EGM), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) conditional upon the Listing Committee of the Stock Exchange granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in the Subscription Shares prior to settlement of the Subscription Shares, the Directors be and are hereby granted a specific mandate to allot and issue the Subscription Shares in accordance with the terms of the Deed, 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 Deed 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 August 2025

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 of the Board*)
Mr. Wu Jianwei (*Co-Chairman of the Board*)
Mr. Li Man Keung Edwin (*Vice-Chairman of the Board*)
Mr. Yip Shiu Hong (*Chief Executive Officer*)
Mr. Ho Karl (*Chief Financial Officer*)
Mr. Pan Wenyan
Ms. Wu Yanyan

Non-executive Director:

Mr. Koh Herbin Puay Teck

Independent Non-Executive Directors:

Ms. Ip Ka Lai
Ms. So Sze Wan Lisa
Mr. Li Michael Hankin
Mr. Tam Ka Hei Raymond

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 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, not less than 48 hours before the time fixed for holding the EGM (i.e. not later than 3:00 p.m. on Saturday, 13 September 2025) 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 Wednesday, 10 September 2025 to Monday, 15 September 2025 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 Tuesday, 9 September 2025.
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.